

## ***Habersham-Bey v. Commissioner, 78 T. C. 304 (1982)***

Religious beliefs or moral objections do not exempt taxpayers from federal income tax obligations.

### **Summary**

Florence Habersham-Bey, a member of the Moorish Science Temple, claimed she was exempt from federal income tax as a “Moorish American.” She filed a false W-4 form to stop withholding and did not file tax returns for 1975-1977. The Tax Court rejected her claim of exemption, holding that religious beliefs do not negate tax liability. The court found her actions constituted fraud and upheld the tax deficiencies, fraud penalties, and estimated tax penalties, but allowed her to claim head-of-household status and dependency exemptions despite not filing returns.

### **Facts**

Florence Habersham-Bey, employed as a hospital worker, believed her status as a “Moorish American” and membership in the Moorish Science Temple exempted her from federal income tax. In 1975, she submitted a false W-4 form to her employer, claiming 13 exemptions instead of her actual entitlement of 3, to stop withholding. She did not file federal income tax returns for 1975, 1976, and 1977. During these years, she lived separately from her husband and provided over half the support for her two sons. The Commissioner of Internal Revenue determined deficiencies and imposed fraud and estimated tax penalties.

### **Procedural History**

The Commissioner issued a notice of deficiency to Habersham-Bey for the tax years 1975-1977, asserting deficiencies and fraud penalties. Habersham-Bey petitioned the U. S. Tax Court for redetermination. The court upheld the deficiencies and fraud penalties but allowed certain deductions and credits despite her failure to file returns.

### **Issue(s)**

1. Whether Habersham-Bey’s status as a “Moorish American” exempts her from federal income tax.
2. Whether Habersham-Bey’s underpayment of taxes was due to fraud.
3. Whether Habersham-Bey is entitled to personal exemptions, dependency credits, head-of-household status, and standard deductions despite not filing returns.
4. Whether Habersham-Bey is liable for estimated tax penalties under IRC § 6654.

### **Holding**

1. No, because religious beliefs or moral objections do not exempt taxpayers from federal income tax obligations.

2. Yes, because clear and convincing evidence showed Habersham-Bey's actions were fraudulent.
3. Yes, because despite her failure to file returns, she met the statutory requirements for these benefits.
4. Yes, because Habersham-Bey failed to meet her burden of proving error in the Commissioner's determination of estimated tax penalties.

### **Court's Reasoning**

The court rejected Habersham-Bey's claim of tax exemption, citing established precedent that religious beliefs do not negate tax liability. It found her actions constituted fraud based on her deliberate submission of a false W-4 form and failure to file returns, which were intended to evade taxes. The court applied IRC § 6653(b) for fraud penalties, noting that clear and convincing evidence supported the fraud finding. Despite her non-filing, the court allowed personal exemptions and dependency credits under IRC § 151 and head-of-household status under IRC §§ 2(b) and 143(b), as she met the statutory requirements. The court upheld the estimated tax penalties under IRC § 6654 due to her failure to file estimated tax returns.

### **Practical Implications**

This case reinforces that religious beliefs cannot be used to claim exemption from federal income tax. Taxpayers must comply with tax obligations regardless of personal beliefs. The decision also highlights that fraudulent actions to avoid tax withholding and non-filing can lead to severe penalties. Practitioners should advise clients that even if they fail to file returns, they may still be entitled to certain deductions and credits if they meet statutory requirements. This case has been cited in subsequent tax evasion cases to support the imposition of fraud penalties and to clarify the application of head-of-household status rules.