



Pennsylvania Council of Churches

Tax Justice

Policy Positions

Economic justice is rooted in our awareness of abundance—abundance visible in creation and testified to by scripture. Beginning with a presupposition of abundance frees us to live in generosity, recognizing that God’s riches are not to be stored up selfishly in barns of our own building, but are rather to be shared generously by all. Once we are freed from the fear that we need to accumulate, we are also freed to affirm “enough” is sufficient for our needs and best for healthy human life and society. This view of economic justice leads the Council to the following positions:

- Taxation should be the shared responsibility of business and individuals.
- The tax system should be fair. It should: require that higher income sectors pay their fair share; be stable; meet our needs; and be easily administered.
- Taxes should be viewed as an investment that pays dividends; they are how we support the common good. It is both in our self-interest and in the interest of others to pay our fair share.
- The state and federal governments should use the broadest and most equitable tax base to produce financial security for programs like education and Social Security that support the common good. Where inequities exist, there should be movement toward parity.
- Progressive taxation (systems that are weighted toward those who have more—generally based on income) is preferable to regressive systems (those that weigh more heavily on persons at lower income levels—such as property or sales taxes).¹
- Taxation should exclude income sufficient to keep reporting households above poverty guidelines.

From everyone to whom much has been given, much will be required; and from the one to whom much has been entrusted, even more will be demanded.

Luke 12:48 (NRSV)

Background

From the U.S. Department of the Treasury²:

For most of our nation's history, individual taxpayers rarely had any significant contact with Federal tax authorities as most of the Federal government's tax revenues were derived from excise taxes, tariffs, and customs duties. Before the Revolutionary War, the colonial government had only a limited need for revenue, while each of the colonies had greater responsibilities and thus greater revenue needs, which they met with different types of taxes.

The Articles of Confederation, adopted in 1781, reflected the American fear of a strong central government and so retained much of the political power in the States. The national government had few responsibilities and no nationwide tax system, relying on donations from the States for its revenue. Under the Articles, each State was a sovereign entity and could levy tax as it pleased... When the Constitution was adopted in 1789, the Founding Fathers recognized that no government could function if it relied entirely on other governments for its resources, thus the Federal Government was granted the authority to raise taxes...

Under the Constitution, Congress could impose direct taxes only if they were levied in proportion to each State's population. Thus, when a flat rate Federal income tax was enacted in 1894, it was quickly challenged and in 1895 the U.S. Supreme Court ruled it unconstitutional because it was a direct tax not apportioned according to the population of each state...

¹ The Council’s *Principles for Public Advocacy* (draft 4/05) further states, “...gambling is a particularly poor way to raise state revenues, as it weighs most heavily on the poor, the elderly, and those prone to addictions.”

² U.S. Department of the Treasury, *Almanac of Policy Issues*, “History of the U.S. Tax System,” http://www.policyalmanac.org/economic/archive/tax_history.shtml.

Eventually, the income tax debate pitted southern and western Members of Congress representing more agricultural and rural areas against the industrial northeast. The debate resulted in an agreement calling for a tax, called an excise tax, to be imposed on business income, and a Constitutional amendment to allow the Federal government to impose tax on individuals' lawful incomes without regard to the population of each State...By 1913, 36 States had ratified the 16th Amendment to the Constitution. In October, Congress passed a new income tax law with rates beginning at 1 percent and rising to 7 percent for taxpayers with income in excess of \$500,000. Less than 1 percent of the population paid income tax at the time. Form 1040 was introduced as the standard tax reporting form and, though changed in many ways over the years, remains in use today...

The state of the economy during the Great Depression led to passage of the Social Security Act in 1935. This law provided payments known as "unemployment compensation" to workers who lost their jobs. Other sections of the Act gave public aid to the aged, the needy, the handicapped, and to certain minors. These programs were financed by a 2 percent tax, one half of which was subtracted directly from an employee's paycheck and one half collected from employers on the employee's behalf. The tax was levied on the first \$3,000 of the employee's salary or wage.

Our current tax system bears little resemblance to earlier systems, however, as legislators and policymakers have responded to changing circumstances and an evolving role of government:

*The types of taxes collected, their relative proportions, and the magnitudes of the revenues collected are all far different than they were 50 or 100 years ago. Some of these changes are traceable to specific historical events, such as a war or the passage of the 16th Amendment to the Constitution that granted the Congress the power to levy a tax on personal income. Other changes were more gradual, responding to changes in society, in our economy, and in the roles and responsibilities that government has taken unto itself.*³

Now about the collection for God's people: On the first day of every week, each one of you should set aside a sum of money in keeping with his income..."

1 Corinthians 16:1a, 2a (NIV)

C. Eugene Steuerle, senior fellow at The Urban Institute and co-director of the Urban-Brookings Tax Policy Center, comments on the modern day role of taxes in his book, *Contemporary U.S. Tax Policy*. According to a statement on the book at The Urban Institute's website:

*Sound tax policy and administration—like a trustworthy judiciary and a reliable financial accounting system—is one of the pillars of modern governance. Most fundamentally, taxes are collected to support the activities of government agencies, but for modern policymakers the tax code has become the tool of choice for changing the economy or society's behavior...Rather than political consensus and steady progress, tax policy history is messy, repetitive, and often rancorous.*⁴

While many—probably most—citizens believe that paying taxes is one's civic responsibility, many are also skeptical about the tax system and its fairness. The following comment may provide a fairly typical citizen's view regarding taxes:

*No matter what they tell you, politicians do not view taxes as a matter of obligation. They do not view them as a matter of fairness. To a pol, taxes are the revenue they need to establish programs and entitlements to assist them in winning their next bid for office. Their concept of taxation is to extract the most revenue with the least amount of pain and whining.*⁵

The same may be said for the next comment as well:

*If you accept my premise that what you earn is yours, and no one has the right to take from you without your assent, then you must also believe that society is morally wrong for its attempt to create mediocrity all around by taking from you to give to those who say they need it. Just because you need something does not mean you have the right to it and just because society says something is a right does not make it so. No one has the right to take from another human being by force.*⁶

³ *Ibid.*

⁴ www.urban.org/pubs/CTP

⁵ The Cynic, "The Tax Bandits," www.politicalusa.com/columnists/cynic/cynic_010a.htm.

⁶ Gord Gekko, "The Right to Wealth," posted January 1997 at www.enterstageright.com/archive/articles/0197rightwealth.htm.

All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need.

Acts 2:44-45 (NRSV)

Whether or not these are accurate portrayals of the attitudes of elected officials and/or citizens, it is often the “frame” upon which tax proposals are hung. Legislators at all levels appear to be driven by such attitudes, fighting to paint themselves as champions for the people, protecting common citizens from paying too much in taxes—or more than their “fair share.” They cite several reasons for the need for “tax reform”: government size and lack of accountability (bloated and inefficient), individual responsibility (does government have an obligation to provide a “safety net” for those who are unable to take care of themselves?), and a right to protect personal wealth (people should be able to keep whatever they earn—government should not have the power to take it from them). For many politicians, regardless of party affiliation, cutting taxes appears to be the only issue on their platform.

Tax policy remains a perennial issue, both at the federal level and for Pennsylvania and its General Assembly. While elected officials have chipped at the system around the edges, the tax structure has not changed much for the average Pennsylvanian. In an analysis prepared by the Institute on Taxation and Economic Policy (ITEP) entitled *Who Pays? A Distributional Analysis of the Tax System in All 50 States*, Pennsylvania is cited as one of the “Terrible Ten” most regressive tax states.⁷ The Pennsylvania Budget and Policy Center (PBPC)⁸ provided the following data (gleaned in part from the ITEP study):

Pennsylvania’s tax system places a particularly difficult burden on its poorest residents...

- *Pennsylvania has one of the 10 most regressive tax systems in the nation*
- *Families in the lowest 20 percent income group pay 11.4% of their income in state and local taxes, while the wealthiest 1% of Pennsylvanians pay only 3.4% of their income in taxes.*
- *In 2002, Pennsylvania state and local tax burden was 19th highest in the country for lowest 20% of residents, but 42nd in the country for the top 1%.*

The Commonwealth’s ability to adequately fund needed services is continually challenged...

- *Pennsylvania has the highest percentage of residents over the age of 85.*
- *Federal funds to Pennsylvania have dropped a billion dollars since 2002.*

Based on the data presented, PBPC asks the following question:

Is it possible to create a tax system that raises funds equitably, and adequately supports necessary services to low income families, the elderly and the disabled?

For Pennsylvanians, the answer to that question remains to be seen.

The focus at the federal level has continued to be on cutting taxes as a means of stimulating the economy. The most recent tax cuts appear to benefit only the wealthiest Americans, while the federal deficit continues to grow to record levels and programs that benefit the most vulnerable Americans continue to be cut in the name of deficit reduction.

Theological Perspective and the View of the Pennsylvania Council of Churches

The heading on a bulletin insert prepared by the Council’s Public Advocacy Action Team (PAAT) reads, “The Commonwealth of Pennsylvania should use the common wealth of its taxpayers for the common good.” This piece goes on to say, “Our duty as Christians in the Commonwealth is to protect the common good, especially by honoring Jesus’ concern for the poor and suffering.”

⁷ ITEP News Release, January 7, 2003, www.itepnet.org/wp2000/pr.pdf

⁸ A description of the Pennsylvania Budget and Policy Center is available at www.pennbpc.org.

Susan Pace Hamill, Professor of Law at the University of Alabama, speaks of what scripture has to say with regard to taxation, as it relates to “loving our neighbor as ourself”:

The book of Genesis, which teaches that God creates each person in God's image, links a proper relationship with God to a proper relationship with all other human beings. The broad moral principles of justice in the Bible evaluate whether a community's laws and social structures treat all human beings as bearers of the image of God. These biblical principles forbid oppression and require that all persons enjoy a reasonable opportunity to reach their divinely created potential to carry out God's work on earth.

The biblical principle of reasonable opportunity is derived from the specific laws mandated by the Old Testament requiring gleaning rights, release of servants, debt forgiveness and land-tenure rights. The teachings of Jesus Christ raise these moral laws to higher and broader levels of social justice...

The Bible also morally evaluates how we allocate the burden for paying taxes. The book of Genesis, revealing God as the sole creator and ultimate owner of all the earth's wealth and resources—with human beings serving as God's stewards—along with Jesus' "render unto Caesar" remark in the Gospel of Matthew, establishes that tax burdens are consistent with the generally recognized and respected right to private property. In balancing the indisputable right to enjoy private property with the also indisputable moral responsibilities owed to God and the community, a Judeo-Christian view of taxation requires that those enjoying greater levels of income and wealth make significant economic sacrifices.⁹

You shall love the Lord your God with all your heart, and with all your soul, and with all your strength, and with all your mind; and your neighbor as yourself.

Luke 10:27 (NRSV)

She goes on to say what that means in our time:

Interpreted in the context of the 21st-century United States, this principle requires much more than minimum subsistence. It also requires that every citizen have access to an adequate education and job training as well as decent health care and housing.

Compulsory taxation is the only way our country can obtain a level of revenues that meets the biblical mandate of reasonable opportunity. This is because most of us will never voluntarily contribute our fair share, given our inescapable greedy tendencies resulting from the fall of humankind...

The Judeo-Christian standard of justice, which forbids oppression, condemns taxing those below the poverty line or regressively burdening the lower-middle classes.¹⁰

The Council's ***Principles for Public Advocacy*** (10/05) says:

Through taxation, society provides for the common good. Taxation is a shared responsibility of both businesses and individuals. Taxation in general should exclude income sufficient to keep reporting households above poverty guidelines. Poverty guidelines should be set so that households earning income to this level are self-sustaining. Progressive taxation (systems that are weighted toward those who have more—generally based on income) is preferable to regressive systems (those that weigh more heavily on persons at lower income levels—such as property or sales taxes). Gambling is a particularly poor way to raise state revenues, as it weighs most heavily on the poor, the elderly, and those prone to addictions.

⁹ “A Fair Tax,” *Christian Century*, April 18, 2006, http://www.findarticles.com/p/articles/mi_m1058/is_8_123/ai_n16134236.

¹⁰ *Ibid.*