

Taxes and the Common Good

A CPJ position statement on taxation

Approved by the Board of Directors: May 13, 2011

CITIZENS *for* PUBLIC JUSTICE





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Our Vision

- CPJ is committed to seek human flourishing and the integrity of creation as our faithful response to God’s call for love, justice and stewardship.
- We envision a world in which individuals, communities, societal institutions and governments all contribute to and benefit from the common good.

Our Mission

- CPJ’s mission is to promote *public justice* in Canada by shaping key public policy debates through research and analysis, publishing and public dialogue. CPJ encourages citizens, leaders in society, and governments to support policies and practices which reflect God’s call for love, justice and stewardship.

Public Justice

- Public Justice is the *political* dimension of loving one’s neighbour, caring for creation and achieving the common good, and is particularly the responsibility of government and citizens.

CPJ addresses a range of public justice issues, from eliminating poverty to creating a climate of welcome for newcomers to fostering hopeful citizenship. CPJ’s professional staff actively engage in a number of activities to realize CPJ’s mission and keep public justice front and centre in policy debates.

Our members, who come from a wide variety of faith communities, are committed to public justice and its contributions to public dialogue. They participate in CPJ’s work through campaigns, dialogue and financial support. CPJ’s 13-member board of directors includes representation from across Canada and meets regularly two times per year.

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Public Justice and Taxation

CPJ's public justice framework states that all people are created by God to live in dignity as God's image bearers with rights and responsibilities within a social context in which justice and compassion are the foundation for peace and joy in social relationships. The role of government is to promote just relations and foster conditions that enhance the common good by adopting fair laws, legally recognizing rights and responsibilities, identifying and resolving injustices and ensuring access to services and infrastructure that benefit all. Citizens, meanwhile, have the right and obligation to participate in the creation of laws, with the responsibility to ensure that public justice is pursued and the rights of the marginalized are protected and promoted.

We all have a right to the resources necessary to live out God's calling, including the basic resources necessary to live in dignity and to participate in our community. With this right comes a responsibility, however: the responsibility to contribute as we are able to ensure that this right is respected for everyone. Part of this responsibility is fulfilled through the contribution of our taxes. While there are other ways of contributing, including support for just policies and supportive programs for the poor, charitable donations, and volunteer work, this obligation also includes collective action and systemic support through the actions of government.

Citizenship for public justice requires that we evaluate government policies and initiatives in the light of public justice, rather than personal benefit. We have an obligation to participate in public life in a way that enables justice, including the promotion of social structures and associations that contribute to the common good. One of the primary ways in which we can do this is through the contribution of our income and wealth through taxes. Taxes pay for the democratic institutions of government, as well as funding the transfers, programs and services governments provide. Taxes therefore help to create a democratic, just and equitable society. Taxes also foster a common good that benefits everyone. In fact, most Canadians receive greater benefit from the public services and programs paid for by taxes than they contribute in income.

In a sense, taxes can also be seen as a form of tithing. We recognize that we are not solely responsible for the wealth that we generate, nor does it belong to us alone. We are grateful for the gifts that God has blessed us with, mindful of the contribution of our society and community in helping us to use our resources to create income and wealth, and cognizant of the benefits we receive from creation. Therefore, we share a portion of the income that we have received as an expression of our gratitude and a contribution towards the sustainability of our community and collective care for creation.

Public justice also entails a moral responsibility on the part of citizens to be transparent and forthright in their financial transactions. Hiding income and evading taxes are both unlawful and unethical.

For governments, tax policy can be used to do justice and promote the common good, in addition to tax revenues being used to foster justice and to build the necessary infrastructure (physical and social) for our common life. Public justice calls for government to provide or ensure "access to infrastructure and public services that benefit all, with a focus on access for those who might not be able to access such

services on their own.” Government transfers, services and programs also help to reduce poverty and inequality, ensuring that every person is able to live in dignity and participate in their community.

Public justice also suggests a number of guidelines for developing appropriate tax policy. In support of an equitable society, progressive taxation can help to redistribute income, ensuring that poverty and the income gap between rich and poor is reduced. Equitable taxation also implies that everyone should contribute as they are able. When wealthy individuals and corporations are able to avoid paying taxes based on their social status or their relative influence with government, it is inequitable and unjust.

Tax decisions, including tax rates, types of taxes and tax expenditures, need to be made transparently with appropriate consultation, democratic deliberation and accountability. In order to be able to hold their governments accountable, citizens need to be able to identify tax measures and understand their impact and outcomes. Tax policy cannot become a back door way of making unpopular government decisions, such as favouring certain groups through tax expenditures or ensuring that government programs will need to be cut because of insufficient resources. Parliamentarians also need sufficient information in order to practice effective government oversight.

Similarly, citizens have the right to know that governments are spending their tax dollars wisely, effectively and efficiently. While CPJ’s public justice framework acknowledges that there are unusual times when non-violent civil disobedience is the only way to call governments maintaining harmful and severely distorted policies or practices back to their God-given calling, in general citizens do not have the right to withhold taxes simply because they disagree with particular democratically-approved government programs. However, governments who spend wastefully or without appropriate democratic consultation and accountability make a mockery of citizens’ contributions to the common good. Governments have a duty to use tax dollars in a way that is accountable and promotes justice and the common good.

CPJ’s Position on Taxation

Citizens for Public Justice believes that taxes are an important contribution to the common good and to fostering justice, and all citizens should contribute as they are able in proportion to their incomes. Sufficient revenue to invest in public services and programs that promote the common good cannot simply be expected to come from people we don’t know, such as the wealthy or large corporations. We all have an individual obligation as citizens to contribute to the common good. We also have a responsibility as citizens to look beyond our own personal benefit and expense, which means focusing on more than just the question of “How much will I have to pay?”

The tax system should be progressive, with those who are able to contribute more contributing more. However, CPJ also recognizes that the most important outcome is that taxes, transfers and other government programs combine to create a progressive, redistributive outcome that diminishes inequality and empowers all citizens to participate in society and to live in dignity. CPJ believes that the loss of progressivity in the tax system and tax cuts over the past decade that have primarily benefited the wealthy are counter to public justice. Steps should therefore be taken to restore progressivity to taxation in Canada.

Tax policy and tax decisions need to be made transparently, with appropriate democratic accountability. Many tax expenditures do not meet these criteria. Tax expenditures should be made with the same rigorous standards and accountability as government spending programs. While some tax expenditures do accomplish important policy outcomes in a transparent way (such as the Canada Child Tax Benefit or

the Working Income Tax Benefit), others do not and should be eliminated or replaced with spending programs. CPJ recommends a thorough review be conducted of tax expenditures in Canada.

Cutting spending without an open and honest debate about consequences and the alternative of increasing taxes also does not meet the criteria of transparent and accountable decision-making. Canadians deserve to be told what spending cuts will cost them, and how the loss of programs or investment will impact them both now and in the future. Canadians also deserve an honest conversation about taxes that is not characterized by hyperbole, fear-mongering or propaganda.

Recognizing that there is no perfect tax mix, and that multiple tax changes likely need to be implemented in order to raise sufficient revenue for the government to carry out its public justice tasks, CPJ recommends the following:

- The recent trend of cutting corporate taxes should be reversed. There is a much greater cost to citizens due to lost programs and opportunities than the marginal benefits reaped through corporate tax cuts. Corporations also have an obligation to help sustain the public services and physical infrastructure that contribute to their productivity and enable them to generate wealth.
- The recent GST cuts should also be repealed and the revenue invested in social or physical infrastructure. However, in general, Canada's tax mix should not shift more towards consumption taxes, which are highly regressive and make contributing to the common good dependent on consumerism rather than on citizenship.
- A flat tax is unjust, and would make Canada's overall tax system regressive.
- Greater progressivity should be restored to Canada's income tax system by creating a fifth tax bracket for high income earners set at \$250,000. Loopholes that allow high income earners to pay no tax should be eliminated. The federal government should also consider the options of a wealth tax or an inheritance tax, to help reduce inequality.
- The federal government should look at expanding the tax base by redefining taxable income. It is not fair that different income sources are not treated equally, particularly when the kinds of income that are fully taxed (wages and salaries) are the primary source of income for low income Canadians and those that are partially or fully exempted (capital gains, dividends, gifts and inheritances) are most heavily concentrated among high income Canadians.
- Canada should support and participate in international efforts to create a Financial Transactions Tax. This will help to prevent another economic crisis, such as the 2008-2009 recession, which was started by financial markets. It will also ensure that financial institutions contribute to the costs of the financial crisis, which until now have fallen most heavily on the poor.
- Canada should put a price on carbon. Rather than be used to offset revenues from other taxes, the money raised from a carbon tax or cap-and-trade system should go to low income credits and for programs that help families and businesses to adapt their practices and their homes and buildings and encourage the development of new, green practices and technologies.