

SCIENTOLOGY® POLICY DIRECTIVE

2 MAY 1994

OSA INT
SNR HCO
ALL U.S. DSAs
ALL U.S. MAAs
ALL U.S. ETHICS OFFICERS
MISSION HOLDERS
REMIMEO

PERSONAL INCOME TAXES

Refs: OPEN LETTER TO CLEARS
INTRODUCTION TO SCIENTOLOGY ETHICS

The Internal Revenue Service now fully recognizes all United States Churches and Missions of Scientology® as tax exempt and will allow deductions for qualifying contributions made to your church or mission. That was possible only because we, as an organization, had clean hands. We must also keep our ethics in as individuals to make it up The Bridge® to Full OT®.

Church of Scientology members, like all members of society, are obliged to know what the tax laws are and to obey them. Failure to obey the laws and rules of society will get one in trouble, legally or otherwise, and is a failure to uphold the high ethical standards expected of our group.

There have been some instances reported in which individuals for one reason or another have refused to file tax returns, refused to pay taxes or have been involved in an illegal scheme designed to get out of filing returns and paying taxes. There are a number of such tax schemes being promoted out in society which have sometimes gotten on the lines of individual Scientologists™. Examples include the idea that one can become "untaxed" by taking certain actions to put oneself outside of the jurisdiction of U.S. tax law; or deeming oneself not to be a citizen of the United States and therefore falling outside the requirement to file returns and pay taxes; or claiming that because the U.S. tax system is "voluntary," one really does not need to file and pay taxes if one doesn't want to.

None of these ideas has ever been sanctioned by the Church. These tax schemes are invariably found to be based on misunderstood words or misinterpretations of the law. In some cases their promoters have been convicted of illegal acts or are currently under investigation by government authorities. As the law does require the filing of tax returns and the payment of taxes, Church members must not be involved with such groups and must not promote such ideas.

It is true that the current graduated income tax system in the United States is suppressive. It penalizes the upstat and rewards the downstat, discouraging individual initiative and production. Each of us has a right to disagree and to seek reform and change through lawful means. There are a number of such reform movements, most notably Citizens for an Alternative Tax System ("CATS"), which offers a sane on-policy solution of a National Sales Tax to replace the current system. CATS enjoys growing broad-base public support, including many Scientologists. The legitimacy of its approach and activities has even been acknowledged by the IRS, which recognizes CATS as a tax-exempt social reform activity.

Until the tax system is changed, a Scientologist who refuses to file a tax return, to pay required income taxes, or to comply with other tax laws, is in violation of the Scientology ethics codes and by his or her unethical conduct is placing himself and the group at risk. Such a person will be ineligible for Church services until the matter is rectified. Anyone promoting to other Scientologists not to pay taxes or file returns or promoting any of the various tax protest schemes, will be subject to discipline under the Scientology justice codes.

If one doesn't like the tax system, then he can do something about reforming it. Meanwhile, it is far more pro-survival to simply know and obey tax laws, to file your tax returns and to pay your taxes. Who would want to risk his eternity for any amount of money?

TAX COMPLIANCE OFFICER OSA INT

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:JM:jm.dj

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SCIENTOLOGY® POLICY DIRECTIVE

All Orgs
All Missions
I HELP
Field Auditors

16 OCTOBER 1994

ACCEPTANCE OF IRS EMPLOYEES FOR AUDITING OR TRAINING

Ref:

HCO™ PL 6 Dec. 76RB
Rev. 8.4.88

ILLEGAL PCs, ACCEPTANCE OF,
HIGH CRIME PL

Since the end of the forty-year war with the Internal Revenue Service, there are IRS employees or others closely connected to them such as family members who, recognizing the workability of Scientology, are reaching to get on The Bridge® to Total Freedom.

Until now, it would have been folly to consider allowing IRS employees or IRS-connected persons onto service in the organization. However, with peace has come the opportunity for those working for the IRS or their families to avail themselves of the gains from Dianetics® and Scientology auditing.

Therefore, employees of the Internal Revenue Service are no longer deemed illegal preclears by reason of their connection to this government agency. The IRS is no longer hostile or trying to suppress Scientology and Scientologists™ and thus those connected with it could benefit from services.

In order for an IRS employee or former employee or family member (immediate family or an in-law) of persons connected to the IRS to qualify for auditing or training in a Church, Mission or field group, or to receive auditing from a field auditor, the person must pass a Confessional to ensure he is not a source of trouble as covered in HCO PL 27 Oct. 64R, POLICIES ON PHYSICAL HEALING, INSANITY AND SOURCES OF TROUBLE.

The Confessional form to be used for this is attached to this Scientology Policy Directive. Every question of this form is F/Ned on the applicant per standard Confessional tech. The C/S of course may add questions to the form to ensure the applicant is clean but in no case may questions be deleted.

If the applicant passes the Confessional, in other words if he is not a plant or source of trouble, he may be accepted for auditing or training, upon review of the results of the Confessional by the C/S and DSA of the org and the DSA's final okay.

No blanket authorizations may be granted for employees or former employees of the IRS or any other government agency, or for family members of such, to receive auditing or training. This applies to persons connected with any government agency, as covered in HCO PL 6 Dec. 76RB, ILLEGAL PCs, ACCEPTANCE OF, HIGH CRIME PL.

The fact is, various government agencies in the United States and elsewhere have attempted to suppress Scientology. There is no desire on our part to arbitrarily deny people The Bridge to Total Freedom. However, standard tech includes spotting anyone connected to an SP and fully handling the PTS condition. A PTS will not make lasting gains until the condition is discovered and handled.

Anyone applying for services may only be handled on an individual basis with a fully completed and passed Confessional and clearance as above.

Commander Ray Mithoff
SENIOR C/S INTERNATIONAL
Authorized by
AVC INTERNATIONAL
for CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI :AVCI :RM :dk .qq

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IRS EMPLOYEES, FORMER EMPLOYEES AND RELATIVES
APPLYING FOR DIANETICS® AND SCIENTOLOGY® SERVICES
CONFESSORIAL FORM

This Confessional form covers the sources of trouble as given in HCO™ PL 27 Oct. 64R, POLICIES ON PHYSICAL HEALING, INSANITY AND SOURCES OF TROUBLE, and is to be done on any Internal Revenue Service employee or former employee before he/she may be accepted for Dianetics and Scientology training and processing. This also applies to relatives of IRS employees or former employees.

The form is done as a standard HCO Confessional per HCOB 7 Jan. 85, HCO CONFSSIONALS, and HCOB 30 Nov. 78R, CONFESSORIAL PROCEDURE.

This list may have questions added to it by the C/S, but questions are not deleted from it in any case.

In addition to detecting any of the sources of trouble given in HCO PL 27 Oct. 64R, this Confessional also includes questions designed to detect a plant. If a person being given this Confessional is found to be a plant, he is turned directly over to the MAA/Ethics Officer or the HCO Area Secretary, and the Director of Special Affairs is alerted immediately. In such a case HCO must additionally report all details directly to the Inspector General Network. The org must not attempt to further audit or train a person who has been found to be a plant.

PRECLEAR: _____ DATE: _____

AUDITOR: _____

1. ARE YOU INTIMATELY CONNECTED WITH PERSONS OF KNOWN ANTAGONISM TO MENTAL OR SPIRITUAL TREATMENT OR SCIENTOLOGY? _____
2. DO YOU HAVE A CRIMINAL RECORD? _____
3. HAVE YOU EVER BEEN IN JAIL? _____
4. HAVE YOU EVER DONE ANYTHING YOU ARE AFRAID THE POLICE WILL FIND OUT? _____
5. HAVE YOU EVER INJURED DIANETICS OR SCIENTOLOGY? _____
6. HAVE YOU OR ANY MEMBER OF YOUR IMMEDIATE FAMILY EVER SUED OR THREATENED TO SUE OR EMBARRASS OR ATTACK SCIENTOLOGY? _____
7. HAVE YOU OR ANY MEMBER OF YOUR IMMEDIATE FAMILY EVER PUBLICLY ATTACKED SCIENTOLOGY? _____
8. HAVE YOU OR ANY MEMBER OF YOUR IMMEDIATE FAMILY EVER BEEN PARTY TO AN ATTACK ON SCIENTOLOGY? _____
9. DO YOU KNOW OF ANY SECRET PLANS AGAINST SCIENTOLOGY? _____
10. DO YOU KNOW OF ANY PLANS TO INJURE A SCIENTOLOGY ORGANIZATION? _____
11. DO YOU HAVE ANY OVERTS ON L. RON HUBBARD? _____
12. DO YOU HAVE ANY OVERTS ON SCIENTOLOGISTS? _____
13. HAVE YOU EVER TAKEN MONEY TO INJURE SCIENTOLOGY? _____
14. DO YOU FEEL THAT SOME DIANETICS OR SCIENTOLOGY BOOK OR AUDITOR IS RESPONSIBLE FOR ANY BAD CONDITION YOU ARE IN? _____

15. ARE YOU BEING AUDITED BECAUSE SOMEONE ELSE WANTED YOU TO BE AUDITED? _____
16. DO YOU WANT TO BE PROCESSED ONLY TO SEE IF SCIENTOLOGY WORKS? _____
17. DO YOU FEEL THAT SOME PERSON SHOULD BE HELPED AT THE EXPENSE OF THE ORGANIZATION, FOR THE PURPOSE OF NOTORIETY? _____
18. DO YOU "HAVE AN OPEN MIND" ABOUT SCIENTOLOGY BUT NO PERSONAL HOPES OR DESIRES FOR AUDITING OR KNOWINGNESS? _____
19. DO YOU BELIEVE THAT NO PERSON OR THING CAN REALLY GET BETTER? _____
20. ARE YOU OR HAVE YOU EVER ATTEMPTED TO SIT IN JUDGMENT ON SCIENTOLOGY IN A HEARING? _____
21. ARE YOU ATTEMPTING TO INVESTIGATE SCIENTOLOGY? _____
22. HAVE YOU EVER INVESTIGATED SCIENTOLOGY? _____
23. ARE YOU HERE FOR SOME OTHER REASON THAN WHAT YOU'VE SAID? _____

(Pull the withhold E/S to F/N. Get all the data. If it turns out the person is a plant that has been sent in to the org to harm Scientology or gain access to Scientology and Dianetics materials for some unworthy motive, end off the session and turn the person over directly to the EO, MAA or the HCO Area Secretary, with an alert to the Dir Special Affairs and Inspector General Network.)

24. WERE YOU SENT HERE TO GET DATA FOR SOMEONE ELSE? _____
(Handle as in #23 above.)
25. HAVE YOU BEEN SENT HERE AS A PLANT TO GET TECH DATA? _____
(Handle as in #23 above.)
26. HAVE YOU BEEN SENT HERE TO DISRUPT THE ORGANIZATION? _____
(Handle as in #23 above.)
27. DO YOU HAVE A SECRET INTENTION FOR COMING HERE? _____
(Handle as in #23 above.)
28. ARE YOU CURRENTLY CONNECTED IN SOME WAY TO SOME GOVERNMENT AGENCY THAT IS OPPOSED TO SCIENTOLOGY? _____
(Handle as in #23 above.)
29. ARE YOU IN ANY WAY CONNECTED TO A GOVERNMENT SPY ORGANIZATION? _____
(Handle as in #23 above.)
30. IN THIS CONFESSIONAL, HAVE YOU TOLD A HALF-TRUTH? _____
31. IN THIS CONFESSIONAL, HAVE YOU TOLD AN UNTRUTH? _____
32. IN THIS CONFESSIONAL, HAVE YOU SAID SOMETHING ONLY TO IMPRESS ME? _____
33. IN THIS CONFESSIONAL, HAVE YOU TRIED TO DAMAGE SOMEONE? _____
34. IN THIS CONFESSIONAL, HAVE YOU DELIBERATELY TRIED TO INFLUENCE THE E-METER? _____

35. IN THIS CONFESSIONAL, HAVE YOU SUCCESSFULLY WITHHELD SOMETHING? _____
36. IN THIS CONFESSIONAL, HAVE YOU COVERED UP FOR SOMEONE ELSE? _____
37. IN THIS CONFESSIONAL, HAS ANYONE SAID YOU HAD A WITHHOLD WHEN YOU DIDN'T HAVE ONE? _____
38. IN THIS CONFESSIONAL, HAS ANYTHING BEEN ASSERTED? _____
39. IN THIS CONFESSIONAL, HAS ANYTHING BEEN SUPPRESSED? _____
40. IN THIS CONFESSIONAL, HAS ANYTHING BEEN INVALIDATED? _____

End of Confessional

SCIENTOLOGY® POLICY DIRECTIVE

9 APRIL 1994
Issue I

All US STAFF
All US Orgs
All US SO Orgs
All US Missions
Exec Council Hats
Advisory Council Hats
Treasury Hats
DSA Hats

Tax Rudiments Policy 1

HATTING MATERIALS FOR
COMPLIANCE WITH TAX LAWS AND REGULATIONS

On October 1, 1993, the IRS recognized the Church of Scientology and various of its subordinate churches and related charitable and educational institutions as tax-exempt organizations.

The IRS also determined that it would no longer disallow donations made to churches -- including donations for auditing and training -- as charitable contributions and these donations now can be claimed on federal (and state) personal income tax returns.

The IRS recognition means that Scientology organizations in the United States do not have to pay corporate income taxes. It also means that parishioners may deduct from their personal income taxes donations for training and processing, as well as donations they make to support dissemination and other expansion activities.

There are other taxes which are not covered by the IRS recognition. For example bookstore receipts are generally subject to sales taxes. Although property tax exemption is generally available to churches, many local areas have mandatory assessments not subject to exemption or will continue to tax certain portions of church premises which are not used exclusively for exempt religious purposes under local law, such as parking lots.

More importantly, exemption from corporate income taxes does not mean that church and mission staff are exempt from personal income taxes. It also does not relieve U.S. churches and missions from their obligations as employers to follow tax rules and regulations regarding withholding and payroll taxes.

Compliance with all tax rules and regulations, as well as keeping standard financial records, continues to be an essential legal rudiment. Having now won our tax exemption, it is vital we do everything required to maintain that status.

It is therefore necessary to know and understand the various tax laws and rules. Armed with this knowledge, tax compliance becomes rather easy.

The purpose of these Tax Rudiments Policies is to provide the information and hattting needed to comply with various tax laws as well as other areas which may fall under the heading of tax rudiments. The first issues in this series have to do with payroll taxes. There is a lot to know about this area, how the taxes are computed and the various forms of compensation that are taxable under IRS rules. As an employer, your org or mission has a responsibility to know and follow these rules just like any other employer in the United States.

There will be additional policies in the future concerning other areas of tax rudiments or to provide updated information as the tax laws change. These should be kept in packs and be part of the basic training materials for Treasury staff and others who deal with these matters.

CORPORATE COORDINATOR CSI

Approved by
WATCHDOG COMMITTEE

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SCIENTOLOGY® POLICY DIRECTIVE

9 APRIL 1994
Issue II

All US STAFF
All US Class V Orgs
All US Missions
Executive Council Hats
Advisory Council Hats
Treasury Hats
DSA Hats

Tax Rudiments Policy 2

SOCIAL SECURITY TAXES

UNITED STATES CLASS V ORGS AND MISSIONS

Tax exempt status for the U.S. churches and missions applies only to corporate income taxes. It does not exempt them from other forms of tax and it does not exempt staff members from personal income or social security taxes. Tax exempt status also does not affect the Church's obligations as an employer to ensure that taxes are properly withheld from payroll and paid over to the IRS on behalf of staff. It is an extremely important aspect of tax compliance to ensure that these rudiments are in.

This issue concerns the tax rules regarding social security taxes and our obligation to ensure that organizations are in compliance with such and to help Church staff comply with their personal tax obligations.

There are two laws which cover employment and payroll taxes, the FICA (FICA is short for: Federal Insurance Contributions Act) and SECA (which is short for Self-Employment Contributions Act. FICA applies to that circumstance wherein an employer is responsible for paying the employment taxes to the IRS (half of which is withheld from the employee's pay) and SECA applies to that circumstance in which a self-employed individual pays his own employment taxes out of his earnings. SECA taxes are generally referred to as self-employment taxes.

Both FICA and SECA can be characterized as federal pension or benefit plans designed to ensure that the elderly or disabled have an income after they have retired or are no longer able to work. It includes a contribution towards hospitalization insurance for the elderly (Medicare). One contributes to the fund during one's worklife with the expectation of receiving these social security benefit payments later.

Both FICA and SECA taxes are computed at 15.3% of taxable compensation. The tax rate is subject to change each year and has been steadily climbing since the inception of the social security system.

Half of the FICA amount (7.65%) is paid directly by the employer. The employer is required to withhold the other half (7.65%) out of the pay of the employee and forward it to the Internal Revenue Service. In the case of SECA, the self-employed person pays the full amount (15.3%) out of his pay.

In 1984, Church of Scientology International and the United States Churches of Scientology and some missions elected out of FICA by filing a special election available only to churches. The election was made because we are philosophically opposed to any form of social welfare and public insurance programs.

While this election meant that the churches and missions concerned did not have to pay FICA taxes, it shifted the responsibility and burden for reporting and paying social security taxes to the individual staff members. They were required to file tax returns to pay their social security taxes even if they didn't earn enough income to pay income taxes. Under the law, staff were treated as "self-employed individuals"

for purposes of social security taxes. They therefore became subject to SECA taxes (15.3% of their taxable earnings) unless they had personal ministerial exemptions as covered below.

Despite our objections to public insurance (in Scientology we know the real basics of production and exchange), most notably because of its use in society in rewarding downstats and thus creating more non-producers, International Management has concluded that it would be advantageous to elect back into the social security system. It is the desire of Management to make it as easy as possible to be a staff member in a Scientology church or mission. After all, it is the execs and staff of churches and missions -- at all levels of the hierarchy -- who are performing the most valuable job on Earth, in providing the facilities and services to clear the planet. Staff of Scientology organizations are not money motivated. They are there because they are dedicated to achieving our goals, and the exchange they receive is that of helping others go free and moving up The Bridge® themselves. Nonetheless, one needs money to live and when one is paid, he has a duty to pay the taxing authorities either personally or through his employer. Furthermore, it is in the best interests of the Church to help ensure staff are also in compliance with tax law.

Therefore, all United States churches and missions have revoked their election out of FICA. As a result, from 1 January 1994 onward, these churches and missions will be responsible for withholding FICA and paying it over to the IRS. In the future, individual staff will not have to grapple with the complexities of paying their own social security taxes; rather such will be handled by the Treasury Division of their org or mission.

This action will not benefit certain staff members however. Under tax law, ordained ministers who are performing ministerial functions (which includes auditors, church executives, etc., as discussed below) must always be treated as self-employed and be subject to SECA taxes. Thus, ordained ministers performing such ministerial services must continue to pay their own self-employment taxes and are responsible for filing an income tax return each year, regardless of whether they earned enough to owe income taxes.

Ordained ministers performing ministerial services also have a higher wage base on which their SECA tax is computed. As a general rule, under both FICA and SECA an individual is taxed on his or her actual pay as well as certain non-cash fringe benefits, such as personal use of org automobiles. However, an important exception applies to ordained ministers who are performing ministerial functions: They also are taxed on the value of any meals or lodging the employer may provide.

This exception directly affects ordained ministers of the Scientology religion who are performing ministerial functions for their Church or mission. Such ministers in a Class V church or a mission would be subject to SECA taxes on any parsonage allowance they received as well as their other compensation.

MINISTER'S EXEMPTION

Federal tax law gives ordained ministers a choice on whether or not they want to participate in the social security system. Personal exemption from SECA is available to ordained ministers who object to being taxed on funds received from ministering their religion and who are opposed to the acceptance of any public insurance for religious reasons. This is a personal decision which must be made by the individual.

Ordained ministers who obtain their exemption will not be subject to tax under SECA, though they will continue to be subject to federal income tax as normal.

There is an aspect of this you should be aware of. Since exempt ministers do not pay SECA tax, they also are not contributing toward their personal social security accounts. Thus, while exempt ministers are not subject to SECA tax currently, in later years they will not

receive social security benefits based on their ministerial services. Such exemption only affects the benefits that would accrue from ministerial earnings; an exempt minister would still be entitled to social security benefits related to taxes paid on non-ministerial earnings at other times in his worklife.

In order to obtain the SECA exemption, an ordained minister must file a special application with the Internal Revenue Service no later than the due date for the minister's regular income tax return (usually April 15) for the second year in which the minister receives \$400 in self-employment income, any part of which consists of income derived from performing ministerial services (i.e., serving as an auditor, Church executive, etc.).

The IRS takes the position that the minister must have been duly ordained by a church that the IRS recognizes as a tax-exempt section 501(c)(3) organization to qualify for the exemption. Thus, ministers ordained by a church that the IRS does not recognize as exempt will not be granted exemption.

In the past, the IRS has denied exemption to many of our ordained ministers on this basis. This has now changed and Scientology ministers now have the same rights as the ministers of any other religion. Because of the recent IRS recognition of the Church's tax exemption, the IRS has agreed to process all applications for exemption by Scientology ministers who have been ordained by a Scientology church or mission that previously was not recognized as tax exempt.

Any ordained minister performing ministerial functions who wishes to become exempt from SECA will be allowed to file an application for exemption with the IRS. In order to ensure exemption from SECA taxes, interested ministers should file the application at the earliest possible time.

The tax law provides that ministerial services include:

1. Delivering religious services, or
2. Serving in a management position that calls for the exercise of ecclesiastical authority over the affairs of the religious organization.

Attachment A contains a list of those posts which require the performance of ministerial services and therefore qualify their holders for the ministerial exemption.

ADMINISTRATION OF FICA

As a result of the United States churches and missions now electing back into FICA, the only staff exempt from FICA or SECA taxes are ordained ministers who:

- a. already have a personal exemption from social security taxes or who now file for and obtain personal social security tax exemption with respect to ministerial earnings on the basis of a religious objection to public insurance, and who
- b. work in a ministerial capacity.

Everyone else on staff is subject to FICA or SECA taxes.

Those staff who are on posts eligible for exemption from SECA taxes and who wish to become exempt are encouraged to complete any remaining requirements for ministerial ordination and apply for the exemption by filing Form 4361 with the IRS.

Any ordained minister who is working in a ministerial capacity who is not exempt must pay SECA on food and lodging and certain fringe benefits (and on any parsonage allowance) as well as on his earnings. (Taxable fringe benefits are covered by separate issues and include, but are not limited to personal use of org cars, the value of education provided to children by the org and, in limited circumstances, the value of childcare provided by the org.)

Note: Anyone who is not yet an ordained minister but who is holding a ministerial post (as defined in Attachment A) will be subject to FICA as if he were on a non-ministerial post as discussed below.

HOW TO CALCULATE THE PAYROLL

Both orgs and missions have finance systems wherein the payroll is calculated as a percentage of CGI. The pay sum is 30% of CGI and there are additional percentages for bonuses or reg commissions.

Each element of the payroll would have to be figured separately because there are different units and distributions for the regular pay, bonuses and commissions. However, the formula below will work for each of the elements.

On payroll and bonuses where there is a certain amount allocated to pay, the employer's share of FICA is calculated and subtracted from that amount before the payroll is calculated and paid. The amount of the employer's share of FICA could be estimated but there is an easy way to compute it as follows:

- A. Total the units of employees not subject to FICA
- B. Total the units of employees subject to FICA
- C. Multiply B x 1.0765
- D. Add A + C.
- E. Divide the payroll sum by D. This gives the unit value.

Example:

- A. Units of employees not subject to FICA = 150 units
- B. Units of employees subject to FICA = 100 units
- C. $100 \times 1.0765 = 107.65$ units
- D. 150 plus 107.65 = 257.65 units
- E. Payroll sum = \$ 5,200

Therefore, a unit is \$5,200 divided by 257.65 or \$20.1824 per unit.

$\$20.1824 \times 150 \text{ units} = \$3,027.36$ = Pay sum for employees not subject to FICA

$\$20.1824 \times 100 \text{ units} = \$2,018.24$ = Gross pay sum for employees subject to FICA, including employee's share of FICA

$\$2,018.24 \times 7.65\% = \$ 154.40$ = Employer share of FICA

TOTAL PAYROLL SUM	<u>\$5,200.00</u>
	=====

Then, to figure out the distribution of the payroll, simply take the employee's share of FICA or the SECA out of the individual paychecks.

For example, assume that staff members A, B and C are each entitled to 10 units.

Staff member A is subject to FICA

Staff member B is subject to SECA

Staff member C is an exempt minister.

Staff member A would receive:

10 units X \$20.1824 =	\$201.82
Less FICA at 7.65%	15.44
Net Pay	<u>\$186.38</u>
	=====

Staff member B would receive:

10 units X \$20.1824 =	\$201.82
LESS SECA (.9235 X \$201.82) =	\$186.38
X 15.3%	

	\$ 28.52
Net Pay	<u>\$173.30</u>
	=====

Staff member C would receive:

10 units X \$20.1824 =	\$201.82
	=====

If a staff member is a non-exempt minister and receives a parsonage allowance, then 15.3% of taxable parsonage amount (.9235 of the total parsonage allowance is subject to SECA) should also be deducted from his regular pay and deposited with the IRS as withholding taxes. This will alleviate possible financial stress at the end of the year because the taxes will have already been paid.

NOTE: Income tax withholding amounts are calculated on each employee's gross pay and are additional to the above calculations for FICA.

SUMMARY

By electing back in to the social security tax system and then properly administering the taxes, our staff members are relieved of the personal burden of filing individual income tax forms to pay SECA. However, a large proportion of staff will now have a choice and opportunity to obtain exemption from social security taxes on their ministerial earnings.

Should you require any assistance with this matter, then you should contact Accountancy Compliance I/C care of the International Finance Office.

CORPORATE COORDINATOR CSI

Approved by
WATCHDOG COMMITTEE

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:WDC:JM:nmcn.dj

LIST OF POSTS BY ORG

QUALIFYING FOR MINISTERIAL EXEMPTION

CLASS V ORGS

Executive Council
(ED, D/EDs, HES, OES and PES)
All Network Representatives
(FBO, Flag Rep, LC, DSA)
Case Supervisors, Auditors and Course Supervisors)
Chaplains

MISSIONS

Mission Holder (if full time)
Executive Council
(ED, D/EDs, HES, OES and PES)
Case Supervisors, Auditors and Course Supervisors
Chaplains

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S C I E N T O L O G Y® P O L I C Y D I R E C T I V E

9 APRIL 1994
Issue V

CMO Int
Int Finance
Exec Strata
Flag® Bureaux
SMI Int
CLO WUS
CLO EUS
All US Class V Orgs
All US Missions

Tax Rudiments Policy 3

MINISTERIAL EARNINGS AND SOCIAL SECURITY TAXES

CLASS V ORGS AND MISSIONS

(This issue is written as a supplement to SPD 9 April 1994 II, Tax Rudiments Policy 2, SOCIAL SECURITY TAXES, which explains Social Security Taxes in detail and which should be consulted for a complete understanding of the subject.)

Federal tax law gives ordained ministers a choice on whether or not they want to participate in the social security system.

Ordained Scientology ministers working in a ministerial capacity for a church or mission within the United States have the opportunity to make a personal election to opt out of the social security system based on a religious objection to public insurance.

When a minister elects out of the social security system he will not be subject to social security taxes from his ministerial earnings but it also means that he will not receive whatever social security benefits he would have been entitled to had he paid the taxes. This applies only to ministerial earnings -- the election does not affect a minister's entitlement to social security benefits from other taxes paid from non-ministerial earnings.

In the United States there are two laws which cover social security taxes, FICA and SECA. FICA is short for Federal Insurance Contributions Act and SECA is short for Self-Employment Contributions Act. FICA applies to that circumstance where an employer is responsible for paying the taxes and SECA applies to that circumstance in which a self-employed individual pays his own taxes. SECA taxes are generally referred to as self-employment taxes.

Both FICA and SECA are calculated as 15.3% of taxable compensation. Under FICA, the employer pays half of the tax (7.65%) and withholds the other half (7.65%) from the employee's wages and forwards it to the IRS. Under SECA the self-employed person pays the full amount (15.3%) out of his pay.

Under the tax law, for the purposes of social security tax, an ordained minister who is performing ministerial functions must be treated as if he were "self-employed" even when he is in fact employed by his church. Unless he is personally exempt, he must pay his social security tax through SECA rather than FICA, as self-employment tax.

Church personnel to which this applies are executives, auditors, case supervisors, course supervisors and single-hatted org chaplains as listed on Attachment A.

The law also requires that ordained ministers who work in a ministerial capacity but who are not exempt must pay social security taxes on the value of room and board. Non-exempt ministers in a U.S. Class V org or mission would be subject to SECA on the amount of any parsonage allowance.

MINISTERIAL EXEMPTION

There is a personal exemption from SECA available to ordained ministers who perform ministerial functions. This exemption is based on a personal religious or conscientious objection to public insurance.

The exemption is obtained by simply completing and filing Form 4361 with the IRS. This should be done as soon as possible for those ordained ministers holding ministerial posts who wish to be exempt and who do not already have a personal exemption. Completed forms should be forwarded to Tax Compliance Officer, Office of Special Affairs International, who will ensure that they are properly filed and processed. See Attachment B for a copy of Form 4361.

Where there are staff members holding ministerial posts as listed on Attachment A who are not yet ordained ministers, they will be treated exactly the same as the non-ministerial staff and be subject to FICA.

All other staff are subject to FICA and there is no exemption available under the tax law. This is the law regardless of the fact that there may well be personal religious objections to public insurance.

SUMMARY

Social security taxes in the United States treat ordained ministers who hold ministerial posts differently than other employees. Such an ordained minister can elect a personal exemption from social security taxes on the basis of a religious objection to public insurance and to having his ministerial income taxed.

Ministers who desire personal exemption are encouraged to fill out Form 4361 and send it to Tax Compliance Officer OSA Int as soon as possible.

CORPORATE COORDINATOR CSI

Approved by
WATCHDOG COMMITTEE

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:WDC:JE:jm.dj

LIST OF POSTS BY ORG QUALIFYING
FOR MINISTERIAL EXEMPTION

CLASS V ORGS

Executive Council
(ED, D/EDs, HES, OES and PES)
All Network Representatives
(FBO, Flag Rep, LC, DSA)
Case Supervisors, Auditors and Course Supervisors
Chaplains

MISSIONS

Mission Holder (if full time)
Executive Council
(ED, D/EDs, HES, OES and PES)
Case Supervisors, Auditors and Course Supervisors
Chaplains

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Form **4361**

(Rev. June 1991)
Department of the Treasury
Internal Revenue Service

**Application for Exemption From Self-Employment
Tax for Use by Ministers, Members of Religious
Orders and Christian Science Practitioners**

OMB No. 1545-0168
Expires 6-30-94

**File Original
and Two Copies**

File original and two copies and attach supporting documents. This exemption is granted only if the IRS returns a copy to you marked "approved."

Please type or print	1 Name of taxpayer shown on Form 1040	Social security number
	Number and street (including apt. no.)	Telephone number (optional) () - () - ()
	City or town, state, and ZIP code	
2 Check ONE box: <input type="checkbox"/> Christian Science practitioner <input type="checkbox"/> Ordained minister, priest, rabbi <input type="checkbox"/> Member of religious order not under a vow of poverty <input type="checkbox"/> Commissioned or licensed minister (see line 6)	3 Date ordained, licensed, etc. (Attach supporting document. See instructions.) / /	
4 Legal name of ordaining, licensing, or commissioning body or religious order		
Number, street, and room or suite no.	Employer identification number	
City or town, state, and ZIP code		
5 Enter the first 2 years, after the date shown on line 3, that you had net self-employment earnings of \$400 or more, any of which came from services as a minister, priest, rabbi, etc.; member of a religious order; or Christian Science practitioner ►	19	19
6 If you apply for the exemption as a licensed or commissioned minister, and your denomination also ordains ministers, please indicate how your ecclesiastical powers differ from those of an ordained minister of your denomination. Attach a copy of your denomination's by-laws relating to the powers of ordained, commissioned, or licensed ministers.		
7 I certify that I am conscientiously opposed to, or because of my religious principles I am opposed to, the acceptance (for services I perform as a minister, member of a religious order not under a vow of poverty, or a Christian Science practitioner) of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care. (Public insurance includes insurance systems established by the Social Security Act.)		
I certify that as a duly ordained, commissioned, or licensed minister of a church or a member of a religious order not under a vow of poverty, I have informed the ordaining, commissioning, or licensing body of my church or order that I am conscientiously opposed to, or because of religious principles, I am opposed to the acceptance (for services I perform as a minister or as a member of a religious order) of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care, including the benefits of any insurance system established by the Social Security Act.		
I certify that I did not file an effective waiver certificate (Form 2031) electing social security coverage on earnings as a minister, member of a religious order not under a vow of poverty, or a Christian Science practitioner.		
I request to be exempted from paying self-employment tax on my earnings from services as a minister, member of a religious order not under a vow of poverty, or a Christian Science practitioner, under section 1402(e) of the Internal Revenue Code. I understand that the exemption, if granted, will apply only to these earnings. Under penalties of perjury, I declare that I have examined this application and to the best of my knowledge and belief, it is true and correct.		

Date ►

Caution: Form 4361 is not proof of the right to an exemption from Federal income tax withholding or social security tax, the right to a parsonage allowance exclusion (section 107), assignment by your religious superiors to a particular job, or the exemption or church status of the ordaining, licensing, commissioning body, or religious order.

For Internal Revenue Service Use

- Approved for exemption from self-employment tax on ministerial earnings
 Disapproved for exemption from self-employment tax on ministerial earnings

By (Director's signature) (Date)

General Instructions

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping, 7 minutes; **Learning about the law or the form**, 19 minutes; **Preparing the form**, 16 minutes; **Copying, assembling, and sending the form to IRS**, 17 minutes.

If you have comments concerning the accuracy of these time estimates or

suggestions for making this form more simple, we would be happy to hear from you. You can write to both the Internal Revenue Service, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the Office of Management and Budget, Paperwork Reduction Project (1545-0168), Washington, DC 20503. DO NOT send the form to either of these offices. Instead, see **Where To File** on page 2.

Purpose of Form.—File Form 4361 to apply for an exemption from self-employment tax if you are:

- An ordained, commissioned, or licensed minister of a church;
- A member of a religious order who has not taken a vow of poverty;
- A Christian Science practitioner; or
- A commissioned or licensed minister of a church or church denomination that

ordains ministers, if you have authority to perform substantially all religious duties of your church or denomination.

This application must be based on your religious or conscientious opposition to the acceptance (for services performed as a minister, member of a religious order, or Christian Science practitioner) of any public insurance that makes payments for death, disability, old age, or retirement; or that makes payments for the cost of, or provides services for, medical care, including any insurance benefits established by the Social Security Act.

If you are a duly ordained, commissioned, or licensed minister of a church or a member of a religious order not under a vow of poverty, prior to filing this form you must inform the ordaining, commissioning, or

(continued on page 2)

licensing body of your church or order that you are opposed to the acceptance of public insurance benefits based on ministerial service on religious or conscientious grounds.

Do not file Form 4361 if:

- You ever filed a waiver certificate (Form 2031); or
- You belong to a religious order and took a vow of poverty. You are automatically exempt from self-employment tax on earnings for services you perform for your church or its agencies. No tax exemption applies to earnings for services you perform for any other organization.

Additional Information.—For more information, get Pub. 517, Social Security for Members of the Clergy and Religious Workers.

When To File.—File Form 4361 by the date your tax return is due, including extensions, for the second tax year in which you had at least \$400 of net earnings from self-employment, any of which came from services performed as a minister, member of a religious order, or Christian Science practitioner.

Effective Date of Exemption.—An exemption from self-employment tax is effective for all tax years ending after 1967 in which you have net self-employment earnings of \$400 or more, if you derive any of it from ministerial services. For example, if you had qualified net earnings of \$400 or more in 1968 and not again until 1991, a valid Form 4361 filed by April 15, 1992, would apply to 1968 and all later years. Refer to Pub. 517 to see if you are entitled to a refund of self-employment tax paid in earlier years.

Where To File.—Mail the original and two copies of this form to the Internal Revenue Service Center for the place where you live.

If you live in:

Use this address:

Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
Connecticut, Maine, Massachusetts, New Hampshire, New York (all other counties), Rhode Island, Vermont	Andover, MA 05501
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501

American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation 855 West Marine Drive Agana, GU 96910
Northern Mariana Islands (Commonwealth of the)	Philadelphia, PA 19255
Puerto Rico (or if excluding income under section 933) Virgin Islands: Nonpermanent residents	Philadelphia, PA 19255
Virgin Islands: Permanent residents	V.I. Bureau of Internal Revenue Lockharts Garden No. 1A Charlotte Amalie St. Thomas, VI 00802
Foreign country: U.S. citizens and those filing Form 2555 or Form 4583	Philadelphia, PA 19255
All A.P.O. or F.P.O. addresses	Philadelphia, PA 19255

Approval of Application.—Before your application can be approved, the IRS must verify that you are aware of the grounds for exemption and that you want the exemption on that basis. When your completed Form 4361 is received, the IRS will mail you a statement that describes the grounds for receiving an exemption under section 1402(e). You must certify that you have read the statement and seek exemption on the grounds listed on the statement. The certification must be made by signing a copy of the statement under penalties of perjury and mailing it to the IRS service center that issued it, not later than 90 days after the date the statement was mailed to you. If it is not mailed by that time, your exemption will not be effective until the date the signed copy is received by the service center.

If your application is approved, a copy of Form 4361 will be returned to you marked "approved." Once the exemption is approved, you cannot revoke it.

Earnings To Which Exemption Applies.—Only earnings from ministerial services are exempt from self-employment tax.

Conducting religious worship services or ministering sacerdotal functions are ministerial services whether or not performed for a religious organization.

Ministerial services also include those performed under the authority of a church or church denomination. Examples are controlling, conducting, and maintaining religious organizations, including religious boards, societies, and other agencies integral to these organizations.

If your church assigns or designates you to perform services for an organization that is neither a religious organization nor an integral agency of a religious organization, you are performing ministerial services, even though they may not involve conducting religious worship or ministering sacerdotal functions. Your services are ordinarily not considered assigned or designated by your church if any of the following is true:

- The organization for which you perform the services did not arrange with your church for your services.
- You perform the same services for the organization as other employees not designated as you were.

- You perform the same services before and after the designation.

Earnings To Which Exemption Does Not Apply.—Exemption from self-employment tax does not apply to earnings from services that are not ministerial.

Earnings from the following entities are not exempt even if religious services are conducted or sacerdotal functions are ministered: the United States; a state, territory, or possession of the U.S.; the District of Columbia; a foreign government; or a subdivision of any of these bodies. For example, chaplains in the U.S. Armed Forces are considered commissioned officers, not ministers. Similarly, chaplains in state prisons or universities are considered civil servants.

Indicating Exemption on Form 1040.—If the IRS returned your application marked "approved" and your only self-employment income was from ministerial services, write "Exempt—Form 4361" on the self-employment line in the Other Taxes section of Form 1040. If you had other self-employment income, see Schedule SE (Form 1040).

Specific Instructions

Line 1—Social Security Number.—Enter your social security number. If you do not have one, file Form SS-5, Application for a Social Security Card, with your local Social Security Administration office. If you do not receive your card in time, file Form 4361 and enter "applied for" in the space for your social security number.

Line 3.—Enter the date you were ordained, commissioned, or licensed as a minister of a church; became a member of a religious order; or began practice as a Christian Science practitioner. Do not file Form 4361 before this date. Attach a copy of the certificate (or, if you did not receive one, a letter from the governing body of your church) that establishes your status as an ordained, commissioned, or licensed minister; a member of a religious order; or a Christian Science practitioner.

Line 4.—If you are a minister or belong to a religious order, enter the legal name, address, and employer identification number of the denomination that ordained, commissioned, or licensed you, or the order to which you belong. Get the employer identification number from your church or order.

You must be able to show that the body that ordained, commissioned, or licensed you, or your religious order, is exempt from Federal income tax under section 501(a) as a religious organization described in section 501(c)(3). You must also be able to show that the body is a church (or convention or association of churches) described in section 170(b)(1)(A)(i). To assist the service center in processing your application, you can attach a copy of the exemption letter issued to the organization by the IRS. If that is not available, you can attach a letter signed by an individual authorized to act for the organization stating that the organization meets both of the above requirements.

SCIENTOLOGY® POLICY DIRECTIVE

9 APRIL 1994
Issue IX

All US STAFF
All US Orgs
All US SO Orgs
All US Missions
Executive Council Hats
Advisory Council Hats
Treasury Hats
DSA Hats

Tax Rudiments Policy 5

TAXABLE INCOME ON PERSONAL USE OF ORG CARS

APPLIES TO ALL ORGS THAT OWN VEHICLES

Ref: HCO™ PL 18 Feb. 66

ATTACKS ON SCIENTOLOGY
(Continued)

Compliance with IRS tax rules is a key rudiment that must be maintained in order to maintain tax-exempt status. Although United States churches and missions are exempt from corporate income taxes, they still must comply with other tax laws -- particularly those regarding compensation to their staffs, who are not personally exempt from taxes.

Over the years, various laws have been passed regarding non-cash compensation or "fringe benefits" so that these would not escape taxation. Cash wages are easy to understand and account for -- the social security taxes and personal income taxes are simply computed and withheld from the gross payroll amount. Non-cash or taxable fringe benefits are more complex and the rules must be understood and followed.

One area of taxable fringe benefits has to do with personal use of org-owned cars. Such usage, however small, results in taxable income to the staff member involved. Therefore, even though personal usage of org cars is rare and often non-existent, it is necessary to know the very detailed rules concerning such.

1. The first thing to know is that commuting to and from the org in an org car, as well as personal errands or trips, is considered personal usage. The theory behind this is that most taxpayers have to provide their own transportation to and from work at their own expense. Therefore, when someone has the benefit of a company car, the government requires that he or she be taxed on the use of the car as if it were additional cash income. This "income" is subject to both social security and income taxes.
2. In order to comply with tax requirements, very complete records must be kept of org car usage and then any personal use of cars is added onto the staff member's Form W-2 wage statement at the end of the year.
3. There are specific rules and formulas to work out the amount of personal income that is derived from the personal use of org cars. They are covered later in this issue.

Recordkeeping

In order to keep track of org and personal usage, a separate log must be maintained for each org-owned automobile that records 100 percent of the vehicle's use. There is no exception to this rule -- every org-owned automobile must have its own log, whether the vehicle

is assigned to a specific staff member or to a pool. The Director of Communications or other person in charge of transport is responsible for ensuring that such logs are maintained and must restrict use of org vehicles from any staff member who fails to log his or her use of a vehicle, whether for business or personal use. The log for each vehicle constitutes part of the records of the Church that may be called upon for review by the IRS and must therefore be properly kept and maintained on file for future reference.

The log must specifically state for each use of the automobile: (1) the date of the trip, (2) destination, (3) purpose of the trip (business or personal), (4) odometer reading at the beginning and end of the trip, (5) miles travelled, and (6) name of user including passengers. The business purpose of the trip should be detailed, (i.e., "to meet with X, Y and Z"; "to purchase org groceries"; "to inspect X property", or, if the purpose of the trip is personal, then simply state "personal." Every trip must be documented in this manner, regardless of whether the purpose of the trip is business or personal. Any unlogged miles will be deemed personal use of the automobile by the driver who failed to maintain this admin.

Standard log books for recording details of car usage are available in most office supply or stationery stores. A sample log is included as Attachment A to this issue.

Personal Use

Trips are sometimes taken for both business and personal purposes. If the only purpose of the trip is personal, then it is logged as personal. If the trip has both a business and a personal purpose, and the personal reason for the trip requires a significant departure from the route that would be taken just for the business purpose, then the total mileage of the trip must be allocated between business and personal use and the mileage attributable to each purpose should be separately stated. On the other hand, if the primary purpose of the trip is business and the driver happens to stop on the way for some personal errand (lunch, to buy clothes, etc.), then the trip should be classified as business.

Example: Staff members A and B use an org-owned automobile to meet with the org's accountants. On their return from the meeting, they stop at a restaurant a few blocks off their usual route to eat lunch. The purpose of the trip is business since the only personal use is incidental. No part of the mileage is allocable to either staff member.

Example: Staff members A and B use an org-owned automobile to meet with the org's accountants. After the meeting, staff member A decides to drive the car to a health food store to purchase a particular brand of vitamins. The store is located five miles from the route they would ordinarily drive to return to the org, or ten miles round trip. The trip is all business as to staff member B, but part business and part personal as to staff member A. Ten miles of the total mileage of the trip is allocable to staff member A's personal use of the vehicle and constitutes taxable income to him.

Valuing Personal Use

At the end of each year, the logs for all org-owned automobiles must be reviewed in order to allocate to individual staff members the number of miles they used the vehicles for personal purposes. This personal use must then be valued for inclusion in each staff member's income as reported to the IRS on Form W-2.

There are two principal methods of valuation, a cents-per-mile method and an annual value method. (Note the exception for long distance commuting at the end of this issue.) The particular valuation method to be used depends on whether the fair market value of the automobile in the year in question is less or more than \$14,200 and the number of miles it is driven. (This threshold value applies only to 1993 and may change, in which case you will be notified.)

Cents-per-mile method: For org-owned automobiles valued at \$14,200 or less when put in service and that are driven at least 10,000 miles per year for business purposes, the value of all personal use for 1993 is calculated at the rate of 28 cents per mile (increased to 29 cents per mile in 1994). This figure includes use of the vehicle, insurance and the cost of fuel paid for by the org. If the staff member rather than the org pays for the fuel, then the rate is reduced to 22.5 cents per mile.

Example: At the end of the year, the log for an org's automobile that qualifies for the cents-per-mile valuation method shows that it was driven 12,000 miles, of which 11,600 is attributable to org business use and the balance attributable to personal use by staff members A (246 miles), B (120 miles) and C (34 miles). Staff member A provided his own fuel. The amount of additional income attributable to the personal use of the car by each of the three staff members is as follows:

Staff member A:	246 miles x 22.5 cents = \$55.35
	=====
Staff member B:	120 miles x 28 cents = \$33.60
	=====
Staff member C:	34 miles x 28 cents = \$ 9.52
	=====

Annual value method: If the org-owned automobile does not qualify for the cents-per-mile rate, the value of personal use must be determined by referring to a table published by the IRS each year. (See Attachment A.)

This table gives a fixed amount to be treated as the vehicle's total value for the year (its "annual value"). The annual values given in the table fluctuate in accordance with the vehicle's actual value. Thus, the more expensive the vehicle, the higher its annual value.

Once the annual value is determined, the value of each staff member's personal use of the vehicle must be calculated. This is done by multiplying the annual value times the percentage of each staff member's personal use to the total (both personal and business) use of the vehicle. This method may be illustrated as follows:

$$\text{Annual Value} \times \frac{\text{Miles of Staff Member's Personal Use}}{\text{Total miles driven for the year}} = \frac{\text{Value of Staff Member's Personal Use}}{\text{Value of Staff}}$$

The IRS's annual value includes everything but fuel; consequently, the value of any fuel the org may supply for personal use must be treated as additional income to staff members. The rate for fuel is 5.5 cents per mile.

Example: An org-owned automobile with a value of \$16,500 in 1993 was driven a total of 15,000 miles, of which 14,325 miles is attributable to business use and the balance attributable to personal use by staff members A (400 miles), B (250 miles) and C (25 miles). According to the IRS tables, the automobile's annual value for 1993 is \$4,600. Only staff member B provided her own fuel. The value of the personal use by the three staff members is computed as follows:

Staff Member A:	400 miles x \$4,600 =	\$122.57
	15,000 miles	
Plus fuel:	400 miles x \$.055	22.00
Total Value of personal use =		\$144.57
		=====

Staff Member B	<u>250 miles x \$4,600 =</u>	\$ 76.67
	<u>15,000 miles</u>	
	Total Value of personal use =	\$ 76.67
		<u>=====</u>
Staff Member C	<u>25 miles x \$4,600 =</u>	\$ 76.67
	<u>15,000 miles</u>	
	Plus fuel: 25 miles x \$.055	1.38
	Total Value of personal use =	\$ 9.05
		<u>=====</u>

Once a particular valuation method is chosen for an automobile, it must be used for that vehicle for every year the org owns it, even if the other method would produce a lower value or if the vehicle no longer would qualify for the method chosen.

Example: In 1992, the org selected the cents-per-mile method to value personal use for an automobile worth less than 14,200 and driven more than 10,000 miles for business. In 1993, the vehicle was driven only 5,000 miles, and its annual value on the IRS table would produce a lower taxable value. The org may not switch to the annual value method; it must continue to use the cents-per-mile method.

Exceptions For Commuting

As a general rule, staff members who do not live at the same place they work and who use an org-owned automobile to commute to and from work each day are taxable on the value of the commute under the same rules discussed above. The reason for this is that the tax law views going to work and going home as personal expenses.

The taxable value of commuting is calculated on the basis of each staff member who occupies the vehicle rather than on the basis of each vehicle. Thus, if three staff members use one automobile to commute to and from work, the trip is treated as a separate commute for each staff member (i.e., as three separate commutes), rather than as one commute allocable to each.

Example: Staff members A, B and C use an org-owned automobile valued at less than \$14,200 in 1993 to commute to and from work each day for a total of 10 miles round trip. The value of the commutes allocable to each staff member is computed as follows:

Staff Member A: (10 miles) x (28 cents) = \$2.80 per day
Staff Member B: (10 miles) x (28 cents) = \$2.80 per day
Staff Member C: (10 miles) x (28 cents) = \$2.80 per day

Total income from this commute	\$8.40 per day
-----------------------------------	----------------

Questions often arise as to what constitutes a commute. As a general matter, transportation between the staff member's residence and place of work always must be treated as a commute. However, once the staff member arrives where he or she works, any further transportation related to the org's business will not be treated as commuting.

Example: Staff member A is posted at Org X where she also resides (she walks to work each day). Several days each week she then travels to Org Y (at which she is not employed) in an org-owned vehicle to work on a special project. Transporting staff member A from Org X to Org Y is for a business purpose on behalf of her org since she works at Org X and therefore would be treated as a business expense.

Exception For Long Commutes

There is an exception to the general rule applicable to commutes which applies when the commute is relatively long (in excess of 11 miles round trip).

Ordinarily, all commutes must be valued under the particular valuation method initially selected for the vehicle (either 28 cents per mile or the annual value). However, under this exception, a flat-rate amount of \$1.50 per one-way commute (or \$3.00 per round-trip commute) may be used to value the commute instead. Since \$1.50 one-way value is the equivalent of approximately five miles under the 28-cents-per-mile rule, this exception will lower the taxable amount whenever the commute is more than five miles each way.

Tax rules do not make this special flat-rate available to corporate officers or directors. When this tax law was passed it was decided not to give these typically well-compensated individuals a break.

Example: Staff members A and B commute together six miles to work each day in an org-owned automobile that is worth less than \$14,200. They each commuted to work the entire month, for a total of 60 one-way trips, or 30 round-trips. Staff member A also is the corporate president of the org. The taxable value of their commute for the month is figured as follows:

Staff Member A: 6 miles x 60 commutes x \$.28 = \$100.80
Staff Member B: 30 round-trip commutes x \$3.00 = \$ 90.00

Staff member A is required to use the 28 cents per mile method rather than the lowest flat-rate method because he is a corporate officer.

Transportation In Buses and Vans

Another exception to the rules concerning commuting applies to transportation provided in a bus or van (that is capable of transporting at least six adults, not including the driver). This applies to buses or vans which are reasonably expected to be used in transporting employees to and from work for at least 80% of their mileage and which are reasonably expected to be at least half occupied on each trip. In the case of buses and vans that meet these qualifications, the transport provided to staff members is taxable income to the individual staff members only to the extent the value of the transportation per staff member exceeds a threshold ceiling of \$60 per month.

Reviews were conducted of the value of van and bus transportation in Los Angeles and Clearwater and other areas that utilize buses to transport staff members and in each area the value per staff member per month is below the \$60 ceiling.

If any org should put in transportation for its staff by bus or van which exceeds the \$60 per month ceiling per staff member, the excess amount would be additional taxable income to each staff member.

Administrative Procedures

Each month the Payroll Officer collects up the log books, photocopies any pages with personal mileage noted and places the copies in the staff members' payroll files. At the end of each quarter, the personal mileage is totalled and its value added onto the staff members' compensation and the relevant social security and income taxes are withheld. At the end of the year, the annual value of personal mileage is recorded on the staff members' Forms W-2 as additional compensation.

See attachments A and A-1 for an example.

Summary

Org cars should not be used for any personal cycles. However, in any org that owns vehicles that are used by staff, any personal use of the vehicles is additional taxable income to the individual staff member both for income tax and employment (social security) tax purposes. A log must be maintained of all use of each vehicle, both business and personal use. These logs must be maintained as a record of the corporation and are used at the end of the year to calculate any additional taxable income to the org's staff for personal use of org vehicles. The rules that apply and the methods for calculating the taxable income are set forth in this issue.

If you have any questions concerning the tax treatment of the use of org vehicles, contact the Accountancy Compliance I/C International Finance Office.

The above rules may seem burdensome and unnecessarily complex to you. If so, your perceptions are accurate. However, it is necessary to know and follow these rules in order to be in compliance with tax law as it now exists. When we have cleared this planet, life will undoubtedly be less complex.

CORPORATE COORDINATOR CSI

Approved by
WATCHDOG COMMITTEE

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:WDC:JE:dj

Ending mileage reading	<u>9430</u>
Beginning mileage reading	<u>9269</u>
Total miles driven (including personal & business miles)	<u>161</u>

Total business miles 118

SPD 9.4.94 IX
ATTACHMENT A-1

Attachment A is a sample page from an org car log. It shows that T. Doe took the following personal trips:

12/13/93	11 miles - commuting
12/21/93	12 miles - store
12/27/93	<u>20 miles</u> - airport
Total	43 miles

none of which entailed any org business.

This page would be photocopied and placed in T. Doe's payroll file with the personal car use highlighted. If more than one staff member had personal mileage logged on a particular page, then photocopies of the page would be placed in their payroll files with their personal mileage highlighted.

At the end of the quarter, the personal mileage would be added up for each staff member and added to his or her total compensation. Assuming that there was no other personal mileage for T. Doe in the above example, and provided the org car was under the cents-per-mile method, the total added to T. Doe's compensation would be:

$$43 \text{ miles} \times 28 \text{ cents} = \$12.04$$

This additional compensation would be included on T. Doe's total compensation for the quarterly payroll tax return and on the Form W-2 at the end of the year in Box 1, Wages, Tips, other compensation.

If T. Doe is not an exempt minister, then there would be social security taxes paid on this compensation. Since personal use of org cars is an extraordinary fringe benefit and not part of the regular payroll or org FP, the entire amount of the social security tax for the personal use of cars would be withheld from T. Doe's pay. As covered in SPD SOCIAL SECURITY TAXES, the calculation would be:

Taxable value of personal car use (.9235 X \$12.04)	\$11.12
=====	
Social Security Tax (15.3% X \$11.12)	\$ 1.70
=====	

Note: Personal income withholding tax would be separately calculated on the gross value of the personal car mileage along with other compensation.

ANNUAL VALUE TABLE

<u>Automobile fair market value</u>	<u>Value</u>
(1)	(2)
\$0 to 999.....	\$ 600
1,000 to 1,999.....	850
2,000 to 2,999.....	1,100
3,000 to 3,999.....	1,350
4,000 to 4,999.....	1,600
5,000 to 5,999.....	1,850
6,000 to 6,999.....	2,100
7,000 to 7,999.....	2,350
8,000 to 8,999.....	2,600
9,000 to 9,999.....	2,850
10,000 to 10,999.....	3,100
11,000 to 11,999.....	3,350
12,000 to 12,999.....	3,600
13,000 to 13,999.....	3,850
14,000 to 14,999.....	4,100
15,000 to 15,999.....	4,350
16,000 to 16,999.....	4,600
17,000 to 17,999.....	4,850
18,000 to 18,999.....	5,100
19,000 to 19,999.....	5,350
20,000 to 20,999.....	5,600
21,000 to 21,999.....	5,850
22,000 to 22,999.....	6,100
23,000 to 23,999.....	6,350
24,000 to 24,999.....	6,600
25,000 to 25,999.....	6,850
26,000 to 27,999.....	7,250
28,000 to 29,999.....	7,750
30,000 to 31,999.....	8,250
32,000 to 33,999.....	8,750
34,000 to 35,999.....	9,250
36,000 to 37,999.....	9,750
38,000 to 39,999.....	10,250
40,000 to 41,999.....	10,750
42,000 to 43,999.....	11,250
44,000 to 45,999.....	11,750
46,000 to 47,999.....	12,250
48,000 to 49,999.....	12,750
50,000 to 51,999.....	13,250
52,000 to 53,999.....	13,750
54,000 to 55,999.....	14,250
56,000 to 57,999.....	14,750
58,000 to 59,999.....	15,250

SCIENTOLOGY® POLICY DIRECTIVE

23 MAY 1994

All staff all orgs
and missions
Hat Check

Tax Rudiments Policy 8INVOICES, HOW TO WRITERefs:

FOUNDING CHURCH PL 1 Apr. 57 I ALWAYS REGISTER AND
INVOICE
HCO™ PL 16 May 57 CLARIFICATION OF INVOICING
ITEMS
SEC ED 136, 2 Mar. 59 ACCOUNTING SYSTEM
HCO PL 23 Jan. 66 ACCOUNTING POLICIES OF
SCIENTOLOGY COMPANIES

Scientology organizations derive almost 100% of their financial support from parishioners who contribute fixed donations with respect to participation in religious services at their church or mission. This fund-raising system is best suited to the nature of Scientology religious services and the churches and missions which maintain large staffs and premises to minister to their parishioners. The other major source of support is the sale of religious materials through church bookstores.

It is vital to maintain a proper record of all income received through properly completed invoices. These invoices form the basis for proper church financial records. They are extremely important as contemporaneous original records which document the revenues of a church or mission. Invoices are also vital for parishioners' personal records because they are needed to calculate and substantiate charitable contribution tax deductions in the United States and elsewhere.

In addition to their financial record function, invoices provide valuable information to other functions in a Scientology organization. They provide the basis for creating and maintaining Central Files and the org or mission's parishioner mailing lists. They provide a record of training and auditing delivered, comprising an essential part of the record of every single parishioner's progress up The Bridge®. They are the main running time track of an org's relationship with parishioners.

WHAT GOES ON AN INVOICE

Following is a summary of the types of data that must appear on an invoice and reasons why each type of information is required:

1. Date, to record when the transaction occurred.
2. Name, address, home and work phone number of the person in full and in block letters. Invoices are used by various departments within a church or mission to contact and call in parishioners. They are used to provide a record of persons who come into the org or mission for the first time and whose name, address and phone numbers might otherwise not be recorded.
3. Full description of item or service being invoiced, including the full donation requested for that item or service and any discounts or other reductions in the donation requested computed and shown on the invoice along with any other details of the transaction.

If the parishioner is donating for a group or package of services, the invoice must record a breakdown of the requested donation for each service as well as the total donation for the package. Generally, the requested donation for a particular service in a package is less than would be requested for that service individually. In this instance, the total requested donation for the package is apportioned to each service relative to its individual requested donation amount from the list of requested donations (rate card).

For example, the current requested donation for an Academy Level is \$2,000 or \$10,000 for all five levels. A member of the International Association of Scientologists is requested to donate \$1,600 for each Level or \$8,000 total at the membership rate. If a parishioner is a member and contributes for all five levels at once, he or she may donate \$6,400 (as one Level will be free of any requested donation). In this instance the donations for Academy levels 0-IV would be averaged out on the invoice so each is recorded at 1/5th the actual donation as shown on the attached photocopy of a sample invoice.

By giving a full description of the item or service being invoiced, it becomes easy to write the debit invoice once the parishioner starts the service and to compile standard and complete lists for parishioner call-in. (Ref: HCO PL 9 Aug. 79 I, CALL-IN: THE KEY TO DELIVERY AND FUTURE INCOME)

Note: Where a parishioner makes a donation without respect to any religious services, then one would simply record it as a "donation" on the invoice. Where the donation is for a specific purpose, such as to support the church's building fund, a dissemination campaign, or a community outreach program, these details may also be noted on the invoice as additional information as shown on the attached sample invoice.

4. The type of invoice must be clearly specified in the designated place on the invoice (usually the upper or lower right hand corner). When the service is started or the item delivered immediately a cash invoice is written. When a parishioner donates for a service or item in advance, the advance payment is recorded on a credit invoice. When a parishioner starts a service or receives an item for which the parishioner made earlier contributions or payments, a debit invoice is written.

5. Bookstore items are always separately invoiced on a book account invoice machine using the book account invoice series. (Ref: HCO PL 30 Nov. 64RB, HCO BOOK ACCOUNT) If a parishioner donates for a service and purchases some bookstore items at the same time, a separate invoice is written for the bookstore items. Each item purchased is clearly indicated in the invoice. This data is essential to correctly calculating the amount to be transferred to the Book Account at the end of the week. This data also is essential for parishioners to substantiate their charitable contributions because generally payments for bookstore items are not deductible, while donations for services generally do qualify for tax deductions.

Note: When a parishioner chooses to use an advance donation, that was previously made for training or processing, for the purchase of bookstore items, this fact must be clearly noted on the debit invoice and on the parishioner's account statement. The invoice number of the prior donation for services should be noted on the debit invoice. This information is important for tax purposes.

6. A full statement of the method of payment. If a check, give bank name and check number. If a transfer or bank wire, state so and give details. If a credit card, the credit card type and number and the date of expiry would be noted on the invoice. In this way, the payment can be checked and verified; invoices can be matched easily against actual receipts; checks and credit card slips and proper record keeping can occur.
7. Information showing whether the parishioner has made the full requested donation for the service or whether an additional donation is expected (and how much). Call-In personnel use this information to contact parishioners encouraging them to start their next service.
8. Signature of person making out the invoice, so that any questions arising can be answered.

9. Whether Training, Processing, Bookstore or Qual items, shown by the appropriate large letter T, P, B or Q on the top of the invoice. This facilitates routing of copies to the department concerned and income breakdowns. In the new computer system, the invoices are sorted automatically and it is not necessary to mark them with these letters.
10. Parishioner's signature on all debit invoices, so that the org has a record of the person acknowledging the application of his advance donation.
11. Any other details not specifically listed above but found necessary so that a full record of the transaction exists.

PREPAYMENTS USED

Prepayment Used is simply the debit invoice written when the parishioner begins a service for which he previously made an advance donation. The invoice is written against previous Advance Payments.

Standardly debiting services a parishioner starts is important not only to keep his contribution account in order but to keep track of what services are delivered. This forms an important part of the org's basic financial records.

A debit invoice is written against the actual advance payments as contained in the parishioner's file. Always verify the advance donations before debiting for a service or books.

When a debit invoice is written, the parishioner must sign the invoice to authorize the debit to his account. A copy is then filed in his accounts folder.

The parishioner's account is debited for the donation made for the religious service started or the price of the bookstore materials delivered.

EXAMPLE: If a person has made an advance donation for an Academy Package as above, he gets one PPU (prepayments used) debit invoice every time he starts a new Academy Level, for the donation made for that level.

DOS AND DON'TS

1. ALWAYS PUT ALL THE INFORMATION ABOUT THE TRANSACTION ON THE INVOICE. Leave nothing up to memory or additional notes or memos. The invoice is a valuable basic record of the transaction and constitutes a stable datum.
2. ALWAYS USE VERY LEGIBLE HANDWRITING THAT ANY ORG TERMINAL CAN DECIPHER, now or in years from now. Use sufficient pressure on non-carbon invoices. Use good carbon on invoices written with carbon paper to make all copies clearly legible. Print the name, address and phone number of the public person in block letters. Files and their contents -- invoices in this case -- are a mind for the organization and you will save yourself and others a lot of time by doing it right the first time.

Note: Where computers are in use, invoices should not be written by hand but should always be done on computer. This will guarantee legibility and standard invoices and accounting. But until you have a computer facility these must be legibly written as above.

Every Scientology organization is expected to have computerized financial accounting systems provided by INCOMM® which have been specially programmed to match the financial systems called for in policy and which have also been tailored to the needs of Scientology Churches as regards donations. For this reason, other computer finance systems and software are not authorized.

3. ALWAYS WRITE ONE INVOICE FOR EACH TRANSACTION AND NEVER MORE THAN ONE TRANSACTION ON EACH INVOICE.

EXAMPLE: If a person donates for five 12 1/2 hour intensives all at once and starts the first one now, he gets (a) one cash invoice for the first 12 1/2 hours and (b) one credit invoice for four intensives on account as an advance donation. He then gets a debit invoice at the start of each of the remaining 12 1/2 hour intensives.

EXAMPLE: If a person donates for one intensive at \$3,200 but gives a check for \$4,000 and instructs that the balance be credited to his account for book purchases, he gets (a) one invoice for the intensive, and (b) one invoice as a \$800 credit on his account, with as much detail as possible about the bookstore items he wants to purchase.

4. NEVER WRITE AN "OUT OF PREPAYMENTS" DEBIT INVOICE WITHOUT FIRST VERIFYING THAT THE ADVANCE DONATION WAS MADE IN THE FIRST PLACE. Do not rely on verbal information or your own familiarity with the account. If it isn't written, it isn't true. Always check the account folder first. (Registrars do not have to leave the parishioner and go dig out the folder in Treasury. They call the Cashier and the Cashier brings the folder right then and there to the Registrar's office. Dept 7 provides this service.)
5. NEVER WRITE AN "OUT OF PREPAYMENTS" DEBIT INVOICE WITHOUT HAVING TO HAND THE SPECIFIC AUTHORIZATION OF THE PARISHIONER TO DO SO. If he is there in person have him sign the invoice. If he is not there, obtain his written authorization to debit his account, and file a copy of such in the accounts folder.
6. NEVER INVOICE MONEY UNLESS YOU HAVE IT. ALWAYS INVOICE ALL MONIES RECEIVED FROM WHATEVER SOURCE. (Ref: HCO PL 23 Jan. 66, ACCOUNTING POLICIES OF SCIENTOLOGY COMPANIES)
7. ALWAYS STATE ON THE INVOICE WHAT SERVICE OR ITEM THE MONEY IS BEING DONATED OR RECEIVED FOR. Never write only "In PP" or "prepayment" or "advance donation." Ideally the exact training service or, in the case of auditing, "auditing intensives" are noted (as only the C/S, not the registrar, determines the auditing actions). However, if this information is simply not known, one would minimally indicate "training and/or processing" or "bookstore" items depending on the circumstances. This can be very important for the parishioner's tax records.

Any smart organization will not have parishioners donating in advance for a multitude of services in an out-sequence manner. An advanced donation would be specified for the next service the parishioner wishes to take which will advance him or her up The Bridge and, upon completing advanced donations for that service, further advanced donations would then be specified for the next service, and so on. If a parishioner is advancing toward a goal of completing a series of services, the above would be continued until all the requested donations for those services are completed. By making advanced donations in this way, it is possible for the parishioner to complete cycles of action and -- importantly -- enables the person to begin his next service as soon as he or she is ready for it and thus speeds his or her progress up The Bridge. That is the purpose of all orgs and missions -- to move people up The Bridge to Total Freedom. Advanced donations exist for that purpose only.

8. ALWAYS WRITE AN INVOICE WHEN A SERVICE IS STARTED OR ITEM IS DELIVERED, EVEN WHEN THERE IS NO CASH TRANSACTION INVOLVED. "No Donation" invoices are written in the case of services to staff or in the case of training awards. Open invoices are written for Qual Reviews. Even though no cash transaction is involved, these invoices become an important part of the org records. The parishioner also receives a copy of this invoice for his or her records.

9. NEVER CANCEL AN INVOICE AFTER IT IS WRITTEN. IF AN ERROR HAS BEEN MADE OR AN ADJUSTMENT IS NEEDED A SEPARATE MINUS INVOICE IS WRITTEN (Ref: HCO PL 30 Jan. 66 III, ACCOUNTS PROCEDURES). A minus invoice should be marked MINUS in big capital letters so nobody can miss it and contain all details of why the invoice is written, including the number and date of the original invoice it is correcting. This way both the original invoice and the correction are preserved and noted in the records.
10. ALWAYS TREAT INVOICES AS THE VERY VALUABLE RECORDS THAT THEY ARE. Don't lose them or misuse them or misfile them or render them useless through illegibility.

POLICING INVOICE WRITING

The Dir of Income is overall responsible for issuing invoices to all invoicing stations (Registrars Div 2 and Div 6, Bookstore Officer, Qual I&I, Cashier) and for policing accuracy of invoice writing. He inspects all invoices written daily and corrects any outnesses by instant hating the terminal responsible and getting across the reality on the importance of correct invoice writing. Any recurring difficulty is handled in Cramming or Ethics as warranted. If illegible invoices are the trouble, cramming can put the staff member through simple writing drills that handle this problem.

TRAINING

Anyone associated with invoicing has a duty to know his hat. Knowledge of the policies covering Treasury will handle any confusions or uncertainties as to why invoices are important. The point is, the data listed in this issue is not at all arbitrary -- each datum is the way it is for a reason.

SUMMARY

Invoices form a vital and very important part of our record keeping. They must be correctly written for the sake of the org and for the sake of our parishioners.

Very soon invoices will be computerized and 100 percent standard and uniform from org to org. Attached to this issue are some sample computer-generated invoices. They contain all of the essential information as described above. Handwritten invoices should very legibly record this same information.

INT FINANCE DIRECTOR

Approved by
IMEC and WDC

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:WDC:IMEC:JE:dj



CHURCH OF SCIENTOLOGY OF LOS ANGELES

4810 Sunset Boulevard, Los Angeles, CA 90027
(213) 953-3200

Name and Address
PAUL JACKSON
502 E. 4TH STR.
APT #77
LOS ANGELES, CA. 90027

Invoice Number
SRV 4-01
Week Ending Date
21-Apr-1994
Telephone
(213) 375-8832

Invoice Date
19-Apr-1994
Invoice Type
CREDIT

Description
SCIENTOLOGY ACADEMY PACKAGE
MEMBERSHIP RATE - 20%
SERVICE IS NOW FULLY PAID
ACADEMY LEVEL 0 - HUBBARD
RECOGNIZED SCIENTOLOGIST COURSE
ACADEMY LEVEL I - HUBBARD
TRAINED SCIENTOLOGIST COURSE
ACADEMY LEVEL II - HUBBARD
CERTIFIED AUDITOR COURSE
ACADEMY LEVEL III - HUBBARD
PROFESSIONAL AUDITOR COURSE
ACADEMY LEVEL IV - HUBBARD
ADVANCED AUDITOR COURSE

Payment Method

VISA 2039 3004 29939
PAUL JACKSON
CHECK B OF A
CASH

Amount
1-Jan-1998 4,000.00
28303
9019 2,000.00
400.00

Sales Tax
Total 6,400.00

Written by
JOE SMITH

FSM/Bookseller
BOB LANE

Signature
X

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CHURCH OF SCIENTOLOGY OF LOS ANGELES

4810 Sunset Boulevard, Los Angeles, CA 90027
(213) 953-3200

Name and Address
EDWARD A. DAWSON
2004 ESTRADA PARKWAY
BUILDING "J"
APT #203
LOS ANGELES, CA. 90027

Invoice Number
BK 31-01
Week Ending Date
21-Apr-1994
Telephone
(213) 375-8832

Invoice Date
18-Apr-1994
Invoice Type
CREDIT

Description
THE ABILITY CONGRESS LECT
ENGLISH
MEMBERSHIP RATE - 20%
THIS DONATION: 200.00
NET AMOUNT DUE: 59.80
(NET DUE INCLUDES SALES TAX)

Amount
300.00

Quantity
1 Total 240.00

Payment Method

CHECK SUMITOMO

Amount
1092 200.00

Sales Tax
Total 200.00

Written by
JOE SMITH

FSM/Bookseller

Signature
X

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4810 Sunset Boulevard, Los Angeles, CA 90027
(213) 953-3200

Name and Address
KEVIN KING
777 W. 7TH ST.
LOS ANGELES, CA. 90028

Invoice Number
SRV 6-01
Week Ending Date
21-Apr-1994
Telephone
(213) 953-2341

Invoice Date
19-Apr-1994
Invoice Type
CREDIT

Description	Amount	Quantity	Total
12 1/2 HOUR INTENSIVE AUDITING MEMBERSHIP RATE - 20%	4,000.00	1	3,200.00
THIS DONATION: 300.00			
RECEIVED EARLIER: 400.00			
REMAINING DONATION: 2,500.00			

Payment Method

CHECK B OF A

Amount
98023 300.00

Sales Tax
Total 300.00

Written by
JOE SMITH

FSM/Bookseller
PAUL THOMAS

Signature
X

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CHURCH OF SCIENTOLOGY OF LOS ANGELES

4810 Sunset Boulevard, Los Angeles, CA 90027
(213) 953-3200

Name and Address
CHRIS JONES
212 E. PINE AVE
LOS ANGELES, CA. 90028

Invoice Number
QL 7-01
Week Ending Date
21-Apr-1994
Telephone
(213) 966-2288

Invoice Date
19-Apr-1994
Invoice Type
STAFF DEBIT

Description
BASIC STUDY MANUAL COURSE

Amount	Quantity	Total
200.00	1	200.00

Payment Method
NO DONATION

Amount

Sales Tax
Total 0.00

Written by
PAM WHITE

Signature
X

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CHURCH OF SCIENTOLOGY OF LOS ANGELES

4810 Sunset Boulevard, Los Angeles, CA 90027
(213) 953-3200

Name and Address
BENJAMIN ABALOS
5207 W. BURNSIDE RD
LOS ANGELES, CA. 90027

Invoice Number	Invoice Date
SRV 13-01	19-Apr-1994
Week Ending Date	Invoice Type
21-Apr-1994	NO DONATION

Description	Amount	Quantity	Total
FREE CASE ANALYSIS	0.00	1	0.00

Payment Method
NO DONATION

Sales Tax	Total
	0.00

Written by
JOE SMITH

FSM/Bookseller

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CHURCH OF SCIENTOLOGY OF LOS ANGELES

4810 Sunset Boulevard, Los Angeles, CA 90027
(213) 953-3200

Name and Address
FRANK SMITH
8838 LINCOLN DR.
LOS ANGELES, CA. 90025

Invoice Number	Invoice Date
INC 3-05	19-Apr-1994
Week Ending Date	Invoice Type
21-Apr-1994	CASH
Telephone	

Description	Amount	Quantity	Total
DONATION for assistance for victims of Los Angeles Earthquake	1,000.00	1	1,000.00

Payment Method
CHECK B OF A

Amount
9501 1,000.00

Sales Tax	Total
	1,000.00

Written by
GUY HARRIS

FSM/Bookseller

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SCIENTOLOGY® POLICY DIRECTIVE

3 JULY 1994
ISSUE I

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OSA PAC
CSI and FCB Level orgs Treasury Divisions
All US orgs Directors of Special Affairs
OSA EUS
OSA Int
Int Finance Office
Cont Finance Office EUS
Cont Finance Office WUS
All US org FBOs
All US org Treasury Secs
All US Mission Holders, EDs and Treas Secs

URGENT - IMPORTANT

Tax Rudiments Policy 9

COMPLIANCE WITH TAX REGULATIONS

PAYMENT OF FSM AND BOOK COMMISSIONS

United States orgs and missions are exempt from corporate income taxes but are still required to comply with other tax laws, such as those concerning payroll taxes on compensation paid to employees, and also the proper handling and reporting of FSM and Book Commissions.

FSM AND BOOK COMMISSIONS TO U.S. CITIZENS

The rules concerning the payment of FSM and Book Commissions to Field Staff Members who are US citizens and who have social security numbers (in the case of individuals) or tax identification numbers (in the case of a legal entity) are generally known and followed. The sum of these commissions for the year are reported to the recipient on IRS Form 1099-MISC, Attachment B, by 28 February of the following year. In order to properly complete this form and report these commissions, it is vital that the social security number or the tax identification number be acquired before any commission is paid. The IRS issues Form W-9, Attachment C, which can be used to record the social security or tax identification number.

(Note: Under US tax law it is not necessary to report commissions paid to most types of corporations on Form 1099-MISC or any other type of form. However, it is a safe policy to acquire the tax identification numbers of any recipient of an FSM or Book Commission and to sort out at the end of the year whether or not a 1099-MISC will be required.)

FSM COMMISSIONS AND BOOK COMMISSIONS

TO NON-U.S. CITIZENS

The above applies to United States citizens and entities. There is however more to be known about the payment and reporting of FSM and Book Commissions to Field Staff Members who are not US citizens. The rules governing this area are quite complex and are actually a combination of US tax law and tax treaties that the US has with foreign governments. Tax treaties are reciprocal agreements that the United States makes with other countries on how tax matters of mutual concern are to be handled. These include how citizens of the respective countries will be taxed on income earned in the other country.

There are various definitions and rules which must be known and followed in order to determine the tax treatment of commissions paid to an FSM or bookseller who is not a US citizen.

The first definition to know is "alien," which for tax purposes is a citizen of a foreign country. There are two classes of aliens, "resident aliens" and "nonresident aliens" and these are treated differently for tax purposes as discussed below.

RESIDENT ALIEN: Generally, a "resident alien" is one who resides in the United States and is therefore a US taxpayer subject to US income taxes as if he were a US citizen.

Some resident aliens obtain green cards so they can live and work in the US. They can then obtain a social security card. Commissions paid any alien holding a green card are reported on Form 1099-MISC just as they are with US citizens, irregardless of how much time they spend in the United States.

Other aliens do not have green cards and spend time in and out of the United States and their status as resident aliens is less clear. If they have a "substantial presence" in the United States they will be considered resident aliens and be subject to US taxes.

A "substantial presence" is determined by length of stay in the United States in the current and previous 2 years. There is a formula as follows:

- A) How many days spent in the US so far this year? _____
- B) How many days more expected to be in the US this year? _____
- C) Add A + B. If the sum is less than 31 days for the current year, then substantial presence is not established irrespective of the length of stay in the previous two years. If the sum is 31 days or greater, go on to D. _____
- D) How many days spent in the US last year? Multiply that number by 1/3. _____
- E) How many days spent in the US the year before that? Multiply that number by 1/6. _____
- F) Total Add (C) + (D) + (E) _____

If this total is 183 days or more, one automatically has a "substantial presence" in the United States and is a resident alien for US tax purposes.

Those who qualify as resident aliens by reason of having a substantial presence in the United States must obtain a social security or tax identification number and their commissions must be reported on Form 1099-MISC. All commissions paid to such individuals are reported on 1099-MISC regardless of whether the FSM or bookselling activities took place inside or outside of the United States.

Note: Although rare, the only other way one can be classified as a resident alien for tax purposes is to make a special personal election with the IRS.

There is an additional admin step which must be undertaken on resident aliens to prove that the org is in compliance with tax law. IRS Form 1078, CERTIFICATE OF ALIEN CLAIMING RESIDENCE IN THE UNITED STATES, a copy of which is included as Attachment D, must be filled in and signed by the resident alien. This form is maintained in org files as a Valuable Document and is not sent to the IRS. The reason for this form is to protect the org from any possible tax liability if the resident alien fails to file a US personal income tax return and pay any necessary taxes on the commissions. (The org does not withhold any taxes on commissions reported on a 1099-MISC.)

NONRESIDENT ALIENS: A nonresident alien is one who does not have resident status in the United States and who does not meet the "substantial presence" test and has not made the special election to be classified as a resident alien described above.

Payments of commissions to a nonresident alien are not reported on 1099-MISC.

Payments of commissions to a nonresident alien who earned the FSM Commission or sold the books while outside of the United States do not have to be reported to the IRS as a general matter.

However, if FSM or bookselling services are performed while in the United States, those commissions paid are deemed to be "US Source Income" and are reported to the IRS on IRS Form 1042-S by 15 March of the following year. Commissions are reported as type #16, "Compensation for independent personal services." The IRS's copies of Form 1042-S are transmitted utilizing Form 1042. A copy of each of these forms are appended as Attachments E and E-1.

A written statement is required to be obtained from each nonresident alien for each individual FSM Commission or Book Commission specifying whether or not it is US Source Income so that the org has a record of whether or not it will have to be reported. This statement is made on a simple internally-prepared, preprinted form, Attachment F.

TAX WITHHOLDING ON PAYMENTS

TO NONRESIDENT ALIENS

Since nonresident aliens are generally not required to file US personal income tax returns and it would be impossible to enforce that they do, they are taxed a flat 30% which the IRS collects by requiring that the org withhold 30% from any commission they earn in the US (US Source Income), and pay it over to the IRS.

The payment of this withholding tax to the IRS is made monthly with the usual IRS deposit form 8109 (the same form that the org uses to make payroll and personal income tax withholding deposits, Attachment G) and reported annually on Form 1042.

However, there are tax treaties with a number of countries which exempt nonresident aliens from this withholding tax. The reason for this is that the foreign countries reciprocate and do not tax US citizens who earn similar forms of income while in those countries.

One factor present in many treaties is whether or not the nonresident alien maintains a regular base or place of business in the United States. If so, the safe course is to withhold and report the 30% tax on US Source Income commissions regardless of any other exemption test.

Some tax treaties have a dollar limit on the annual US Source Income that is exempt from withholding, such as Sweden and Switzerland which have \$5,000 and \$10,000 limits respectively. Any US Source Income commissions over those limits would then subject the entire amount of commissions paid in that year to the 30% withholding. Thus it is important to determine that the total anticipated commissions will not exceed the treaty limits. If in doubt, the safe course is to withhold the 30% -- the nonresident alien can always file a claim for refund at the end of the year. Other tax treaties, such as those with Australia, Germany and Canada, do not have such a dollar limit. This information is summarized at Attachment A.

Some tax treaties also provide a time limit on the number of days spent in the United States in the current calendar year. In cases where the day limit is 182 or 183 days, exceeding these limits automatically triggers the substantial presence test and changes the person's status to resident alien for tax purposes. He or she would then have to obtain a social security or tax identification number and all commissions reported on Form 1099-MISC. Some countries such as Denmark and Sweden have a lower time limit for exemption from the 30% tax. Where these

time limits are exceeded but where the substantial presence test is not met, one could still be a nonresident alien but subject to the 30% withholding tax on US Source Income commissions. The tax treaty day limit information is summarized on Attachment A. Where the treaty does not specify a day limit, 183 days is used since this automatically triggers a substantial presence.

Note: Attachment A gives a list of current tax treaties and their limits. These tax treaties are subject to change and modified treaties become effective at the start of each year. The IRS publishes updated treaty information in Publication 901; consult this annually. This publication is available from the IRS by calling 1-800-TAX-FORM (1-800-829-3676).

To establish exemption from the 30% withholding tax, a Nonresident Alien must fill out IRS Form 8233, EXEMPTION FROM WITHHOLDING ON COMPENSATION FOR INDEPENDENT PERSONAL SERVICES OF A NONRESIDENT ALIEN INDIVIDUAL, a copy of which is at Attachment H. The requirements for exemption include being a citizen of a tax-treaty country, days present in the US being within the substantial presence test limit (or other annual time limitation established by treaty), and amounts received being within the annual limit.

A new Form 8233 must be obtained from each nonresident alien who will receive payments each year before making any payments in that year, as it establishes the qualifications for exemption from withholding tax for that year. Follow the instructions on the form to sign the form, forward a copy to the IRS within 5 days and keep a copy in the org.

Payments of US Source Income to nonresident aliens that are exempt from withholding must still be reported on Form 1042-S, but are marked as "Exempt under a tax treaty."

If in doubt about the resident or exempt status of a foreign citizen, the safe course is to withhold tax at the 30% rate and report it on Form 1042-S.

FIRM POLICY

Because the absence of social security or taxpayer identification numbers or other needed information has caused difficulty in complying with these laws, it now becomes firm policy:

NO US ORG OR MISSION MAY PAY AN FSM OR BOOK COMMISSION TO A US CITIZEN OR A RESIDENT ALIEN WITHOUT A SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER

AND

NO US ORG OR MISSION CAN FAIL TO WITHHOLD 30% TAX ON FSM OR BOOK COMMISSIONS PAID TO NONRESIDENT ALIENS WHERE THE FSM OR BOOKSELLING ACTIVITIES OCCURRED IN THE UNITED STATES WITHOUT SUFFICIENT DATA TO ESTABLISH EXEMPTION FROM SUCH WITHHOLDING TAX. (A STATEMENT MUST BE OBTAINED STATING WHETHER OR NOT IT IS US SOURCE INCOME.)

It is the responsibility of the Treasury Secretary of every org or mission to know and apply these rules and of the Director of Special Affairs to oversee compliance with such.

It is an essential part of tax compliance to properly handle and report payments of commissions to foreign citizens. The necessary forms can be obtained from your nearest IRS offices.

A chart summarizing this information is included as Attachment I for your use.

INT FINANCE DIRECTOR

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TAX TREATY EXEMPTIONS

Listed below are the day and amount limits of tax treaty countries. The Day Limit is the maximum number of days in the current calendar year one can be in the US and still be eligible for treaty exemptions from the 30% withholding tax. The Amount Limit is the maximum amount of US Source Income commissions that can be paid before the entire amount of such commissions paid that year are subject to 30% withholding tax. Where there is no dollar amount listed, there is no limit on the amount of US Source Income that can be paid with no withholding tax.

Country	Day Limit	Amount Limit
Australia	183	
Austria	183	
Barbados	89	5,000
Belgium	182	
Canada	183	
China, People's Republic of	183	
Cyprus	182	
Denmark	90	3,000
Egypt	89	
Finland	183	
France	183	
Germany, Federal Republic of	183	
Greece	183	10,000
Hungary	183	
Iceland	182	
India	89	
Indonesia	119	
Ireland	183	
Italy	183	
Jamaica	89	5,000
Japan	183	
Korea	182	3,000
Luxembourg	180	3,000
Malta	90	10,000
Morocco	182	5,000
Netherlands	183	
New Zealand	183	
Norway	182	
Pakistan	183	
Philippines	89	10,000
Poland	182	
Romania	182	
Spain	183	
Sweden	90	3,000
Switzerland	183	10,000
Trinidad & Tobago	183	3,000
Tunisia	183	7,500
United kingdom	183	
Russia	183	
USSR *	183	

* No new tax treaty exists yet but the old treaty applies to all remaining members of the new Commonwealth of Independent States (C.I.S.) until new treaties are made with members.

9595 VOID CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Rents \$	OMB No. 1545-0115	1993	Miscellaneous Income
		2 Royalties \$			
		3 Prizes, awards, etc. \$			
PAYER'S Federal identification number	RECIPIENT'S identification number	4 Federal income tax withheld \$	5 Fishing boat proceeds \$	Copy A For Internal Revenue Service Center File with Form 1096. For Paperwork Reduction Act Notice and instructions for completing this form, see Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		6 Medical and health care payments \$	7 Nonemployee compensation \$		
Street address (including apt. no.)		8 Substitute payments in lieu of dividends or interest \$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale ► <input type="checkbox"/>		
City, state, and ZIP code		10 Crop insurance proceeds \$	11 State income tax withheld \$		
Account number (optional)	2nd TIN Not. <input type="checkbox"/>	12 State/Payer's state number			

Form 1099-MISC

Cat. No. 14425J

Department of the Treasury - Internal Revenue Service

Do NOT Cut or Separate Forms on This Page

9595 VOID CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Rents \$	OMB No. 1545-0115	1993	Miscellaneous Income
		2 Royalties \$			
		3 Prizes, awards, etc. \$			
PAYER'S Federal identification number	RECIPIENT'S identification number	4 Federal income tax withheld \$	5 Fishing boat proceeds \$	Copy A For Internal Revenue Service Center File with Form 1096. For Paperwork Reduction Act Notice and instructions for completing this form, see Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		6 Medical and health care payments \$	7 Nonemployee compensation \$		
Street address (including apt. no.)		8 Substitute payments in lieu of dividends or interest \$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale ► <input type="checkbox"/>		
City, state, and ZIP code		10 Crop insurance proceeds \$	11 State income tax withheld \$		
Account number (optional)	2nd TIN Not. <input type="checkbox"/>	12 State/Payer's state number			

Form 1099-MISC

Cat. No. 14425J

Department of the Treasury - Internal Revenue Service

Do NOT Cut or Separate Forms on This Page

9595 VOID CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Rents \$	OMB No. 1545-0115	1993	Miscellaneous Income
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		3 Prizes, awards, etc. \$			
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RECIPIENT'S name		6 Medical and health care payments \$	7 Nonemployee compensation \$		
Street address (including apt. no.)		8 Substitute payments in lieu of dividends or interest \$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale ► <input type="checkbox"/>		
City, state, and ZIP code		10 Crop insurance proceeds \$	11 State income tax withheld \$		
Account number (optional)	2nd TIN Not. <input type="checkbox"/>	12 State/Payer's state number			

Form 1099-MISC

Cat. No. 14425J

Department of the Treasury - Internal Revenue Service

Form W-9
(Rev. January 1983)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give this form to
the requester. Do
NOT send to IRS.

Name (If joint names, list first and circle the name of the person or entity whose number you enter in Part I below. See instructions on page 2 if your name has changed.)

Business name (Sole proprietors see instructions on page 2.) (If you are exempt from backup withholding, complete this form and enter "EXEMPT" in Part II below.)

Address (number and street)

List account number(s) here (optional)

City, state and ZIP code

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). For sole proprietors, see the instructions on page 2. For other entities, it is your employer identification number (EIN). If you do not have a number, see How To Obtain a TIN, below.

Note: If the account is in more than one name, see the chart on page 2 for guidelines on whose number to enter.

Certification. - Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

Certification Instructions. - You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, the acquisition or abandonment of secured property, contributions to an individual retirement arrangement (IRA), and generally payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (Also see Signing the Certification on page 2.)

Social security number

OR

Employer identification number

Part II For Payees Exempt From Backup Withholding (See Exempt Payees and Payments on page 2)



Requester's name and address (optional)

Sign
Here

Signature ►

Date ►

Form W-9 (Rev. 1-83)

H763

3W9050 1,000

1078

Form 1078
(Rev. October 1952)
Department of the Treasury
Internal Revenue Service

Certificate of Alien Claiming Residence in the United States

(This certificate has no effect on citizenship.)

Your name	Your social security number	
Address (number and street or rural route)	Apt. no.	Your occupation in the U.S.
City, town or post office, state, and ZIP code	Date of employment in the U.S.	
Name and address (including ZIP code) of withholding agent	Employer identification number	

Under penalties of perjury, I declare that I am a citizen or subject of (country) _____; that I was admitted to the United States on or about (date) _____, under a visa or permit (visa number and class) _____; that I have established residence in the United States; and I understand that my income derived from all sources, including sources outside the United States, will be subject to tax under the Internal Revenue laws applicable to residents of the United States until I abandon my residence in the United States.

Date _____ 19 ____

Your signature

Form 1042-S

Department of the Treasury
Internal Revenue Service

**Foreign Person's U.S. Source Income
Subject to Withholding**

► For Paperwork Reduction Act Notice, see separate instructions for Forms 1042 and 1042-S.

1993

OMB No. 1545-0096

**Copy A for
Internal Revenue Service**

Line	(a) Income code	(b) Gross income paid	(c) Withholding allowances (for income code 15 only)	(d) Net income (column (b) minus column (c))	(e) Tax rate (%)	(f) Exemption code	(g) U.S. Federal tax withheld (net of any tax released)	(h) Country code
1								
2								
3	Total							
4 Recipient code (see instructions) ►				9 WITHHOLDING AGENT'S name and address (including ZIP code) (as shown on Form 1042)				
5 Recipient's U.S. taxpayer identification number, if any ►								
6 Account number (optional) ►								
7 RECIPIENT'S name (first name, initial, and last name), street address, city, province or state, postal code, and country								
8 Recipient's country of residence for tax purposes (see instructions)				10 Withholding agent's taxpayer identification number (TIN)				
				11 PAYER'S name and TIN (if different from withholding agent's)				
				12 State income tax withheld				
13 Payer's state tax number				14 Name of state				

Cat. No. 11386R

Form 1042-S (1993)

Form 1042-S

Department of the Treasury
Internal Revenue Service

**Foreign Person's U.S. Source Income
Subject to Withholding**

► For Paperwork Reduction Act Notice, see separate instructions for Forms 1042 and 1042-S.

1993

OMB No. 1545-0096

**Copy A for
Internal Revenue Service**

Line	(a) Income code	(b) Gross income paid	(c) Withholding allowances (for income code 15 only)	(d) Net income (column (b) minus column (c))	(e) Tax rate (%)	(f) Exemption code	(g) U.S. Federal tax withheld (net of any tax released)	(h) Country code
1								
2								
3	Total							
4 Recipient code (see instructions) ►				9 WITHHOLDING AGENT'S name and address (including ZIP code) (as shown on Form 1042)				
5 Recipient's U.S. taxpayer identification number, if any ►								
6 Account number (optional) ►								
7 RECIPIENT'S name (first name, initial, and last name), street address, city, province or state, postal code, and country								
8 Recipient's country of residence for tax purposes (see instructions)				10 Withholding agent's taxpayer identification number (TIN)				
				11 PAYER'S name and TIN (if different from withholding agent's)				
				12 State income tax withheld				
13 Payer's state tax number				14 Name of state				

Cat. No. 11386R

Form 1042-S (1993)

Form **1042**

**Annual Withholding Tax Return for
U.S. Source Income of Foreign Persons**

OMB No. 1545-0096

1993

Department of the Treasury
Internal Revenue Service

► See separate instructions for Forms 1042 and 1042-S.

Name of withholding agent

Taxpayer identification number

Number, street, and room or suite no. (If a P.O. box, see page 4 of the instructions)

For IRS Use Only

CC	FD
RD	FF
CAF	FP
CR	I
EDC	SIC

City or town, state, and ZIP code

If you will not be liable for returns in the future, check here ► Enter date final income paid ►
Check here if you made quarter-monthly deposits using the 90% rule (see Deposit Requirements on page 3 of the instructions) ►

**Record of Federal Tax Liability
(Do not show Federal tax deposits here.)**

Line No.	Deposit period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Deposit period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Deposit period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)
1	Jan.	7	May	21	7	Sept.	41	7
2		15		22	15		42	15
3		22		23	22		43	22
4		31		24	31		44	30
5	Jan. total		25	May total		45	Sept. total	
6	Feb.	7	June	26	7	Oct.	46	7
7		15		27	15		47	15
8		22		28	22		48	22
9		28		29	30		49	31
10	Feb. total		30	June total		50	Oct. total	
11	Mar.	7	July	31	7	Nov.	51	7
12		15		32	15		52	15
13		22		33	22		53	22
14		31		34	31		54	30
15	Mar. total		35	July total		55	Nov. total	
16	Apr.	7	Aug.	36	7	Dec.	56	7
17		15		37	15		57	15
18		22		38	22		58	22
19		30		39	31		59	31
20	Apr. total		40	Aug. total		60	Dec. total	

61	Total tax liability (add monthly total lines from above) ►	61
62	Form(s) 1042-S:	
a	Number filed on magnetic tape.....	b Number filed on paper.....
63	Form(s) 1042-S and 1000:	
a	Gross income paid.....	b Taxes withheld or assumed.....
64	Total paid by Federal tax deposit coupons (or with a request for an extension of time to file) for 1993.	64
65	Enter overpayment applied as a credit from 1992 Form 1042	65
66	Total payments. Add lines 64 and 65 ►	66
67	If line 61 is larger than line 66, enter BALANCE DUE here. (If \$200 or more, use FTD coupon.)	67
68	If line 66 is larger than line 61, enter OVERPAYMENT here	68
69	Apply overpayment on line 68 to (check one): <input type="checkbox"/> Credit on 1994 Form 1042; or <input type="checkbox"/> Refund	

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than withholding agent) is based on all information of which preparer has any knowledge.		
► Your signature	Date	► Capacity in which acting	
Paid Preparer's Use Only	Preparer's signature ►	Check if self-employed ► <input type="checkbox"/>	Preparer's social security no.
Firm's name (or yours if self-employed) and address ►		E.I. No. ►	ZIP code ►

TAX QUESTIONNAIRE

R-FACTOR:

In order to determine the proper tax treatment of FSM and book commissions paid to FSMs who are not citizens of the United States and who do not have green cards or a substantial presence in the United States, certain information is needed so that ORG can comply with US tax laws. Please complete this form so that your commission can be paid accordingly.

NAME OF FSM _____

CITIZENSHIP OF FSM _____

NAME OF SELECTEE _____

AMOUNT OF COMMISSION _____

DATE OF SELECTION _____

COUNTRY WHERE FSM OR BOOKSELLING SERVICES WERE PERFORMED

I attest that the above information is correct.

SIGNATURE OF FSM _____

Federal Tax Deposit Coupon

Form 8109-B (Rev. 8-89)

- SEPARATE ALONG THIS LINE AND SUBMIT TO DEPOSITORY WITH PAYMENT -

OMB NO. 1545-0257

LINE AND SOCIETY TO SEE. C. IMPORTANT

Read instructions carefully before completing Form 8109-B Federal tax deposit coupon.

Application for Employer Identification Number), address, kind of tax, period covered, and date you applied for an EIN. Also attach an explanation to the deposit. Do NOT use Form 8109-B in this situation. Do not use Form 8109-B to deposit delinquent taxes for which you have been assessed by the IRS. Pay those taxes directly to the IRS.

How To Complete Form 8109-B.—Enter your name exactly as shown on your return or other IRS correspondence, address, and employer identification number in the spaces provided. If you are required to file a Form 1120, Form 990-C, Form 990-PF (with net investment income), Form 990-T, or Form 2438, enter the month in which your tax year ends in the "TAX YEAR MONTH" boxes. For example, if your tax year ends in January, enter 01; if it ends in June, enter 06; if it ends in December, enter 12. Please make your entries for employer identification number and tax year month (if applicable) in the manner specified in *Amount of Deposit* below. Darken one box each in the "Type of Tax" and "Tax Period" columns as explained below.

Amount of Deposit.—

Amount of Deposit:-
Enter the amount of the deposit in the space provided.
Enter amount legibly, forming the characters as shown below:

1 2 3 4 5 6 7 8 9 0

Handprint money amounts without using dollar signs, commas, a decimal point, or leading zeros. The commas and the decimal point are already shown in the entry area.
For example, a deposit of \$7,635.22 would be entered like this:

DOLLARS				CENTS
				763522

If the deposit is for whole dollars only, enter "00" in the "CENTS" boxes.

Form 990-PF – Excise Tax on Private Foundation Net Investment Income.

Types of Tax -

- Form 941 - Withheld Income and Social Security Taxes. (Includes Form 941 series of returns.)
 - Form 990-C - Farmers' Cooperative Association Income Tax.
 - Form 943 - Agricultural Withheld Income and Social Security Taxes. (Includes Form 943PR.)
 - Form 720 - Excise Tax.
 - Form CT-1 - Railroad Retirement and Railroad Unemployment Repayment Taxes.
 - Form 940 - Federal Unemployment (FUTA) Tax. (Includes Form 940-EZ and Form 940PR.)
 - Schedule A - Backup Withholding. (Reported on Forms 941 and 941 E.)
 - Form 1120 - Corporation Income Tax. (Includes Form 1120 series of returns and Form 2438.)
 - Form 990-T - Exempt Organization Business Income Tax.

**Department of the Treasury
Internal Revenue Service**

Form 990-PF – Excise Tax on Private Foundation Net Investment Income.

Form 1042 – Withholding at Source.

How To Determine the Proper Tax Period.-

- (a) Payroll Taxes and Withholding: Forms 941, Schedule A (Form 941), 940, 943, CT-1, and 1042 (See the separate instructions for Form 1042.)

If your liability was incurred during:

- January–March, darken the 1st quarter box
 - April–June, darken the 2nd quarter box
 - July–September, darken the 3rd quarter box
 - October–December, darken the 4th quarter box

Note: If the liability was incurred during one quarter and deposited in another quarter, darken the box for the quarter in which the tax liability was incurred. For example: If the liability was incurred in March and deposited in April, darken the 1st quarter box.

(Continued on back of page.)

Form 8109-B (Rev. 8-89)

(b) Excise Taxes (Form 720; also, Form 990-PF (with net investment income));

For Form 720, generally follow the instructions listed in (a) on the front of this form. For exceptions, see the Form 720 instructions. For Form 990-PF, follow the instructions in (c) below, disregarding the Note.

(c) Income Taxes (Form 1120, 990-C, 990-T, and 2438):

Note: *The instructions below apply only to deposits of income taxes. For all other types of tax follow (a) and (b).*

(1) To make a deposit for the current tax year, darken the 1st quarter box. Such deposits apply to estimated income tax payments.

Example 1: If your tax year ends on December 31, 1989, and a deposit for 1989 is being made between January 1 and December 31, 1989, darken the 1st quarter box.

Example 2: If your tax year ends on June 30, 1990, and a deposit for that fiscal year is being made between July 1, 1989, and June 30, 1990, darken the 1st quarter box.

(2) To make a deposit for the prior tax year, darken the 4th quarter box. Such deposits include:

- Deposits of balance due shown on the return (Forms 1120, 990-C, and 990-T (corporate filers), and Forms 990-PF and 990-T (trust filers).)
- Deposits of balance due shown on Form 7004, Application for Automatic Extension of Time To File Corporation Income Tax Return (be sure to darken the 1120, 990-C or 990-T box as appropriate).
- Deposits of balance due (from Forms 990-T (trust filers) and 990-PF filers) shown on Form 2758, Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns (be sure to darken the 990-PF or 990-T box as appropriate).
- Deposits of tax due shown on Form 2438 (darken the 1120 box).

Example 1: If your tax year ends on December 31, 1989, and a deposit for 1989 is being made after that date, darken the 4th quarter box.

Example 2: If your tax year ends on June 30, 1990, and a deposit for that fiscal year is being made after that date, darken the 4th quarter box.

How To Ensure Your Deposit Is Credited To The Correct Account.-

- (1) Make sure your name and employer identification number are correct;
- (2) Prepare only one coupon for each type of tax deposit;
- (3) Darken only one box for the type of tax you are depositing; and
- (4) Darken only one box for the tax period for which you are making a deposit.

Telephone Number.-A space is provided on the deposit coupon for you to enter your telephone number. Our purpose for requesting it is to allow us to contact you if we have difficulty processing your deposit coupon.

Miscellaneous.-The "IRS USE ONLY" box is used during our processing to ensure proper crediting to your account. Do not darken this box when making a deposit.

How To Make Deposits.-Mail or deliver the completed coupon together with the appropriate payment for the amount of the deposit to a qualified depository for Federal taxes or to the Federal Reserve Bank (FRB) servicing your geographic area. Make checks or money orders payable to that depository or FRB. Federal agencies will make deposits at FRBs only. To help ensure proper crediting of your account, include your employer identification number, the type of tax (e.g., Form 940), and the tax period to which the payment applies on your check or money order.

Note: Deposits at depositories.-Authorized depositories are required to accept cash, postal money orders drawn to the order of the depository, or checks or drafts drawn on and to the order of the depository. If you want to make a tax deposit with a depository by a check drawn on another financial institution, you may do so only if the depository is willing to accept that payment as a deposit of Federal taxes.

Note: Deposits at FRBs.-If you want to make a deposit by check at an FRB, you must make that deposit with the FRB servicing your geographic area using a check or other payment for which immediate credit is given in accordance with the check collection schedule of the receiving FRB. Checks generally considered as immediate credit items at FRBs include, but are not limited to, checks drawn on commercial banks located in the same city as the receiving FRB. Information concerning the FRB servicing your area and checks which are considered by that FRB as immediate credit items can be obtained from FRBs and commercial banks.

Timeliness of Deposits.-The timeliness of deposits will be determined by the date received by an authorized depository or FRB. However, a deposit received after the due date of the deposit by the authorized depository or FRB will be considered timely if the taxpayer establishes that it was mailed on or before the second day before the due date.

Note: *If you are required to deposit any taxes more than once a month, any deposit of \$20,000 or more must be made by its due date to be timely. The 2-day rule does not apply in this situation.*

If you hand deliver your deposit to a depository on the due date, be sure to deliver it before the depository closes its business day.

For deposits made at an FRB that do not comply with the payment requirements, the date on which the funds are collected determines timeliness of deposit regardless of when mailed.

When To Make Deposits.-Instructions are provided in IRS publications and tax returns. Copies of these documents and other information concerning tax procedures can be obtained from most IRS offices.

Penalties.-You may be charged a penalty for not making deposits when due or in sufficient amounts, unless you have reasonable cause. The penalty is 10% of the underpayment. This penalty may also apply if you mail or deliver Federal tax deposits to IRS offices, rather than to authorized depositories or FRBs.

If, on your return, you overstate the amount you deposited, you may be charged a penalty of 25% of the overstated amount, unless you have reasonable cause.

Form 8233

(Rev. April 1993)
Department of the Treasury
Internal Revenue Service

Exemption From Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual

OMB No. 1145-0795
Expires 4-30-98

This exemption is applicable for compensation for calendar year 19____ or other tax year beginning _____. 19_____
and ending _____. 19_____.
Part I Nonresident Alien Individual (Students, teachers, and researchers: See **General Instructions**.)

Name _____	Taxpayer identification number _____ (See Specific Instructions)
U.S. address (number and street) (include apt. or suite no. or P.O. box) _____	United States visa number (if any) _____
City, state, and ZIP code _____	

Citizens of Canada or Mexico complete either lines 1a and 1b or line 2; all other filers complete lines 1a, 1b, and 2.

1a Country issuing passport _____	2 Permanent foreign address _____
b Passport number _____	

3 Compensation for independent personal services:

a Description (See Specific Instructions) _____

b Amount (See Specific Instructions) \$ _____

c If compensation is exempt from withholding because of a U.S. tax treaty, provide:

(1) Tax treaty and provision under which you are claiming exemption from withholding _____

(2) Your country of residence _____

d Is your compensation otherwise exempt (or will it be otherwise exempt) from income tax during the tax year? Yes No

(If you checked "Yes," attach a statement explaining why)

e Additional facts to justify the exemption from withholding _____

4 Number of personal exemptions you are claiming
(See Specific Instructions) ►

5 Number of days in the period during which independent personal services are to be performed in the United States ►

Under penalties of perjury, I declare that I have examined this form and any accompanying statements, and, to the best of my knowledge and belief, they are true, correct, and complete. I also declare, under penalties of perjury, that I am not a citizen or resident of the United States.

Signature of nonresident alien individual ►

Date ►

Part II Withholding Agent Certification

Name _____	Employer identification number _____
------------	--------------------------------------

Address (number and street) (include apt. or suite no. or P.O. box, if applicable) _____

City, state, and ZIP code _____ Telephone number _____

Under penalties of perjury, I certify that I have examined this form and any accompanying statements, that I am satisfied that an exemption from withholding is warranted, and that I do not know or have reason to know that the nonresident alien individual's compensation is not entitled to the exemption or that the eligibility of the nonresident alien's compensation for the exemption cannot be readily determined.

Signature of withholding agent ►

Date ►

General Instructions

(Section references are to the Internal Revenue Code unless otherwise indicated.)

Paperwork Reduction Act Notice. - We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want to receive exemption from withholding on compensation for independent personal services, you are required to give us

the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 26 min.

Learning about the law or the form 12 min.

Preparing and sending the form to IRS 41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the Internal Revenue Service, Attention: IRS Reports Clearance Officer, T:FP, Washington, DC 20224, and the Office of Management and Budget, Paperwork Reduction Project

S C I E N T O L O G Y® P O L I C Y D I R E C T I V E

3 JULY 1994
ISSUE III

ALL ORGS

Treasury Secs
PESes
Registrars
Dissem Secs
FBOs
FSCs
FSSCs
FSM I/C
Super Power Expansion Pjt
Cont Fin Off
FLB Fin Off
Int Fin Off

URGENT - IMPORTANT

ALL MISSIONS

Tax Rudiments Policy 10

PERSONAL LOANS FOR THE BRIDGE®

Scientology parishioners sometimes use borrowed funds to make donations to churches of Scientology. Org and mission personnel must never solicit loans from Scientologists™ per long-standing policy, HCO™ PL 17 February 1971-1RB, Finance Series 3-1RB, HANDLING OF BOUNCED CHECKS AND REFUNDS, "... org personnel may not solicit payments from staff or public on behalf of others." (LRH) If a parishioner wishes to use a credit card or personal credit rating to acquire funds for services, it is solely between the parishioner and the credit card company or other outside lender and not an org matter.

This policy of never soliciting loans from other Scientologists extends to Field Staff Members. Even though FSMs are not on the org or mission's payroll, they often have a close working relationship.

By the same policy, FSMs are not a legitimate source of loans and must never advance or loan funds to their selectees for services; not for any reason. Orgs, missions and their personnel do not make loans for services and FSMs are bound by the same rules. Being a lender is a wrong hat. An FSM's role is to enlighten and encourage selectees to make it go right to move on up The Bridge under their own steam.

TAX CAUTION

There have been instances where a parishioner borrowed funds from another Scientologist who made the donation directly to the org or mission either by check or credit card.

While the loan may not be an org matter, this practice of the lender making the donation directly on behalf of another can and has led to easily avoided difficulties between parishioners and tax authorities.

The parishioner borrowing the funds may wish to claim a tax deduction for the donation. Because the donation was made directly to the org or mission by another, he or she does not have the cancelled check or credit card charge to substantiate the deduction. The IRS may challenge whether or not it is actually his donation and he may have difficulty proving the actual facts of the matter.

This practice of direct payment could also create future tax problems for the lender in proving that the later loan repayments received from the parishioner are not taxable income.

Therefore, in order to keep the transactions straight, donations are best made by the person participating in the services, not from some third party. The parishioner borrowing the funds would simply receive and bank them in his own account and then make the donation directly. This of course does not apply to circumstances where someone is simply donating on behalf of another, such as a family member.

SUMMARY

Orgs, missions and FSMs must not become involved with loans for services donations between Scientologists. Further, FSMs are not to advance or loan funds to their selectees for any reason.

Where legitimate loans between Scientologists have been arranged between the parties completely off org or mission lines, be very alert to the fact that properly handling the transactions now will protect both the borrower and the lender from potential tax problems in the future.

INT FINANCE DIRECTOR

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:JE:dj

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SCIENTOLOGY® POLICY DIRECTIVE

3 JULY 1994
ISSUE II

ALL ORGS

Treasury Secs
PESEs
Registrars
Dissem Secs
FBOs
FSCs
FSSCs
FSM I/C
Super Power Expansion Pjt
Cont Fin Off
FLB Fin Off
Int Fin Off

URGENT - IMPORTANT

ALL MISSIONS

Tax Rudiments Policy 11

COMPLIANCE WITH TAX REGULATIONS

COMMINGLING OF ORG AND PERSONAL FUNDS

(Originally issued as Int Finance ED 548 on 22 Sept. 1993. Revised and expanded to prohibit the use of personal bank accounts to relay donations from parishioners to Scientology organizations.)

Refs:

HCO™ PL 15 Aug. 82 II Finance Series 29
THE COUNTING OF GROSS INCOME
HCO PL 8 Feb. 71 I TRANSFERRING FUNDS

Contrary to Church policy, there has been an instance where a staff member's personal bank account was used to deposit Church funds and to relay those funds to another Scientology organization. There have also been a few instances where a staff member's or Field Staff Member's personal account was used to deposit and relay donations from a parishioner to a Scientology organization.

This practice clearly violates finance policy as it sets an individual up as an unauthorized Flag Banking Officer for the organization as well as an unnecessary relay point on the disbursement line.

From a tax perspective, this practice may render the person acting as the relay point liable to account for the money so deposited, since it is now commingled with his personal money and income and cannot be easily distinguished.

Therefore the following rules apply:

NO STAFF MEMBER OR FIELD STAFF MEMBER MAY USE A PERSONAL BANK ACCOUNT AS A RELAY POINT FOR ANY MONEY BEING PAID FROM ONE CHURCH ENTITY TO ANOTHER.

AND

NO STAFF MEMBER OR FIELD STAFF MEMBER MAY USE A PERSONAL BANK ACCOUNT TO DEPOSIT AND RELAY DONATIONS FROM A PARISHIONER TO A CHURCH ENTITY.

INTERNATIONAL FINANCE DIRECTOR

Authorized by
AVC INTERNATIONAL

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

CSI:AVCI:JE:dj

QUERY OF ORDERS

Dir I&R CC Int
Stephen Mitchell
c/o 12400 Ventura #137
Studio City 4, California zip exempt

10 Aug 1995

CC: L. Ron Hubbard

David Miscavige, COB RTC
International Justice Chief
President, C of S Int
Board of Directors, C of S Int
ED International
CO OSA Int.

Inspector General Int Ethics
Inspector General Int Tech
Inspector General Int Admin
~~LRH Communicators~~
Ethics Officers
Board of Directors, RTC

RE: Non-Enturbation Order, 7 July 1995 written by Paul Laquerre (formerly Dir I&R, CC Int)

A. Paul Laquerre has issued a Non-Enturbation Order on:

Frank Marafino
Ken Kuchenriter
Scott Baber
Gary Badger
Jon Randy McDonald
Valerie Hastings
Stephen Mitchell

The order asserts that the above-named parishioners are in violation of SPD May 1994 Personal Income Taxes (sic) and asserts that they will be Comm Eved and threatens Declares.

B.

1. This Non-Enturbation Order is destructive since it does not cite any HCO PL violation.
2. This Non-Enturbation Order is destructive since it violates no less than 50 HCO PLs issued on the subject matter involved, some of them being High Crimes Issues (see attachment).
3. This Non-Enturbation Order is destructive since it introduces, by way of Scientology Policy Directives, "other tech" as a substitute for LRH policy. This "other tech" is mandated by 501(C)3 of the Internal Revenue Code (pursuant to the agreement known as the iHS Peace Treaty) which requires that certain of the Church's officials operate as agents of the State to insure that government tech is senior to Church tech.

C. The recommendation is to:

- 1) Cancel the Non-Enturbation Order.
- 2) Call a Board of Inquiry to investigate the degree to which the imperatives of the 501(C)3 have paralyzed the application of LRH tech.
- 3) Handle with Ethics any and all parties who have allowed technical degrades in the name of "compliance" with 501(C)3.
- 4) Reverse any actions which have made the application of standard LRH tech difficult, impossible or "criminal".



Stephen Mitchell

ATTACHMENT TO QUERY

HCO PL 7 FEB 1965 Reissue 27 Aug 1980 Corrected, reissued 12 Oct 1985 KEEPING SCIENTOLOGY WORKING
 HCO PL 18 DEC 1961 STANDING ORDER #1
 THE CREED OF THE CHURCH OF SCIENTOLOGY (1954) OEC Vol.6, pg315
 HCO PL INFORMATION LETTER 16 JAN 1963 "OUR ROLE IN THE WORLD"
 HCO PL 14 JUNE 1965, Issue II "POLITICS, FREEDOM FROM" OEC Vol. 0 pg 159
 HCO PL 13 FEB 1965, Issue II "POLITICS" OEC Vol. 0 pg 157
 HCO PL 5 FEB 1969R "CODE OF A SCIENTOLOGIST" OEC Vol. 0, pg 160.
 HCO PL 20 NOV 1962 Instructions to Attorneys or Solicitors
 HCO PL 3 FEB 1966 Legal, Tax, Accountant of and Solicitor Mail and Legal Officer
 HCO PL 27 MAR 1965 "JUSTICE OF SCIENTOLOGY, USE AND PURPOSES"
 HCO PL 7 JUNE 1961 "ORDERS"
 1959 "SERVICE... an evolutionary group.
 HCO PL 26 DEC 1968 Issue I "THE THIRD PARTY LAW"
 HCO PL 8 MAY 1965 Issue III, "FLASH COLORS AND DESIGNATIONS."
 HCO PL 2 JUNE 1965 "WRITING AN ETHICS ORDER"
 HCO PL 2 APRIL 1965 "URGENT, URGENT, URGENT, FALSE REPORT"
 HCO PL 23 FEB 1978 "BOARD OF REVIEW"
 HCO PL 13 JAN 1979 "ORDERS, ILLEGAL AND CROSS" OEC Vol. 0 pg 145
 HCO PL 7 SEPT 1963 "EVIDENCE OF..."
 HCO PL 17 JULY 1966 "EVIDENCE ADMISSIBILITY OF"
 HCO PL 22 SEPT 1963 "CONCERNING COMMITTEES OF EVIDENCE" OEC Vol. 1, pg 933
 HCO PL 7 SEPT 1963 "COMMITTEES OF EVIDENCE, SCIENTOLOGY JURISPRUDENCE"
 HCO PL 26 MAY 1968 "BOARDS OF INVESTIGATION AND COMMITTEES OF EVIDENCE,
 TERMINATION OF" OEC Vol. 1, pg 959
 HCO PL 17 MAR 1965R Revised 10 JAN 91 "OFFENSES AND PENALTIES"
 HCO PL 15 DEC 1969 "ORDERS, QUERY OF"
 HCO PL 29 APRIL 1965 Issue III "ETHICS REVIEW"
 HCO EXEC LETTER 18 MARCH 1965 "JUSTICE"
 HCO PL 6 DEC 1976RB Revised 8 APR 1988 "ILLEGAL PC'S, ACCEPTANCE OF"
 HCO PL 23 NOV 1959 Employment of Criminals Forbidden
 HCO PL 27 OCT 1964R Revised 15 NOV 87 "POLICIES, OF PHYSICAL HEALING,
 INSANITY AND SOURCES OF TROUBLE"
 HCO PL 1 SEPT 1965 Issue IV, "SOME TECH DIV POLICIES"
 HCO PL 30 AUG 1960 Issue I, "TRAINING RESTRICTIONS"
 HCO PL 6 DEC 1976RB Revised 8 APR 1988 "ILLEGAL PC'S, ACCEPTANCE OF HIGH CRIME PL"
 HCO PL 10 JULY 1988 Issue II, Admin Know-How Series 51 "ADMIN DEGRADES" OEC Vol. 0 pg 73
 HCO PL 9 AUG 1972 "SENIORITY OF ORDERS" OEC Vol. 0 pg 143
 HCO PL 12 MAY 1972R "PTS PERSONNEL AND FINANCE" MS Vol. 1, pg 460 (Revised 27 OCT 82)
 HCO PL 18 JULY 1959 ◦ "INCOME TAX REFORM" OEC Vol. 7 pg 1063
 HCO PL 25 JUNE 1967 ◦ "SCIENTOLOGY ORGS TAX AND BALANCE SHEETS"
 HCO PL 28 FEB 1966 ◦ "DANGER CONDITION DATA, WHY ORGANIZATIONS STAY SMALL"
 HCO PL 18 JULY 1959 ◦ "INCOME TAX REFORM"
 HCO PL 14 DEC 1970 "GROUP SANITY" MS Vol. 1, pg 266
 HCO PL 23 DEC 1965 RB "SUPPRESSIVE ACTS-SUPPRESSION OF SCN AND SCIENTOLOGISTS"
 HCO PL 29 JUNE 1968 Enrollment in Suppressive Groups
 HCO PL 7 APRIL 1969 Org Reduction or Eradication
 HCO PL 13 JAN 1983 "THE BUSINESS OF ORGS"
 HCO PL 9 JAN 1951 "AN ESSAY ON MANAGEMENT"
 HCO PL 4 MAR 1965 Issue to Tech and Policy Distribution
 HCO PL 17 JULY 1966 Dispatches Speeded Up.
 HCO PL 25 FEB 1959 ◦ HCO Master File
 HCO PL 8 MAY 1965 ◦ Issue II, Interrogatory
 HCO PL 13 JUNE 1969 Summary of policy on ED's.
 HCO PL 7 JUNE 1961 "ORDERS" OEC Vol. 1, pg 404
 HCO PL 24 SEPT 1970RA, "ISSUES-TYPES OF" OEC Vol. 1, pg 429
 HCO PL 5 MARCH 1965, "POLICY: SOURCE OF" OEC Vol. 0, pg 111
 HCO PL 9 AUG 1972 "SENIORITY OF ORDERS" OEC Vol. 0 pg 143
 HCO PL 11 APRIL 1970, Issue I "THIRD DYNAMIC TECH" OEC Vol. 0, pg 55
 HCO PL 19 SEPT 1970 "SUMMARY OF OUTPOINTS"
 HCO PL 4 Aug 1968 Clears, Invalidation of
 HCO PL 17 JUNE 1970RB, ISSUE I, REVISED 25 OCT 83 "TECHNICAL DEGRADES"
 HCO PL 10 JULY 1968, Issue II, Admin Know-How Series 51 "ADMIN DEGRADES" OEC Vol. 0 pg 73
 HCO PL 22 March 1967 "ADMIN KNOW HOW, ALTER-ISE AND DEGRADED BEINGS"
 HCO PL 13 MAR 1965 The structure of organization
 HCO PL 17 JAN 1979 "A New Type of Crime"
 HCO PL 26 DEC 1968 "PTS, Sections, Personnel and Execs"
 HCO PL 16 April AD15 (1965) Hidden data line, Vol 4 pg 168
 HCO PL 17 MARCH 1965 Issue 1V "Organizational Suppressive Acts"
 HCO PL 23 FEB 1970 "Ethics, Quality of Service"
 HCO PL 24 FEB 1972 "Injustice"
 HCO B 5 NOV 1967 "Critics of Scientology"
 HCO PL 7 AUGUST 1965 Issue I "Suppressive Persons, Main Characteristics of"

LRH Comm ←

2 March 1996

This photocopy is sent to you
as per KSW#1, points 7-10.

International Justice Chief
Church of Scientology International
Stephen Mitchell
c/o 12400 Ventura #137
Studio City 4, California (zip exempt)

Dear IJC,

Since July of 1995, I have submitted a number of Query of Orders and High Crime Knowledge Reports as a result of actions taken by some Sea Org members on the authority of Scientology Policy Directive 2 May 1994 "Personal Income Taxes."

Not one of these has generated even one answer, much less an on-policy response. On 11 December 1995, I faxed you specific examples of SPDs nullifying the contents of HCO PLs. You have yet to answer my query as to whether those HCO PLs are still in effect or cancelled. Further, no one has been able to provide an LRH reference which validates SPDs or opens the door to the creation of a whole new body of policy created by "others." 1.

Therefore, it can be assumed that none exists and this breach of LRH policy is knowingly and willfully done. What you may not realize is that the church is now very much at risk legally as it is violating state and federal anti-discrimination laws by following the orders contained in SPD 2 May 1994 "Personal Income Taxes." Since the church is under the direct control of the Uniform Commercial Code according to the 1966 Federal Tax Lien Act in all of its transactions, especially § 3-505 (b), an immediate withdrawal and abatement of your actions to deny church services to parishioners based on SPD 2 May '94 could be demanded under authority of UCC § 3-601.

It is my hope that you can respond to and handle this situation with on-policy ethics before someone wishing to harm the church can take advantage of its current vulnerability by obtaining a performance lien, based upon the Uniform Commercial Code § 3-122, to ensure that the church performs its duties properly without causing parishioners any loss of property or rights to property and/or religious services.

For my own part, I INTEND TO PURSUE THIS MATTER ON INTERNAL CHURCH JUSTICE LINES. I want only the standard application of LRH policy throughout the church. It would be foolish, however, to leave the church exposed and vulnerable to legal attack as a consequence of operating on "other" tech. 1.

The moment the church began operating on "other" policy in lieu of LRH policy, our trust with LRH was broken and the door opened for the "bright ideas" of others to lead us into harm's way. As Ron has said on Green-on-White, "other tech" is a liability. 1. You can and must rectify this High Crime ethics situation and put the church back on Green-on-White. In the past, others have felt the need or ability to create policy for our church. Look where they are now.

The fact that the first appearance of SPDs coincides with the church's first corporate filing claiming a status under the 501(c) 3 section of the Internal Revenue Code is significant. THIS OFF-POLICY FILING NEEDED SPDs TO ENFORCE ITS OFF-POLICY ORDERS. Something HCO PLs would not do, for Ron's idea of how the church should operate does not align with the Internal Revenue Service's idea of how the church should operate. So, not only did the advent of this "other" policy (SPDs) create "other" source, it is a source that LRH has labeled suppressive. 2.

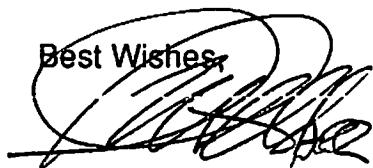
It all boils down to one question: Is there an LRH HCO PL that authorizes SPDs?

A great many people insist these are policy in spite of POLICY, SOURCE OF₃, and offer make wrong, threats and H.E. & R. when asked for a reference.

As LRH advises in ORDERS, ILLEGAL AND CROSS₄, one must see and read a reference for oneself. If it exists. Do not accept verbal data. If an LRH HCO PL authorizing SPDs does not exist, you have a big job to do.

I consider that this matter has been brought to your attention. 5.

Every Scientologist on the planet has a vested interest in your reply to this communication. 6.



Best Wishes
Stephen Mitchell

Stephen Mitchell, sui juris

FOOTNOTE REFERENCES:

1. HCO PL 31 MAY 1968 SCIENTOLOGY TECHNOLOGY

"There is one Tech and that is Standard Tech.

Unfortunately there is other Tech around. This Tech is a Liability. Other Tech is defined as any Tech that is not standard Tech.

Let's start punching this hard."

2. HCO PL 25 JUNE 1967 "SCIENTOLOGY ORGS TAX AND BALANCE SHEETS"

"Income tax is a suppressive effort to crush individuals and businesses"

HCO PL 12 MAY 1972R "PTS PERSONNEL AND FINANCE"

"the FOREMOST reason for a failing national prosperity and inflation is a personal income tax agency.

This runs a vicious can't - have on every citizen and makes them PTS to the government."

HCO PL 26 DEC 1966 "PTS SECTIONS, PERSONNEL AND EXECS"

"Accounts goes PTS through various tax and government supervision suppressions..."

"Staffs are so "reasonable" they think these SP group representatives are there for necessary purposes or serve some purpose or can be reasoned with - all of which is nonsense."

3. HCO PL 5 March 1965 POLICY, SOURCE OF "If it is not in an HCO Policy Letter, it is not policy."

4. ORDERS, ILLEGAL AND CROSS 13 Jan 1979

"When people who are ignorant or destructive get into an org, issuing orders or 'setting policy,' it is quite certain that trouble will follow.

"require to see it in writing. IF IT ISN'T WRITTEN IT ISN'T TRUE."

5. HCO PL 23 December 1965 RB revised 8 Jan 1991 SUPPRESSIVE ACTS, SUPPRESSION OF SCIENTOLOGY AND SCIENTOLOGISTS

"bringing civil suit against any Scientology organization or Scientologists, including the nonpayment of bills or failure to refund, without first calling the matter to the attention of the International Justice Chief and receiving a reply."

6. HCO PL 9 Aug 1972 SENIORITY OF ORDERS

"Any practice by which junior issues such as directives abolish networks or make off-policy changes can only result in the destruction of networks, orgs and tech."