

Philanthropy Inquiry- Productivity Commission

*Submission made by Dr. Michael J. Sutton,
CEO and Founder of Freedom Matters Today.*

Thank you for the opportunity of making a submission to the Productivity Commission. I believe that my proposal would help raise the official philanthropic contribution by 2030.

Basic Proposal

My argument is simple. Churches receive large philanthropic income flows during a financial year but most of it is undocumented. All income to church charities should be receipted and accounted for, and all income given to church charities should be tax-deductible. These incentives will minimise the potential for fraud and corruption and bring churches more in line with the market, accountability, and long-term viability. The current system encourages fraud, corruption, and inefficiency, diverting public expenditure away from more needy causes than keeping churches open. Taxation and receipted philanthropic donations are effective way to enforce accountability. A more realistic receipting of income flows into churches will gain a more accurate picture of philanthropic giving in Australia.

Personal Qualifications

I make my contribution as an individual and as the founder and CEO of Freedom Matters Today, which looks at freedom from a Christian perspective. I hold a PhD from the University of Sydney (2002) and a Master of Divinity (Australian College of Theology, 2017). One of our research objectives is to provide advice and encouragement to state and churches so religious institutions move from the charity sector to the service sector, from tax-exemptions to taxation. We believe that churches are service providers, not charities.

Churches collect a lot of untraceable, unreceipted money.

In a capitalist society, like Australia, philanthropy is not a one-way street. We gain satisfaction from helping others, and part of this is the accepted practice of tax-deduction as an incentive to give. Altruism, in a market-based society offers benefits to those who give and those who receive. We also pay tax, and this is a good thing. Taxation is not only a flow of income to help government expenditure, but it is also participatory in the sense that we gain a social identity of working together for the common good.

Churches gain most of their income from the offertory placed in buckets, bowls, or plates handed out each week. The lucky few, and I will not name them, are drowning in investments, property, and trust funds, so they live on a cushioned cloud of commercial joy. Most churches rely on weekly giving. These days, direct debit, and enveloped and named contributions are increasingly common across the religious landscape. What I am proposing is not a radical shift but a sensible, practical, consolidation of current trends.

Churches are not charities but service providers.

The problem is that church charities such as St Anonymus Church Street, Sydney, are not charities but service providers. Real charities raise money to help all people. Churches raise money to help themselves. If we lived in a liberal, free society, one that responded to problems with rationality, humanism and sensibility, this issue would have been solved generations ago.

We do not live in such a society. We live in a nation where powerful interests control bureaucracy and the political process. Often this makes sense, such as the close working relationship between business and government. The market, the tax office, and public opinion act in concert to discipline corporations. Unfortunately, the church does not exist in the marketplace, it is a relic of feudalism and hides behind a charity wall.

The power of vested interests is so strong in Australia that no political party would ever threaten the tax exemptions and charity wall of the church. They might hang individuals or some church out to dry, but they will keep the system intact. All political parties will defend the status quo of institutional religion and will not bring the church into the marketplace as educational service providers.

I believe institutions work best in a liberal society when they are free to be the best they can be. Churches, like the old, protected manufacturing sector in the 1980s, will continue to wither and die behind the charity wall. Competition and efficiency are needed, and philanthropy is at the heart of this change. Without proper ATO scrutiny of all church money, the future of religion in Australia is bleak.

When people are not required to be accountable to the ATO, there will be corruption. There will be more scandals, more headlines, there will be more court cases, and more denominations going under. As church attendance declines rapidly, churches will be tempted to be more corrupt, and this cycle will accelerate. The future of the church will be played out in the law courts.

Churches need the market not government subsidies.

The problem with the church is that the leadership is economically illiterate. Few are economists. Most hate the market, many despise the free market, but without capitalism, we would all be in misery. Church leaders believe that they can maintain economic inefficiency forever and that the government will stand by them to bail them out. The way this is often done is through the grants process, and the heritage programs and secretive money flows. The church is like a car without wheels. It doesn't matter how much money you are injecting; it will not go anywhere.

Real charities do good.

The charities that raise money for the purpose of helping the community on a non-discriminatory basis are genuine charities. They do not place restrictions on whom they help, and the income gathered through philanthropy is used in a practical, meaningful way. The way these charities operate, and the modern usage of the term 'charity' is largely synonymous.

Churches, on the other hand, are fake charities. They raise money to stay afloat and expand their base of operations. They act and behave like businesses and yet are stuck behind the charity rules of operations and procedures. Successive Australian

governments have given churches a blank cheque to abuse their position, exploit their congregations, and defy their own faith to put profit above people. All the problems with church corruption are due to the failure of the state to bring churches in line with the tax system.

God wants the churches to be taxed.

It might come as a surprise to many, but the God of the Christian Bible want churches to pay tax. In fact, non-payment of taxation is seen by the God of the New Testament as a sin. I bet you didn't know that. Romans 13 verses 6 and 7 are the key verses to aid you in your fight to bring the church kicking and screaming into the ATO tax system. The reality is churches, as Karl Marx said will depart from nine-tenths of their doctrine but not one-tenth of their money. If you want to put the fear of God back into the church, tax them, and challenge the one thing they really love, their money. At the very least find out how much money is being given to the church in the form of weekly offertories.

In the 1980s, the Australian public policy debate was the defeat of the tariff wall protecting Australian manufacturing against international competition. It was fortress Australia. There were powerful vested interests in these industries with their political patrons, supporters, and disciples. It was a tough and bitter battle, but rationality prevailed, and Australian liberalisation took place. Like the manufacturers that grew bloated and inefficient behind the tariff wall, the churches today are the same, shielded and protected, they are held back from their potential to serve the community.

The church is as much a problem for Australia as manufacturing was, hiding behind the tariff wall. The principle is the same. Many churches benefit financially from the largess of the charity rules, and they are the ones with the ear to government, close ties to ministers, and effective protection from immunity and the market. As the attendance of churches collapse the political ties and protection for churches are only getting stronger and more resilient. How many billions will the government be prepared to hand out to the church to keep the doors open? Most suffer crippling infrastructure costs, heritage repairs, and many are borderline bankrupt. How long will government tolerate the continuation of this corrupt, inefficient, and unnecessary system?

Church Philanthropy must be receipted.

Real reform needs to start somewhere. I believe that radical reform to the religious sector needs to start with accurate accounting of philanthropic giving to the church. The so-called immovable church traditions are recent. In the Anglican Church before the war, most churches operated on a pew rental system that meant wealthy people bought and paid for their pews in the church. Only wealthy people could attend. I am sure that the churches made sure that these funds were receipted. The post-war system of weekly church offertories was new, and this culture of corruption is also new. When money is unaccounted, corruption will thrive.

Church Offertories in their current form need to be abolished.

All contributions made by church members or members of the public to the church, must be receipted for tax purposes, especially contributions made on a weekly basis. Now, at the point of exchange, no receipts are given or expected. Every church should be provided with training for the financial staff to handle the transition to receipted

offertories. It is a simple accounting procedure to put in place. It challenges no theology; it does not undermine religious freedom.

All churches have treasurers and money-counters. The current system is to have two people collect and count the money and apparently that overcomes all potential fraud. I don't believe that for a second. All you need is both people to make a deal and keep it secret and since there are really no consequences for church corruption, who knows what really goes on?

Regular donations to church charities should be tax-deductible.

There also needs to be an incentive to give each week. I am sure God doesn't need the money, after all, I cannot find any Bible reference to support the current regime of church finances. Nowhere in the New Testament does Jesus ask for money from his disciples and there is no reference or argument for the financial support of what churches have become other than a thankyou payment to elders who give a homily. This is a far-cry from what the church is today.

If God doesn't need the money, those on the church gravy train certainly do, and those who give, need a little something beyond the thanks of a grateful God who didn't ask for the money in the first place.

I believe that if church donations were made tax deductible, we might see a clearer picture of philanthropic giving. In fact, I believe billions of dollars are going through churches every year and none of it appears in the tax system. I would say that the ATO would have a real shock if the genuine monetary flows into the church were properly accounted for. Tax-deductibility will also increase philanthropic giving and act to discipline temptation for corruption in the church.

Conclusion

Thank you for the opportunity of contributing this submission. I know the power of vested interests in this political process are too strong for there to be any real reform of the church sector. I believe that the Productivity Commission does a great job and welcomes proposals in a rational, impartial manner.

Receipted offertory contributions and tax deductibility would ensure monitored philanthropy in a sector that is drowning in corruption. Receipted church income and tax-deductible status would more accurately assess the philanthropic donations in this sector leading to 2030. Tax-deductible giving will also increase philanthropic giving in the church sector.

Yours sincerely,

Michael J. Sutton