

***Principles for Fair and Just Taxation***  
**A Policy Paper for the Kentucky Council of Churches**  
**Commission on Justice Ministries**

1 **The Social Context in 2004**

2           The Commonwealth of Kentucky, along with virtually every other state  
3 government in these United States, has faced increasing financial difficulties over the  
4 past few years. The economic crisis and inadequate revenues have combined to force  
5 difficult budget choices which have resulted in cuts to programs and services to all  
6 Kentuckians, but which have fallen most heavily upon those already struggling against  
7 poverty, health factors, job loss, and inadequate education to find new opportunities for  
8 themselves and their families. Our lives as citizens in this Commonwealth have been  
9 further complicated by the partisan political stand-off in our state legislature that has  
10 prevented the adoption of a budget by the General Assembly over the two biennial  
11 budget cycles of 2002 and 2004.

12           Numerous government-sponsored study commissions have stated that  
13 Kentucky's system of generating tax revenues is woefully inadequate for present needs;  
14 that it is unjust, taxing Kentucky's already poor population at one of the two highest  
15 rates in the nation; and that it must be modernized or reformed. At the same time, the  
16 (so-called) "Taxpayer Protection Pledge" campaign among Kentucky legislators has  
17 prevented both the public and the legislators from taking fresh and imaginative looks at  
18 the Commonwealth's system of generating revenue. This pledge for "no new taxes"  
19 does not protect taxpayers in the long run, but places greater and greater burdens on  
20 individual tax payers and on those least able to pay because of its effect of inhibiting  
21 any real tax modernization.

22           The current Governor of the Commonwealth has recommended a tax  
23 modernization plan that includes a variation of a national effort known as TABOR, the  
24 Taxpayers Bill of Rights. Governor Ernie Fletcher has proposed a plan in which there is  
25 a “trigger” mechanism that mandates both revenue and spending limits. The revenue  
26 limit would lower income tax rates every time growth in revenue is projected to be  
27 higher than a factor based on a ratio of growth in the population plus inflation. In a  
28 time when the Commonwealth’s treasury is already projecting deficits, this *“trigger*  
29 *mechanism” would* not enable the state to catch up and develop adequate “rainy day”  
30 reserves. The fundamental aim of such a program is the diminishment and reduction of  
31 government. Rather than representative democracy, such reductions ~~in government~~  
32 lead inevitably to a less equitable style of governance in which services and programs  
33 are voted on in referenda by the people, rather than by their elected representatives.

34           Oliver Wendell Holmes once stated that “taxes are the price we pay for a civilized  
35 society.” In order for a civilized society to thrive, taxes at all levels of government must  
36 be sufficient to meet the legitimate needs of the population, especially the modern  
37 equivalents of the Biblical widows and orphans.

38           It has become common for Americans to complain that they are “being taxed to  
39 death.” In reality, however, when looked at from an international perspective, we learn  
40 that the overall tax burden in the United States falls well below the average for the  
41 world’s developed countries. In these industrialized nations, taken together, taxes  
42 account for almost 37% of the total economy; in the United States, the comparable  
43 figure is just under 30%. Too many leaders have portrayed taxes as the cause of  
44 societal problems—including the struggles of the middle class to stay afloat  
45 economically. Too few leaders have advocated a tax system that is adequate for

46 government and its programs and services, and that will be just and equitable to all  
47 citizens and all businesses.

48 Tax policy has tremendous potential to divide communities. The debate about  
49 taxes centers around how much money we get to keep for ourselves and how much we  
50 are expected to contribute to the common wealth of the society. As citizens, we have a  
51 moral obligation to assure that the money from the shared treasury is spent efficiently  
52 and for the common good, not for the privileged few.

### 53 **Theological Foundations for our Convictions**

54 The Kentucky Council of Churches has been an advocate for justice,  
55 especially justice for the poor, throughout its history, as have our member  
56 communions and congregations in their much longer histories. In a policy  
57 statement adopted by the 44<sup>th</sup> Annual Assembly, in October, 1991, the Council  
58 affirmed its conviction that God intends justice in human affairs. This conviction  
59 was grounded in the testimony of Scripture, particularly the witness of the  
60 prophets and Jesus. *[cf. "A Call for Justice", adopted by the 44<sup>th</sup> Annual Assembly, October 11-12,*  
61 *1991]* The indivisible commandment of Jesus to love God with all our being and  
62 to love our neighbors as ourselves constitutes the basis of all the Council's work  
63 and advocacy in the public arena.

64 That same policy statement on justice articulated the resolve of the  
65 Council to support programs and policies, both in church and in government,  
66 that:

- 67 • recognize the mutual responsibility of all people, both as individuals  
68 and as groups, for each other;
- 69 • promote participation in the opportunities and responsibilities of  
70 citizens in our society;
- 71 • provide support and resources adequate for basic life necessities;
- 72 • promote opportunities for the poor to escape their limited choices;  
73 and
- 74 • encourage all citizens to examine how existing social structures  
75 maintain injustice.

#### 76 The Bible and Taxes

77 While the Bible does not give us explicit direction on the issues of tax policy,  
78 neither is it silent on matters of taxation. Several familiar biblical stories are actually  
79 about taxation:

- 80 • Almost overlooked in the story of Joseph and his “coat of many colors” is  
81 that the heart of Joseph’s proposal for preparing Egypt for the coming  
82 years of famine was a 20% tax on the produce of the land (Genesis 41).  
83 It was this tax-generated produce which carried the Egyptians through  
84 the “lean” years.
- 85 • Gleaning was established in the Israelites’ law (Leviticus 19:9-10) as a  
86 way for those who owned the capital of that day (i.e., land) to care for  
87 the poor and destitute. Those with agricultural produce were not to  
88 harvest all of it; rather some was left so that those in need could help  
89 themselves.

90 • The story of Jesus which ends in the familiar “Render to Caesar the  
91 things that are Caesar’s...” arose when Jesus was asked whether the  
92 Jewish people should pay taxes to Rome (Mark 12:13-17). His answer  
93 seems to approve of those taxes, while recognizing that there are also  
94 things that belong to God. And the story of Zacchaeus (Luke 19:1-10)  
95 indicates that taxes could be exorbitantly or fraudulently high.

96 Principles of Just Taxation

- 97
- 98 ➤ The Kentucky Council of Churches affirms its belief that representative democracy  
99 and a just and equitable system of taxation provide citizens with an important means  
100 of fulfilling the call of God to care for our neighbors, and especially the widow, the  
101 orphan, the sick, and the oppressed. With respect to tax policy Catholic/Christian  
102 social teaching understands the principle of social justice to include both contributive  
103 and distributive justice. Contributive justice suggests that all members of a society  
104 have a responsibility to contribute to the common good. Through contributions  
105 collected by taxes, we share the blessings that God has given us so that these  
106 resources may be used for the good of all. The collection of taxes should be just, so  
107 that those with greater means should pay more of their income in taxes than those  
108 with less means
- 109 ➤ Secondly, distributive justice includes these components:
- 110 ▪ The distribution of wealth should first address the basic material needs of all  
111 people for food, shelter, health care, and opportunity for personal and  
112 economic growth.
- 113 ▪ The revenues generated should be substantial enough to meet the needs and  
114 the objectives of the citizens as expressed through representative

115 government. The challenge of providing a fair distribution of resources tests  
116 the moral strength of a society and serves as a crucial indicator of how well  
117 we maintain and regulate the inevitable struggle for justice and power.  
118 When we fail to respond to the cry of the poor and do not address the  
119 excesses of the privileged and powerful, we undermine the foundations of  
120 democracy and of justice in our society. Third, we affirm that Kentucky's  
121 current tax system is outdated, inefficient, unjust, and inequitable, both in its  
122 collection and in its distribution. We urge our legislators to set aside their  
123 fears of constituent retaliation regarding some prior commitment by the  
124 legislator to a pledge of "no new taxes." We urge our legislators, instead, to  
125 make a positive affirmation for, and to act swiftly to create, a modern and  
126 just tax revenue system for the Commonwealth of Kentucky. A sound  
127 revenue system for state government needs to be

- 128           ▪ efficient, that is, easy to collect and calculate;
- 129           ▪ stable;
- 130           ▪ able to grow with the economy;
- 131           ▪ and sufficient to meet the important needs of educating our  
132           children, caring for our most vulnerable and needy  
133           neighbors, and maintaining the public good;
- 134           ▪ one that will ensure the public welfare, by helping stimulate  
135           environmentally sound and socially just economic growth.

136       ➤ Fourth, Kentucky needs to target tax relief for those who need it most:

137           ○ for low-income working families through removal of the heavy  
138           level of taxation on the poor under current law, and  
139           ○ by the creation of a state Earned Income Tax Credit. Fifteen  
140           states have adopted state EITCs based on the federal EITC credit.  
141           The federal credit lifts more people out of poverty than any other  
142           program except Social Security.

143       ➤ Fifth, tax loopholes that have created exemptions that may or may not  
144       have been appropriate in a particular time, but which grant special  
145       privileges not granted equitably to all, need to be closed. Businesses  
146       must pay their fair-share of the costs of government, which include  
147       maintenance of the public infrastructures, public education, health  
148       services, and public safety.

149       ➤ Sixth, the Kentucky Council of Churches advocates for a just and equitable  
150       tax system that will not have negative effects on family life and on the  
151       poor.

152           ○ Sales taxes are often more politically popular than income taxes or  
153           property taxes, because they are only collected by small amounts  
154           at a time, and the perception is that “everybody pays them.” Yet  
155           the fact is that sales taxes *only on goods* results in the low income  
156           people paying a larger proportion of their income than higher-  
157           income people. This is called “regressive taxation.” The  
158           Kentucky sales tax should be *applied to services as well as to*

159 goods, especially in an economy based more on services than on  
160 the production of material goods. As food and medicine are  
161 exempted from the sales tax, so medical services should be the  
162 only exemption from the sales tax on services.

- 163 ○ Revenue generated by taxing gambling, and by authorizing the  
164 expansion of gambling, will not solve Kentucky's fiscal plight, but  
165 may, instead, make it worse. We do not see any state with  
166 commercial gambling whose fiscal situation is healthy. Academic  
167 economics professors in published, peer-reviewed research, have  
168 shown that the cost to society is about twice the revenue  
169 generated for the state. Expanded gambling is not worth the cost  
170 of the damaged lives of families, businesses, and the social fabric in  
171 general.

172

173 **Conclusion:** The Kentucky Council of Churches has confidence in the  
174 democratic legislative process in our Commonwealth to manage our tax policy in  
175 a morally responsible manner. We support the democratic process with the  
176 expectation that its deliberations will serve the common good with a special  
177 commitment to aiding and protecting the most vulnerable of our neighbors.  
178 When taxes are fairly determined and regulated, they will create a more stable  
179 and compassionate society, one that assures the possibility that all of us may live

180 in peace and may be able to fulfill our human potential while enjoying the  
181 benefits of our life together.

182

183 **Resources for this statement**

184

185 Catholic Conference of Kentucky. Principles for Just Taxation, adopted by the

186 Roman Catholic Bishops of Kentucky, February 2004.

187 Web-site: [www.ccky.org](http://www.ccky.org)

188 Iowa Catholic Conference. Statement on Taxation. October, 2003.

189 Web-site: [www.iowacatholicconference.org](http://www.iowacatholicconference.org)

190 Maine Council of Churches. Principles for Fair Taxation, adopted February, 2003.

191 Web-site: [www.maineCouncilofchurches.org](http://www.maineCouncilofchurches.org)

192 Missouri Catholic Conference. MCC Public Policy Committee's Recommendations

193 Concerning the FY 2004 State Budget. February, 2003

194 Web-site: [www.mocatholic.org](http://www.mocatholic.org)

195 North Carolina Council of Churches, Tax Justice: A Policy Statement Adopted by

196 the House of Delegates, November 9, 2000.

197 Remembering the Common Good in Times of Financial Crisis: A Policy

198 Statement adopted by the House of Delegates, November 12, 2002.

199 Web-site: [www.nccouncilofchurches.org](http://www.nccouncilofchurches.org)

200 **Discussion Questions:**

201 **1. What aspects of our national life and life in the state of Kentucky need to**

202 **be financed by government? Brainstorm a list of what government now**

203 **finances as a beginning step in discussing this question.**

- 204 2. Should all people be required to contribute something to the common  
205 good? If so, what kinds of contributions are appropriate? Are taxes the only  
206 way to contribute? What other contributions might be mandatory?
- 207 3. Should contributions be “progressive”; that is, based on the ability to  
208 contribute?
- 209 4. Do you agree with the principle of distributive justice? If so, why? If  
210 not, why not?
- 211 5. Should the state care for those unable or unwilling to support  
212 themselves? What happens when the weak and vulnerable are not  
213 supported? Who is responsible?
- 214 6. How does the Great Commandment that we love God with all our  
215 heart, mind, soul, and strength, and our neighbor as ourselves, apply to the  
216 issue of tax justice?
- 217 7. What would be the most just means for a society to provide the  
218 services required for a healthy nation or state? Are “voluntary” taxes on  
219 gambling, tobacco, and alcohol, “just”? How? Should the state promote  
220 gambling so that it can harvest the taxes on it at a much higher rate than on  
221 any other product or business, and thereby avoid raising income taxes,  
222 property taxes, or sales taxes?
- 223 8. Would you support a sales tax on all “services” except medical  
224 services? In an economy based more on services than on consumption  
225 of goods, what justifies the continued exclusion of services from the  
226 sales tax?