

# *study guide*

## Toward a Just and Effective Tax System in Oregon

### *Introduction*

Oregon faces a moral crisis in the lack of consensus on tax policy that has been hastened by the present economic recession. The recession, along with failed revenue raising measures, has challenged societal commitment to the common good. In the past two years, cuts have been made to public education and safety and social services, leaving many persons vulnerable and at risk. While voters statewide rejected new taxes to pay for these services collectively, some communities have voted in new taxes on their own hands, sending a message to other communities that they are on their own. If the state budget is a reflection of society's values, it may leave many Christians seeking ways to rekindle a spirit of shared commitment to prosperity for all.

This statement draws upon scripture and Judeo-Christian ethics to lay out principles for tax reform. It builds on Ecumenical Ministries of Oregon's (EMO) past advocacy on tax policies that include statements on ballot measures and legislation before the Congress and the Oregon Legislature. It also builds upon past work of the national public policy offices of our denominations such as the Presbyterian Church USA 1977 study on taxes, the 1986 pastoral letter "Economic Justice for All" from the U.S. Catholic Bishops, the 1970 statement "Tax Reform: A Cause for Christian Action" from the American Lutheran Church, or more recently, a statement from the Religious Community for Responsible Tax Policy through the National Council of Churches.

Over the past 30 years, EMO has faithfully advocated for peace and justice in Oregon, the nation and the world. The basis of EMO's advocacy is an ecumenical statement of social principles that outlines a vision of peace and justice for human rights, the economy, the environment and governance.

EMO has long sought changes in Oregon's tax system that preserves the social safety net,

services that promote the common good by protecting people from falling into poverty or further illness. This includes services that promote the well-being of children, the elderly, the sick, the orphaned and the mentally ill. It also includes services that help poor or low-income persons and families to become independent and to prevent a life of poverty.

EMO has advocated specifically for state and federal programs such as Temporary Assistance to Needy Families, General Assistance, the Medically Needy Program, Employment Related Daycare, Emergency Assistance, chemical dependency treatment programs, education, mental health services, long-term care, disability services and hunger relief services.

These services are provided by a broad spectrum of entities that includes government, the private sector, civic and religious institutions and individuals. Each entity has a unique role that none of the others can replicate effectively. The issue of taxation pertains in particular to the government's role in the funding and providing part of the services in the safety net. EMO believes that the safety net is an essential part of meeting God's call to seek peace and justice and to spread good news to the less fortunate.

EMO has advocated for changes in the tax system when necessary to support the safety net as well as lightening the tax burden for low-income persons. The underlying belief is that taxes should be used for just reasons and applied in a fair manner based on ability-to-pay. Changes within Oregon's tax system must not be changed arbitrarily but reformed to underscore societal responsibility to the common good. How a society chooses to tax itself and to provide services is a reflection of its values.

*"Give the  
Emperor what  
belongs to him  
and give God  
what belongs  
to God."*

Matthew 22:21

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## *Protecting the Poor*

In both the Old and New Testament, there are clear scriptural references on the spiritual importance of ministering to sick, oppressed and poor persons. There are several passages such as **Isaiah 61:1**, **Matthew 11:4-5** and **Luke 4:18** that proclaim the spreading of good news to poor persons.<sup>1</sup> These are important lessons that demonstrate how taxation must be approached, i.e., taxation should be used for creating social conditions that care and nurture those least among us.

The passages below illustrate the personal relationship to others who are less fortunate.

**Exodus 22:21-22.** *“Do not mistreat or abuse foreigners who live among you. Remember, you were foreigners in Egypt. Do not mistreat widows or orphans.”*

**Matthew 25:32-40.** *“The people of all nations will be brought before him, and he will separate them, as shepherds separate their sheep from their goats. He will place the sheep on his right and the goats on his left. Then the king will say to those on his right, ‘My father has blessed you! Come and receive the kingdom that was prepared for you before the world was created. When I was hungry, you gave me something to eat, and when I was thirsty, you gave me something to drink. When I was a stranger, you welcomed me, and when I was naked, you gave me clothes to wear. When I was sick, you took care of me, and when I was in jail, you visited me. Then the ones who pleased the Lord will ask, ‘When did we give you something to eat or drink? When did we welcome you as a stranger or give you clothes to wear or visit you while you were sick or in a jail?’ The king will answer, ‘Whenever you did it for any of my people, no matter how unimportant they seemed, you did it for me.’”*

**Luke 10:25-37.** The Parable of the Good Samaritan.

There is also evidence that suggests poor persons should not be further made impoverished, whereby their welfare is in jeopardy. Taxation must not prohibit a person's ability to subsist.

**Exodus 22:25-27.** *“Don't charge interest when you lend money to any of my people who are in need. Before sunset you must return any coat taken as security for a loan, because that is the only cover the poor have when they sleep at night. I am a merciful God, and when they call out to me, I will come to help them.”* There is similar text in **Leviticus 19:13** concerning the restoration of property necessary for life. See also **Deuteronomy 24:10-12.**

## **Principles for a Just Tax System** *Based on Judeo-Christian Ethics*

*“You must also pay your taxes. The authorities are God's servants, and it is their duty to take care of these matters. Pay all that you owe, whether it is taxes and fees or respect and honor.” - Romans 13:6-7*

Paying taxes is a moral responsibility of all people. Creating a just tax system used for just purposes is the responsibility of all people. Elected officials are entrusted with a greater responsibility to ensure that taxation must hold as a primary concern the needs of low-income persons to prevent the entrenchment of poverty in society. Judgment of a just tax system is based on two primary principles.

### *Principle No. 1*

Taxation must be used toward the organization of social structures that serve the just purpose of ensuring basic human needs for all God's people.

### *Principle No. 2*

Taxation must hold sacred the sanctity of basic human needs and therefore must not inhibit a person's ability to meet their basic needs.

## *Role of Taxation and the Needs of a Society*

Many entities play important roles in society. They are government, social institutions, civic and religious institutions and businesses. All have a role to play in creating the social infrastructure for preventing a life of poverty or servitude.

Modern government in its many forms and evolutions have come to exist as a vehicle in society to provide certain services that either individuals or private entities cannot provide willingly or effectively but are essential and needed for civil society. These services include public education, law enforcement, the court system, certain social services, consumer protection and protection of shared natural resources. Government is different from commercial or business entities in that the profit motive is not the primary reason for its existence. In the United States, government has been the focal point of policies that attempts to reconcile individual good and common good.

<sup>1</sup> All scriptural quotations are Contemporary English Version.

*In the Catholic tradition, government has a positive role because its responsibility to serve the common good, provide a safety net for the vulnerable, and help overcome discrimination and ensure equal opportunity for all. Government has inescapable responsibilities toward those who are poor and vulnerable, to ensure their rights and defend their dignity.*

“A Place at the Table” - U.S. Conference of Catholic Bishops

In modern times, taxation is a tool to collectively pay for services that society depends on. Several scriptural passages highlight the importance of using social structures as means for helping the needy or low-income persons. The civil structures of biblical times are similar to the modern roles of the state, business and civic and religious institutions.

**Deuteronomy 14:28-29.** *“Every third year, instead of using the ten percent of your harvest for a big celebration, bring it into town and put it in a community storehouse. The Levites have no land of their own, so you must give them food from the storehouse. You must also give food to the poor who live in your town, including orphans, widows and foreigners. If they have enough to eat, then the Lord your God will be pleased and make successful in everything you do.”*

**Luke 12:48.** *“If God has been generous with you, he will expect you to serve him well. But if he has been more than generous, he will expect you to serve him even better.”*

**Exodus 21:2, Leviticus 25:39-41 and Deuteronomy 15:1** all emphasize the importance of helping others escape poverty. These passages speak of not exacting debt or labor where it impedes the ability of people to obtain the basic necessities of life such as food, shelter, clothing, etc. They are a direct appeal for the generosity of those with means. This notion supports the concept of taxation based on progressive principles, i.e., ability-to-pay. The implication that can be drawn is society must not allow disproportionate taxation on poor persons, unaffordable housing, costly healthcare, indebtedness for survival and substandard wages to create a permanent underclass, whereby escaping poverty on one’s own is virtually impossible. It also implies those that can pay more should.

Just taxation permits the pooling of resources for both individual good and the common good, two notions that are distinct and but linked. The common

good requires that individuals be able to acquire basic needs such as food, clothing, health, work, education and culture, etc. The role of the state is to help foster social conditions that allow people to meet their needs in order to live life fully. Just taxation is a social investment in services to prevent conditions that cause poverty. It is the responsibility of the individual to recognize through Christ their personal connection to the social well-being, i.e., the common good of all and not just themselves.

Paying one’s taxes does not necessarily connote a just act. Nor does the act of increasing or cutting taxes mean greater justice when there are those remaining who need help. For individuals and society, just taxation requires recognition of the moral purpose for which taxes should be used. It is one’s responsibility to understand and promote a just tax system. Elected officials hold society’s trust in ensuring that taxes are used for just purposes. They must appeal to each individual’s sense of common good and work to unite all in common purpose.

The passages below from the New Testament illustrates the distinction between individual good and common good with respect to organization of public life for the common welfare.

**Acts 4:32-35.** *“The group of followers all felt the same way about everything. None of them claimed that their possessions were their own, and they shared everything they had with each other. In a powerful way the apostles told everyone that the Lord Jesus was now alive. God greatly blessed his followers, and no one went in need of anything. Everyone who owned land or houses would sell them and bring the money to the apostles. Then they would give the money to anyone who needed it.”*

**Acts 5:1-4.** *“Ananias and his wife Sapphira also sold a piece of property. But they agreed to cheat and keep some of the money for themselves. So when Ananias took the rest of the money to the apostles, Peter said, ‘Why has Satan made you keep back property? Why have you lied to the Holy Spirit? The property was yours before you sold it, and even after you sold it, the money was still yours. What made you do such a thing? You didn’t lie to people. You lied to God!’”*

The passages reflect the notion that persons must come together collectively at times to act in benefit of persons in need.

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## *Recommended Criteria for Evaluating an Effective Tax System*

Oregon's present tax system is unjust. It fails to meet both principles outlined in this statement. Over the past several decades, Oregon's tax system has not consistently and reliably funded public services. Instead it has led to cuts in services and undermined the safety net. This has placed a greater burden on non-governmental entities that provide care to needy persons. The only changes in the tax system have shifted the tax burden from businesses and corporations to personal income tax filers over the last 20 years. Property tax limitation measures, increased business tax credits and tax loopholes share in the cause. The result is disproportionate impact on low-income persons in the state.

Oregon's tax system's over-reliance on the unpredictability of income tax revenues does not guarantee adequate funding of the safety net and other important services like public safety and public education. Unfortunately, Oregon's tax structure has not been reformed with a shared moral foundation. It is not able to fulfill government's role reliably in the safety net. The state's wavering role has forced religious charities and non-profits to take-on additional services without adequate resources or the capacity. This has created a breakdown in the safety net. Many persons in need have fallen through the gap left by government. Many are not getting the services to help stave off poverty or illness.

During economic recessions social need is the great. Oregon's tax system has been unable to fund many services. Thousands of Oregonians will lose vital health services under the Oregon Health Plan and other services such as the Medically Needy program. School children have lost, and will continue to lose, valuable school days and are facing larger classroom sizes. Seniors and people with disabilities have lost assistance care.

The current system is not firmly based on the ability to pay. Oregon's tax policies do not meet the Judeo-Christian ethic of consistent, explicit and primary concern for the most vulnerable. According to the 2002 report of the Portland City Club, the application of the highest income tax rate "occurs at such a low income level (\$6,100 in taxable income for and individual in 2000, \$12,200 for a married couple)<sup>2</sup> that virtually everyone is in the top bracket. One does not have to work a full year to exceed that gross income." In addition, upper- and middle-income homeowners and businesses have benefited more from the property tax limitation than have lower income. In the last 15 years, the tax burden of individuals has

steadily increased while that of large businesses and upper income earners has steadily decreased.

The current tax system is unstable and the antithesis of the social conditions necessary to prevent poverty over time; the disappearing safety net for the poor and elderly, along with the early closure of many schools is testimony to its inadequacy.

To exacerbate the problem of inadequacy, there is no sufficient "rainy day fund" to buffer against reductions in tax revenues. A "rainy day fund" could help maintain services during economic downturns, thus protecting vulnerable or poor persons. Oregon voters made it difficult to convert the state "kicker" refund into such a fund. The "kicker" law requires that tax revenue exceeding two percent of projections for a biennium must be returned to taxpayers. This system leaves no funds for a reserve.

Further compounding the state's spending priorities are un-funded voter mandates such as Measures 5, 47, 50, 11 and 99 and unfunded federal mandates.

The moral consequence of Oregon's unjust tax system has been the breakdown of trust in government and in each other. Voters rejected a statewide tax increase while some voted for a local tax increase. Government entities, such as Multnomah County and the Beaverton School District, have begun to break away from the state funding system for education, reverting back to local control and leaving other school districts to their own devices. Trust must be restored in each other and in government in order to build a just tax system for all.

EMO invites prayerful consideration of the moral implications of taxation and looks forward to seeing Oregon's religious community engage on this important theological matter.

### **Evaluation Guidelines**

Ecumenical Ministries of Oregon endorses three basic criteria for evaluating Oregon's tax system. These criteria are:

**Fairness** – Taxes should be based on the ability to pay, with the rate of taxation increasing as income increases. Our current revenue system places an unfair burden on individual taxpayers, and especially so on low-income families.

**Stability** – Taxes should provide consistent revenue through good times and bad. The repeated and devastating decreases in revenue projections throughout the past biennium are eloquent testimony to the failure of our current system in this regard.

**Adequacy** – Taxes should provide enough money to fund needed services. Our current inability to meet the needs of the vulnerable and our inability to sustain a complete school year in many of our districts is evidence that our current system is severely lacking on this measure.

<sup>1</sup> All scriptural quotations are Contemporary English Version.

<sup>2</sup> In 2002, the highest marginal tax rate of 9% is applied at \$6250 in taxable income for single filers and \$12500 for joint filers.