

## 3 Certainties in Life: Death, Taxes, and Racial Inequality

*Rise & Shine, April 14<sup>th</sup>*

### **Amos 5:11 (ESV)**

*Therefore because you trample on the poor  
and you exact taxes of grain from him,  
you have built houses of hewn stone,  
but you shall not dwell in them;  
you have planted pleasant vineyards,  
but you shall not drink their wine.*

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*In the News*

### **Unfair Tax Codes Exacerbate Racial Inequality**

As Americans rush to file their taxes by deadline day, many of them will take advantage of the tax breaks afforded them by the U.S. government. The government allows us to reduce our tax burden by taking deductions for things such as home mortgage interest and individual retirement accounts. But these benefits won't help all Americans. These benefits may have value — such as encouraging Americans to save and invest — but those benefits disproportionately help whites and provide less to people of color.

Racial disparities in tax treatment begin at home. For most homeowners, their home is far and away their biggest and most important financial asset. However, racial minorities are less likely to own a home, and, if they do, tend to own one of lower value. In 2012, three-fourths of white families owned a home, compared to less than half of blacks and Hispanics. The median home value among white homeowners is \$45,000 more than that among black homeowners.

These racial differences in home ownership are due in part to past federal policies that codified real estate discrimination. The National Housing Act of 1934, for example, openly denied federal backing for home loans to black families while helping low-income whites. Although legal housing discrimination was outlawed in 1968, discriminatory lending practices still exist today. Racial minorities were much more affected by subprime loans during the housing crisis. Furthermore, after the housing crisis home values in communities that are majority black have been slower to recover, and slower

to receive the re-valuations from lenders that help decrease home-owners tax liabilities.

The federal government's spending patterns reinforce, rather than combat, the racial housing divide. In 2015, more than twice as much was spent on the home mortgage interest and property tax deductions than was allocated to the Department of Housing and Urban Development, whose major programs assist low-income homeowners. Moreover, there are no federal tax breaks for renters, who are disproportionately black and Latino.

Racial inequalities in tax benefits also extend into the workplace. In the United States, a worker's economic security depends a great deal on access to employer-provided social insurance. The two largest tax breaks are for employer-based health-care insurance and pension plans. These programs cost the federal government over \$300 billion dollars in 2015.

Both programs disproportionately benefit whites. The Kaiser Family Foundation found that 71 percent of whites were covered under an employer-based health-care plan, compared to only 47 percent of black workers and 39 percent of Latino workers. The modal worker who receives an employment-provided pension is a white male earning a higher-than-average income in a large corporation. White workers also receive larger tax subsidies since they earn more (and therefore have higher marginal rates) than minority workers, on average.

Studies show that historically, and even to this day, persistent job discrimination is partially responsible for racial differences in unemployment levels, full-time employment and total salary. Latino families may also face additional barriers due to immigration laws that restrict their rights in the workplace.

Of course, the tax code also contains provisions intended to benefit lower-income people. One is the Earned Income Tax Credit (EITC). The EITC encourages work by offsetting federal taxes and offering tax refunds for families that earn between \$40,000 and \$53,000. The EITC is credited with helping lift more than 6 million people above the poverty line.

But even among the EITC-eligible population, nearly half are white. Lower-income people with only high school degrees — who are disproportionately non-white — are less likely to know if they are eligible for the program. Also,

those receiving EITC are more likely to be targeted by the IRS for audits. Of the five most heavily audited counties in the country, all were in the South, all were poor, and all were majority African-American.

Regressive state and local tax codes are also worsening both income inequalities and widening racial income and wealth gaps by requiring communities of color to contribute a larger share of their income in taxes. Nationwide, the lowest-income households contribute, on average, 11% of their income in state and local taxes while the top 1% of households contribute just 7 percent of their income—that's a tax rate that is *50% higher* for families working hard to make ends meet than for the wealthiest 1%.

For example, although Florida ranks 50th nationally in taxes collected as a share of personal income, it is the *ninth highest-tax state* for low-income families. Florida is the 3<sup>rd</sup> worst state in terms of the disparity in taxes paid as a share of income by the wealthiest compared to low- and middle-income families. The poorest Floridians contribute nearly 13% of their income in state and local taxes while the wealthiest contribute just 2% of their income.

In Contrast, California's racial income gap is still evident (white households are nine times more likely than Black households and seven times more likely than Latino households to be among the wealthiest 1% of taxpayers), but the state's more progressive tax code does less to worsen existing inequities. In California, the lowest-earning bracket contribute 10.5% of their income in state and local taxes while the wealthiest 1% percent contribute 12.4% of their income. Like Florida, Black and Latino households are underrepresented in the wealthiest top 1% of Californians. But unlike Florida, California's tax code slightly improves income inequality, as the wealthiest 1% pay *a larger share* of their income in taxes than those with the lowest incomes.

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Here are some Bible verses and a question outline to guide our discussion:

### **Romans 13:7-8**

*Pay to all what is due them—taxes to whom taxes are due, revenue to whom revenue is due, respect to whom respect is due, honor to whom honor is due. Owe no one anything, except to love one another; for the one who loves another has fulfilled the law.*

### **Luke 3:10-14**

*And the crowds asked him, "What then should we do?" In reply he said to them, "Whoever has two coats must share with anyone who has none; and whoever has food must do likewise." Even tax collectors came to be baptized, and they asked him, "Teacher, what should we do?" He said to them, "Collect no more than the amount prescribed for you." Soldiers also asked him, "And we, what should we do?" He said to them, "Do not extort money from anyone by threats or false accusation, and be satisfied with your wages."*

### **Questions:**

- Why do you think race remains such a big economic divider in this country? Is it due more to the past, institutional racism, or current laws?
- What, if anything, are we to do about institutional injustices that perpetuate economic and social divides?
- Does discussing institutional racism like that found in the tax code do more to unite us, or divide us?
- What is our culpability in benefiting from systems that harm others?

### **Prayer for the Right Use of God's Gifts (BCP p.827)**

Almighty God, whose loving hand has given us all that we possess: Grant us grace that we may honor you with our substance, and, remembering the account which we must one day give, may be faithful stewards of your bounty, through Jesus Christ our Lord. *Amen.*