# Kingdom Congress of Illinois

# Position Paper on Graduated Income Tax: Business Mandate

Business could be defined as the practices by which men cooperate as they work together to fulfill the original Genesis 1:26-28 Dominion Mandate to be fruitful and fill up the earth. Business is the engine of dominion. Business practices include the use of private property and resources, making and fulfilling private contracts, risk-taking to discover and develop resources, and reaping reward for investments. Private property is boundaried; and the development, management, and trading of that property is the right of the owner. Commandment #8 forbids the stealing of a man's private property, and Commandment #9 forbids bearing false witness against a man so as to alter the return he is due for his labor or to sway a societal verdict concerning his work product and his reward.

To understand the biblical relationship between taxation and business, we must look within the pages of scripture to the agricultural society that was the basis of Israel's economy and make application to our more complex, corporate world of big business. In order to help develop our understanding, this position paper will discuss the topics of the tax rate for business and the danger of economic engineering.

## The Tax Rate for Business

Much of what is communicated within the pages of scripture concerning taxation is in the context of God's tax, which is called the tithe. The tithe represented 10% of the increase upon the person's assets (Deut. 14:22, 28; 26:12; Prov. 3:9, Mal. 3:10-11). The tithe was the portion which man gave to God in response to God inviting man into a union or a covenant. Abraham and Jacob are examples of covenant men responding to God's promise to protect and provide (Gen. 14:18-20; 28:13-22). Israel, likewise, paid tithe because of the covenant that God had cut with the nation. When they failed to tithe, which was identified as robbing from God, God withdrew His side of the covenant promise for protection and provision. (Mal. 3:7-11). The covenant between God and His people requires cooperation and investment from both parties. God promises to use His resources to aid His covenant man, and the covenant man promises to use his resources – represented by the tithe – to work with God. The tithe is often referred to as man's tax for the use of God's property, which is the earth. Although God is not in need of man's resources to accomplish His purposes in the earth, God requires man's investment and 'buy-in' to formalize the covenantal exchange.

Taxation by the civil realm of its citizens mirrors, in a measure, the tithing principle between God and His people. The civil provides protection, guards over the liberties of its citizens, and preserves the common good. The citizen is allowed to partake of these benefits and for them, pays a tax. Again reflecting upon the covenant model of the tithe, the tax should not exceed the percentage that God requires. As the ultimate Sovereign, God reigns supreme upon the earth through His providential governance and through His delegated representatives. All who are appointed to rule, govern by His permission and are accountable to Him for their administration. They possess delegated authority and limited power. They may not claim their independence nor may they say, "I will ascend into heaven, I will exalt my throne above the stars of God: I will sit also upon the mount of the congregation, in the sides of the north, I will ascend above the heights of the clouds, I will be like the Most High" (Is. 14:13-14). The civil rulers may not require payment for covenant services equal to or beyond the measure the God requires, which is 10%.

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When considering a tithe, we often think in terms of an individual or a household. We do the same as we consider the tax. The individual income tax must be filed with the federal and state governments and paid out at designated times. To understand the concept of business tax from a biblical perspective, we must begin by thinking about the tax levied upon an individual. As has already been stated, the tithe and the tax are paid from the increase. Considering the more agricultural economy around which the laws of the tithe were presented, it would be relatively easy to assume that the harvest would be gathered, and one in ten bushels would be set aside for the tithe. Or, the cattle would be rounded up; and one in ten cattle would be identified as the tithe. Of the increase, nine-tenths stayed with the man and one-tenth went to God. If we shifted from the tithe and, for the sake of this illustration, postulated the tax to be five percent; then of twenty bushels collected, one would be set aside for the state. One cow in twenty would provide the revenue for the tax.

Even while considering the above simple solution to calculating the tithe or the tax of the agrarian Israelite, we would be naive to assume that every man worked alone and all increase was calculated on individual labor. A man who owned multiple fields would have doubtless hired workers. Remember Jesus' parable of the householder who hired workers all day long to work in his vineyard and paid them wages for their labors (Mt. 20:1-16)? Let's assume that our make-believe farmer had so many fields that he had to hire workers for his faming business. He could have conceivably paid those workers in grain. When he tallied up the harvest from his farming business, the bushels that were paid to the laborers would not appear in his increase as they had already been distributed as wages. Therefore, he would owe no tithe on the bushels of wage-grain. The workers who were paid with the grain would be required to tithe on their grain, which was their wage. Whether considering an individual worker or the business owner, both were required to tithe – or pay a tax – on the increase.

Businesses sometimes have multiple owners. The level of each owner's investment in the company determines the way in which the increase is divided. This stands true if the business is a fifty-fifty ownership by two brothers or a conglomerate that has stockholders. All who profit from the business pay the tithe and the tax on the increase they derive from the business. As is often the case, all the increase of a company is not paid out to the owners. Monies earned as increase upon use of the business assets are often set aside to be used for education, research and development, business costs, insurance protection, just to mention a few business expenditures. The money not paid to partners and workers would have no tithe or tax paid upon it, and the responsibility to pay the tithe or tax on those funds would fall to the business. From that which remains after the tithe or tax is paid, the business may allocate the funds for education, research and development or any other cost of doing business.

Let's examine the concept of research and development and consider it within the context of our make-believe farmer in his business. Our business man would withdraw seed from his harvested bushels upon which he had already paid his tithe or tax, and he would plant that seed. Perhaps the weather did not cooperate with him and his crop failed. In such a case, we could say his research and development did not yield him any increase. He would, therefore, have nothing upon which to pay his tithe or tax. If, however, all growing conditions were ideal and he harvested a bumper crop, we could say his research and development yielded great dividends. In such a case, the farmer would have a lot upon which his business would tithe and be taxed. Research and development seed is not exempt from the tithe or tax, but the yield from that R&D determines the tithe or tax paid upon future increase.

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All increase is subject to the tithe and the tax, whether that increase is personal or corporate. Taxes are not, under the guidelines of scripture, to be assessed to sales of products and services in order to increase the revenue of the civil realm. Taxes are calculated upon the increase which results from a person's or a business' asset management and labors. Taxes are to be calculated in percentages, just like the tithe. All persons and all businesses are to be assessed the same percentage. The tithe is 10%, whether your increase is $1,000,000.00 or if your increase is $1.00. The tithe is equal and fair to all persons in all income brackets. The same principle is to be applied to the tax. An equal percentage, not to equal or exceed God's tithe, is to be applied to all income, whether individual, small business, or large corporations. All increase is taxable and is to be paid either by the employee upon his wages, by the owner or owners upon their received revenue, or by the business upon the remainder of the increase not previously covered by employees and owners.

## The Danger of Economic Engineering

When the tax base moves away from a simple percentage levied equally across all economic levels and all businesses into either multiple percentages or graduated tax structures, complexities within the tax system result and abuses of the tax system compound. The current Internal Revenue Service laws within the United States allow for both of the aforementioned structures as well as various deductions. The US taxation system is not based on the biblical method of a percentage of the increase. Deductions are determined by a few elected or appointed bureaucrats, who decide what best benefits the market, the businesses, the people, or the civil realm. Let's consider what this type of loop-hole tax structure might have meant to our make-believe farmer and his business.

Imagine that our man's business had several great years of harvest. The news spread incentivizing other young men to get into the same business. Farms growing his same crop sprang up all around him, and everyone celebrated a bumper crop at harvest time. Next, all the farmers went to the market. The law of supply and demand took effect as they began to sell. The demand – the number of residents in the city who wanted the grain – had not changed from the previous season. The supply, however, had greatly enlarged. Therefore, the cost was driven down because the supply was greater than the demand. Our farmer could not charge the same price that he did the previous year. His profit margin was reduced.

What could happen in the above scenario? Perhaps everyone could just adjust their lifestyle and live on less income. Or, some of the upstart young men might decide to drop out because they had not profited the way they envisioned, thus again lowering the supply and raising the demand and the price. Maybe our man would be motivated to find a new uses for his product or develop more efficient, thus cost-reducing, methods to grow and harvest. The glutted market could stimulate his creativity and, thus, serve him to find a new niche in the market. All the above scenarios can and do occur as any market self-adjusts.

But, imagine what could happen if the previously referenced bureaucrats got involved. Perhaps they would make a law to take money from the common treasury and pay the farmers to grow less so as to keep the market demand high. Prices would remain high, but other tax payers would be working and paying taxes in order that the subsidized would not have to work. The paid non-producers might be thus motivated toward laziness versus being driven toward creativity and ingenuity – those attributes that advance the market.

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Another scenario could likely occur. The legislators could decide to allow deductions for all purchases of equipment or other incurred costs related to our farmers. With the cost of doing business artificially lowered, the farmers would make more profit even if the market price remained low. Although the people would be happy because the cost remained low and the farmers would be happy because their profit would remain high, a condition called economic engineering would be introduced into the system. Bureaucrats would have introduced artificial indicators into the system to bend the market in the way they deemed beneficial or expedient.

The likelihood would follow that the businesses that were being favored with special tax benefits would become the dominant businesses while those not allowed tax deductions would have a harder time to fare well in the financial sector, thus discouraging entrepreneurs from entering those particular segments of industry. Also, most businesses would want to buddy-up to those making the laws in order to secure deductions and favors for their trade. The chances of corruption multiply whenever special leagues can be made between the civil (those wanting the votes) and the business sectors (those wanting favorable legislation). Special tax favors foster an environment ripe for vice.

One final thought to add to this brief examination of economic engineering is the danger of affecting the social climate. If those with the power of the legislative pen have the power to shift the wealth, then they also have the power to determine who prospers and who does not. They can destroy a product that they deem unworthy by placing exorbitant tax rates upon it. They can bankrupt one group while advancing the cause of another. Ramifications of bending a society toward the ideologies of a few by way of economic engineering start a society down a slippery slope toward Marxism.

In Conclusion:

Varying tax levels, graduated income tax, and tax-exemptions are outside of the biblical template for taxation. Taxes, like the tithe, should be paid upon the increase that is gained when one's assets are used to produce a yield. Taxes should be based upon a percentage that is equally applied across all economic levels and business sectors. Those who make little, pay little. Those who make more, pay more. All bear an equal burden according to their increase.

This Position Paper was written by Dr. Patti Amsden