

# Churches are under fire because of their tax-exempt status

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by [Randy Bright](#)



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If it wasn't bad enough that many cities in America are plowing ahead with new zoning codes that promote – or even enforce – high-density development that are very unfriendly to churches, now churches are being attacked because they are tax-exempt.

Cities have been in financial trouble for several years due to the current recession. When the Great Depression hit in the 1930s, Congress created laws that allowed municipalities to declare bankruptcy, which eventually evolved into the current Chapter 9 of the U.S. Bankruptcy Code. Since the time that the laws were first enacted, about 500 municipalities have declared bankruptcy.

Chapter 9 differs from other forms of bankruptcy because it does not allow municipalities to take debts off of their books. Instead, it allows them to reorganize to reduce their obligations. This is why we are hearing so much on the news now about why cities with unfavorable union contracts are considering bankruptcy, because it will allow them to renegotiate their contracts.

Municipalities go broke for a lot of reasons, and for now it seems that there is a perfect storm of factors pushing them toward it. The recession has led to lower sales tax and property tax revenues, due to slower sales and declining property values. Unemployment has led to lower withholding tax revenue, and higher unemployment compensation costs.

The aging population, coupled with totally unrealistic union contracts, has led to escalating pension obligations. Lawsuits against municipalities have led to huge settlement costs. Debts that are maturing that must be paid now or refinanced at higher interest rates are also putting a lot of financial pressure on municipalities.

According to a 2008 report by the Center on Budget and Policy Priorities, 43 states were facing budget shortfalls in 2009, which were projected to create a \$100 billion deficit.

In 2009, The National League of Cities said that 84 percent of American cities were facing shortfalls. In February of 2009, mayors from all over the country met in Washington to pressure

Congress into passing the Stimulus package, hoping to put their residents to work with “shovel ready jobs.”

In January of 2010, an article in Reuters projected an \$83 billion shortfall for American cities alone (not including state and county governments).

The reasons I cited for municipalities going broke are not so much reasons as they are symptoms of a much larger problem. Most government, from the smallest village to the federal government, has not been living within its means. They have engaged in gambling, in the sense that they have obligated themselves to debts based on unrealistic expectations of income. But to be fair, they have also been forced into some of those obligations through unfunded mandates that have come from the federal or state level.

Unfortunately, even though they know what the problems are, municipalities are seeking solutions that will produce enough excess income that will allow them to overcome or ignore the reasons that the problems exist in the first place. Ironically, it is a widely unsustainable practice in a worldview that seeks all things sustainable.

One of the ways that cities, especially, are trying to address the problem is to force their cities to densify their populations, pushing up property taxes and concentrating sales taxes within a confined border. This is leading cities to do all they can to force out any entity that does not pay property taxes. Whether it has been their intent or not, it has never been considered good public relations to mistreat churches, at least not until recently.

The result has been that, if there cannot be found a good reason to force churches out of our cities, then there must be found a bad reason that can be sold to the public as a good reason.

Recently I have begun to notice, on the Internet, more demonization of churches because they are tax exempt. I have found accusations that it is unconstitutional for churches, that claims that the special treatment is an establishment of religion, that churches are rich, that their gains are ill-gotten, that giving churches tax-exempt status creates a theocracy, that they steal services from cities and that church property takes up all the prime real estate.

All of which are false, of course, but in a corrupt, un-Godly culture that is desperate for cash, I expect these mantras to intensify. With the recent news of Cypress confiscating the wealth of its citizens from their own bank accounts, and America’s growing debt crisis, do not be surprised if this kind of rhetoric becomes more acceptable to the public.

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