





**IRS**

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Department of the Treasury  
**Internal Revenue Service**

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“Known as ‘The Teflon Don’ for his ability to escape prosecution for numerous alleged crimes, John Gotti finally met his match when he was convicted and sent to prison in 1992. As with noted gangster Al Capone, Gotti was nabbed for tax fraud after he failed to file tax returns from 1984 through 1989.

However, unlike Capone, Gotti was also convicted on numerous other criminal counts, including murder, conspiracy, racketeering and obstruction of justice. The net result was a life sentence without the possibility of parole.”


<https://turbotax.intuit.com/tax-tips/fun-facts/infamous-tax-crimes/L6xR31HzN>






# Scientology Church Fails in Effort to Regain Tax-Exempt Status

By Philip Smith and Nancy Lewis  
September 26, 1984 at 8:00 p.m. EDT

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The U.S. Tax Court has upheld the removal of tax-exempt status from the Church of Scientology of California -- saying that the church "made a business out of selling religion" -- and ordered it to pay \$1.4 million in back taxes for the years 1970 through 1972.

The sovereign citizen movement evolved from ideas originally pioneered by two older anti-government movements, the tax protest movement and the Posse Comitatus movement.

The tax protest movement began in the late 1960s and still exists today; its followers use pseudo-legal and frivolous arguments to falsely claim that most Americans do not actually have to pay federal income taxes.

The Posse Comitatus movement emerged in the early 1970s as a collection of locally-based groups who claimed that the county sheriff was the ultimate authority in a county and that it was the sheriff's job to prevent the imposition of "unlawful" federal or state laws or regulations.

**CITIZENS FOR AN ALTERNATIVE TAX SYSTEM** (CATS) WAS FOUNDED IN 1990 BY SCIENTOLOGIST AND ATTORNEY STEPHEN HAYES



# STEPHEN HAYES IS THE CHAIRMAN & PRESIDENT OF AMERICANS FOR FAIR TAXATION



CATS WAS A SCIENTOLOGY FRONT GROUP DESIGNED TO EXERT  
NEGATIVE PUBLIC PRESSURE ON THE IRS

CATS WAS CREATED TO CALL FOR THE IRS TO BE ABOLISHED  
AND REPLACED WITH A NATIONAL FLAT TAX

CATS WAS ENDED IN 2005

United States v. Zolin, 491 U.S. 554 (1989)

Argued: March 20, 1989

Decided: June 21, 1989

**U.S. Supreme Court**

United States v. Zolin, 491 U.S. 554 (1989)

United States v. Zolin

No. 88-40

**Argued March 20, 1989**

**Decided June 21, 1989**

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE NINTH CIRCUIT

Syllabus

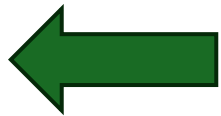
The Internal Revenue Service (IRS), as part of its investigation of the tax returns of L. Ron Hubbard, founder of the Church of Scientology (the Church), filed in the Federal District Court a petition to enforce a summons it had served upon the Clerk of the Los Angeles County Superior Court demanding that he produce documents, including two tapes, in his possession in conjunction with a pending suit.

The Church and Mary Sue Hubbard, intervenors in the state court action and respondents here, intervened to oppose production of the materials. They claimed, inter alia, that the IRS was not seeking the materials in good faith, and that the attorney-client privilege barred the tapes' disclosure.

The IRS argued, among other things, that the tapes fell within the exception to the attorney-client privilege for communications in furtherance of future illegal conduct -- **the so-called "crime-fraud" exception** -- and urged the District Court to listen to the tapes in making its privilege determination.

In addition, the IRS submitted a declaration by a special agent which had included partial tape transcripts the IRS lawfully had obtained. The court rejected respondents' bad-faith claim and ordered production of five of the requested documents, but it conditioned its enforcement order by placing restrictions upon IRS dissemination of the documents.

Scientologists Sue 17 IRS Officials : Church: The lawsuit accuses them of waging a 33-year campaign against the organization and a large number of its members. It seeks \$120 million.



By HENRY WEINSTEIN

Aug. 13, 1991 12 AM PT

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WHEREAS, in October of 1991, the key officials of the Church, David Miscavige and Mark Rathbun, approached the Service seeking to negotiate the resolution of the above-described matters, and met with the then Commissioner;

Church of Spiritual Technology, Plaintiff-appellant, v. the United States, Defendant-appellee,  
991 F.2d 812 (Fed. Cir. 1993)

US Court of Appeals for the Federal Circuit - 991 F.2d 812 (Fed. Cir. 1993)  
March 29, 1993. Rehearing Denied April 26, 1993

The Church of Spiritual Technology appeals the judgment of the United States Court of Federal Claims, 26 Cl.Ct. 713 (1992), sustaining the decision of the Commissioner of Internal Revenue that it was not entitled to tax-exempt status under I.R.C. § 501(c) (3) (1982).

On the basis of the reasoning set out in the opinion of the Court of Federal Claims, we conclude that the Church of Spiritual Technology did not carry its burden of proving that it is both organized and operated exclusively for tax-exempt purposes, Treas.Reg. § 1.501(c) (3)-1(d) (1) (i) (a), and that it therefore did not establish its eligibility under I.R.C. § 501(c) (3). We affirm.

Second, under [section II](#) of the Agreement, the Church and the Service will withdraw from virtually all existing controversy, including ongoing examinations of Church entities, ongoing litigation by the Service to enforce summonses for Church records, and all litigation by the Church against the Service and its current or former personnel. In addition, because the parties intend that the relationship between them begin anew, and in light of the other provisions contained in this Agreement, including the payment with respect to potential past tax liability, the Service and the Church agree under this section II of the Agreement that the Service will not examine the Church for any year ending prior to January 1, 1993. Similarly, no Scientology-related entity may initiate or support any legal action against the Service or any Service employee for any claim arising prior to the date of this Agreement.

Third, it is the view of the Service that certain Church entities are entitled to recognition of tax-exempt status as entities described in section [501\(c\) \(3\) of the Internal Revenue Code](#). Thus, [section III](#) of the Agreement contains a list of entities that will be recognized as tax exempt entities, including certain entities that will receive group exemption letters covering their subordinate organizations.