



Photo courtesy of 401kcalculator.org, Flickr Creative Commons



Thomas Reese

[View Author Profile](#)

Follow on Twitter at [@thomasreeseSJ](#)

Religion News Service

[**Join the Conversation**](#)

Send your thoughts to *Letters to the Editor*. [Learn more](#)

Washington — November 6, 2017

[Share on Bluesky](#)[Share on Facebook](#)[Share on Twitter](#)[Email to a friend](#)[Print](#)

When I worked as a lobbyist for tax reform in the 1970s, I wasn't able to get churches to support it. The tax system was as important a social justice issue as others they were concerned about, I argued, but their eyes just glazed over.

Taxes are complicated, they worried. Feeding the hungry, giving drink to the thirsty, clothing the naked, housing the homeless — these were fairly simple in comparison. Rapid depreciation, oil depletion allowances, investment tax credits, tax-exempt bonds, tax shelters — these are not the world of church people who, like the proverbial church mice, are not rich.

They also worried about the IRS, which regulates tax-exempt organizations. A church can get in trouble "if a substantial part of its activities is attempting to influence legislation (commonly known as lobbying)," [according to IRS documentation](#). Churches feared that lobbying on taxes would be like waving a red flag in front of a bull. No one likes to be noticed by the IRS.

Finally, the churches realized that tax reform might threaten themselves and their donors. Churches and their donors benefit from the charitable deduction, and that might be threatened if tax reform got serious. Nor did they want to alienate their donors who might benefit from other tax gimmicks. If a church was lobbying to close a loophole used by a donor, goodbye to any donations from that donor.

I tried to explain that tax reform is about making the tax system fairer, simpler, and more efficient.

Fairness means that people with the same incomes should pay the same amount of taxes. That means getting rid of loopholes that benefit some people rather than

others. It also means that those with higher incomes should pay more than those with lower incomes. Economists describe this fairness as horizontal and vertical equity.

A simpler tax code would mean that most people should be able to fill out their own tax returns. Economic decisions should be based on signals from the market, not on provisions in the tax code. A lot of money is wasted by individuals and businesses complying with the tax code or trying to figure out how to benefit from it.

The tax code should be efficient when attempting to influence behavior. If the government wants to encourage charitable donations, homeownership, and certain business activities, it should not waste billions of dollars rewarding people for what they would do anyway.

For example, it is much more efficient for the government to spend money insulating government buildings and low-income housing than it is giving all homeowners a tax deduction for insulating their homes. Many homeowners will insulate their homes because they know it is cost-effective — they will save money in the long run. Giving them a deduction is a waste of money.

Despite my best efforts, church people ran for the exits whenever I tried to talk to them about tax reform.

That's why I was surprised last week to see the U.S. Conference of Catholic Bishops weigh in on the congressional debate on the "[Unified Framework for Fixing Our Broken Tax Code](#)" developed by the Trump administration and Republican members of Congress.

Bishop Frank Dewane of Venice, Florida, chairman of the U.S. Bishops' Committee on Domestic Justice and Human Development, [called on Congress](#) to recognize that public financing should be "an instrument of development and solidarity."

Advertisement

Speaking on behalf of the bishops, he presented six moral principles for Congress to follow:

1. Care for the poor.

"The tax system should be continually evaluated in terms of its impact on the poor," writes Dewane, quoting from the bishops' 1986 pastoral letter on the economy, "[Economic Justice for All](#)." "The poor should not be burdened with income taxation as they struggle to meet their daily needs, and programs designed to support them and lift them out of poverty must be adequately funded."

The bishops want poor people free of income taxes; they don't want programs for the poor gutted in order to pay for tax cuts.

2. Family formation and strengthening.

In arguing for tax policy to strengthen families, the bishop gets very specific, calling for increases in the child tax credit and the earned income tax credit. These should be refundable, according to the bishop, "so that the benefits can reach the poorest families, including the working poor." Making them refundable means that even those too poor to pay taxes would benefit from the credits. He is also pleased with proposals to eliminate the "marriage penalty" for the child tax credit.

3. Progressivity of the tax code.

The bishop is pleased that the "Unified Framework for Fixing Our Broken Tax Code" promises that a revised tax code will be "at least as progressive as the existing tax code" and that it "does not shift the tax burden from high-income to lower- and middle-income taxpayers." Surprisingly, he does not note that economic studies of the Republican proposals show that, despite the promises, the poor and middle class get the smallest benefits from these proposals.

4. Adequate revenue for the sake of the common good.

Unlike many Republicans, the Catholic bishops do not see government as the enemy, but as the way by which citizens unite for the common good. Again, quoting from "Economic Justice for All," the bishop writes, "the tax system should raise adequate revenues to pay for the public needs of society, especially to meet the basic needs of the poor."

5. Avoiding cuts to poverty programs to finance tax reform.

"Recent proposals by leaders in Washington indicate an openness toward steep cuts to the social safety net and discretionary programs that serve those in poverty," the letter said. "The loss of revenue created by tax cuts should not be made up by cuts

to programs that serve those most in need."

6. Incentivizing charitable giving and development.

Dewane defends the charitable deduction that helps churches and other nonprofits. He is grateful that the "Unified Framework" promises to preserve it, but worries that doubling the standard deduction might reduce the tax incentive for giving.

"Academic research predicts a multibillion dollar drop in charitable giving if the standard deduction were doubled," he warns.

Most of the money churches get are small donations in the collection basket that would be given whether there is a charitable deduction or not. Big gifts mostly go to museums, universities and opera companies.

The challenge for tax reformers is well illustrated by the bishops' panic over doubling the standard deduction. Although it would reduce taxes and simplify the tax returns of millions of low- and moderate-income taxpayers, the bishops oppose it. Like everyone else, the bishops support tax reform as long as it does not touch them. The popular definition of tax reform is anything that cuts my taxes and raises somebody else's.

While I congratulate the bishops on their willingness to grapple with the issue of tax reform, they should incorporate into their views the basic principles of tax reform: Fairness, simplicity and efficiency. Supporting these would be a principled stance, but, sadly, it is unlikely that it will lead to any success. As with health care, I am sure we will someday hear President Donald Trump say, "Nobody knew tax reform could be so complicated."

[Jesuit Fr. Thomas Reese is a columnist for [Religion News Service](#) and author of *Inside the Vatican: The Politics and Organization of the Catholic Church*.]

Editor's note: [Sign up to receive free newsletters](#), and we will notify you when new columns by Fr. Reese are out.

A version of this story appeared in the **Dec 1-14, 2017** print issue under the headline: Catholic bishops are pushing tax reform.