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CHURCHES SHOULDN'T AUTOMATICALLY GET TAX EXEMPTIONS

BY ROBERT REPINO



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Every once in a while, a new scandal in the United States shines a spotlight on the tax-exempt status that religious organizations enjoy in this country. In 2019, a whistleblower **alerted the IRS** that the Church of Jesus Christ of Latter-day Saints had secret offshore bank accounts that were originally intended for charitable purposes. The Church of Scientology's revenue and investment activities have even former President Donald Trump **questioned the legitimacy** of its tax-exempt status. There are numerous religious institutions **abusing COVID-19 relief funds** that arguably should have never been available to them in the first place. Recent Church scandals — from the **settlements** paid out to victims of child abuse to a pair of nuns **embezzling \$8**

immediately.

I admit that if you catch me on a bad day, I might join the chorus demanding that the government take aggressive action. As a Catholic, I often contemplate how the law may have helped the Catholic Church **hide its crimes** against children. On some common ground, my position simply is that religious institutions should have to earn the exemptions in the same way that nonprofits do. This means that they would have to show how much money they bring in and how they spend it.

No matter how diplomatically I phrase that proposal, the same objection arises every time: Sure, pastors like to get a little cash, but what about those smaller institutions serving less privileged communities? Wouldn't they be harmed by new rules?

Unfortunately, the short answer to that question is probably "yes." Any change in the law would probably have a negative effect on less wealthy institutions because that's the way our society is rigged. After all, in a 2019 report published by the IRS, it **admitted** that it often audited poor people because it's easier than going after the rich. I'm not thrilled at the idea of investigating a smaller religious institution in a historically disadvantaged community while Osteen's lawyer gets away with it.

That said, I can't help but notice two premature and contradictory assumptions at work here. The first assumption is the **multiple defenses of** the current law, is that, if the exemption were lifted, small institutions would end up on a level playing field. It would be such a huge burden for them to demonstrate that they are legitimate nonprofits. Of course, defenders of the exemption say, "Okay, give us a chance to be transparent, and we'll show you that we collect our revenue fairly, and we spend it wisely." That very often. Instead, supporters of the exemption immediately skip any pretense that religious organizations should spend their money on their mission. At the very least, it should raise our eyebrows when an institution knows how much money it spends but their revenue and expenses are too complicated to report, especially when secular nonprofits serving those same communities somehow managed this feat.

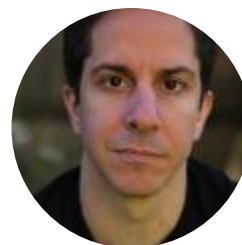
The second assumption is that smaller organizations are somehow "better" than Osteen's — that they're serving the poor, that they're doing more charity work, and they're less abusive and less manipulative. I'm not prepared to assume that. It's a very question that only transparency can answer. The complex issue of how much good religious institutions do is a hotly debated. So too is the simpler question of how much money goes into these organizations and what exactly covers the costs.

Imagine, for example, a network of churches that spends a million dollars a year on charitable activities. Proposing a transparency requirement is a point to that as evidence that the tax code is working. "Look at all that money!" they would say. "That's more than we can spend on charity." But that million-dollar figure is worthless unless we know how much money the church collected. If they took 2 percent of their revenue on charity work — a mere 2 percent of their revenue — looks less like a mission and more like a front.

This hypothetical is more common than most people realize. Legal scholar Chad J. Pomeroy notes in a 2019 *Journal of Law, Economics, & Organization* *Review* that megachurches on average spend less than a quarter of their income on missions and programs, while the Southern Baptist Church and the LDS Church — spending less than three percent. In a 2013 **article** from *Cardozo Law Review*, Pomeroy argues that the law incentivizes the concentration of wealth with no accountability, both in large institutions and in smaller ones. Many dispute those findings, which is exactly why transparency is so badly needed.

Even some conservative Republicans have acknowledged this open secret. Back in 2007, Sen. Chuck Grassley

institution — religious or not — to hoard money with no oversight should be considered a structural injustice. Overreliance on religious institutions as charities discourages a more comprehensive system of direct aid and **entities**. (You know, the kind of social safety net that other stable democracies take for granted.) If an organization is not doing justice, yet continues to support this tax system, we must at least ask a few follow-up questions. The public discussion might get ugly. We can either leave it to the angriest voices in the room, or we can work out a fair solution.



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Robert Repino is an editor of religious studies and history for Oxford University Press, and his essays have appeared in *The Revealer*, *Flux*, *Tor.com*, and the *OUPBlog*. He is also the author of several works of fiction, including *Mort* ([League of Ursus](#) (Quirk Books)).

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People pass an offering plate during a church service. Photo credit: Bob Daemmrich via Reuters.

A TAX CODE THAT ALLOWS ANY INSTITUTION — RELIGIOUS OR NOT — WITH NO OVERSIGHT SHOULD BE CONSIDERED A STRUCTURAL INJUSTICE

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