Triune of Life Church, Inc. v. Commissioner, 85 T. C. 45 (1985)

A religious organization must be operated exclusively for exempt purposes and ensure no part of its net earnings inures to the benefit of any private individual to qualify for tax-exempt status under IRC section 501(c)(3).

Summary

Triune of Life Church sought tax-exempt status as a religious organization but was denied by the IRS. The church, founded by a chiropractor, primarily trained and practiced spinology, a sacrament resembling chiropractic care, for which it charged fees. The Tax Court upheld the IRS's decision, ruling that the church failed to prove it operated exclusively for exempt purposes and that no part of its net earnings benefited private individuals. The court found the church's activities suggested a substantial nonexempt purpose of operating a commercial business, and the financial arrangements indicated private inurement.

Facts

Triune of Life Church was incorporated in Pennsylvania in 1979 by Dr. Reginald Gold, a chiropractor and former chiropractic educator. The church's doctrine, inspired by Gold's book, centered on the Triune of Life and the sacrament of spinology, which involved spinal manipulation to restore spiritual and physical harmony. The church operated the Philadelphia Spinal Tutorium, training spinologists for a $3,000 tuition fee. Congregants paid dues for spinology services, and spinologists were required to tithe to the church. The church's first-year financial statement showed income from tuition and sales, with expenses including advertising, salaries, and recruitment.

Procedural History

The IRS denied Triune of Life Church's application for tax-exempt status under IRC section 501(c)(3), citing that the church was not operated exclusively for religious purposes, served private interests, and its net earnings benefited private individuals. The church sought a declaratory judgment from the U. S. Tax Court, which upheld the IRS's determination.

Issue(s)

1. Whether Triune of Life Church is operated exclusively for exempt purposes under IRC section 501(c)(3)?
2. Whether any part of the church's net earnings inures to the benefit of any private individual?

Holding

1. No, because the church's activities suggest a substantial nonexempt purpose of

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operating a commercial business akin to chiropractic practice.
2. No, because the church failed to prove that no part of its net earnings benefits private individuals, given the lack of clarity on how funds are used and the accrual of salaries.

Court's Reasoning

The court applied the operational test under IRC section 501(c)(3), requiring that an organization be operated exclusively for exempt purposes. It found that Triune of Life Church's primary activities were more akin to a commercial chiropractic business than a religious organization, as evidenced by the training of spinologists for a fee and the payment of dues for spinology services. The court noted that the church's founder, a chiropractor, and the similarity of spinology to chiropractic, supported this conclusion. Regarding private inurement, the court was concerned with the lack of clarity on how the church's funds were used, including salaries and the accrual of compensation for the founder, indicating potential private benefit. The court emphasized that the burden of proof was on the church to overcome the IRS's grounds for denial, which it failed to do.

Practical Implications

This decision underscores the importance of ensuring that religious organizations' activities align closely with exempt purposes and that financial arrangements do not benefit private individuals. Legal practitioners advising religious organizations must carefully structure activities and financial arrangements to avoid disqualification from tax-exempt status. The ruling may impact how similar organizations structure their training programs and fee structures to maintain exempt status. Subsequent cases involving religious organizations with commercial-like activities may reference this case to assess compliance with IRC section 501(c)(3).

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