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Practicing What We Preach: A Call for Progressive Church Taxes

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A call for progressive church taxes

BY MATTHEW J. BARRETT

TAXES AND TAX COLLECTORS have been around in one form or another for most of human history. Tax collectors appear in many of the Gospel stories, and the Evangelist Matthew was himself a tax man. Many American Catholics may not realize it, but their bishops are often tax collectors too, regularly levying tariffs on the parishes of their dioceses.

Canon law allows the diocesan bishop to impose taxes, sometimes called diocesan assessments, quotas, mandatory targets or fees, on parishes. Although dioceses in the United States increasingly rely upon voluntary annual appeals, a survey in 2001 by the Diocese of Great Falls-Billings in Montana found that 73 of the 96 responding dioceses collected mandatory taxes from parishes to meet diocesan needs.

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Catholic social teaching provides some clear guidance about how these taxes should be collected. In *Mater et Magistra* (1961), Pope John XXIII wrote that "in a system of taxation based on justice and equity it is fundamental that the burdens be proportioned to the capacity of the people contributing." In their 1986 pastoral letter on the U.S. economy, the American bishops explicity endorsed a progressive tax scheme "based on assessment according to ability to pay" as a "prime necessity" for basic justice.

Given such clear guidance from Catholic social teaching and their own pastoral letter of 1986, the bishops might well be expect-

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ed to employ progressive tax rates in their dioceses. But that is far from being the case.

A survey of diocesan taxing practices conducted in 2003 at Notre Dame Law School shows that bishops who impose diocesan taxes in the United States use flat tax rates almost four times more frequently than progressive rates. Of the 73 dioceses that describe themselves as imposing diocesan taxes, six dioceses do not base their diocesan taxes on income at all. Only 14 dioceses—or less than 20 percent—reported using progressive tax rates. The remaining 53 dioceses—an overwhelming majority of dioceses that report imposing a tax—mention only flat rates in describing their diocesan taxes. Stated another way, those flat-rate dioceses outnumber the 14 dioceses using progressive rates for a diocesan tax by a ratio of almost four to one.

By contrast, the federal income tax in the United States uses a progressive system, in which tax rates increase as income increases. For example, taxpayers might pay a 10 percent tax on the first $10,000 of income, 15 percent on the next $20,000 and 25 percent on all income in excess of $30,000. Under a flat tax, on the other hand, the same tax rate, say 20 percent, would apply to all taxable income. Thus, for example, a taxpayer who earned $10,000 would pay $2,000 in tax, while a taxpayer with $1,000,000 in income would owe $200,000 in tax. Although both tax collections and actual spending determine whether a tax system redistributes economic resources from the rich to the poor, progressive rates further such a redistribution.

While urging the redistribution of economic wealth in the U.S., the bishops in 1986 called on the government to use three principles to evaluate the public tax system and its effect on the poor. First, the tax system should raise adequate revenues to pay for society's needs, especially the obligation to meet the poor's basic necessities. Second, the system should not require families below the official poverty line to pay income taxes. Third, the tax system should use a progressive structure so that those taxpayers who enjoy relatively greater financial resources pay taxes at a higher rate. The bishops explicitly commented that a progressive tax system would reduce the "severe inequalities of income and wealth" in the United States.

In the same pastoral letter, the bishops stressed their belief and teaching that "all the moral principles that govern the just operation of any economic endeavor apply to the church and its agencies and institutions" and articulated the need for the church to model "exemplary" behavior. In view of this, the bishops would do well to follow their own counsel. Both collectively and individually, they should review their diocesan tax policies and practices to determine whether they "flow from the ethical moral vision" articulated in their pastoral letter. Using their teachings about national tax policy as a general guide, diocesan taxes under canon law should therefore: (1) raise adequate revenues to fund the diocese's needs, including the obligations to assist the poor in the diocese, poorer parishes in the diocese, other dioceses, and the Apostolic See; (2) exempt poorer parishes from the tax (or at least subject them to lower tax rates than richer parishes); and (3) use progressive rates so that those parishes and other taxable entities enjoying relatively greater financial resources pay at a higher tax rate.

Moreover, distributive justice challenges the bishops to adopt diocesan tax practices that in both fact and appearance seek to ensure that poorer parishes can adequately support priests and ministers, build and maintain churches and schools, and assist the poor and vulnerable in their communities. Flat tax rates offer simplicity, but they do not redistribute economic resources. Current diocesan programs to support parishes in need may redistribute parish resources as well as progressive tax rates would. Nonetheless, by either completely exempting poorer parishes from diocesan taxes or reducing the tax rates on such parishes and raising the tax rates on more affluent parishes, the bishops in the United States can rather easily adopt progressive rates with little, if any, loss in overall revenue to the diocese.

The bishops should adopt progressive tax rates and otherwise change their policies and practices regarding diocesan taxes under canon law to follow more closely the commitment to distributive justice in Catholic social teaching. To facilitate this process, the U.S. Conference of Catholic Bishops should consider undertaking a project that would draft one or more "model" progressive diocesan tax systems for diocesan bishops to bring back to their dioceses for consultation and possible implementation. As an added benefit, such reforms in diocesan tax policies would enable the bishops to speak more authentically on federal income tax issues, and especially to oppose the periodically recurring efforts to move to a flat federal income tax.

The Christian emphasis on distributive justice goes back well beyond current church teaching. Jesus and his disciples practiced what Jesus preached. John's Gospel reports that they kept a common purse out of which the group met their own needs and gave amounts to the poor (Jn 12:6, 13:29). In the Acts of the Apostles, St. Luke explains the practices used by the early Christians to support the church and the poor within the community (Acts 4:32-37). In the First Letter to the Corinthians, St. Paul describes how one body of believers might lend assistance to another group (1 Cor 16:1-4). In the Second Letter to the Corinthians, Paul also urges the faithful to follow the example of the churches of Macedonia, which voluntarily gave "according to their means, [and] beyond their means, spontaneously, and begged us insistently for the favor of taking part in the service to the holy ones" (2 Cor 8:3-4).

The payment of diocesan taxes allows a parish to help its diocese and the universal church to build the kingdom of God here on earth. In the closing sentence of their letter on the U.S. economy, the bishops wrote: "Love implies concern for all—especially the poor—and a continued search for those social and economic structures that permit everyone to share in a community that is part of a redeemed creation." Using progressive rates to impose diocesan taxes would better enable the U.S. bishops to practice what the Gospel, the universal church and they themselves teach.