



REPORT FROM THE CAPITAL

★ RELIGIOUS LIBERTY ★ BAPTIST PRINCIPLES
★ PUBLIC AFFAIRS

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Conference Report - September 1960

FOURTH ANNUAL RELIGIOUS LIBERTY CONFERENCE STUDIES CHURCHES AND TAX POLICY

The fourth annual Religious Liberty Conference, sponsored by the Baptist Joint Committee on Public Affairs, met in Washington, D. C., September 7-9 at the Calvary Baptist Church. Eighty-five Baptist leaders from four national fellowships composed the membership of the conference. Among them were executive secretaries, editors, pastors, administrators, lawyers, and Baptist agency representatives. The four Baptist bodies represented were the American Baptist Convention, Southern Baptist Convention, Baptist General Conference and North American Baptist General Conference.

Previous conferences have discussed the problems of church use of public funds and the place of religion in education and the relation of religion to the public schools. A request has gone to the Baptist Joint Committee on Public Affairs for a conference on the church-state problems in higher education.

It is well to know the framework within which these conferences operate. In no sense do their findings constitute views that can be announced as "the Baptist position" on the subjects under consideration. Their findings carry no authoritative note nor are they binding on Baptist people, churches, agencies or conventions. They are exactly what the title says--they are "conferences" in which Baptists discuss common problems, exchange ideas, and seek to come to an understanding of the issues involved and the application of their Baptist insights to these problems.

In some cases sharp division of opinion is registered. In other cases a measure of indecision is encountered. While in yet others a large amount of consensus is achieved. This consensus is described as "our best thinking at the time" and is referred to the Baptist Joint Committee for further study or for distribution to the Baptist bodies that may be involved in the particular question under discussion. In no case are the findings to be regarded as "official" or final. Additional information and further study and reflection often results in altered opinions.

Attendance at the Religious Liberty Conferences has been confined to Baptists because they have been "family affairs" in which Baptists have discussed their own problems and have sought to understand the

relation of their principles to current church-state issues. Those who attend have been recommended or nominated by the leadership in the various Baptist constituencies. The Baptist Joint Committee on Public Affairs has not taken the initiative in extending invitations but has acted largely on the recommendations that have been made. Hence, although the conference is not a "closed meeting," it is well-organized and planned to achieve maximum results.

The conference this year was composed of three sections with three discussion tables in each. Assignments were made to each table, which was presided over by a chairman and which was served by a recorder who kept an accurate record of the discussion and findings of the group. At the conclusion of the table discussions, the chairmen, resource persons and recorders of the tables met to formulate a consensus of opinion to be presented to the plenary session of the conference. Action was taken on these reports by the conference as a whole. Their findings and opinions are then referred to the Baptist Joint Committee on Public Affairs and the appropriate agencies for further study and evaluation.

A book of study papers was prepared in advance. This the conferees had in hand before they came to the conference. These papers were of an exploratory nature and were designed for the information and stimulation of the conferees. They do not represent final action or opinion on the part of those who prepared them.

Although there has been sporadic discussion here and there in recent years on the problems involved in the churches and taxation, this is the first known conference of any denominational group that has plunged headlong into the issues to seek the proper relation of their basic principles to the problems of taxation. Thus this was a pioneering conference and its findings can be the basis for discussion for further developments in this field.

The report which follows gives the basic problems and questions for each section and the opinions expressed by the conference on each of them. In cases where a minority opinion report was projected these are also included. Section I dealt with "Church Property;" Section II with "Church Businesses;" and Section III with "Church Stewardship."

SECTION I -- CHURCH PROPERTY

Introductory Statement: Our Baptist message and tradition have placed a large emphasis on "free churches."

Question: Does the tradition of tax exemption for church property (defined as property used for worship and religious education) contribute to or injure the future of the freedom of the churches?

Conference Opinion: Although the New Testament does not offer any specific precedent for tax exemption of church property as here defined, the majority feels that no conflict with New Testament principles is involved in the concept of tax exemption.

It is the consensus that the present practice of allowing churches tax exemption on their real property is not affecting adversely their freedom to enjoy and propagate the gospel. However, there is deep concern about the future as churches increase in wealth and property, which from history raises the question of the development of such attitudes as anti-clericalism.

Inasmuch as religious freedom requires that no favoritism be shown by the government to any religious group it is essential that we maintain vigilance to see that legislative action always embodies the principle of equitable application of the tax exemption.

Minority Opinion: There was a strong minority opinion that any form of tax exemption for churches injures the future of the freedom of the churches.

Question: Does this tradition impose a religious participation on the taxpayer?

Conference Opinion: Tax exemption does impose passive religious participation, but not in the same way as if tax money were being used directly to support religious institutions.

It was suggested that studies might be made to determine the costs of various municipal services furnished the churches, to provide the basis for possible payment by churches for such services.

Question: Is the tradition in line with or in violation of "separation" of church and state?

Conference Opinion: The answer to this depends upon the view held of the meaning of separation of church and state. One holding to the strictest interpretation of the meaning of complete separation of church and state would probably feel that there is a conflict. It is felt that in the predominant view of separation of church and state held by most Baptists and others, there is no conflict.

Question: Which of the following types of church property should be exempted from local real estate tax? Church buildings, parsonages, denominational offices, publishing firms, parking lots, income real estate, any others discussed.

Conference Opinion: The test of whether any type of church property should be exempted from local real

estate tax should be the manner in which it is used. Property which is not used for the stated religious purposes of the church, and which is in competition with the business establishments of the community might properly be taxed, even though the income from such activities is devoted wholly to the work of the church.

It was the consensus of the group that parsonages should be taxed. In some cases where they are largely used for church activities justification for exemption might be found.

Denominational offices should be exempt inasmuch as they are a valid extension of the work of the local church.

No agreement was reached in the matter of taxes on publishing firms. The majority seemed to feel they should be afforded tax exemption except as their operations involve them in competition with commercial enterprises.

It was felt that parking lots should be exempted unless they are used for the production of income.

Income producing real estate should be taxed.

SECTION II -- CHURCH BUSINESSES

Introductory Statement: Various statements have been made about the churches' right to operate business projects in competition with private or corporate firms with tax-exemption under the income tax law.

Question: Is your group averse to the current "unrelated business income" privilege for churches?

Conference Opinion: Yes, because federal income tax exemption tends to (1) encourage promotion of or participation in secular business to the detriment of the principal mission of the church; (2) to encourage morally unjustifiable arrangements with business men or companies to reduce their income taxes; (3) discourage financial support of church activities by voluntary contributions of all members.

Question: Do your arguments and evaluations apply also to "related business income" such as the profits from book or literature business?

Conference Opinion: No, because subjection of church related business to the burden of federal income tax (1) would tend to reduce the productiveness of business of the type which actively promotes the spread of the gospel; (2) would tend to curtail an important phase of the church mission; (3) cannot be justified by the argument that church-related business should be on the same tax basis as other business because such church-related business is not competitive with secular business.

Question: Can you suggest criteria by means of which to distinguish "related business income" from "unrelated business income"?

Conference Opinion: By unrelated business income we mean earnings from businesses which have no direct connection with the religious purposes of the church

regardless of how that income is used. To determine whether income (not gifts) is church-related for the purpose of exemption from the payment of income tax the source of the income should be examined.

The basic criterion should be the source from which the income is derived rather than the use to which it is put. All income from religious activities or from the sale or lease of articles of religious character such as religious literature, pictures, music, motion pictures, and all income received by one religious organization from another religious organization should be exempt from income taxation.

It is our judgment that our Baptist insights point to the principle that income earned by securities owned by a religious organization or agency would not be exempt from taxation. We recognize that the implications of this principle are not fully clear at this time, and we believe that the continued study and application of this concept should receive the early and careful attention of the responsible organizations of our several Baptist bodies.

Minority Opinion: We suggest that consideration also be given to the tax rate which should be applicable to income of the character that is to be taxable. Churches are incorporated to hold title to property and for non-profit purposes. Business firms are incorporated for a different purpose, to make a profit. As a result tax rates are different.

Question: Should Baptists use their influence toward any changes in the income tax law as it relates to church interests and operations?

Conference Opinion: We favor using our influence to bring about a revision of the Internal Revenue Code to remove the special preferred position of churches and place them on a par with other non-profit benevolent institutions and agencies.

Question: Are there any other tax questions having to do with church businesses that ought to be discussed? Does the group have any suggestions regarding procedures or conclusions on these additional questions?

Conference Opinion: We suggest that the Baptist Joint Committee on Public Affairs seek to call the attention of our cooperating Baptist bodies to the problems in this area and the many apparent abuses of the principle of separation of church and state as it relates to tax responsibility. Also, we suggest that it seek to foster constructive approaches to the solution of these problems.

One table questioned the preferential tax treatment for individuals on the ground of their religious occupation: We advocate such changes in the income tax laws as will abolish the preferential treatment which ministers, nuns, priests, rabbis, and certain other professional religious leaders have in relation to other citizens.

SECTION III -- CHURCH STEWARDSHIP

Introductory Statement: The Baptist concern for freedom of conscience and for self-sustaining

churches has involved an emphasis on personal commitment to Christ as the proper basis for church support.

Question: Do we have anything to fear from the present provisions for "deduction" of church contributions when filing income tax returns?

Conference Opinion: It is our conviction that we do not need to fear from such provisions for deduction. It is our strong feeling that the government is not concerned with the motivation or quality of the individual's stewardship. The Church of Christ has the responsibility of trying to develop this quality of an individual's stewardship. But we do deplore the tendency in some quarters to use the deduction idea in order to collect funds for church purposes. We believe that this is a part of the secularization process going on in America today.

It is further reported that we fear the temptation of misrepresentation of charitable giving as a result of our present deduction provisions.

Minority Opinion: Fear was further expressed by some that the present policy of tax deductions materially affects our position on separation, as it evidences the creeping subsidization of churches and church organizations by government.

Question: Do we have anything to fear from the repeal of "deductions," or from their extension as a benefit to education?

Conference Opinion: We are not concerned or "afraid" of the results that would follow should the deductions for churches be repealed. If this is the right thing to do, then the Lord will provide for our churches. Such a repeal of deductions would probably affect our education institutions most adversely. To be sure, a jolt would be felt in our churches. But it would be the government's decision to repeal the deduction for churches--not ours.

We have no fear of such repeal for we believe that, in the long pull following such repeal, there would be temporary difficulties as people made their adjustments to a new approach in the support of their institutions. In the long run the adjustment would be made, we believe.

But we face a real problem if the deduction provisions should be repealed and if there would be no accompanying reduction in the entire tax structure.

We do believe that we have much to fear from the extension of benefits to private education for we believe that no tax deduction should be granted for tuition for education, and that no government grants should be made to privately owned, operated, or sponsored schools. Further, we believe that religious training or private education is a personal responsibility and prerogative.

We also believe that deductions or grants, as such, would be a breach of the principle of separation and that such support would be taken from those of contrary convictions.

Question: Should Baptists favor or oppose special

provisions for churches and church personnel in items like excise taxes, sales taxes, legally established rates for travel, water, power, etc.?

Conference Opinion: It is our conclusion that the church personnel, in regard to a position of privilege in tax related problems, should stand before the government as any other citizen.

We believe that a church body should not enjoy a position of privilege in the rates for power and water and in the fields of sales and excise taxes.

We are further of the opinion that church employees should not enjoy tax exemption privileges in travel arrangements if the government subsidizes the balance.

Minority Opinion: There was a minority report to the effect that some provision should be made for exemptions that we now have under the law to avoid paying sales taxes for articles purchased for church use.

We hold certain privilege tax exemptions, provided by law to religious organizations, are simply a recognition of the inherent value of religion to the state, and are right.

The amount and kind should have constant study and control. Additional privileges should not be sought.

Baptists should oppose special provision for churches and church personnel in items like excise taxes, legally established rates for travel, water, power, etc. This differs from deduction on personal income tax in that it involves an organizational or corporate relationship rather than an individual one. Hence the tension toward the ideal of separation of church and state should be tighter. The argument that the power to tax is the power to destroy does not hold here because of the variable factor in these taxes being attached to services rendered or materials purchased. It seems unlikely that such taxes could ever be damaging to a church's existence or autonomy.

Question: Should Baptists favor or oppose the application of unemployment insurance to the non-ministerial employees of churches, church-related

schools, church-related hospitals, other welfare institutions?

Conference Opinion: We see no reason why we should not favor the application of unemployment insurance for non-ministerial employees of the church.

Minority Opinion: We have heard no statements or sound philosophical or spiritual arguments that would cause or influence us to favor this application of unemployment insurance to the groups mentioned above. In fact, there are many things which have come to our attention that would influence us to oppose such enactment of unemployment insurance.

AN APPRAISAL OF CONFERENCE TECHNIQUE

Since Baptists do not have an authoritarian structure, other ways must be followed to achieve unity. Outstanding persons arise, and they succeed in developing a following. But Baptists agree that individualism can be unhealthy unless it is refined in the crucible of discussion and exchange of ideas.

Resolutions by Baptist bodies and confessions of faith help to formulate Baptist convictions, but more often these express opinions already reached. Baptist educational institutions have been powerful agencies in training ministers. Publications have proven effective in communicating a common faith.

This wide variety of Baptist talent, however, needs to get together to weigh ideas and compare notes. This is the conference technique. When strong individuals, professors, ministers, executives, editors, lay persons and others meet in conference, a unanimous opinion may not be reached but Baptist thinking is exerted, and fellowship is made stronger.

State conventions and associations have started experimentation in the conference method. It would be profitable if the entire Baptist constituency could come to grips with the relevance of their faith to the world in which they live. In 1961 the Baptist Joint Committee on Public Affairs plans to establish a coordination department to assist in this type of work.

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