Henson v. Commissioner, 66 T. C. 835 (1976)

Religious objections to insurance do not exempt individuals from self-employment tax unless their sect meets specific statutory criteria for dependent care.

Summary

In Henson v. Commissioner, the Tax Court ruled that Julia Henson, a Sai Baba devotee opposed to insurance on religious grounds, was not exempt from self-employment tax under IRC Section 1402(h). Henson argued that the statute's criteria, requiring sects to make reasonable provisions for dependent members, were unconstitutional. The court upheld the statute, finding that the exemption criteria were rationally related to the government's interest in ensuring dependent care and did not violate constitutional rights. This decision underscores the narrow scope of religious exemptions from social security taxes and the deference courts give to statutory criteria set by Congress.

Facts

Julia C. Henson, a self-employed bookkeeper, became a devotee of Sai Baba in December 1972. Sai Baba's teachings oppose reliance on public or private insurance, including life, retirement, and medical insurance. Henson applied for an exemption from self-employment tax under IRC Section 1402(h), citing her religious beliefs. The exemption was denied because the Sai Baba Society did not make reasonable provisions for its dependent members, a requirement under the statute. Henson challenged the constitutionality of the exemption criteria.

Procedural History

Henson filed for exemption from self-employment tax, which was denied by the IRS. She then filed a petition with the U. S. Tax Court. The court consolidated two cases involving Henson for trial, briefing, and opinion. The Tax Court upheld the IRS's denial of the exemption and found the statute constitutional.

Issue(s)

1. Whether the exemption criteria under IRC Section 1402(h) unconstitutionally discriminate against Henson by requiring sects to make reasonable provisions for dependent members?
2. Whether the exemption criteria violate the establishment clause of the First Amendment by favoring certain religious sects?
3. Whether the exemption criteria violate the free exercise clause of the First Amendment by denying Henson the right not to participate in the Social Security insurance program?

Holding

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1. No, because the criteria are rationally related to the government's interest in ensuring dependent care and do not arbitrarily deprive Henson of due process.
2. No, because the criteria do not advance any particular religion but serve a secular purpose.
3. No, because the criteria do not interfere with Henson's free exercise of religion and are consistent with Congress's authority to provide for public welfare.

Court's Reasoning

The court applied the rational basis test to assess the constitutionality of IRC Section 1402(h), finding that the requirement for sects to make reasonable provisions for dependent members was rationally related to the government's interest in ensuring dependent care. The court cited previous decisions, such as William E. Palmer, where similar challenges were rejected. The court also distinguished between the exemptions under Section 1402(e) for ministers and Section 1402(h), noting that different criteria were justified by the different purposes of the exemptions. The court emphasized that Congress has broad authority to establish tax classifications and that the criteria under Section 1402(h) were not arbitrary or violative of due process. The court concluded that the criteria did not violate the establishment or free exercise clauses of the First Amendment, as they served a secular purpose and did not favor any particular religion.

Practical Implications

This decision clarifies that religious objections to insurance do not automatically qualify individuals for an exemption from self-employment tax. Practitioners should advise clients that to qualify for an exemption under IRC Section 1402(h), their religious sect must meet the statutory criteria, including making reasonable provisions for dependent members. The decision also reinforces the deference courts give to statutory criteria set by Congress, particularly in the context of tax exemptions. Subsequent cases, such as Alan Lerner and Ronald E. Randolph, have followed this precedent, affirming the constitutionality of Section 1402(h). This ruling impacts how attorneys should analyze similar cases, focusing on whether the client's religious sect meets the statutory requirements for exemption rather than challenging the constitutionality of the criteria.

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