



Fair and Adequate Tax Reform

(Issued May 21, 2004)

The Catholic Bishops in Ohio have issued the following statement encouraging comprehensive and bipartisan reform of Ohio's tax system. Taxation is a moral issue. Realizing that tax reform is complex and politically difficult, the Bishops offer encouragement, moral principles, and questions for elected officials to consider. People of good will can agree or disagree on the application of these principles as to public policy. The overarching concern is that sufficient revenues be available to serve the common good of society, especially those persons most in need.

Concern for the Poor and Vulnerable

Poverty maintains a vise-like grip on the lives of more than one million Ohioans. Unfortunately, children are the poorest Ohioans. More than one in seven children live in poverty. A child is born into poverty in Ohio every 18 minutes¹. Throughout the eight years of economic expansion in the 1990's, Ohio's poor actually got poorer. In addition, most Ohioans have been adversely impacted by the recent recession. In 2003, Ohio experienced a loss of approximately 67,000 jobs². More than 233,000 Ohio workers have lost their jobs in the past three years while those working full time, minimum wage jobs make only 70% of the federal poverty level³. The job loss and changing economy have placed enormous challenges on the health and human service system throughout the state. For instance, the Ohio Association of Second Harvest Foodbanks recently reported unprecedented service increases at its member food banks. More than 40% of persons in food lines across the state are the working poor⁴.

Poverty, however, is not merely about numbers. It is about parents who cannot adequately feed their children, provide them with health care, or afford decent housing. Poverty is about real people who are left behind because they lack education, marketable job skills, or access to employment opportunities.

In our pastoral statement, *Economic Justice for All*, we said: "the obligation to provide justice for all means that the poor have the single most urgent economic claim on the conscience of the nation⁵." Such teaching affirms that the moral test of any society is how it treats its most vulnerable members. In our recent national statement entitled *A Place at the Table*, we said: "Concern for the poor is advanced by individual and common action, works of charity, efforts to achieve a more just social order, the practice of virtue, and the pursuit of justice in our lives. It requires action to confront structures of injustice that leave people poor⁶." It is through this lens that views how the poor and most vulnerable are faring in Ohio that we express our deep concern about the ongoing fiscal challenges of Ohio's state budget.

Background on the Fiscal Challenges

In recent year, tax revenues in the state have dropped dramatically. There are numerous factors that have contributed to the decline of revenues. As a result, the Governor and the Ohio General Assembly have put in place several short term remedies, including the use of one-time funds, such as surplus public assistance funds, tobacco money, emergency federal funds, and the "rainy day" fund. A temporary, one-cent sales tax was also approved by the General Assembly to mitigate the budget shortfall. In addition, \$1.8 billion has been cut in state spending since SFY 2000⁷. Yet, this situation has threatened and continues to threaten ongoing support for policies and programs that provide needed assistance to the poor.

The Call to Reform

We encourage a comprehensive analysis of Ohio's tax structure. It is an issue that merits immediate bipartisan action. Such a discussion should be open and it should engage all sectors of the state: public officials, business leaders, labor leaders, academics, health and human service providers, religious leaders and Ohioans at the grassroots level. Taxation is an economic issue, but it is also a moral issue. Ultimately, the economic and tax policies that constitute our state budget derive from moral considerations. For instance, does Ohio's tax structure adequately protect the poor, vulnerable children, seniors and the disabled? Are Ohio's tax policies sufficiently progressive, intentionally designed to collect more from those with a greater ability to pay? Is Ohio's tax code fair to all taxpayers? Do low and middle-income families bear a disproportionate tax burden? Are there tax loopholes that can be modified or closed? Do our tax policies serve the common good of Ohioans? The resolution of these and other questions will impact every aspect of state government, as well as, the lives of all Ohioans. We believe that values and principles of Catholic social teaching have something to offer any discussion of tax reform.

Principles for Just Tax Reform

Economic policy should respect the dignity and inherent worth of the human person. In *Economic Justice for All*, we said

economic justice is a work of faith and an imperative of the Gospel. We raised three fundamental questions for decision makers in crafting any economic policy: What does this policy do for people, particularly the poor and vulnerable? What does it do to people? And how do people participate in it?

Applying Catholic social thought to the economic issues related to tax reform in Ohio, we suggest that there are two moral principles that can provide guidance to decision makers. The principle of **contributive justice** “implies that persons have an obligation to be active and productive participants in the life of society and that society has a duty to enable them to participate in this way.” (*Economic Justice for All*-71) A just and equitable system of taxation should ensure that everyone contributes to the good of our state based upon their ability to pay. By fulfilling our tax obligations, individuals and corporations provide the resources necessary to carry out the vital functions of our state that contribute to the good of all Ohioans.

The principle of **distributive justice** “requires that the allocation of income, wealth, and power in society be evaluated in light of its effect on persons whose basic material needs are unmet.” (*Economic Justice for All* -70) The right to have a share in the goods of the earth, sufficient to support one’s family, belongs to everyone. The long held tradition of our Church teaches that the community has an obligation to provide assistance and relief to the poor and to do so not merely out of our superfluous goods. “Minimum material resources are an absolute necessity for human life. If persons are to be recognized as members of the human community, then the community has an obligation to help fulfill these basic needs unless an absolute scarcity of resources makes this strictly impossible.” (*Economic Justice for All*-70)

Catholic social teaching also offers three means by which to evaluate the tax system. First, sufficient revenues must be raised to pay for the needs of society, especially for those who are poor. State government has an obligation to ensure that there are adequate revenues collected to perform the basic functions of the state. Likewise, our elected officials have a legal and moral responsibility to act as good stewards of such funds. Secondly, the tax system should be structured in a manner that is progressive. The principle of progressivity requires that those with the greatest financial resources pay a greater portion of taxes. We urge actions that reduce or offset the fact that most sales taxes and payroll taxes place a disproportionate burden on low-income persons and working families. Thirdly, those families whose earnings don’t provide them with poverty level subsistence should not be required to pay income taxes⁸.

Conclusion

We respectfully offer these principles as a benchmark to measure tax policy and discussion about reform. The Catholic community is on the front line of service and advocacy to those in most need in Ohio. Through our Catholic Social

Action and Catholic Charities offices, our hospitals and health care facilities, our parishes and schools, we are often partners with state government in feeding the hungry, sheltering the homeless, assisting needy families, serving the elderly, educating the young and caring for the sick. We enter this discussion about tax reform personally cognizant about the real needs of real people. We also recognize that many in our state believe the current level of taxation is too high and overly burdensome. However, we are very concerned that unless the structural issues of Ohio’s tax code are addressed, the quality of life for vulnerable populations will be adversely affected. All of our collective acts of charity are not a substitute for what the public sector can accomplish through the just collection and distribution of tax monies. As a state, we must be determined to avoid any further erosion of health and human services.

Naturally, we recognize that the reform of Ohio’s tax structure is a complicated task. We also recognize the responsibility of state government to create a business climate that enhances economic opportunity and job creation. People of good will can agree or disagree on the application of moral principles to public policy regarding taxation. There is, however, an urgency that we as a state address this issue. We pledge our commitment to continue to promote basic principles of social justice within the tax debate.

¹ Briefing Guide for Ohio Policymakers, Children’s Defense Fund, 2001.

² Bureau of Labor Market Information, Ohio Department of Jobs and Family

³ State Poverty in Ohio 2004, Ohio Association of Community Action Agencies, 2004

⁴ Ohio Hunger Relief Providers Struggling to Make Ends Meet, Ohio Association of Second Harvest Foodbank News, March 25, 2004.

⁵ Economic Justice for All, a Pastoral letter on Catholic Social Teaching and the U.S. Economy, November, 1986 paragraph # 86.

⁶ A Place at the Table, A Pastoral Reflection of the U.S. Catholic Bishops, November 13, 2002.

⁷ Questions and Answers About Ohio’s Tax Budget Crisis, Have a Heart Ohio, January 2004.

⁸ Economic Justice for All, a Pastoral letter on Catholic Social Teaching and the U.S. Economy, November, 1986 paragraph # 202.