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THE NATION

Conservatives Also Irked by IRS Probe of Churches

The agency's warning to All Saints is part of a wider look into political activity by nonprofits.

By Jason Felch and Patricia Ward Biederman

Times Staff Writers

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The IRS threat to revoke the tax-exempt status of All Saints Episcopal Church in Pasadena because of an antiwar sermon there during the 2004 presidential election is part of a larger, controversial federal investigation of political activity at churches and nonprofit groups.

Over the last year, the Internal Revenue Service has looked at more than 100 tax-exempt organizations across the country for allegations of promoting — either explicitly or implicitly — candidates on both ends of the political spectrum, according to the IRS. None have lost their nonprofit status, though investigations continue into about 60 of those.

The IRS denies any political motivation behind the initiative it started last year. The Treasury Department's inspector general found in February that there was some mismanagement of the investigations but no indication of them being used as a political cudgel to silence critics of the Bush administration.

However, the IRS action has triggered an unusual coalition of critics who say they are concerned about the effect on freedom of speech and religion.

When Ted Haggard, head of the 30-million-member National Assn. of Evangelicals, heard about the All Saints case Monday, he told his staff to contact the National Council of Churches, a more liberal group.

Haggard said he personally supports the war in Iraq and probably would not agree with much in the Rev. George Regas' 2004 sermon at All Saints, which was cited by the IRS as the basis for its investigation. But Haggard said he wants to work with the council of churches "in doing whatever it takes to get the IRS to stop" such actions.

"It is a violation of the Constitution for the IRS to threaten that church. It may not be a violation of IRS regulations, but IRS regulations have been wrong," said Haggard, who is pastor of the 12,000-member New Life Church in Colorado Springs.

Robert Edgar, general secretary of the National Council of Churches, cheered when he heard of Haggard's offer, which Edgar said represented a rare reaching out by the evangelical group to the

council.

Edgar, a United Methodist minister, former Democratic congressman from Pennsylvania and ex-president of the Claremont School of Theology, said the IRS move against All Saints appeared to be "a political witch hunt on George Regas and progressive ideology. It's got to stop." He stressed that Regas did not endorse a candidate in the sermon.

Edgar said he did not favor a bill repeatedly introduced by Rep. Walter Jones (R-N.C.) that would allow pastors to endorse candidates without putting their church's tax-exempt status at risk. Existing law is adequate, as long as enforcement does not vary for churches with different ideologies, Edgar said.

The tax code prohibits nonprofits from "participating or intervening in any political campaign on behalf of, or in opposition to, any candidate for public office." The ban includes endorsements, donations, fundraising or any other activity "that may be beneficial or detrimental to any particular candidate."

Advocating for ballot initiatives, as many California churches have done in advance of today's special election, is a separate issue, tax experts said. Churches and other tax-exempt organizations are allowed to engage in lobbying as long as "a substantial part of the organization's activities is not intended to influence legislation."

Savvy churches make sure they don't draw unwanted attention from the IRS, church officials and others said.

When elections near, the Roman Catholic Archdiocese of Los Angeles sometimes sends reminders to local parishes of its guidelines on political action. "We don't endorse or oppose candidates, but we can endorse ballot propositions when there is a moral or ethical issue involved," said archdiocese spokesman Tod Tamberg, who knew of no local Catholic churches under IRS scrutiny.

This weekend, during Mass at the Cathedral of Our Lady of the Angels, Archbishop Roger Mahony endorsed Proposition 73, the state ballot initiative requiring parental notification before an abortion can be performed on a minor.

The Rev. William Turner, senior pastor at New Revelations Missionary Baptist Church in Pasadena, said he has never been questioned by the IRS about political activity at his church, despite his reputation as a supporter of President Bush. "We tell our members to vote their conscience," Turner said. "I've been very careful to preach the Gospel, and I can't get into any problems with the IRS for preaching the Gospel."

The Rev. John Hunter, pastor of 18,000-member First African Methodist Episcopal Church in South Los Angeles, said his church follows the IRS rules. "Churches have to be very careful," he said.

First AME also taps the expertise of member Kerman Maddox, a public relations and political consultant. He tells candidates they can worship at First AME but cannot speak from the pulpit about their candidacy. Instead, he tells them "they can shake hands, pass out literature and campaign to their heart's delight" if they stay off church property. The church doesn't endorse ballot initiatives, he said, and it bans campaign literature at the church.

At All Saints, Rector J. Edwin Bacon on Sunday told the congregants that the guest sermon by

Regas, a former rector, on Oct. 31, 2004, had prompted the warning from the IRS. In the sermon, Regas did not instruct parishioners whom to support in the presidential election but said that Jesus would have told the president that his Iraq policies had failed.

The IRS' letter cited a Times article describing Regas' sermon as having triggered the agency's concerns. The church denies it violated tax rules and has retained a Washington law firm to help argue its position.

Using such news reports and tips from the public and interested groups, the IRS identified more than 100 nonprofits that had allegedly intervened politically in the 2004 presidential election. The agency reviewed the cases and selected more than 60 for fuller examination. About a third of those organizations were churches, officials said.

The IRS is barred by law from identifying those nonprofits, and the agency would not comment on the specifics of the All Saints case or others.

Steven Miller, the IRS commissioner of tax-exempt and governmental entities, said there is nothing political about how cases are chosen. Churches need to be more cautious about what they say during election seasons, and make it clear when they're not speaking for the church, Miller said. "If there's no election, there's no potential for intervention.

"The courts have said, yes, you have freedom of speech, but not the right to tax-exempt status," he added.

The best-known target of the IRS initiative is the NAACP. The IRS has cited a July 2004 speech in which the organization's chairman, Julian Bond, criticized the Bush administration's policies on civil rights as the cause for the audit. The NAACP is fighting the audit.

In 1976, Congress passed a law that required audits of churches to be done only if there was a "reasonable basis" to believe a violation had occurred, and made such audits subject to a special approval process from senior IRS officials.

Marcus Owens, the former head of tax-exempt organizations at the IRS and now a private attorney representing All Saints, said that the more recent IRS policy changes lowered the threshold for church audits, allowing front-line IRS agents to pursue probes with only cursory approval from above.

"This is exactly the sort of 1st Amendment briar patch the Congress wanted to keep the IRS out of," said Owens. The IRS disputed Owens' contention, saying audits still face a rigorous approval process by high-level agency officials.

On Monday, Regas did a half a dozen interviews with reporters from local and national newspapers, radio and television. And he was inundated with phone calls and e-mail messages, "all positive," he said.

When he was asked if he had any regrets about his 2004 sermon, he said: "No regrets. I only wish I had preached it with greater intensity."

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