



## Taxes & Churches... Who's Zooming Whom?

A Discussion Prompt  
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### Kinds of tax exemptions:

These represent money that doesn't get collected by various levels of government:

- a. Real Property currently in use and held for future ministry.
  - i. Minister-occupied parsonages
  - ii. Land and improvements used for church camps
  - iii. Church meeting halls or social centers used by its members
  - iv. Outdoor recreation areas held for use by church members
- b. Personal property such as motor vehicles, office equipment, furniture, and any other personal property held in the church's name.
- c. Sales tax on goods and services
- d. Income tax exemption on clergy housing
- e. Charitable contribution deductions

Additionally, churches tend to under-report unrelated business income: sales of t-shirts, rent or "donations" for use of space.

### The trade-off

- f. Think of services churches use free, paid for by taxes...  
Roads, police, fire, schools, street lights, sewers, health, courts/judges, emergency services, such as weather warnings, first responders, animal shelters, garbage and recycling, public housing & hospitals, help for poor people...
- g. Consider what churches use their money for. Which are strictly religious, and which are about the common good?  
Sunday school, worship, proselytizing, choir practice, food pantries, vacation bible school, heating assistance to poor people, child and elder care centers, scout troops, softball leagues, support for other organizations like nursing homes, foreign orphanages, re-entry for incarcerated, public lobbying, counseling for people in trouble, lobbying for laws and policies...
- h. What kinds of uses do church facilities have in their communities:  
Voting places, community meetings, emergency shelter, 12-step meetings, homeowners' associations, gathering places for expressing community concerns, "safe Hallowe'en" or afterschool events for children...

### How much money are we talking about?

It is extremely difficult to get accurate numbers, due to the lack of reporting requirements of churches. Don't expect to make these numbers add up; they represent various claims and estimates of to what degree churches in America are subsidized by the American people. Sources are shown below.

- a. There are 335,000 churches in America. Plus houses of worship for non-Christians. You can google the latest census, yellow pages or other sites to get estimates in your own town.
- b. Local, state, and federal governments in the United States subsidize religion to the tune of about \$71 billion every year. (see table)
- c. U.S. clergy may claim as much as \$1.2 billion in tax exemptions annually via the parsonage allowance.
- d. If the "parsonage exemption" were revoked, American clergy members would cumulatively lose an estimated \$2.3 billion over five years.
- e. States bypass an estimated \$26.2 billion per year by not requiring religious institutions to pay property taxes.
- f. Capital gains tax exemptions for religious institutions may be as much as \$41 million a year.
- g. U.S. clergy may claim as much as \$1.2 billion in tax exemptions annually via the parsonage allowance.
- h. *The New York Times* puts the value of charitable donations to churches in 2009 at "about" \$115 billion. Taxed at a 40% combined federal and state corporate tax rate, that's another \$46 billion in lost revenue.
- i. States bypass an estimated \$26.2 billion per year by not requiring religious institutions to pay property taxes.
- j. \$100 billion in untaxed church property in the US.
- k. Former White House staffer Jeff Schweitzer: church real estate assets in America could be worth anywhere from "\$300 billion to \$500 billion." With state property tax rates in the U.S. averaging about 1.5%, this suggests potential "lost" property tax revenues of \$7.5 billion.
- l. New York City loses \$627 million in annual property tax revenue due to 9,500 churches being tax-exempt, according to a 2011 analysis by New York's nonpartisan Independent Budget Office.
- m. Capital gains tax exemptions for religious institutions may be as much as \$41 million a year.

### To put that in perspective, the federal budget in the past 2 years has included annual amounts of approximately:

- \$15.5B for Head Start
- \$71.9B for unemployment assistance
- \$54B for housing assistance
- \$87B for SNAP (food stamps)
- \$3B for Low Income Heating Assistance Program
- \$445M for public broadcasting
- \$348M for Legal Services Corporation (legal aid for poor people)
- \$16.5B for TANF (cash payments to poor families)
- \$10B for National School Lunch Program

### A small sampling of random, interesting notes and quotes:

- A professor of constitutional law at the University of Pennsylvania, once tried to tally Catholic Church property in Philadelphia but "had to stop at 129 names" under which the church had holdings.
- Federal Exemptions have been in place as long as there's been a tax code. Churches aren't required to apply; the IRS code doesn't define a church. President Grant was the last who attempted to end the exemption, gathering signatures on a petition to congress. He failed. On May 4, 1970, the US Supreme Court upheld property tax exemptions for churches, declaring them to be in accordance with the Establishment Clause of the First Amendment of the US Constitution.
- "The religiously used real estate of the churches today constitutes a vast domain," Douglas warned " Their assets total over \$141 billion and their annual income at least \$22 billion. *Id.*, at 232. And the extent to which they are feeding from the public trough in a variety of forms is alarming. *Id.*, c. 10." (Justice Douglas, 1970, lone dissent in *Walz v Tax Commission of the City of New York*, which upheld the constitutionality of the tax exemption.
- The 1983 US Supreme Court case *Regan v. Taxation With Representation Of Washington* upheld the 1954 Johnson Amendment barring churches (and other nonprofit charities) from receiving tax exemptions if they intervene in political campaigns. Then-Associate Justice William H. Rehnquist, on behalf of the unanimous Court, wrote that the IRS is under no obligation to grant a tax benefit to lobbying organizations, and that the freedoms guaranteed by the First Amendment do not have to be sponsored by the federal government in the form of a tax break.
- At one time the ranking Republican on the Senate Finance Committee, Chuck Grassley (R-Iowa) attempted without success to get several of the most grandiose church ministries to account for their money in 2007 and 2008.
- Tax exemption amounts to a gift of money to the churches at the expense of taxpayers. For every dollar which the government cannot collect on church property, it must make up for by collecting it from citizens; thus all citizens are forced to indirectly support churches, even those they do not belong to and may even oppose.
- Problematic religious favoritism. Some institutions, like the Catholic and Mormon churches, have billions of dollars in property whereas others, like the Jehovah's Witnesses, own much, much less.
- Fraud. Some people tired of high property taxes will send away for mail-order "divinity" diplomas and claim that, because they are now ministers, their personal property is exempt from taxes. In 1981, New York State made mail-order religious exemptions illegal.
- Eugene Carson Blake, former head of the National Council of Churches, complained once that tax exemptions ended up putting a greater tax burden on the poor who could least afford it. He feared that one day, the people might turn against their wealthy churches and demand restitution.
- Some groups, like the American Jewish Congress, have made donations to local governments in place of the taxes which they do not have to pay. This shows that they truly are concerned with the entire local community, not simply their own members or congregation, and that they are interested in supporting the government services which they use. What would it cost this congregation to do that?

### So, questions:

1. Is it fair?
2. How is the state deprived by this system?
3. How does the exemption benefit the church? How does it pose a threat to the church?
4. To what degree is the church's voice muted by fear of losing its exempt status?
5. How does this system hurt the poor?
6. How would changing it hurt the poor?
7. Any relevant biblical passages, stories or images?

## Project Idea:

Research the net fiscal effect this congregation has on the community. Suggest ways to mitigate that effect.

### NOTES:

<http://atheism.about.com/od/churchestaxexemptions/a/churchexemption.htm>

<http://taxthechurches.org/index.html>

<http://www.procon.org/about-us.php>

<http://www.patheos.com/blogs/friendlyatheist/2012/06/16/the-yearly-cost-of-religious-tax-exemptions-7100000000/>

<http://ffrf.org/faq/state-church/item/12601-tax-exemption-of-churches>

<http://whyevolutionistrue.wordpress.com/2012/08/10/the-outrageous-subsidies-to-religion-in-america/>

[Once and for All, Is America a Christian Nation? Research Report: How Secular Humanists \(and Everyone Else\) Subsidize Religion in the United States. Ryan T. Cragun, Stephanie Yeager, and Desmond Vega. http://www.secularhumanism.org/index.php?section=fi&page=cragun\\_32\\_4](http://www.secularhumanism.org/index.php?section=fi&page=cragun_32_4) ACCESSED 10/13/2012.

[http://www.usgovernmentspending.com/federal\\_budget\\_detail\\_fy12bs12012n\\_40001020#usgs302](http://www.usgovernmentspending.com/federal_budget_detail_fy12bs12012n_40001020#usgs302)

<http://frac.org/leg-act-center/budget-and-appropriations/budget-analysis/>

<http://www.washingtonpost.com/blogs/wonkblog/wp/2012/10/10/why-exactly-should-the-government-fund-pbs-and-npr/>

<http://thinkprogress.org/justice/2012/08/20/714521/budget-cuts-hobble-legal-services-for-the-poor/?mobile=nc>

[http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&ved=0CEgQFjAE&url=http%3A%2F%2Fwww.acf.hhs.gov%2Fsites%2Fdefault%2Ffiles%2Folab%2Ftanf.pdf&ei=\\_BAcUzrkK4eB0AHQuoGACg&usq=AFQjCNHm5aVh0eO\\_zWozjVC65e98jniOGg&bvm=bv.42261806,d.dmQ](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&ved=0CEgQFjAE&url=http%3A%2F%2Fwww.acf.hhs.gov%2Fsites%2Fdefault%2Ffiles%2Folab%2Ftanf.pdf&ei=_BAcUzrkK4eB0AHQuoGACg&usq=AFQjCNHm5aVh0eO_zWozjVC65e98jniOGg&bvm=bv.42261806,d.dmQ)

<http://frac.org/federal-foodnutrition-programs/national-school-lunch-program/>