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Published on Monday, November 7, 2005 by the Los Angeles Times
<<http://www.latimes.com/>>

Antiwar Sermon Brings IRS Warning
All Saints Episcopal Church in Pasadena risks losing its tax-exempt status because of a former rector's remarks in 2004.

by Patricia Ward Biederman and Jason Felch

The Internal Revenue Service has warned one of Southern California's largest and most liberal churches that it is at risk of losing its tax-exempt status because of an antiwar sermon two days before the 2004 presidential election.

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ACTIVISM: Rector J. Edwin Bacon encourages congregants at All Saints Episcopal Church in Pasadena to sign petitions and vote. Bacon says the church is careful never to endorse candidates. (Richard Hartog / LAT)

Rector J. Edwin Bacon of All Saints Episcopal Church in Pasadena told many congregants during morning services Sunday that a guest sermon by the church's former rector, the Rev. George F. Regas, on Oct. 31, 2004, had prompted a letter from the IRS.

In his sermon, Regas, who from the pulpit opposed both the Vietnam War and 1991's Gulf War, imagined Jesus participating in a political debate with then-candidates George W. Bush and John Kerry. Regas said that "good people of profound faith" could vote for either man, and did not tell parishioners whom to support.

But he criticized the war in Iraq, saying that Jesus would have told Bush, "Mr. President, your doctrine of preemptive war is a failed doctrine. Forcibly changing the regime of an enemy that posed no imminent threat has led to disaster."

On June 9, the church received a letter from the IRS stating that "a reasonable belief exists that you may not be tax-exempt as a church." The federal tax code prohibits tax-exempt organizations, including churches, from intervening in political campaigns and elections.

The letter went on to say that "our concerns are based on a Nov. 1, 2004, newspaper article in the Los Angeles Times and a sermon presented at the All Saints Church discussed in the article."

The IRS cited The Times story's description of the sermon as a "searing indictment of the Bush administration's policies in Iraq" and noted that the sermon described "tax cuts as inimical to the values of Jesus."

As Bacon spoke, 1984 Nobel Peace Prize winner Archbishop Desmond Tutu, a co-celebrant of Sunday's Requiem Eucharist, looked on.

"We are so careful at our church never to endorse a candidate," Bacon said in a later interview.

"One of the strongest sermons I've ever given was against President Clinton's fraying of the social safety net."

Telephone calls to IRS officials in Washington, D.C., and Los Angeles were not returned.

On a day when churches throughout California took stands on both sides of Proposition 73, which would bar abortions for minors unless parents are notified, some at All Saints feared the politically active church had been singled out.

"I think obviously we were a bit shocked and dismayed," said Bob Long, senior warden for the church's oversight board. "We felt somewhat targeted."

Bacon said the church had retained the services of a Washington law firm with expertise in tax-exempt organizations.

And he told the congregation: "It's important for everyone to understand that the IRS concerns are not supported by the facts."

After the initial inquiry, the church provided the IRS with a copy of all literature given out before the election and copies of its policies, Bacon said.

But the IRS recently informed the church that it was not satisfied by those materials, and would proceed with a formal examination. Soon after that, church officials decided to inform the congregation about the dispute.

In an October letter to the IRS, Marcus Owens, the church's tax attorney and a former head of the IRS tax-exempt section, said, "It seems ludicrous to suggest that a pastor cannot preach about the value of promoting peace simply because the nation happens to be at war during an election season."

Owens said that an IRS audit team had recently offered the church a settlement during a face-to-face meeting.

"They said if there was a confession of wrongdoing, they would not proceed to the exam stage. They would be willing not to revoke tax-exempt status if the church admitted intervening in an election."

The church declined the offer.

Long said Bacon "is fond of saying it's a sin not to vote, but has never told anyone how to vote. We don't do that. We preach to people how to vote their values, the biblical principles."

Regas, who was rector of All Saints from 1967 to 1995, said in an interview that he was surprised by the IRS action "and then I became suspicious, suspicious that they were going after a progressive church person."

Regas helped the current church leadership collect information for the IRS on his sermon and the church's policies on involvement in political campaigns.

Some congregants were upset that a sermon citing Jesus Christ's championing of peace and the poor was the occasion for an IRS probe.

"I'm appalled," said 70-year-old Anne Thompson of Altadena, a professional singer who also makes vestments for the church.

"In a government that leans so heavily on religious values, that they would pull a stunt like this, it makes me heartsick."

Joe Mirando, an engineer from Burbank, questioned whether the 3,500-member church would be under scrutiny if it were not known for its activism and its liberal stands on social issues.

"The question is, is it politically motivated?" he said. "That's the underlying feeling of everyone here. I don't have enough information to make a decision, but there's a suspicion."

Bacon revealed the IRS investigation at both morning services. Until his announcement, the mood of the congregation had been solemn because the services remembered, by name, those associated with the church who had died since last All Saints Day.

Regas' 2004 sermon imagined how Jesus would admonish Bush and Kerry if he debated them. Regas never urged parishioners to vote for one candidate over the other, but he did say that he believes Jesus would oppose the war in Iraq, and that Jesus would be saddened by Bush's positions on the use and testing of nuclear weapons.

In the sermon, Regas said, "President Bush has led us into war with Iraq as a response to terrorism. Yet I believe Jesus would say to Bush and Kerry: 'War is itself the most extreme form of terrorism. President Bush, you have not made dramatically clear what have been the human consequences of the war in Iraq.' "

Later, he had Jesus confront both Kerry and Bush: "I will tell you what I think of your war: The sin at the heart of this war against Iraq is your belief that an American life is of more value than an Iraqi life. That an American child is more precious than an Iraqi baby. God loathes war."

If Jesus debated Bush and Kerry, Regas said, he would say to them, "Why is so little mentioned about the poor?!"

In his own voice, Regas said: "'The religious right has drowned out everyone else. Now the faith of Jesus has come to be known as pro-rich, pro-war and pro-American.. I'm not pro-abortion, but pro-choice. There is something vicious and violent about coercing a woman to carry to term an unwanted child."

When you go into the voting booth, Regas told the congregation, "take with you all that you know about Jesus, the peacemaker. Take all that Jesus means to you. Then vote your deepest values."

Owens, the tax attorney, said he was surprised that the IRS is pursuing the case despite explicit statements by Regas that he was not trying to influence the congregation's vote.

"I doubt it's politically motivated," Owens said. "'I think it is more a case of senior management at IRS not paying attention to what the rules are."

According to Owens, six years ago the IRS used to send about 20 such letters to churches a year. That number has increased sharply because of the agency's recent delegation of audit authority to agents on the front lines, he said.

He knew of two other churches, both critical of government policies, that had received similar letters, Owens said.

It's unclear how often the IRS raises questions about the tax-exempt status of churches.

While such action is rare, the IRS has at least once revoked the charitable designation of a church.

Shortly before the 1992 presidential election, a church in Binghamton, N.Y., ran advertisements against Bill Clinton's candidacy, and the tax agency ruled that the congregation could not retain its tax-exempt status because it had intervened in an election.

Bacon said he thought the IRS would eventually drop its case against All Saints.

"It is a social action church, but not a politically partisan church," he said.

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