

**“WHY I LOVE TO PAY TAXES”**  
**A sermon by the Rev. Roger Bertschausen**  
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Call to Gather from Sheldon Cohen, former IRS Commissioner

People think taxation is a terribly mundane subject. But what makes it fascinating is that taxation, in reality, is life. If you know the position a person takes on taxes, you can tell their whole philosophy. The tax code, once you get to know it, embodies all the essence of life: greed, politics, power, goodness, charity. Everything’s in there.<sup>1</sup>

And I would add that taxation is a spiritual issue. Spirituality has to do with the relationships we have with the world around us. Paying taxes certainly involves our relationships to our fellow citizens and to the community.

Responsive Reading #465

“The Wisdom to Survive” by Wendell Berry

Sermon

Last month I did a sermon on the common good. To me concern for the common good—that is, concern for what’s best for society as a whole, complex organism—needs to be at the center of our political decision-making. As I said, politics should focus on debating how policies will help or hinder the common good, not on Swift boats and shirked National Guard duty.

I passionately believe that the common good depends on strong public institutions. Public schools, universities, libraries, museums, parks, and health care, for example, are all crucial to the common good. So are the public institutions that defend our society—police and fire fighters and the military. If we have lousy public schools and libraries and public health facilities, the common good is diminished. And each of our lives would be diminished as well. Weak public institutions particularly harm poorer people who are more reliant on these institutions to help them realize the American dream.

What makes public institutions like libraries and schools strong? A lot of things, no doubt, like competent employees, well-designed, well-maintained space and sufficient physical resources. But most vital to strong public institutions is money—the money that pays the staff and pays for the building and pays for the physical resources. It is

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<sup>1</sup> William H. Gates Sr. and Chuck Collins, *Wealth and Our Commonwealth: Why America Should Tax Accumulated Fortunes* (Boston: Beacon Press, 2002), p. 2.

extremely hard for a public institution to fulfill its potential to improve the common good if it's operated on a shoestring budget.

Where does this money come from? Primarily it comes from taxes. It comes from us, the citizens. The money we pay in taxes is therefore essential to the common good. This is why I love to pay taxes. I love to pay taxes because my tax dollars help our schools and libraries and parks and police departments and fire departments thrive. My life and the lives of my family and my friends and fellow citizens I don't know are all enhanced by my tax dollars. Oliver Wendell Holmes said that "taxes are the price we pay for civilization." He was right. And Holmes didn't just give lip service to this belief; he put his money where his mouth was by bequeathing most of his money to the federal government which he defended with his life during the Civil War.<sup>2</sup> He understood that civilization doesn't come cheaply.

So I love to pay my property tax each December. I especially love it when I can pay the taxes in person. I think from now on I'm going to thank the person who takes my money for the privilege of helping to promote the common good with my hard-earned money. I envision my money paying the wonderful teachers my kids have at Johnston Elementary School and Madison Middle School. I envision my money supporting our fine police department and paying for the upkeep of Schaeffer Park, the beautiful park that helped draw us to our neighborhood. I envision my money helping the Appleton Public Library continue to be the incredible community resource it is. I envision my money supporting the Technical College and its mission to provide a technical education to so many students. I feel good when I pay my property tax. I will feel just as good paying it when my kids are grown up and out of school. I know I could pay a lot less in many other states. I also know that the result would undoubtedly be weaker public institutions and a diminished quality of life for all.

I love to pay my state taxes. I envision my money supporting children in parts of Wisconsin where the local economy isn't strong enough to provide everything the schools need. I envision my money helping kids from uninsured families get health care. I envision my money supporting the important work of the DNR in preserving our environment.

And I love to pay my federal taxes. I feel lucky that because I'm a minister I get to write out a check to the federal and state government every quarter. There is a consciousness to writing the check that I appreciate; it's not the same if the money stealthfully slips out of my paycheck through withholding. When I write that check to the federal government, I envision my money helping our elders. I envision my money going to support the work of worthy non-profits who are doing so much to help those who are struggling in our society. I envision my money going to support our national parks and forests and wildlife sanctuaries. I envision my money funding important health research at the Centers for Disease Control.

This isn't to say that I agree with every way our government spends my money. I don't. But I know that I have an opportunity for input and that the decisions are made in a democratic process. When this doesn't seem to be the case, then it's a call to action to improve our system (this is why I passionately support campaign finance reform). And so although I respect people like Henry David Thoreau who refuse to pay taxes to support

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<sup>2</sup> Gates and Collins, pp. 40-41.

wars they didn't agree with, I accept the responsibility to pay all of my taxes—and the responsibility to make sure my political voice is heard.

So I love to pay my taxes. Paying my fair share is a good thing. Sure, it's a sacrifice, too. There's a lot I could do with that tax money, a lot of cool things I could buy. But when I think about it, investing in the common good is the best thing I could possibly do with the money. There will be no common good without the sacrifice of each and every one of us. Sacrifice for the common good is part of what it means to be a citizen.

This is why I am particularly distressed that in this time of war some of our fellow citizens are escalating their efforts to pay less than their fair share. I think about my grandfather, who sold an amazing number of war bonds during World War Two; I'm sure that a good number he bought himself, and certainly he paid his taxes. He and his generation dug deeply into their pockets; they sacrificed mightily to pay for that awesome effort. But now in the midst of another war, many of the very people who stridently supported the war are working overtime to lessen their and their friend's taxes which support the war. It is a terrible juxtaposition. With the Bush tax cuts, the burden of this war—both in terms of soldiers and money—is being born primarily by the middle and lower classes. Because of the massive deficits, the financial cost of the war will also be born by our children and grandchildren and great-grandchildren.

We ought to be talking more about taxation. It ought to be a centerpiece of this election campaign. We are in the midst of a momentous and very troubling shift in our philosophy of taxation. Two premises that guided our taxation system for a hundred years are under systematic attack. The first premise is the idea of progressive taxation in which those with more resources pay higher taxes. The second premise is that labor and capital should both be taxed.<sup>3</sup> Like the progressive tax system, taxing capital—through the estate tax and taxes on stock dividends and capital gains, for example—has been successfully under assault for some time now.

The result of this shift is that the wealthiest Americans are shouldering significantly less of the tax burden. Two-thirds of the Bush tax cuts went to the wealthiest one-fifth of the country; one-third of the tax cuts went to the wealthiest one-hundredth.<sup>4</sup> If the Bush plan had been in effect in 2000, the wealthiest 400 Americans would have saved an average of \$8.3 million on their tax bills.<sup>5</sup> Taking into account all taxes (including FICA), the wealthiest one-fifth pays one penny more in taxes on each dollar earned than the poorest fifth. The progressive tax system is just about gone. And ideas some are now advocating like the flat tax or a national sales tax in place of the income tax would put the last nail in the coffin of a progressive tax system.

I believe the diminishment of the progressive tax system hurts the common good. It has led to huge deficits. It has also helped our nation earn the dubious distinction of being the industrialized nation with the greatest wealth inequity. And the gap between richest and poorest is larger than its been since the 1920s. In the last thirty years, for example, the disparity between the top person's compensation and the lowest in the

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<sup>3</sup> John Cassidy, "Tax Code," *New Yorker*, September 6, 2004, p. 70.

<sup>4</sup> *Ibid.*, p. 76.

<sup>5</sup> David Cay Johnston, *Perfectly Legal: The Covert Campaign to Rig Our Tax System to Benefit the Super Rich—and Cheat Everybody Else* (New York: Portfolio, 2003), p. 17.

average American corporation has grown from 42 to 1 to more than 500 to 1.<sup>6</sup> Adjusted for inflation, the average American worker earned 5 cents more an hour after taxes in 2000 than in 1970; the average CEO earned \$660 more an hour.<sup>7</sup> The noted British historian Arnold Toynbee observed that past civilizations have collapsed primarily for two reasons: an excessive concentration of wealth and an inability to change.<sup>8</sup> Will Toynbee's first reason prove to be our undoing, too?

One terrible result of this wealth disparity is greater economic segregation. Invisible geographic walls increasingly separate rich from poor neighborhoods. And the visible walls of prison segregate two million mostly poorer Americans while the visible walls of gated communities voluntarily segregate another nine million mostly wealthy Americans. These visible and invisible walls make it harder to remember that we are all in this together, that there is such a thing as the common good.

Also not conducive to promoting the common good is one generation wracking up a huge debt and transferring that burden to future generations. This is precisely what we are doing right now. Our children's and grandchildren's welfare is part of the common good that we ought to be nurturing and protecting now.

Advocates of tax cuts for the wealthy suggest that such cuts spur the economy because of the investments the wealthy make. In an age where more and more money is being shifted off American shores, this makes less and less sense. And the 1980s dispelled another argument of those who advocate for tax cuts for the wealthy: that taxes on the growth spurred by the tax cuts will more than make up for the tax cuts for the wealthy. That didn't happen in the 1980s and it's even less likely to happen now, especially with the economy soon to be saddled with the burdens of the retiring and aging Baby Boomers. As Richard Nixon's Commerce Secretary Peter G. Peterson observed, we have less time now than we had in the 1980s and 90s to clean up the deficit mess. Once 2010 rolls around and the Boomers start retiring in droves, it will be very hard to make up these massive deficits.<sup>9</sup>

An illuminating example of this critical change in our tax system is the rolling back of the estate tax. President Bush has signed a law gradually scaling back the estate tax until it is totally repealed in 2010. Then after a year the law calls for the estate to be re-instituted. This peculiar approach was adopted because complete and permanent repeal of the tax would be such a tremendous budget-buster that even Bush couldn't figure out how to do it. It will be interesting to see if there will be a temptation in wealthy families to keep ailing loved ones going through 2009, and then pull the plug before the end of 2010!<sup>10</sup>

Two of the most articulate supporters of the estate tax are William Gates Sr. and Warren Buffet. Gates appreciates the help he received from the government—for example, the GI Bill financed his education, and his wife and he bought their first house with a VA loan.<sup>11</sup> He recognizes that as a person with a lot of money he now has a responsibility to do his fair share to support the common good which did so much for him

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<sup>6</sup> Gates and Collins, p. 14.

<sup>7</sup> Johnston, p. 46.

<sup>8</sup> Gates and Collins, p. 22.

<sup>9</sup> Cassidy, p. 76.

<sup>10</sup> Gates and Collins, p. 4.

<sup>11</sup> Johnston, p. 83.

and his family. He recognizes that society plays “an enormous role” in creating “fertile soil for wealth creation.”<sup>12</sup> Paying the estate tax is a way of acknowledging this role and paying back society for all of its gifts to him.

Both Gates and Buffet believe that earning one’s own money is an important American value. With Chuck Collins, Gates writes:

The estate tax helps make America great. The estate tax distinguishes this country from Europe and other countries with vestiges of aristocracies... (It) connects us to our country’s fundamental values...America’s democratic tradition is skeptical of concentrated wealth and power. What each of us *does* in our lives, our contribution to work and society, is thought to be more important than the family in which we are born....As Supreme Court Justice Louis Brandeis observed a century ago, ‘We can have concentrated wealth in the hands of a few or we can have democracy. But we cannot have both.’<sup>13</sup>

Gates also understands that killing the estate tax will have a very large negative impact on charitable giving—again detracting from the common good.

How did the estate tax—an important revenue source that nevertheless impacted less than two percent of estates each year—attract so many enemies? The answer: through political manipulation. The greatest stroke of genius was to rename the estate tax the “death tax,” which gives the sense that everyone has to pay a tax at death. A more accurate nickname for the estate tax would be the “billionaire’s tax.”<sup>14</sup> But the “billionaire’s tax” would have been harder to repeal than the “death tax.”

The second stroke of political genius was to frame the estate tax as an enemy of family farms, even though virtually no family farms fall into that wealthiest two percent of estates. The only farms that might be subject to the estate tax are the mega-farms, which are far more of a menace to the family farm than the estate tax.

As Gates and Collins point out, it would have been more honest to have these kinds of poster children for repealing the estate tax rather than the struggling family farmer:

Picture a group of third-generation millionaires, teenagers draped in Armani clothes and jewelry, standing in front of their mansions and fancy cars. One of these earnestly pleads, “I’ve never worked a day in my life and I’m hoping I never have to. Please repeal the estate tax.”

Another teenager says, “We’re worried our \$1 million dollar inheritance plus our debt-free college education won’t be enough of a head start in today’s world.”

Another advertisement could reveal the true family business interests behind the repeal effort. “My family started the Acme

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<sup>12</sup> Gates and Collins, p. 81.

<sup>13</sup> *Ibid.*, p. 2, 13, 17.

<sup>14</sup> Johnston, p. 76.

Corporation and I would like to inherit \$140 million in appreciated stock without paying taxes. Please help me by repealing the estate tax.”<sup>15</sup>

Those trying to get rid of our progressive tax system and focus taxation solely on labor (and not capital) have without a doubt gotten the upper hand in the tax debate. Taxation is a dirty word now. Getting tarred a “tax and spend liberal” is a death sentence in politics. How much of a tax cut a candidate supports is now the question, not whether the candidate supports cuts at all. I believe the quality of our political discourse is suffering as a result. And I believe that over the long haul, the common good will suffer, too. I fear that all of us—and our children and grandchildren and great-grandchildren—will pay an enormous price for the decisions we are making today about taxes.

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<sup>15</sup> Gates and Collins, pp. 65-66.