FROM: Phyllis Schlafly
68 FAIRMOUNT, ALTON, ILLINOIS 62002 / (618) 462-5415

RELEASE: December 30, 1983

DID CONGRESS REALLY MEAN TO TAX CHURCHES?

Sometimes radical changes in the tax law coast through Congress with little or no reaction or opposition from those affected. Then, when the tax collector starts knocking at the door, an explosion erupts.

That happened with the law to withhold tax on dividends and interest income. Passage in 1982 caused scarcely a ripple, but in 1983 Congress was deluged with more adverse mail on this issue than on all other issues combined, and this forced a repeal of the law.

Social Security has been a financial problem of gigantic proportions, and a political problem of similar dimensions. Last April 20, the President signed into law a bill to keep the Social Security system solvent for the rest of this century.

This bipartisan compromise package generated very little controversy or objection from those upon whom the new costs were imposed.

In the package of several dozen changes, mostly financial, one change of major policy and constitutional significance escaped notice. For the first time in our history, a direct tax was levied on churches and church schools.

Starting January 1, the Social Security law will force employers to pay a 7% tax on their payroll directly into the System. An additional 7% is to be withheld from employees by the employer, who serves as a collection agency.

Church salaries are typically marginal, so many churches will, in effect, have to assume the employee share of the Social Security tax in addition to the employer's share.

Up until December 31, churches and church schools could opt into the Social Security System if they chose, and about one-half of all churches have done that voluntarily. The new law will not only make the tax mandatory on all churches, but

will subject all churches to IRS investigation and audit to be sure they are paying in full.

During the last two decades, the Supreme Court has developed the rationale that the Constitution prohibits any church-state entanglement. During the original hearings and Congressional consideration, our lawmakers considered only the financial implications of this radical new tax on churches, somehow overlooking its constitutional aspect.

Many pastors have a deeply held religious belief that it is wrong to "use the Lord's money to pay Caesar." While the Social Security tax is not a direct tax on tithes and offerings, that is where the money comes from which is used to pay the salaries of church employees, so the Social Security tax must come from the same source.

The small churches with only a modest budget and a few employees clearly would suffer the most. The Christian Education and Research Foundation has estimated that the new tax burden on Christian schools alone will be $240,000 a day.

Then, there may be a volatile political problem. As many as 5,000 pastors are talking about resisting mandatory Social Security taxes even at the risk of going to jail. It's hard to think of anything more embarrassing for the Reagan Administration in an election year than publicity about the jailing of pastors and the seizure of church property for nonpayment of taxes.

The new Social Security law calls for the mandatory inclusion of all federal employees who begin their employment after January 1. However, in October, a two-year waiver was granted to retired federal judges who are called back to active work.

Senator Roger Jepsen has introduced a bill to bring about a similar delay for church staffs in order to give time to evaluate the constitutional ramifications and possible alternatives. Congress should give priority to this question as soon as it returns to Washington in January.