

UTAH FAITH FEATURED

# Church responds to allegations made by former employee in IRS complaint

By Tad Walch | @Tad\_Walch | Dec 17, 2019, 12:43pm MST



The Church of Jesus Christ of Latter-day Saints Office Building is pictured in Salt Lake City on July 18, 2008. | Tom Smart, Deseret News

SALT LAKE CITY — David A. Nielsen, a former employee for the investment arm of The Church of Jesus Christ of Latter-day Saints, filed an IRS complaint last month alleging the church should be forced to pay taxes on returns made from invested tithing funds and challenging the faith's investment strategy, humanitarian efforts and tax-exemption status.

Meanwhile, Nielsen's twin brother has posted videos on YouTube with a link to documents he said Nielsen took from his former employer to back his claims. Lars Nielsen also spoke to The Washington Post, which was first to publish a story on the IRS complaint Monday evening.

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The church responded in a statement released Tuesday morning:

“We take seriously the responsibility to care for the tithes and donations received from members. The vast majority of these funds are used immediately to meet the needs of the growing church including more meetinghouses, temples, education, humanitarian work and missionary efforts throughout the world. Over many years, a portion is methodically safeguarded through wise financial management and the building of a prudent reserve for the future. This is a sound doctrinal and financial principle taught by the Savior in the Parable of the Talents and lived by the church and its members. All church funds exist for no other reason than to support the church’s divinely appointed mission.

“Claims being currently circulated are based on a narrow perspective and limited information. The church complies with all applicable law governing our donations, investments, taxes and reserves. We continue to welcome the opportunity to work with officials to address questions they may have.”

David Nielsen, 41, resigned from church employment in August because, according to the Post, his wife and children had left church membership. Nielsen alleges in the complaint that Ensign Peak Advisors, the church’s investment arm, has holdings worth between \$99 billion and \$101 billion. He claims Ensign Peak is not meeting IRS regulations for using a percentage of its funds annually for religious, educational or charitable purposes.

Nielsen is seeking a whistleblower’s reward of a percentage of any back taxes the IRS recovers, according to the Post.

The church offered no specific comment about the complaint or Nielsen prior to the Post’s story. Instead it directed the Post and other media to past comments by church leaders about church finances. Leaders previously have said the faith provides \$40 million a year to address famines, respond to natural disasters, aid refugees, give

medical care and training and more through its humanitarian arm, Latter-day Saint Charities.

Latter-day Saint Charities reported in February that the figure is even larger. Its 2018 annual report says the charity has provided more than \$2.2 billion, or an average of \$64.7 million a year, in 197 countries since its creation in 1985.

“Latter-day Saint Charities has provided more than \$2 billion in aid to assist those in need throughout the world,” President Russell M. Nelson said two months ago at the church’s semiannual general conference. “This assistance is offered to recipients regardless of their church affiliation, nationality, race, sexual orientation, gender or political persuasion.”

The church also operates other charitable concerns. For example, local bishops and branch presidents — leaders of the faith’s 30,500 individual congregations around the world — help members with food, housing and other welfare needs on a daily basis.

Nonprofit groups, including religious organizations, are exempted from paying taxes on income in the United States. Ensign Peak Advisors is an integrated auxiliary and supporting organization of the church and is tax exempt.

David Nielsen did not speak to The Washington Post and has not commented publicly. In his letter, he asked the IRS to remove Ensign Peak’s tax-exempt status and compel it to pay billions in back taxes.

His twin, Lars, a Minnesota-based health care consultant, posted videos this week in which he accused church leaders of making fraudulent statements, derided BYU — his alma mater — for penny-pinching and mocked the religious reasons cited by Ensign Peak and church leaders for having a large reserve fund.

The Niensens claimed that Ensign Peak made two payments from the fund that violate federal tax rules.

They claimed that in 2009 Ensign Peak bailed out Beneficial Financial Group, a life insurance company owned by the church’s for-profit arm, Deseret Management Corp., which also owns the Deseret News. They alleged that Ensign Peak delivered \$600 million to Beneficial in 2009.

Beneficial made full disclosure to the Utah Department of Insurance that Deseret Management Corp., its owner, provided \$594 million to Beneficial during the 2008 financial crisis to strengthen its balance sheet. Those public filings are on file with the Utah Department of Insurance and the payment was reported in two articles published by the Deseret News at the time.

Since 2009, Beneficial has paid dividends of almost a half billion dollars back to Deseret Management Corp., according to public filings at the Utah Department of Insurance.

The second payment challenged by the Nielsens was made as part of the church's City Creek development in Utah's capital city. The Nielsens alleged that Ensign Peak Advisors improperly sent \$1.4 billion from 2010 to 2014 to the church entity funding City Creek, Property Reserve Inc. The church did invest in the housing and parking elements of City Creek. Taubman Centers, Inc., a nationally recognized shopping center developer, owns and operates the shopping center.

The Nielsens also argued the church should exempt church members from paying tithing or give them a rebate because the church allegedly could cover its operations with the investment income of its reserves.

While tithing is a source of income for the church, it is regarded within the faith as much more than a financial principle. Tithing is a biblical principle practiced in many faiths with components far beyond church operations. Abraham and Jacob paid 10% of their increase to God, and Jesus Christ also taught the principle. Muslims and Christians including Latter-day Saints believe tithing is inherently important because it sanctifies the individual.

The church teaches its members to be self-reliant and build a personal or familial reserve. Its leaders say the church follows the same principles.

Presiding Bishop Gérald Caussé referred to those principles last year in a public talk and published later in a book: "The church applies this same principle in its own savings and investments. In addition to food and emergency supplies, the church also sets aside funds each year for future needs. These funds are added to church reserves, which include stocks and bonds, taxable businesses, agricultural interests and commercial and residential property. Investments can be accessed in times of hardship or to meet the

emerging needs of a growing, global faith in its mission to preach the gospel to all nations and prepare for the Second Coming of Jesus Christ.”

In 2018 the church published [this Q&A](#) on church finances.