

# Religion

## Should a Church Be in The Girdle Business?

The Real Form Girdle Company of Brooklyn is owned by the Cathedral of Tomorrow, a 2,200-member Protestant church in Akron, Ohio. In New Orleans, the local CBS television outlet is owned by the Jesuit-run Loyola University.

In both cases profits are exempt from the normal 52 per cent Federal corporate income tax that their competitors pay because the companies happen to be owned by religious organizations.

With pressure building for a major overhaul of the nation's tax policies, such special treatment for churches is coming under increasing fire. Last week Mortimer M. Caplin, the former Commissioner of Internal Revenue, attacked the practice as a "plain inequity" in testimony before the House Ways and Means Committee.

"A number of churches have entered into active and aggressive commercial endeavors," he stated. "One, for example has become a wholesale distributor of popular phonograph records. Another has acquired at least seven sportswear and clothing manufacturing businesses."

### Churches Exempted

At issue is a 1950 revision of the Federal tax laws that requires secular non-profit organizations to pay corporate profit taxes on their "unrelated business income," but specifically exempts churches from this obligation.

The law, which was spurred by New York University's ownership of the Mueller Macaroni Company, owes its present form largely to the reluctance of Congress to give the impression of attacking religion. Last year there was a bill in Congress to tax church income accruing from outside business activity financed by borrowed funds. The bill died in committee.

Ironically, such fears apparently contradict the body of public opinion both inside the churches and out.

Several major Protestant denominations, including the United Presbyterians, United Methodists and American Lutherans,

have officially opposed the exemption. Roman Catholic officials have rarely raised the issue, but several Catholic publications, including the Jesuit weekly *America*, have editorialized against treating churches differently from other non-profit groups.

A recent survey by the Columbia Broadcasting System found that taxation of unrelated business income of churches was favored by 84 per cent of the general public, 93 per cent of clergymen—and 96 per cent of Congressmen!

The basic argument against the exemption is its inherent "unfairness" in allowing some businesses to plow all of their profits back into their operations while others must give a large proportion to the government.

### Unconstitutional

A minority also maintains that the exemption is not so much unfair as unconstitutional. In January, Protestants and Other Americans United for Separation of Church and State filed suit in Federal District Court here against an exemption granted the Stratford Retreat House, an organization that has been given the legal status of a church in New York State, and which owns a number of businesses that allegedly have a sales volume of \$15-million to \$20-million a year. The suit charged that the exemption amounted to government support of a particular religion.

The most imaginative use of the present law is the situation in which churches purchase businesses at the market value or even higher and then pay for it out of the tax savings.

A spokesman for the Cathedral of Tomorrow, for instance, said last week that his church has not put any of its own money into its businesses. Rather, it is using the untaxed profits—which have been as high as \$188,000 a year—to pay for the firms over a 12 to 15-year period while the former owners stay on the payroll to run the company.

Although it is difficult to find churchmen who will defend the present tax law, some are afraid

that the act of closing the unrelated business income loophole could lead to re-examination of other exemptions that the churches share with other non-profit organizations.

At this point there is virtually unanimous agreement that churches should be exempt from property taxes on buildings used for religious purposes and from income tax on contributions. The arguments are that nonprofit groups provide a useful social function and that, in cases of churches, taxation of their essential operations would constitute a violation of the principle of separation of church and state. —EDWARD B. FISKE