

# IRS warning raises church leaders' ire: All Saints Episcopal's tax-exempt status at risk

by [John Dart](#) in the [November 29, 2005](#) issue

A large, progressive Episcopal church in southern California, warned by the Internal Revenue Service that its tax-exempt status may be at risk over a preelection antiwar sermon delivered last year, says it intends to fight what it calls “unsupported” assertions by the federal agency.

The IRS, citing a newspaper account of a guest sermon at All Saints Episcopal Church in Pasadena on October 31, 2004, said that the sermon by retired ex-rector George Regas may have violated IRS rules against endorsing political candidates.

Countered J. Edwin Bacon, the church’s current pastor: “We’ve broken no rules.” Bacon said the sermon only implicitly supported challenger John Kerry over incumbent George W. Bush and that Regas explicitly said at the outset, “I don’t intend to tell you how to vote.” The Internal Revenue Service’s pursuit of the matter infringes “on religious freedom and freedom of speech, and threatens core values which the congregation holds dear,” Bacon said.

A loud Amen was heard from Colorado Springs, where leaders of the conservative National Association of Evangelicals said they also found no explicit endorsement of one candidate in Regas’s sermon. “This pastor did not in any way violate the law,” Kyle Fisk, NAE executive administrator, told the Century.

Further, NAE president Ted Haggard contacted the generally liberal National Council of Churches on November 7 to encourage its efforts “in doing whatever it takes to get the IRS to stop” such actions—in spite of Haggard’s disagreement with Regas’s clear antiwar stance.

“Our purpose here is not to join in any sort of alliance,” said Fisk. In 2001, then-president Kevin Mannoia quit his NAE post partly because of opposition to his

controversial proposal that NCC denominations be allowed to affiliate jointly with the NAE. But in the present case of common interests, the two umbrella organizations can be more effective “if we know what each other is doing,” Fisk said.

Bob Edgar, NCC general secretary and a onetime Democratic congressman, said he was encouraged by the NAE appeal for coordination. Edgar also told the *Los Angeles Times* that the IRS warning appeared to be part of “a political witch hunt on George Regas and progressive ideology.”

The tax attorney for the 3,500-member All Saints Church disagrees. “I doubt it’s politically motivated,” said Marcus Owens, who works for a Washington, D.C., law firm and was once director of the IRS Exempt Organizations Division. “I think it is more a case of senior management at IRS not paying attention to what the rules are,” he told the *Times*.

Owens said recent policy changes at the IRS lowered the threshold for church audits, permitting local IRS agents to initiate and pursue investigations with cursory approval from Washington—a claim disputed by an IRS official who otherwise declined to discuss All Saints. The IRS had identified at least 100 nonprofits that had “intervened” politically in the 2004 presidential election. After review, the IRS selected more than 60, about one-third of them churches, for further examination.

All Saints Church received a letter from the IRS on June 9 that said “a reasonable belief exists that you may not be tax-exempt as a church.” Bacon, who succeeded Regas as rector ten years ago, said he informed the congregation of the dispute November 6 because the IRS appeared to be close to a decision on the matter.

Bacon said the federal agency recently had offered a settlement: if the church admitted to the violation, its audit team would not proceed and the tax-exempt status would not be revoked. The church declined the offer.

November 6 was two days before a statewide election that included an antiabortion, parent-notification ballot issue; many clergy, including Los Angeles Cardinal Roger Mahony, expressed support for that measure. But a church or pastor taking a stance on moral-political issues is not regarded as a violation of tax-exempt status.

During his 28 years in the All Saints pulpit, Regas, now 75, openly opposed the Vietnam War and the 1991 Gulf War. His sermon title the Sunday before the 2004 election was “If Jesus Debated Senator Kerry and President Bush.”

At one point in his sermon, Regas imagined what Jesus would have said to Bush: “Mr. President, your doctrine of a preemptive war is a failed doctrine. Forcibly changing the regime of an enemy that posed no imminent threat has led to disaster.”

In an op-ed article November 9 in the *Los Angeles Times*, Regas wrote that he took great care in his sermon “to say that I did not want to tell people how to vote, but that I was challenging them to go into the voting booth on Tuesday taking with them all they knew about Jesus, the peacemaker.”

As for the congregation’s prospects, Regas averred: “An IRS audit will not diminish the prophetic ministry of All Saints Church.”

Some conservative Protestant churches have supported a bill in Congress repeatedly introduced by Representative Walter Jones (R., N.C.) that would dramatically change IRS rules to permit endorsements of political candidates.

“Knowing the religious right’s passion for advancing H.R. 235,” said C. Welton Gaddy, president of the Washington-based Interfaith Alliance, his organization is looking into why the IRS chose to warn a progressive church at this time and whether some strategists hope to turn the question around in favor of removing all IRS restrictions on political speech by tax- exempt religious organizations.

The Interfaith Alliance, said Gaddy, a Baptist minister, is committed to the value of IRS guidelines and found no violation of them in the All Saints sermon. “Dr. Regas was exercising the responsibility of all religious leaders to evaluate moral issues from the perspective of their respective religious traditions,” Gaddy said.