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November 15, 2005

The Honorable John W. Snow
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Mark W. Everson
Commissioner of the Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Dear Secretary Snow and Commissioner Everson:

I am concerned about a troubling report in the Los Angeles Times regarding a June 9, 2005 letter from the IRS to All Saints Episcopal Church in Pasadena indicating that the church is at risk of losing its tax-exempt status based on a sermon delivered on October 31, 2004 by former rector Rev. George F. Regas. I do not believe that Rev. Regas relinquished his First Amendment rights when he became a clergyman, nor that the church should be at risk of losing its tax-exemption when its clergy or congregants comment on public matters.

Although I was not present at the sermon, it appears that the allegations of wrongdoing are based on a newspaper account and the facts of that press report do not appear to justify either the investigation or the chilling effect it is likely to occasion. While the federal tax code prohibits tax-exempt organizations, including churches, from intervening in political campaigns and elections, the actions by the IRS in this case appear to be wholly unwarranted. And I would raise this issue whether I agreed or disagreed with the sentiments expressed by Rev. Regas, or any other church or clergy.

While tax-exempt religious organizations are not permitted to specifically endorse a candidate in an upcoming election nor allow its offices to be used for campaign purposes, the faith community has every right to express itself in the political process and be heard. IRS Publication 1828, entitled "Tax Guide for Churches and Religious Organizations," specifically states that the political campaign activity prohibition does not prohibit church leaders from speaking about important issues of public policy. In fact, each "example" of impermissible activity in the publication includes a specific political endorsement of or statement in opposition to a candidate -- pivotal facts which appear to be lacking in this case.

I am also troubled by reports that the IRS offered to not proceed to the exam stage and revoke tax-exempt status if the church admitted wrongdoing. Unless the IRS possesses information separate and apart from the published account of the sermon in question, I do not see the basis for an admission of wrongdoing, and I request that you provide me with information regarding

the specific content that you allege to be improper and an accounting of the specific IRC sections implicated.

In light of these troubling reports, I also ask that you provide information regarding the following:

- Details regarding any IRS inquiries of tax-exempt organizations alleging political campaign activity that have been initiated in the last five years;
- The number of inquiries related to alleged criticism of the current Administration's policies and the number related to alleged promotion of those policies;
- The number of inquiries initiated based on newspaper accounts of the alleged improper activity; and
- The number of tax-exempt organizations that have admitted wrongdoing in order to settle the matter with the IRS.

As you can well appreciate, the actions of the IRS in this matter will have a potentially chilling impact on protected First Amendment rights. Your responsiveness to this letter will be critical in determining whether a formal congressional inquiry is warranted. I look forward to your prompt response.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam B. Schiff', written in a cursive style.

ADAM B. SCHIFF
Member of Congress