



Awkwardly timed issue: Should hard-pressed churches want to be tax exempt?

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THE QUESTION:

Should hard-pressed churches want to be tax-exempt?

THE RELIGION GUY'S ANSWER:

“Religion Q & A” has pondered tax exemption three times already, in items posted on November 9, 2013; January 22, 2017; and then on October 25, 2019, when stripping of tax exemption from houses of worship erupted as a surprise issue in the Democratic campaign for president.

The 2019 round involved CNN’s “Equality Town Hall” when anchorman Don Lemon asked candidate “Beto” O’Rourke if “colleges, churches, charities” that “oppose same-sex marriage” should lose their tax exemptions. O’Rourke said yes, that no tax break should be granted to “any institution, any organization” holding that belief. No-one else on stage (Biden, Booker, Buttigieg, Castro, Harris, Klobuchar, Steyer, Warren) expressed disagreement.

But later, Pete Buttigieg (himself in a gay marriage) clarified that such religious colleges and social-service agencies should lose exemptions but it would be too divisive to penalize religious congregations.

He didn’t mention it but there’d be a major legal tangle if churches and other non-profit groups that favor gay marriage retain tax exemption but it is denied to those who dissent. The courts say it’s illicit for government to discriminate this way on the basis of viewpoint or to get entangled in one side of doctrinal disagreements.

Now there’s a new twist. Instead of complaints from liberal politicians, secularist lobbies or cities hungry for revenue (which in the Covid era means all of them), a cover story in the January-February issue of the evangelical magazine *Christianity Today* said churches should not even want to be tax exempt.

Talk about awkward timing. Only weeks later, Covid-19 slammed everything, churches included. Analysts now think the economic crisis the pandemic is causing will hobble the finances of many religious congregations for years to come and some will die, perhaps especially Protestant churches that survive in hollowed-out small towns across the Great Plains.

To clarify, churches, synagogues, mosques or temples face three separate taxation issues.

First, they are exempt from paying federal and state income taxes because they are “non-profit” and by definition lack any profits subject to taxation, just as with countless other non-profit

organizations. (They do pay regular income taxes on any for-profit subsidiaries.) Presumably this was not what Lemon or O'Rourke had in mind.

Second, individuals are allowed to list donations to exempt groups as deductions in tax returns.

Third, as emphasized in *Christianity Today*, throughout U.S. history religious congregations have been exempt from local property taxes (even though, like all non-profits, they benefit from municipal services).

The author of the recent article, titled "The Hidden Cost of Tax Exemption," was Paul Matzko, a recently minted Ph.D in U.S. religious history who is a technology editor with the Cato Institute's libertarianism.org. He offered two main arguments.

First, he cited Internal Revenue Service regulations that Senator Lyndon Johnson put into law in 1954 that forbid exempt groups from taking pro or con stands on specific candidates and pieces of legislation. Matzko decried this "chilling effect" on churches' and pastors' free speech and public advocacy. (President Trump issued a 2017 executive order to weaken enforcement of the Johnson rule but another president could reverse this.) As Matzko observed, political involvement is central for minority groups, for instance African-American Protestant churches and clergy. As a secular matter, he added, the ban on advocacy unfairly benefits incumbents holding public office over against challengers.

Ironically, the liberal *Christian Century* magazine later lost exemption for endorsing Johnson himself for president. So did New York's anti-abortion Church at Pierce Creek for opposing Bill Clinton. In another case, the IRS revoked the exemption of the Rev. Billy James Hargis's anti-Communist Christian Crusade; he eventually won reinstatement but the fuss severely damaged the group.

In a case with momentous implications for traditionalist religions' 21st Century gay disputes, the U.S. Supreme Court ruled in 1983 that the IRS properly removed exemption from Bob Jones University because its campus ban on interracial dating (which it later abolished) was "contrary to established public policy"

Matzko's second point was more scriptural. He contended that Christian churches should consider "love your neighbor" and the impact the tax privilege has on local citizens, including those who are non-religious. As he framed the situation, why is it "okay to use government power to force everybody in a community to financially contribute to churches?"

He also contended religions will eventually lose the battle. The current tax regime "is not a recipe for a stable, long-term equilibrium. It only works as long as Christians can maintain a white-knuckled grip on power, fighting to maintain their tax advantages by tooth, claw, court case, and ballot." Far better, he asserted, "to live peaceably with all people." He cited in particular Romans 13:7, a verse church leaders need to contemplate.

The magazine balanced Matzko's article with a sidebar report on economic research by the University of Pennsylvania's Ram Cnaan (who is personally non-religious). He studied in detail 100 on-the-ground factors and calculated that 90 churches in Chicago, Fort Worth, and Philadelphia each generated between \$1.2 million and \$2.5 million a year for the local economy. For him, that's a huge bargain compared with several thousand dollars a city might obtain by

taxing (and weakening) churches. In many distressed urban tracts, a church is the only vibrant and longstanding community institution in existence.

Cnaan wonders, “Why does no one want to tax museums? I’ve never seen any museum serving soup to the hungry” and “I cannot call the head of the museum at 2 a.m. and tell them I have a personal problem.”