Police seek tougher child porn penalties

LANSING (UPI) — Police officers, some of them describing highly organized networks dealing in child pornography, asked a House committee Monday to toughen its proposed penalties for the producers of such materials.

Officers from Detroit and the Muskegon area grimly displayed confiscated pictures depicting young children involved in sex acts, and were joined by State Police and Lansing detectives in calling for jail terms above the contemplated 1-4 years.

"The man gets one year and the child gets a lifetime of horror," Detroit Lt. Isaiah McKinnon told a special subcommittee of the House Social Services and Youth Committee.

The panel is conducting hearings on legislation proposed by Rep. Larry E. Burkhalter, D-Lapeer, that would impose new penalties on the producers of child pornography and on parents who encourage their children to participate in it.

Muskegon area officers played a tape recorded interview with a man — whom they refused to identify — who was eventually convicted of criminal sexual conduct and who was suspected of having taken pornographic pictures of hundreds of children since the 1950s.

Burkhalter's legislation, they said, would have made it much easier to shut down the apparent porno mill. Prosecutions now must be brought under criminal sexual conduct statutes -which do not take into account persons filming illicit sex acts.

McKinnon said that so-called "chicken pimps" in Detroit solicit youngsters to take part in the manufacture of pornography. Children can earn up to $75 a day by complying, he said.

Sgt. Darrell H. Pope, head of the sex-motivated crimes division of the state police, called for heavier penalties and also asked the committee to ban possession of pornographic materials involving children.

Pope said he had extensive conversations with a porno dealer in another state two years ago and was told about 20 stores in Michigan sell such materials.

He said his investigations showed that, in 41 per cent of all sex crimes, the offender viewed pornographic materials "prior to or during the act."

The committee also received expert testimony that prepuberty sexual experiences can have a devastating effect on a child's psychological makeup.

Meanwhile, legislation addressing the same issue was introduced in the Senate by Sen. David A. Plawecki, DDearborn Heights.

Under the Plawecki bills, the production or financing of child pornography would be a felony punishable by up to 10 years in prison.

...Church tied to boys' farm

(Continued from Page 1)

In a related development Monday, a Boston millionaire pleaded innocent in a New Orleans district court to a 15-count indictment charging him with participating in an alleged homosexual ring involving Boy Scout Troop 137.

Richard C. Jacobs, president of the worldwide Jet Spray Corp., pleaded innocent to charges of aggravated crimes against nature with boys between the ages of 12 and 15.

Jacobs entered the plea before Criminal District Court Judge Oliver Schulingkamp. Judge Schulingkamp refused to release the financier on $25-,000 bond posted on two previous counts of conspiracy and ordered another $25-,000 posted.

Jacobs is one of 18 men charged with conspiracy, aggravated rape and aggravated crimes against nature on New Orleans boys between the ages of nine and 14.

He is also wanted by British authorities, informed sources say, on an outstanding warrant for "buggery."

The New Orleans charges stem from a police raid on the home of Richard Halverson, 51, the former Boy Scout troop leader.

The Almanac

The moon is between its last quarter and new phase.

The morning stars are Venus and Mars.

The evening stars are Mercury, Jupiter and Saturn.

Tax loopholes aid porn ring

By MARILYN WRIGHT
Record-Eagle staff writer

TRAVERSE CITY — Thou shalt not steal, especially tax dollars. Unless, of course, you're granted license to do so by glaring loopholes in federal and state tax laws. Such loopholes have already been detected and exploited by child abusers and pornographers.

A four-month investigation by the Record-Eagle revealed Monday that a ring of child abusers and pornographers, operating through various church, child care and children's camp front organizations, have been granted tax-exempt status by the Internal Revenue Service for some of their organizations and activities.

A case in point is the Church of the New Revelation, based in New Jersey, which authorities believe is the hub of a network of child pornographic activity and which was the original sponsor of Brother Paul's Childrens Mission.

Brother Paul's own literature characterized the organization as a nature camp for young boys. Police have been told the camp was based on North Fox Island off Grand Traverse Bay and was a production center for homosexual child pornography.

Brother Paul's, originally chartered in Michigan as an arm of the Church of the New Revelation, was incorporated as a non-profit corporation. A non-profit organization incorporated in Michigan is exempt from paying state taxes.

But even more important, as an arm of the Church of the New Revelation Brother Paul's was also for a time exempt from paying federal taxes.

Under Sec. 501 (c) 3. of the Internal Revenue Code, federal tax-exempt status is automatically granted to "corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition . . . or for the prevention of cruelty to children or animals . . ."

There are some provisos, of course, mainly that no part of the net earnings benefit private shareholders or individuals. The section also prohibits the dissemination of propaganda, attempts to influence legislation or intervention into political campaigns.

In a Restated Certificate of Incorporation filed in 1976, the Church of the New Revelation added amendments to comply with the IRS Code, using almost the exact wording of Sec. 501 (c) 3. with one exception.

After stating that no part of earnings would benefit its members, trustees, officers or other private persons, the church added these words: ". . . the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth."

The Church of the New Revelation was automatically granted federal tax-exempt status in 1976 following the amendment to its incorporation papers.

While Brother Paul's was originally chartered as an arm of the church, it later amended its articles of incorporation to become an independent entity which anticipated financial support from the church. It is not clear just why the division between the two organizations took place.

But at the same time Brother Paul's declared its autonomy it also amended its articles of incorporation to include the goal of establishing a home for temporary child care and the necessary legal language which would make Brother Paul's tax-exempt in its own right.

Following the severance of Brother Paul's from the church, the state attorney general's office classified Brother Paul's as a charitable trust.

Charitable trusts are subject to state Act No. 101 of the Public Acts of 1961, which requires trustees to file annually a copy of its certified audit report with the attorney general's office. That report must include a balance sheet, a statement of receipts and disbursements, and a list of assets including securities held.

However Act No. 101, Sec. 3, does not apply to "...an officer of a religious organization who holds property for religious purposes, or to a charitable corporation organized and operated primarily as an educational institution, including amateur theater, band and orchestra corporations, a religious organization or hospital."

Some doubt existed in the attorney general's office as to whether Brother Paul's was entitled to this exemption because of an amendment to its certificate of incorporation which appeared to sever the ties between Brother Paul's and the Church of the New Revelation filed in November of 1975.

That amendment stated that Brother Paul's "is not bound as a mission" of the church, although it would continue to receive "moral support, sponsoring patronage and financial assistance" from the church.

In June, 1975, the attorney general's office sent a letter to Gerald S. Richards, president of Brother Paul's, requesting the corporation to register with that office and file annual reports or prove its status as a tax exempt entity. There was no response.

A year and a half later, one month after the Record-Eagle published the story that Brother Paul's Children's Mission was believed by police to be a front organization for homosexual child pornography, the attorney general's office dispatched a second letter.

This letter was addressed to Francis D. Shelden who, unbeknownst to the attorney general's office, was wanted by state police on warrants of criminal sexual conduct involving young boys.

Ron Styka, assistant attorney general in the charitable trust division, said his office is stymied. Unless papers can be properly served — that is received by Richards, Shelden or Dyer Grossman, also a fugitive — the state is powerless to subpoena the corporate records. And, Styka agrees, it is "highly doubtful" that any records were kept.

There are other laws governoring charitable organizations and solicitations, Styka said, but they, too, are full of loopholes.

Sec. 400.271 of Michigan Compiled Laws Annotated regulates organizations and persons soliciting or collecting contributions for charitable purposes.

But, just as the legislature can giveth the power to regulate solicitations for charity, it can also taketh away. Sec. 400.272 states that the act "does not include duly constituted religious organizations or a group affiliated with and forming an integral part of the organization no part of the net income of which inures to the direct benefit of any individual if it has received a declaration of current tax exempt status from the United States."

The law goes even further, stating that "the affiliated group shall not be required to obtain a declaration if the parent or principal organization has obtained tax exempt status."

Considering that Internal Revenue Service "automatically" grants federal tax exempt status without as much as a cursory examination, the state laws governing charitable trusts appear to be ineffective in preventing so-called churches from avoiding state control or paying income taxes.

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