As we prepare ourselves for the fall 2012 U.S. elections, the JPIC Office and JPIC Directorate have been asked to present short pieces to help introduce particularly Franciscan and Catholic approaches to the decision-making process. Given their brevity, these pieces are not intended to address the complexity of the issues, but rather to provide broad parameters for use in our discernment of "what is ours to do."

A Catholic View on Taxes

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One of the most important issues in U.S. politics at this moment, and one sure to influence the 2012 presidential election is that of wealth inequality and taxes. A key contributing factor to this inequality and an excellent example of how tax rates are tilted to the wealthy is the current capital gains tax rate.

The current capital gains tax rate is 15%, the lowest rate in nearly 35 years. Prior to 1978, capital gains were taxed at 35%. Since then, however, this tax rate has been progressively lowered by different presidential administrations. Interestingly, the one exception to this and the only time in the last thirty years that capital gains were taxed at the same rate as earned income was from 1988 to 1990 as a result of a 1986 law passed by Ronald Reagan.

As it currently stands the capital gains tax rate is manifestly unfair because it primarily benefits the very wealthy and contributes to the staggering inequality between rich and poor in this country. According to *Forbes Magazine*, the top 0.1% of all earners in the U.S. earns half of all capital gains. In other words, fifty percent of all capital gains income in this country goes to one-tenth of one percent of the nation, roughly 315,000 people. Among the *Forbes* 400 (*Forbes*' annual list of the wealthiest people in the U.S.), 60% of their income is in the form of capital gains. Furthermore, according to the Congressional Research Service, changes in income from capital gains and dividends were the single largest factor in rising income inequality from 1996-2006.

This reality is a significant problem from the perspective of Catholic Social Thought (CST) because this kind of income inequality is a violation of the common good. The concept of the common good is one of the most important guiding principles of a Catholic understanding of a just society. It states that the basic human rights of all people should be guaranteed and that all people should have access to those things necessary for human flourishing. This is not the case in a society where, like the U.S., a very small minority controls the majority of wealth while the poorest of society struggle to survive. According to the Second Vatican Council's *Pastoral Constitution on the Church in the Modern World* (#66):

"If the demands of justice and equity are to be satisfied, vigorous efforts must be made, without violence to the rights of persons or to the natural characteristics of each country, to remove as quickly as possible the immense economic inequalities which now exist."

One effective way to reduce income inequality in the U.S. would be to raise the capital gains tax rate to 35% to equal the tax rate on earned income. Such a proposal is well in line with the CST tradition, indeed, the U.S. Bishops called for a tax structure which raises adequate revenue to provide services to the poor and one in which the wealthiest Americans pay a higher tax rate (*Economic Justice for All* #202). Nor would such a proposal violate the right to private property (for the purposes of this discussion, property includes income and wealth).

It is important to remember here that private property is not an absolute right in the Catholic tradition. The goods of the Earth are intended by God for the use and benefit of all people and justice demands that all people have adequate access to them. According to Pope Paul VI in his 1967 encyclical letter *Populorum Progressio (On the Development of Peoples),* all other rights, including those of property and free commerce, are to be subordinated to this principle of justice (#22). Speaking explicitly of private property, the Pope says:

"Private property does not constitute for anyone an absolute and unconditioned right. No one is justified in keeping for his *[sic]* exclusive use what he does not need, when others lack necessities." (#23)

When the vested wealth of the few impedes the realization of the common good, then not only is the expropriation of private property allowed, but demanded in the name of justice (*Populorum Progressio* #24). A better, more progressive, and more just tax structure is one way to expropriate such wealth for the betterment of all society.

In short, a fairer capital gains tax is something that would serve the common good of those in the U.S. and is well supported in CST. All Catholics, indeed all people interested in a more just society, should support such a measure and demand it of our government.