



breadforthe**world**
HAVE FAITH. END HUNGER.

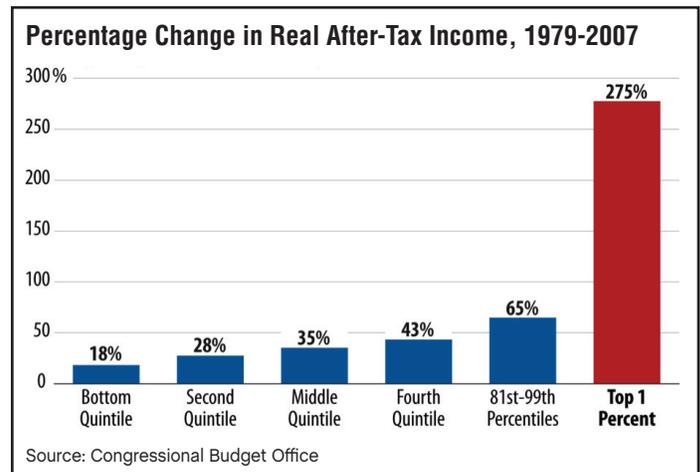
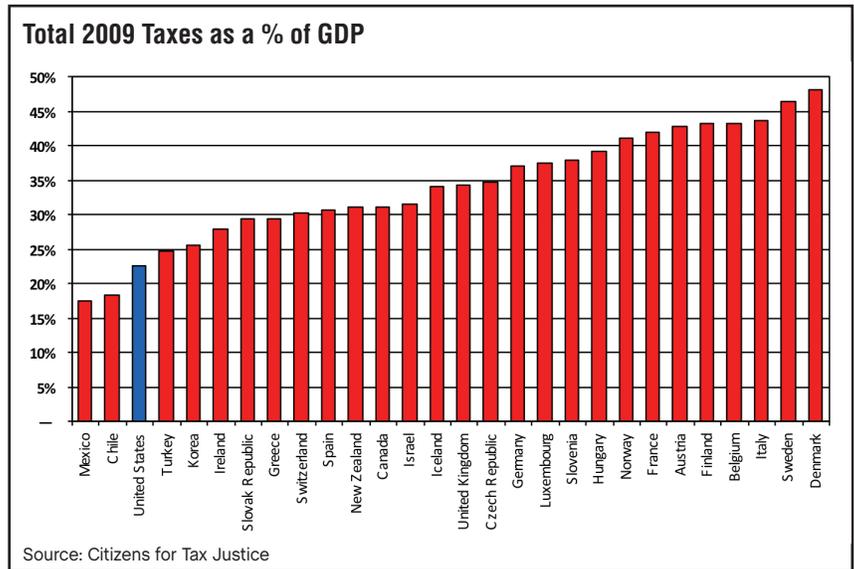
Faithful Tax Policy

Our faith calls us to alleviate hunger and poverty. Grounded in a biblical commitment to a government role in ending hunger, we view the federal budget as a moral document prioritizing our national values. Taxes are a necessary part of that equation and ensure the government has adequate resources to fund its priorities. Our country's long-term budget situation is grave enough that the resources for fighting hunger and poverty will be insufficient unless decisions are made to increase tax revenues. Looking ahead ten or 20 years, continued funding for anti-poverty programs without increased tax revenues would require politically unthinkable cuts in other areas of government spending. Below are some basic facts on taxes to help you prepare for the upcoming budget debates and to "speak out, judge righteously, [and] defend the rights of the poor and needy" (Proverbs 31:9).

Government is necessary and God-ordained, and the alleviation of hunger and poverty is a central function of government. Additionally, the biblical record assumes the role of taxes to provide for the functioning of government. The United States has a tradition of committing federal resources to the alleviation of poverty, but this commitment is being threatened as the government now raises significantly less tax revenue than it has in past decades.

Consider these facts:

- The U.S. is one of the least taxed developed countries.
- Returning to the tax rates in effect during earlier years would significantly reduce the deficit and rates could still be lower than those during the 1950s, 1960s, 1970s, or 1980s.
- Wealthy individuals will still receive a tax cut if the top tax rates go up. (Marginal tax rates only apply to income earned above a certain amount: even the richest individual only pays 10 percent on his or her first \$8,500 of taxable income and pays the top tax rate of 35 percent only on every dollar of income above \$379,150.)



Jesus' dictum "From everyone to whom much has been given, much will be required" (Luke 12.48) affirms the fairness underlying progressive taxation. But the U.S. tax system is relatively unprogressive when factoring in all federal, state, and local taxes. Most agree that higher income households should pay taxes at a higher rate than low- and middle-income households.

Generally, U.S. households now pay about the same percentage in taxes as the percentage of income they receive. In 2011, the richest 1 percent received 21 percent of the overall income and paid 21.6 percent of the taxes.

Although 30 to 40 percent of the population doesn't make enough money to pay federal income taxes in a typical year, those individuals still pay a significant share of income in other taxes. For example, in 2011, the bottom fifth of households paid 17.4 percent of their incomes in taxes and the second-lowest fifth paid 21.2 percent. In comparison, the top 1 percent of households paid 29 percent of their income in taxes.

The tax system is doing less than it has in the past to counteract income inequality. Especially given the rapid growth in income inequality, rather than cut programs for hungry and poor people, we can ask the affluent to contribute a little more.

What principles guide faithful tax policy?

- The federal government must maintain a circle of protection around funding for programs that are vital to hungry and poor people.
- Deficit reduction is important, but must not be accomplished at the expense of further suffering of people who are struggling to feed their families.
- The government should reduce projected deficits by curtailing unnecessary military spending, eliminating tax breaks for the wealthy, and reducing benefits for people who are not poor. Spending cuts alone, however, will be insufficient to provide significant deficit reduction, and Congress should increase taxes before cutting spending on programs for hungry and poor people.
- Tax increases should maintain or increase the current level of progressivity of the overall tax burden and mitigate the concentration of wealth.
- Congress should maintain at the current levels important tax credits such as the Earned Income Tax Credit and the Child Tax Credit, which have been proven to reduce poverty and encourage work.

Bread will support various policy initiatives consistent with these values:

- **The continuation of the current Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) benefit levels.**
- **The expiration of the 2001 and 2003 tax cuts for income earned over \$250,000, which would generate nearly \$830 billion over ten years.**
- **The elimination of ineffective tax expenditures, including tax breaks for wealthy individuals and corporations.** In all, tax deductions, exemptions, and credits cost the government over \$1 trillion each year. These tax expenditures amount to another form of government spending, often catering to politically powerful groups
- **The restoration of the estate tax to at least 2009 levels,** which exempts the first \$3.5 million from taxation (effectively \$7 million for couples) with a marginal tax rate of anything above \$3.5 million at 45 percent. The 2010 tax compromise raised this to \$5 million exemption (\$10 million for couples) with a 35 percent marginal rate. Even under the 2009 rules, only 3 of every 1,000 estates would have owed this tax in 2013.
- **A net increase in revenue in any tax reform legislation.**
- **A deficit reduction package in which spending cuts are accompanied with a significant contribution from tax revenues.**