Catholic Social Teaching and Taxes

By Fred Kammer, S.J.

The clearest statement on taxes and their morality came in the U.S. Bishops’ pastoral on Economic Justice for All. The bishops urged that, “The tax system should be continually evaluated in terms of its impact on the poor.” They enunciated three principles to guide such evaluations:

- First, the tax system should raise adequate revenues to pay for the public needs of society, especially to meet the basic needs of the poor.
- Secondly, the tax system should be structured according to the principle of progressivity, so that those with relatively greater financial resources pay a higher rate of taxation. The inclusion of such a principle in tax policies is an important means of reducing the severe inequalities of income and wealth in the nation.
- Thirdly, families below the official poverty line should not be required to pay income taxes. Such families are, by definition, without sufficient resources to purchase the basic necessities of life. They should not be forced to bear the additional burden of paying income taxes.

The U.S. bishops’ statement was consistent with Catholic tradition reflected in teaching of the popes and the new Catholic Catechism. Twenty-five years earlier, Pope John XXIII stated the traditional principle very simply, “As regards taxation, assessment according to the ability to pay is fundamental to a just and equitable system.”

In this context, payment of taxes is seen as a moral responsibility of the person or institution.

Progressivity has been fundamental to the Catholic tax tradition. It reflects our belief in the universal destination of all goods—that they must serve the common good—as well as our teaching about the stewardship of all created gifts, whose origin is God. As stewards, this progressive responsibility reflects the teaching of Jesus in Luke 12:48, “From everyone to whom much has been given, much will be required; and from the one to whom much has been entrusted, even more will be demanded.”

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—Pope John XXIII

Evaluating the morality of tax systems means asking about the progressivity and regressivity of various kinds of taxes—the more progressive, the more moral.

The personal income tax can be the most just system, IF it is structured progressively. A flat tax is much less progressive since, by definition, it taxes the income of the wealthiest family at the same rate as that of the poorest family. Even income tax systems with nominally graduated income tax rates may be regressive where, for instance, the percentage of those paying the highest rate is very large (66 percent of Alabama families pay the highest rate, which kicks in at $6,000 of taxable income for married couples). This is especially true if the taxing authority also provides special tax breaks targeted to upper-income families.

Property taxes typically are “somewhat regressive” because poor homeowners and renters pay more of their income than other groups and the wealthiest property owners pay the least.

Finally, sales and excise taxes (e.g. on cigarettes, gasoline, and beer) are the most regressive because they take a larger share of the income from low and moderate income families than they do from wealthy families. When states rely heavily on sales taxes, as Florida, Texas, and Alabama do, their tax systems are very regressive. One moderating factor in sales taxes is the exclusion of necessary items such as groceries (Florida, Louisiana, and Texas). When looking for increased revenues, lawmakers should focus on taxation methods that are more progressive, asking more of those most able to shoulder increased responsibilities for the common good.

ENDNOTES

2 Ibid., emphasis added.
3 Pope John XXIII, Mater et Magistra, 1961, No. 102.