Opinion



Graduate students rally against the proposed federal tax reform bill Nov. 29 in the Manhattan borough of New York City. Congress must "fix the fundamental flaws" in both the Senate and House versions of the tax bill as lawmakers try to reach an agreement on a final bill, said the chairman of the U.S. bishops' domestic policy committee. (CNS/Shannon Stapleton, Reuters)



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When I was young and foolish, I devoted my life to working for tax reform. I had completed my doctoral dissertation on the politics of taxation, which was published as a book in 1970. I was already a Jesuit and focused on lobbying to improve the tax system as part of our commitment to working for social justice.

It proved to be a Sisyphean task.

Why would a religious person get involved in lobbying on tax policy? Tax policy is not just a political issue; it is also a moral issue. It impacts people's lives and how we pay for government. Tax reform is about fairness and equity, moral values that should guide public policy. Tax policy that favors the rich over the poor does not reflect Gospel values.

Ideally, tax reform involves getting rid of tax deductions and loopholes so that people and corporations with the same income pay the same amount of taxes and those with more income pay more than those with less. Everyone agrees with this in principle. The problem comes when you get specific. Every one of those deductions and loopholes has a constituency behind it that will fight to save it from repeal. No one will admit that any of their tax gimmicks are loopholes.

This has been clear in the debate over the current tax bills. The loudest complaints against the tax bills have come from those opposed to the repeal of deductions to the personal income tax. The biggest deductions (for mortgage interest, state taxes, medical expenses, charitable deductions) have the loudest support.

The Republicans deserve an A for effort in terms of trying to repeal tax deductions so that they can lower tax rates. This has been a goal of tax reform forever. They should also be congratulated for increasing the standard deduction, which simplifies the tax system for millions of Americans.

Churches and other charities object to increasing the standard deduction, arguing that people who use the standard deduction will give less to charities. Will there be some reduction? Sure. How much is anyone’s guess. Churches will probably be the least affected because their donors are motivated by spiritual reasons, not tax deductions.

Surprisingly, charities and churches are not pointing to other aspects of the tax bills that will affect charitable giving. Reducing the tax rates will mean that charitable tax deductions will be worth less to individual taxpayers. If your tax rate is currently 30 percent, your $1,000 gift actually costs you only $700 because you have saved $300 on your taxes. Reduce that tax rate to 25 percent, and the cost of giving goes up by $50.

Likewise, eliminating the estate tax will certainly reduce charitable giving from major donors who now plan to make large gifts in their wills to nonprofits. If the estate tax is repealed, that will end any financial incentive for making these gifts. This will especially affect universities, hospitals and cultural institutions that tend to get substantial gifts from big donors.

Charities are staying silent on both proposed changes — perhaps because their donors would be upset to hear them favoring policies that increase their taxes.

But tax reform is not only about getting rid of deductions and loopholes. It is also about making sure that those with higher incomes and wealth pay a greater percentage of their income in taxes than those with less. Here, both the House and Senate Republican tax bills deserve a flunking grade. Rather than increasing taxes on the rich, the bills reduce taxes for them. The bills also reduce corporate taxes without getting rid of corporate tax loopholes. At a time when the wealth gap is growing, this is unforgivable.

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Finally, the tax bills are just based on ideology rather than economics. There is practically unanimity among public finance economists that the time to cut taxes, increase spending and run government deficits is when private demand is low — in other words, in a recession. But the Republicans fought increased spending, tax cuts and deficits at the beginning of the Great Recession because Barack Obama was in the White House

Now that we are out of the recession, we should be moving toward a balanced budget, not toward greater deficits. To think that these tax cuts will magically pay for themselves is just plain stupid. Likewise, to think that corporations will invest their tax windfalls in jobs in the U.S. is pure fiction. Corporate coffers are already full, and interest rates are low so they can borrow for investments. The tax windfalls will be used to enrich investors, thereby increasing the wealth gap rather than reducing it.

Some observers believe that there is an additional motive behind cutting revenues. Once the tax cuts are in place and the deficit balloons, Republicans will argue for cutting government spending, including entitlements, to reduce the deficit.

The Republican tax bills do hardly anything for President Trump's blue-collar base. Rather, they reward the Republican donor class upon whom congressional Republicans depend for their election campaigns.

Once again, an opportunity for true tax reform has been missed. Rather than reform, Congress is moving the tax system in the wrong direction. This is not only bad public policy. It is morally objectionable.

[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*.]

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