

# AMERICANS ON TAX REFORM



**A national survey of registered voters**

**Conducted by the Program for Public Consultation,  
School of Public Policy, University of Maryland**

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## INTRODUCTION

As Congress debates the eminently important question of how the American people and corporations should be taxed, the American people have largely been on the sidelines. The proposals are complex and interconnected. The language is filled with obscure jargon. Thus, it is not surprising that it has been difficult to get a clear read from the American people on this issue that will have a major impact on them. The standard polls that have been conducted have elicited large numbers—on some questions higher than 30 percent—declining to answer.

To address this gap, Voice of the People has initiated an in-depth survey on tax reform using the method of public consultation. With this method, the respondent goes through a process called a ‘policymaking simulation’ in which they are given a briefing on policy options being considered and evaluate pro and con arguments before making their final recommendation. This provides a more reliable measure of the respondent’s values and priorities and also greatly expands the range of topics than can be explored.

The policymaking simulation was developed by the Program for Public Consultation of the School of Public Policy at the University of Maryland.

Both the House and Senate legislation were examined to identify the key proposals under consideration. Congressional testimony and other sources were used to help formulate the background and rationale for the options, and especially to formulate the key arguments for and against each policy option. Scoring by the congressional Joint Committee on Taxation was also incorporated into the presentation of the options.

The draft text was reviewed by experts on tax policy, including ones who favor and who oppose the proposed legislation, to ensure that the briefings were accurate and balanced and that the arguments presented were indeed the strongest ones being made. Changes were made in response to feedback.

The survey began by introducing the broader issue and giving the respondent background information on the Federal budget deficit—a major factor in all considerations related to tax reform. Respondents then went through a process of evaluating the broader question of whether to reduce the level tax revenues over the next decade. Respondents then evaluated the question of what the effective tax rate should be for individuals as well as various issues related to deductions. Corporate tax rates were addressed as well as other issues related to deductions and overseas subsidiaries.

The survey was fielded by Nielsen-Scarborough with a probability-based representative sample of registered voters. The sample was provided by Nielsen-Scarborough from its larger sample, which is recruited by telephone and mail from a random sample of households. The survey itself was conducted online.

The sample of 2,637 registered voters was large enough to make it possible to divide the sample six ways according to the partisan dominance of the respondent’s district, ranging from very red (Republican) to very blue (Democrat), based on Cook’s PVI ratings.

**Total Sample:** 2,637 registered voters

**National Sample:** 1,750 registered voters; Margin of Error: +/- 2.3%

**Oversample for six-way Congressional District Analysis:** 887 registered voters

**Margin of Error for six-way Congressional District Analysis:** +/- 4.5-5.0%

**Field Dates:** November 14-21, 2017

Responses were subsequently weighted by age, income, gender, education, race and geographic region. Benchmarks for weights were obtained from the US Census’ Current Populations Survey of Registered Voters. The sample was also weighted by partisan affiliation.



## KEY FINDINGS

### INDIVIDUAL INCOME TAXES

**Income Taxes on the Wealthy** - When presented the effective tax rates for different income brackets, for incomes over \$200,000, less than a quarter favored reductions, including fewer than four in ten Republicans and less than a third in very red districts. Rather an overall majority favored increasing taxes by 5% or more for incomes over \$200,000, with this majority increasing at progressively higher income brackets. Among Republicans nearly half favored increases on incomes over \$500,000, while in very red districts this was a majority.

**Income Taxes on the Middle Class** - Modest majorities proposed reducing taxes on those with incomes from \$30,000 to \$50,000 by 5%. This included a substantial majority of Republicans, only half of Democrats, but a modest majority in very blue districts. For income of \$50,000 to \$100,000 there was no majority support for increases or decreases, but a majority of Republicans cut taxes by 5%.

**Deducting State and Local Taxes** - Nearly seven in ten, including a majority of Republicans and six in ten in very red districts, opposed the proposal in the House bill to eliminate the deductions for state and local taxes on individual federal income taxes, including property taxes. Six in ten opposed the proposal in the Senate bill to eliminate the deductions for state and local taxes, with an exception for \$10,000 for property taxes. In this case, a majority of Republicans favored the proposal, but a substantial majority in very red districts were opposed.

**Mortgage Deduction** - Views were divided on the proposal to lower the maximum amount of deductible interest for new mortgages to the interest paid on \$500,000 on all home mortgages. Six in ten Republicans favored the proposal, while six in ten Democrats were opposed. Very red and very blue districts were similarly polarized.

**Reducing and Then Eliminating the Estate Tax** - A modest majority opposed eliminating the estate tax in six years and in the meantime doubling the amount that can be transferred tax-free. Three quarters of Democrats and six in ten independents opposed the proposal while three quarters of Republicans favored it. In blue districts, majorities were opposed, including six in ten in very blue districts. In very red districts a majority favored it, but in other red districts views were divided.

### CORPORATE TAXES

**Corporate Tax Rates** - Six in ten opposed lowering the top corporate tax rate from 35% to 20%, including eight in 10 Democrats and two thirds of independents. Two thirds of Republicans favored the idea, but majorities opposed it in red districts, including nearly six in ten in very red districts.

**Territorial Tax** - The least popular proposal, opposed by nearly seven in ten, is to eliminate the U.S. corporate income tax on profits made by their subsidiaries in other countries. More than eight in ten Democrats and nearly seven in ten independents were opposed. Republicans were evenly divided, but in very red districts nearly seven in ten were opposed.

**Pass-Through Businesses** - Overall views were divided about the proposal in the House bill to set a new maximum tax rate for owners of 'pass-through' businesses at 25%. Three quarters of Democrats and a slight majority of independents were opposed while three quarters of Republicans were in favor. Very red districts were in favor, while very blue districts were opposed.

**Immediate Expensing** - Views are divided on the proposal to allow businesses for the next five years to deduct the full amount of their investments (other than buildings) in the year they make the investments. Three-quarters of Republicans favor the proposal, while nearly three quarters of Democrats are opposed. Very red districts were in favor, while very blue districts were opposed.

### GENERAL VIEWS ON TAX REVENUE

**Reducing Tax Revenue** - A slight majority supported the idea of reducing tax revenues, but a slight majority opposed the proposal to reduce tax revenues by \$1.5 trillion over the next decade. Three quarters of Democrats and 54 percent of independents opposed the proposal, while over eight in ten Republicans were in favor. Only in very red districts did a majority (53%) think this \$1.5 trillion increase was acceptable, while other red districts were divided. Blue districts were opposed.



## FINDINGS

### INDIVIDUAL INCOME TAXES

#### *Income Taxes on the Wealthy*

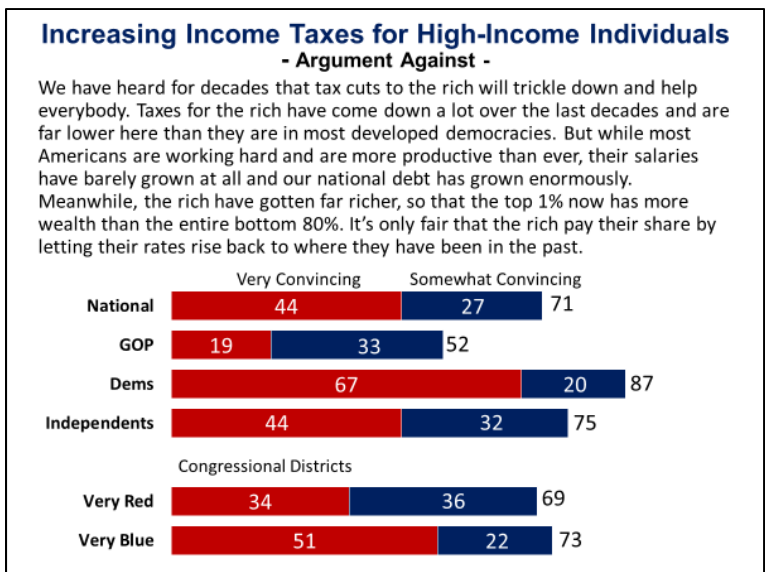
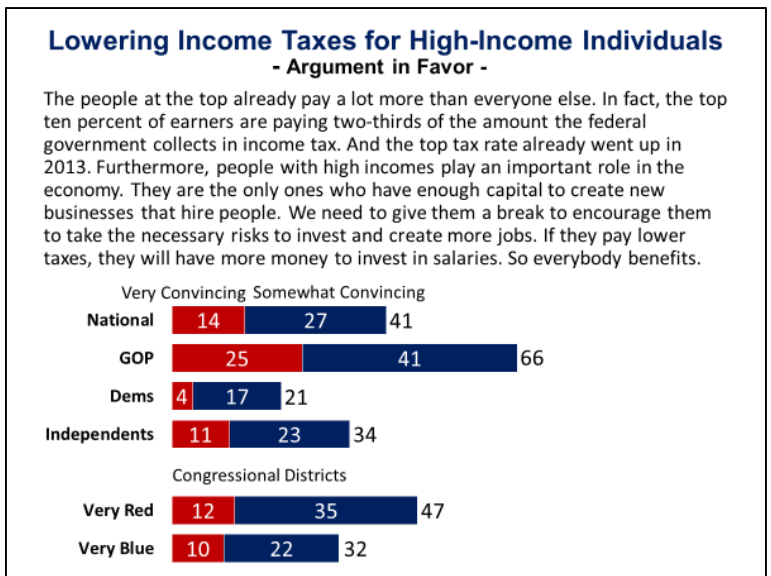
When presented the effective tax rates for different income brackets, for incomes over \$200,000, less than a quarter favored reductions, including fewer than four in ten Republicans and less than a third in very red districts. Rather, an overall majority favored increasing taxes by 5% or more for incomes over \$200,000, with this majority increasing at progressively higher income brackets. Among Republicans, nearly half favored increases on incomes over \$500,000, while in very red districts this was a majority.

Respondents evaluated arguments in favor of the idea that people with high incomes should pay lower income taxes and that they should pay higher income taxes. The argument in favor of lowering their income taxes did poorly except among Republicans. The argument that they should pay higher income taxes did quite well, with even a slight majority of Republicans agreeing. As will be shown below, they also evaluated arguments about lowering middle class taxes.

As it is not feasible to have respondents sort through the complexities of the many changes in rates and deductions, respondents were asked to propose the net level of taxes for each income bracket after deductions, i.e. the effective tax rate. They were presented the current effective tax rate for each income bracket and given the opportunity to propose what they thought it should be.

Though both the House and Senate tax bills would result in reductions in the effective tax rates for incomes over \$200,000, only 23% of respondents proposed reductions for incomes \$200-\$500,000, dropping to 20% for incomes \$500,000 to \$1 million, and 19% for incomes above \$1 million. Among Republicans, fewer than four in ten (39%) favored reductions for incomes from \$200-\$500,000, dropping to 32% for incomes over \$1 million. In very red districts, support for cuts to incomes \$200-\$500,000 was 31%, dropping to 26% for income over \$1 million. For no income bracket did a clear majority in very red districts favor reductions.

Overall majorities favored increasing taxes by 5 percent or more for incomes of \$200,000-\$500,000 (54% favored), \$500,000 to \$1 million (60%), and over \$1 million (62%). Among Republicans, less than a majority favored increasing taxes on the wealthy, but 45% favored increasing taxes on incomes over \$500,000 and 47% for incomes over \$1 million. In very red districts, 53% favored increasing taxes on incomes over \$500,000 and 58% for incomes over \$1 million.





According to the recently released scoring from the Congressional Joint Committee on Taxation, the net effect of the House and Senate bills would be to lower average taxes by 5-8 percent for incomes of \$200-\$500,000, by 5-10 percent for incomes \$500-\$100,000, and by 6-8 percent for incomes above \$1 million.

### Income Tax: Changes Made by Bracket

		Change made by Majority	Percent change in House Bill	Percentage reducing by 5% or more
<b>\$100,000-\$200,000</b>	US	No Change		37.4
	GOP	No Change		30.0
	Dem	No Change	<b>-7%</b>	43.5
	Indep	No Change		39.5
	Very Red	No Change		38.9
	Very Blue	No Change		41.3
<b>\$200,000-\$500,000</b>	US	+ 5%		53.8
	GOP	No Change		39.4
	Dem	+ 5%	<b>-8%</b>	65.8
	Indep	+ 5%		57.4
	Very Red	No Change		46.4
	Very Blue	+ 5%		60.0
<b>\$500,000-\$1 Million</b>	US	+ 5%		60.1
	GOP	No Change		45.0
	Dem	+ 5%	<b>-10%</b>	72.0
	Indep	+ 5%		64.8
	Very Red	+ 5%		53.3
	Very Blue	+ 5%		65.0
<b>Above \$1 Million</b>	US	+ 5%		62.1
	GOP	No Change		47.0
	Dem	+ 10%	<b>-6%</b>	74.4
	Indep	+ 10%		66.5
	Very Red	+ 5%		58.1
	Very Blue	+ 5%		66.9



**Income Taxes on the Middle Class**

Modest majorities proposed reducing taxes on those with incomes from \$30,000 to \$50,000 by 5%. This included a substantial majority of Republicans, only half of Democrats, but a modest majority in very blue districts. For income of \$50,000 to \$100,000 there was no majority support for increases or decreases, but a majority of Republicans cut taxes by 5%.

Very large majorities found convincing the arguments for lowering taxes on the middle class. The argument against lowering taxes on the middle class fared quite poorly with large majorities finding it unconvincing.

Nonetheless, only modest majorities proposed reducing taxes on those with incomes from \$30-\$40,000 (52%) and \$40-\$50,000 (54%) by 5% or more. This included majorities of Republicans (54-58%), only half of Democrats, but 53% in very blue districts.

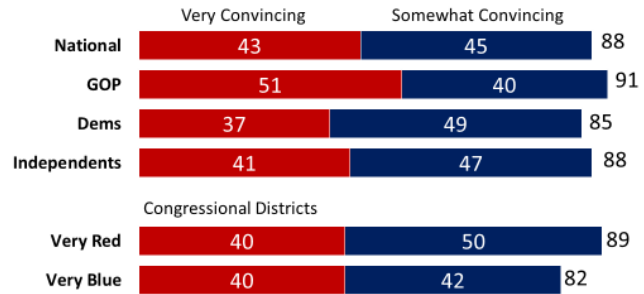
For incomes of \$50,000 to \$100,000, there was not majority support for decreases, overall, among Democrats or in very red or very blue districts. But 56% of Republicans cut taxes by 5 percent or more on incomes of \$50-\$75,000 and 54% on incomes of \$75-\$100,000.

According to the Joint Committee on Taxation report, the net effect of the House and Senate bills would be to lower average taxes by 7-9 percent for incomes of \$30-\$50,000, and 7-9 percent for incomes of \$50-\$100,000.

**Lowering Income Taxes on the Middle Class**

**- Argument in Favor -**

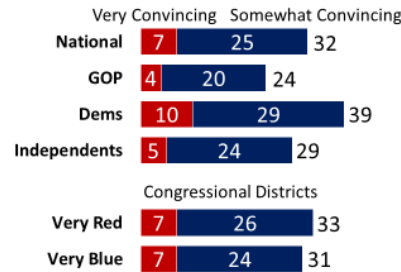
The middle class is still recovering from the financial crisis caused by the risk-taking of the big banks. Overall, the incomes of the middle class have hardly risen at all for the last decades, even as the workforce has become more productive. While middle-income people may pay a lower rate on income taxes than the wealthy, they pay a larger share of their income than the wealthy on other taxes, such as Social Security. It is time for them to get a break on their federal income taxes.



**Lowering Income Taxes on the Middle Class**

**- Argument Against -**

All Americans benefit from what the Federal government does, whether it is building highways, protecting the nation, or enforcing laws. So, everyone needs to pitch in. In fact, the middle class pays very little in income taxes. Individuals with incomes under \$100,000 pay on average less than 10% of their income for federal income taxes. The middle class got a tax cut in the early 2000's and this has contributed to the major deficits we are seeing. Another tax cut for the middle class will only make the budget deficit worse.





## Income Tax: Changes Made by Bracket

		Change made by Majority	Percent change in House Bill	Percentage reducing by 5% or more
<b>\$30,000- \$40,000</b>	US	-5%	<b>-9%</b>	51.8
	GOP	-5%		54.3
	Dem	No Change		49.9
	Indep	-5%		51.3
	Very Red	-5%		50.4
	Very Blue	-5%		53.3
<b>\$40,000- \$50,000</b>	US	-5%	<b>-9%</b>	53.5
	GOP	-5%		58.1
	Dem	No Change		49.6
	Indep	-5%		52.5
	Very Red	No Change		48.5
	Very Blue	-5%		53.4
<b>\$50,000- \$75,000</b>	US	No Change	<b>-9%</b>	47.9
	GOP	-5%		55.8
	Dem	No Change		40.4
	Indep	No Change		48.0
	Very Red	No Change		45.1
	Very Blue	No Change		45.2
<b>\$75,000- \$100,000</b>	US	No Change	<b>-8%</b>	41.8
	GOP	-5%		54.3
	Dem	No Change		31.1
	Indep	No Change		39.9
	Very Red	No Change		42.1
	Very Blue	No Change		33.8



**Deducting State and Local Taxes**

Nearly seven in ten, including a majority of Republicans and six in ten in very red districts, opposed the proposal in the House bill to eliminate the deductions for state and local taxes on individual federal income taxes, including property taxes. Six in ten opposed the proposal in the Senate bill to eliminate the deductions for state and local taxes, with an exception for \$10,000 for property taxes. In this case, a majority of Republicans favored the proposal, but a substantial majority in very red districts were opposed.

Half the sample was presented the House bill’s plan for completely eliminating the deduction for state and local taxes [SALT], while the other half sample was presented the Senate bill’s plan that would eliminate the deductions but with an exception for \$10,000 of property tax.

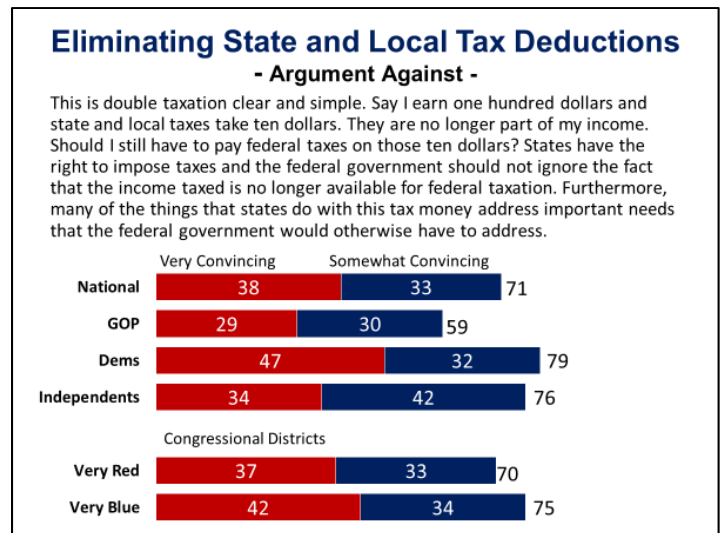
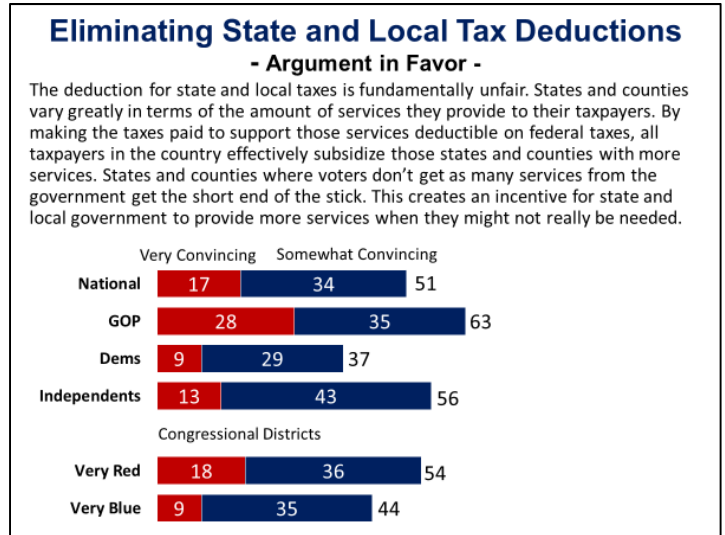
They were also given background information as follows:

- In 2015, more than 32 million American taxpayers claimed the deduction for state and local taxes, including property taxes.
- Eliminating this deduction would raise these taxpayer’s federal income taxes.
- Eliminating this deduction would affect taxpayers in all 50 states, but taxpayers in states with higher state and local taxes would be affected more because they have more taxes to deduct.

The arguments against the SALT proposal did far better than the arguments in favor. The arguments in favor of the SALT proposal were found convincing by slight majorities, though about two thirds of Republicans found them convincing as well as a majority of independents. The arguments against were found convincing by large majorities and in two cases was even found convincing by more than six in ten Republicans. Democrats were consistently negative to the proposal.

When making their final recommendation among those who evaluate the Senate bill’s proposal to simply eliminate the SALT deduction, 69%, including 55% of Republicans and 62% in very red districts, opposed the idea.

The House bill’s plan for cutting SALT, which preserves the deduction for \$10,000 in property taxes, was rejected by a smaller majority (61%). In this case, a 56% majority of Republicans favored it, but 57% in very red districts were opposed.

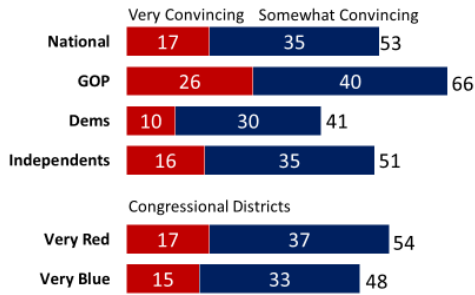




### Eliminating State and Local Tax Deductions

- Argument in Favor -

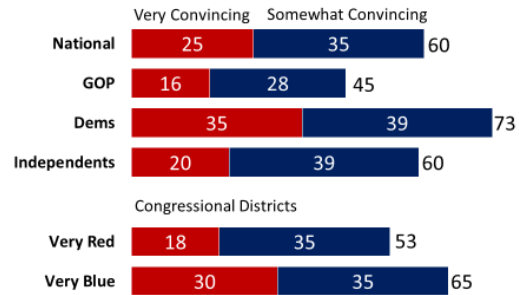
This deduction favors states and localities that are primarily urban where taxes tend to be higher. Rural areas, where state and local taxes are lower, benefit less. This is not fair.



### Eliminating State and Local Tax Deductions

- Argument Against -

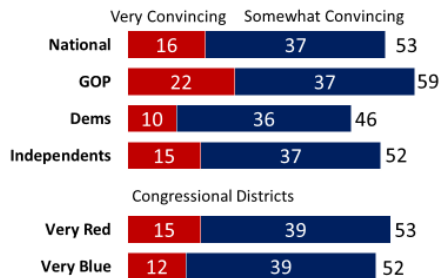
This idea that this deduction is unfair because in rural areas people have fewer taxes to deduct makes no sense. In fact, people in rural areas, because they are spread out more, get more federal subsidies such as for highways. Should we try to adjust for that too? Of course not.



### Eliminating State and Local Tax Deductions

- Argument in Favor -

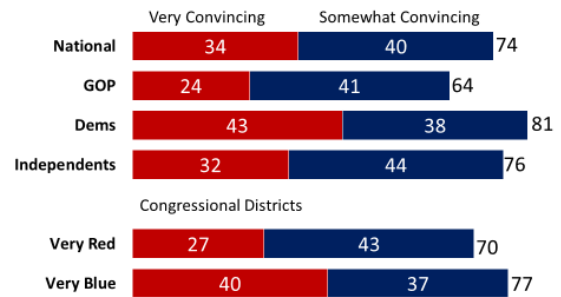
In terms of the dollars saved from this deduction, the benefits primarily go to higher income people, because they are much more likely to itemize their deductions, because they pay more state and local taxes, and because they are in a higher tax bracket. These high-income people can afford not to have this deduction.



### Eliminating State and Local Tax Deductions

- Argument Against-

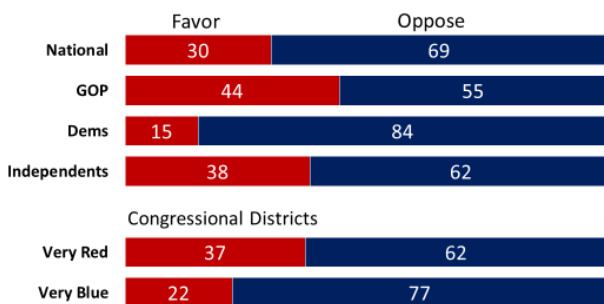
In terms of the number of people who benefit, this deduction primarily benefits the middle class. In 2015 nearly 87% of taxpayers who claimed the deduction had an adjusted gross income under \$200,000. Eliminating it would badly hurt many middle class taxpayers.



### Eliminating State and Local Tax Deductions

- FINAL RECOMMENDATION: SENATE VERSION -

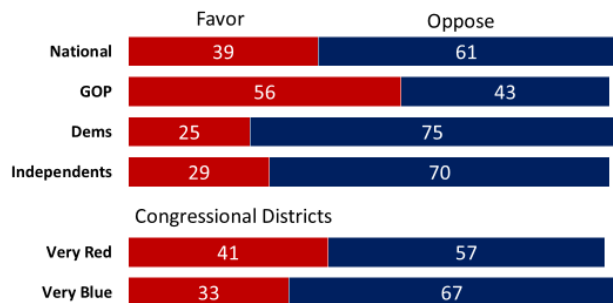
In conclusion, do you favor or oppose the proposal to eliminate the deduction for state and local taxes on individual federal income taxes, including property taxes?



### Eliminating State and Local Tax Deductions

- FINAL RECOMMENDATION: HOUSE VERSION -

In conclusion, do you favor or oppose the proposal to eliminate the deduction for state and local taxes on individual federal income taxes? However, up to \$10,000 in property taxes would still be deductible.





**Mortgage Deduction**

Views were divided on the proposal to lower the maximum amount of deductible interest for new mortgages to the interest paid on \$500,000 on all home mortgages. Six in ten Republicans favored the proposal, while six in ten Democrats were opposed. Very red and very blue districts were similarly polarized.

Respondents were presented the House bill’s proposal on the home mortgage deduction as follows:

*As you may know, currently, homeowners are able to deduct the interest they pay on up to \$1 million of a home mortgage. A proposal is being considered to lower the maximum amount of deductible interest for new mortgages to the interest paid on \$500,000 on all home mortgages.*

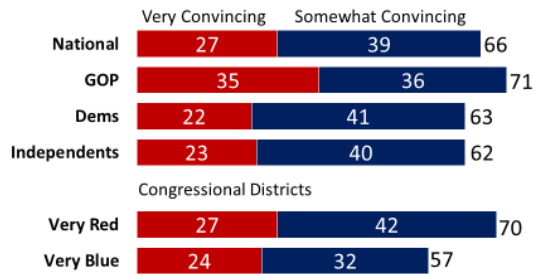
The argument in favor of the proposal was found convincing by two thirds, including substantial majorities from both parties. The argument against was found convincing by 56%, but just under half of Republicans.

In the end, the response was again divided with 50% in favor and 49% opposed. Six in ten Republicans were in favor, while six in ten Democrats were opposed. Similarly, in very red districts 57% were in favor, while in very blue districts 56% were opposed.

**Lowering Mortgage Deduction Cap**

**- Argument in Favor -**

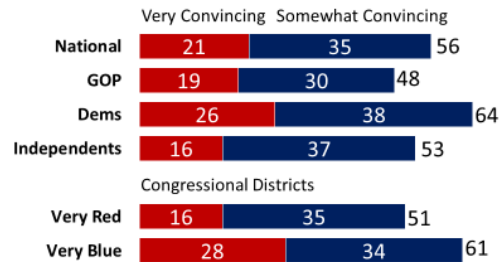
Right now, this deduction primarily benefits upper income people. More than half of those who benefit from the deduction have incomes above \$100,000, and they get 81 percent of the benefit. This is because most middle-income people do not itemize their deductions and because their mortgages are not as big as wealthier people. Wealthy people already have plenty of deductions. Taxpayers should not be effectively subsidizing the mortgages on big fancy houses by giving them this tax break.



**Lowering Mortgage Deduction Cap**

**- Argument Against -**

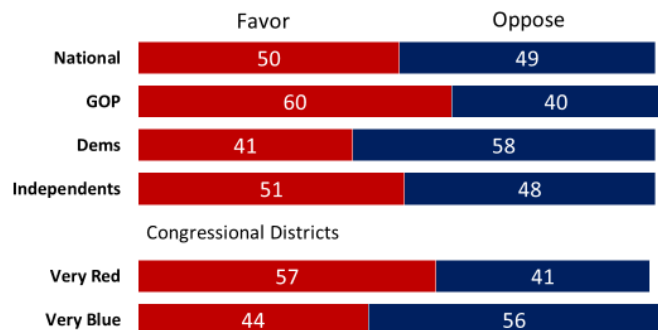
The entire real estate market is based on buyer’s assuming that they will be able to deduct their mortgage interest. If this is scaled back—by half for many homeowners—this will discourage people from buying a new house. Sellers will have to reduce prices because buyers will no longer be able to afford the same level of mortgage payments if buyers cannot deduct as much. Homes are most Americans primary investment, and this will drive down the value of many of these houses. This would not be fair for those homeowners and could create a recession in home values.



**Lowering Mortgage Deduction Cap**

**- FINAL RECOMMENDATION -**

Do you favor or oppose the proposal to lower the maximum amount of deductible interest for new mortgages to the interest paid on \$500,000 on all home mortgages.



**Reducing and Then Eliminating the Estate Tax**  
**A modest majority opposed eliminating the estate tax in six years and in the meantime doubling the amount that can be transferred tax-free. Three quarters of Democrats and six in ten independents opposed the proposal while three quarters of Republicans favored it. In blue districts, majorities were opposed, including six in ten in very blue districts. In very red districts a majority favored it, but in other red districts views were divided.**

Respondents were told about the estate tax as follows:

As you may know, the estate tax is paid by heirs, depending on the value of the estate they inherit. A substantial amount is transferred tax-free:

- \$5.49 million for an estate willed by an individual
- \$10.98 million for an estate willed by a married couple

Assets willed over and above this amount are taxed, and this tax may be as high as 40%, depending on other deductions the heirs may have.

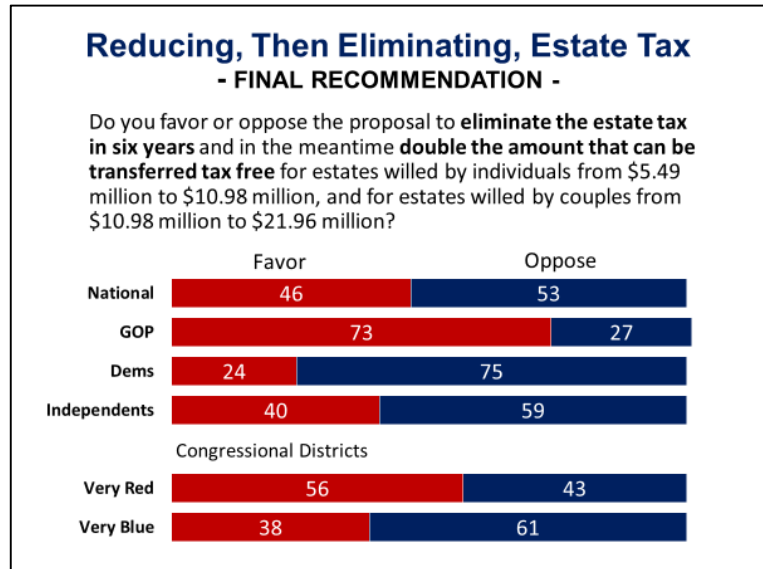
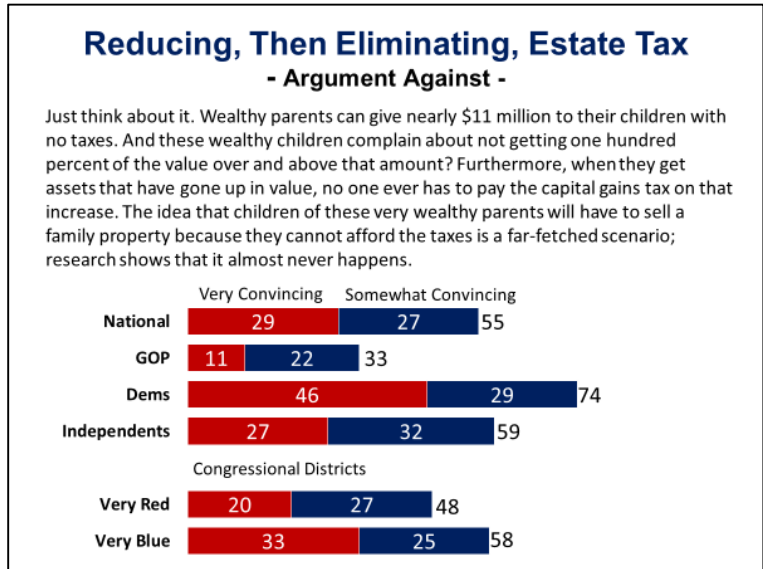
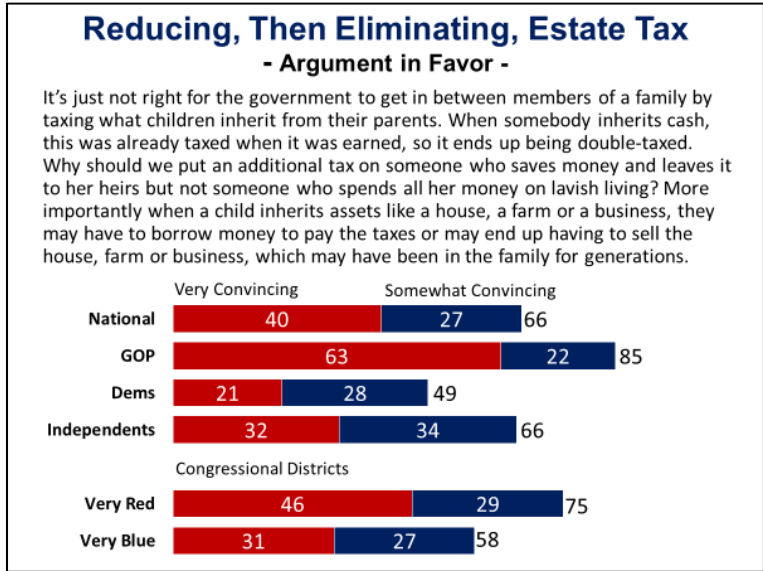
They were then told about the proposal in the House tax bill as follows:

- Eliminate the estate tax in six years
- In the meantime, double the amount that can be transferred tax-free for:
  - Estates willed by individuals from \$5.49 million to \$10.98 million
  - Estates willed by couples from \$10.98 million to \$21.96 million

Eliminating this tax would reduce federal revenues by approximately \$20 billion a year.

Respondents evaluated arguments for and against eliminating the estate tax. Larger numbers found the argument in favor of eliminating the estate tax convincing than the argument against.

Nonetheless, a modest majority of 53% opposed the proposal for eliminating the estate tax, including three quarters of Democrats and 6 in 10 independents. Nearly three quarters of Republicans favored the proposal. In very red districts 56% favored it, but in other red districts views were divided. In all blue districts, majorities were opposed, including 61% in very blue districts.





**CORPORATE TAXES**

**Corporate Tax Rates**

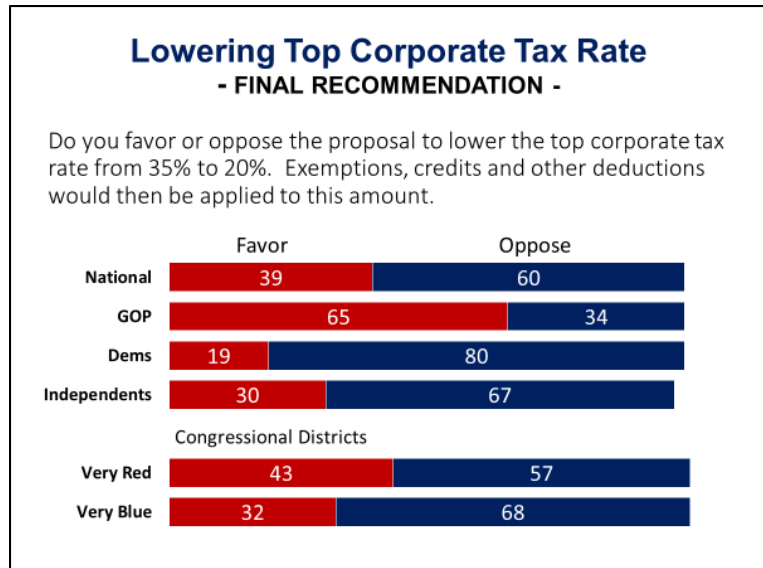
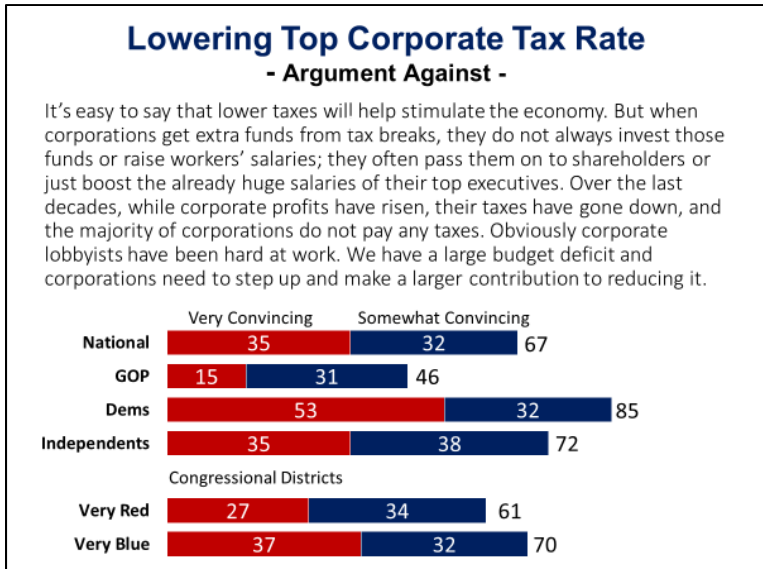
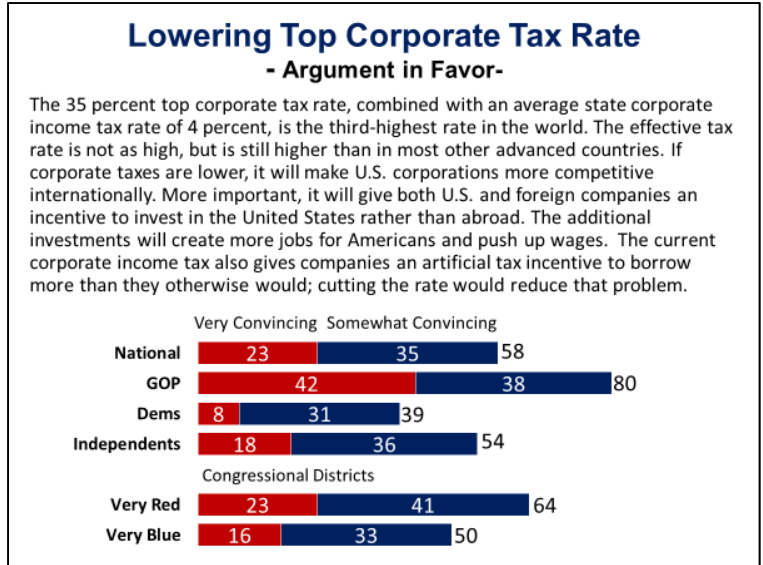
**Six in ten opposed lowering the top corporate tax rate from 35% to 20%, including eight in 10 Democrats and two thirds of independents. Two thirds of Republicans favored the idea, but majorities opposed it in red districts, including nearly six in ten in very red districts.**

Respondents were told about the distinction between the top corporate tax rate of 35% and the effective corporate tax rate (after deductions, credits and exemptions) which has been estimated to be as low as 15%, but with some estimates as high as 28%.

They were then introduced to the proposal in both the House and Senate bills to lower the top corporate rate from 35% to 20%. They were told that over the next decade, this reduction in taxes would reduce revenues to the federal government by \$1.329 trillion.

Respondents then evaluate arguments for and against the proposal. The argument against the proposal did significantly better, though both were found convincing by substantial majorities;

Asked for their final recommendation, 60% opposed the idea, including 80% of Democrats and two thirds of independents. Two thirds (65%) of Republicans favored the idea, but majorities opposed it in red districts, including 57% in very red districts.





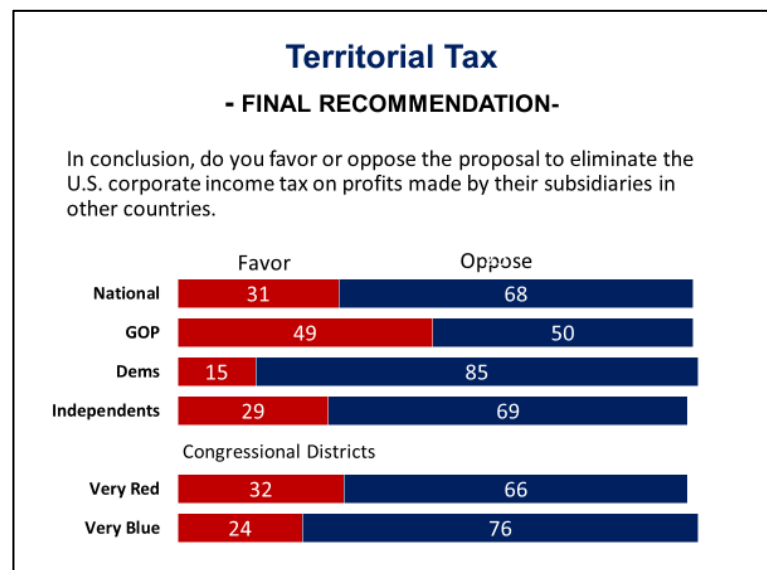
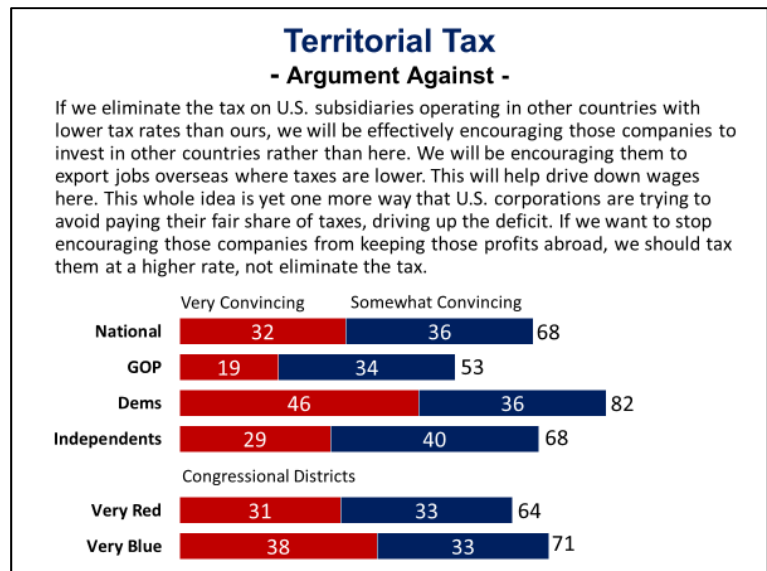
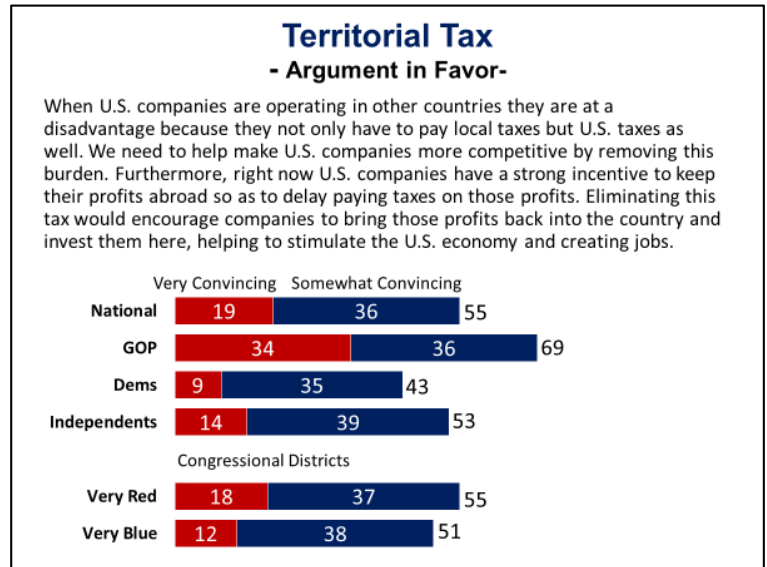
**Territorial Tax**

The least popular proposal, opposed by nearly seven in ten, is to eliminate the U.S. corporate income tax on profits made by their subsidiaries in other countries. More than eight in ten Democrats and nearly seven in ten independents were opposed. Republicans were evenly divided, but in very red districts nearly seven in ten were opposed.

Another proposal that appears in both the House and Senate bills relates to U.S. companies that have subsidiaries in other countries. Currently, such a U.S. company can deduct the taxes it pays in the other country, but then has to pay normal U.S. corporate income taxes on the remaining profits. U.S. companies do not have to pay the U.S. tax until it brings those profits back into this country. The proposal is to eliminate the U.S. corporate income tax on profits made by subsidiaries in other countries.

The argument in favor of the proposal was found convincing by just 55%, including seven in ten Republicans, but just 43% of Democrats. The argument against did substantially better with 68% finding it convincing including a 53% majority of Republicans.

In the end this was the least popular proposal. A large majority of 68% opposed the idea, including 69% of independents and 85% of Democrats. Republicans were divided with 49% in favor and 50% opposed. However, in very red districts 66% were opposed.





**Pass-Through Businesses**

Overall views were divided about the proposal in the House bill to set a new maximum tax rate for owners of 'pass-through' businesses at 25%. Three quarters of Democrats and a slight majority of independents were opposed while three quarters of Republicans were in favor. Very red districts were in favor, while very blue districts were opposed.

Respondents were introduced to the proposal that appears on the House bill as follows:

*There is a kind of business, such as sole proprietorships or partnerships that does not pay ordinary corporate taxes. Instead the business distributes the profits to the owners who then pay regular individual income tax rates on those profits. These are called 'pass-through' businesses.*

*Like all other individuals, owners of such 'pass-through' businesses pay rates as high as 39.6% on income over and above \$418,400 (after deductions).*

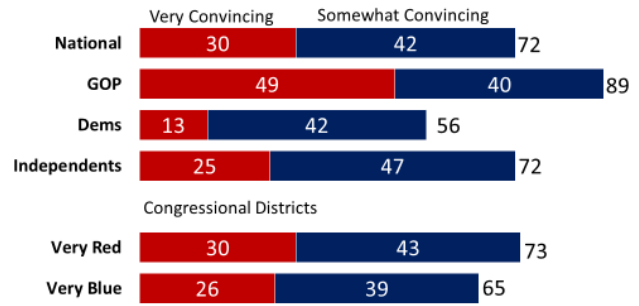
*This proposal would set a new maximum tax rate for owners of 'pass-through' businesses at 25%.*

Both the pro and con arguments for this proposal did well, though the arguments in favor did a bit better. Republicans were consistently positive to the pro argument and unconvinced by the con arguments. Majorities of Democrats were strongly convinced by the con arguments but found one of the pro arguments convincing.

When making their final recommendation, setting a new top tax rate of 25 percent for pass-through businesses was favored by 49% and opposed by 50%, with three quarters of Republicans in favor and three quarter of Democrats opposed. A slight majority of independents were opposed. Very red districts were in favor (56%), while very blue districts were opposed (60%).

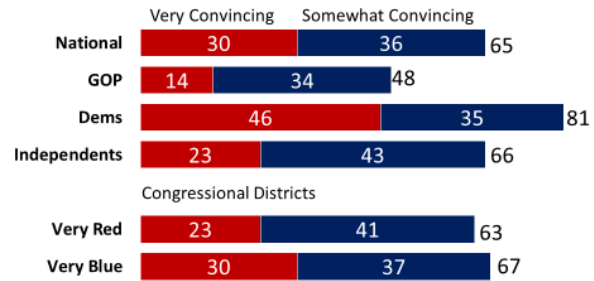
**Lowering Tax on 'Pass-Through' Business Owners - Argument in Favor -**

Most of the businesses that would be affected by this are small businesses, which are an important source of job creation. And regardless of their size, if we lower the top tax rate that the owners of pass through companies pay, this will free them up to invest more, grow their business, create more jobs and be an even more vibrant engine of the economy.



**Lowering Tax on 'Pass-Through' Business Owners - Argument Against-**

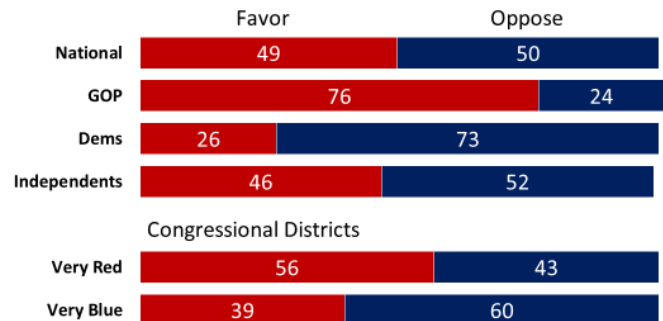
This proposal has two problems. First, this tax break will only benefit the wealthiest 5-6 percent of business owners, because they are the only ones who now pay more than the 25% rate. Many of these businesses are not "small." Second, lots of high-income people will set themselves up as a 'pass-through' business so they can re-categorize their wages as business profits and pay the lower rate. That is what happened when this was tried in Kansas. This proposal will do nothing to help the middle class, but will reduce revenues and worsen the deficit.



**Lowering Tax on 'Pass-Through' Business Owners**

**- FINAL RECOMMENDATION -**

Setting a new maximum tax rate for owners of 'pass-through' businesses at 25%.





**Immediate Expensing**

Views are divided on the proposal to allow businesses for the next five years to deduct the full amount of their investments (other than buildings) in the year they make the investments. Three-quarters of Republicans favor the proposal, while nearly three quarters of Democrats are opposed. Very red districts were in favor, while very blue districts were opposed.

Respondents were introduced to the House bill proposal for immediate expensing (the Senate bill has a more complex formula for allowing immediate expensing) as follows:

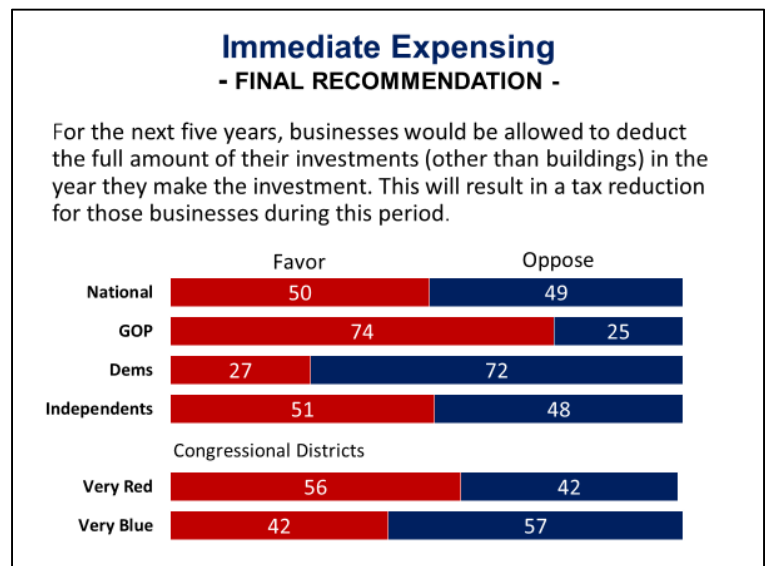
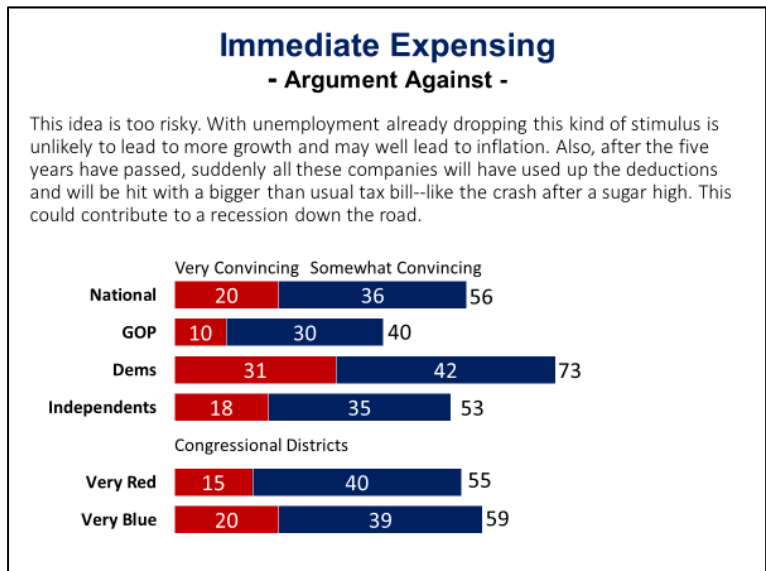
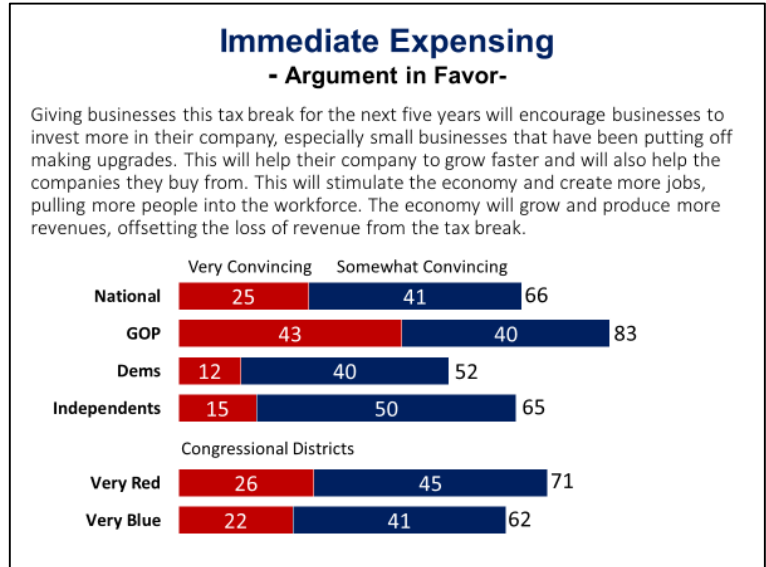
*As you may know, when businesses make investments in things like equipment they can deduct these costs, but they cannot deduct the full amount in the first year. Rather they must spread the deduction over a number of years based on how long the investment or equipment is useful to the company.*

*Another proposal is that for the next five years businesses would be allowed to deduct the full amount of their investments (other than buildings) in the same year they make the investment, rather than spreading it out over a number of years. This will result in a tax cut in that first year, but slightly higher taxes in later years.*

*Over the next decade, this reduction in taxes would reduce revenues to the federal government by \$61 Billion.*

The argument in favor of the proposal did a bit better than the argument against. The pro argument got overwhelming support from Republicans and even a slight majority of Democrats. The argument against got substantial support from Democrats, but not Republicans.

Asked for their final recommendation views were divided with 50% in favor and 49% opposed. Here again the partisan polarization was great with 74% of Republicans in favor and 72% of Democrats opposed. In very red districts 56% were in favor, while in very blue districts 57% were opposed.





## GENERAL VIEWS ON TAX REVENUE

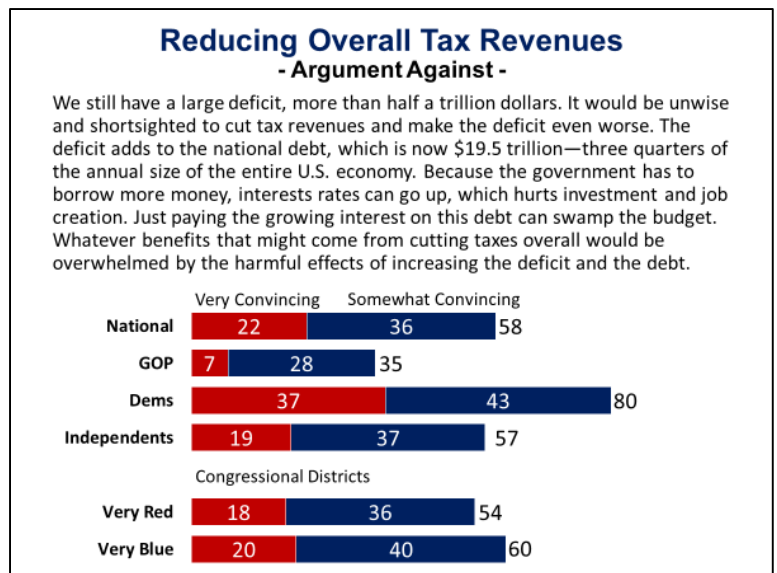
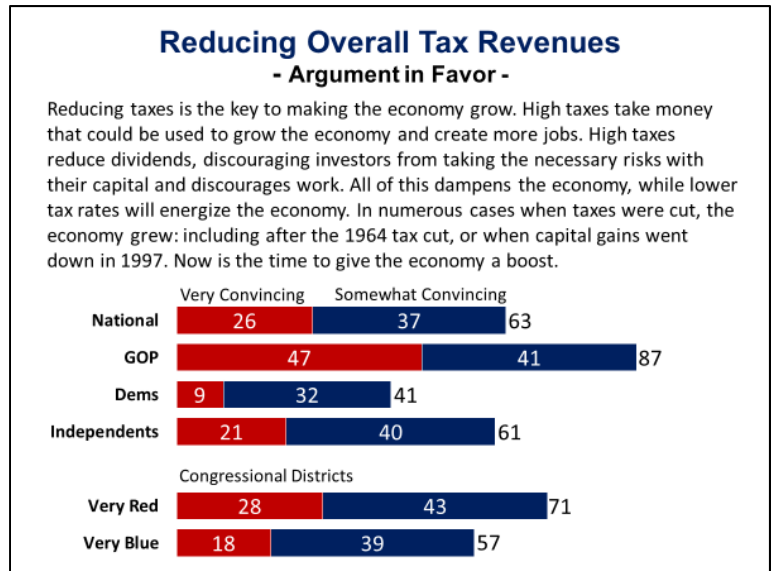
### Reducing Tax Revenue

A slight majority supported the idea of reducing tax revenues, but a slight majority opposed the proposal to reduce tax revenues by \$1.5 trillion over the next decade. Three quarters of Democrats and 54 percent of independents opposed the proposal, while over eight in ten Republicans were in favor. Only in very red districts did a majority (53%) think this \$1.5 trillion increases was acceptable, while other red districts were divided. Blue districts were opposed.

Respondents evaluated two arguments in favor of reducing overall tax revenues, one based on the potential for economic stimulus, the other based on the supply side idea that the cuts will generate enough new revenue to pay for themselves, at least in part. Both were found convincing by about six in ten, though a majority of Democrats were not convinced.

Arguments against reducing overall tax revenues emphasized the impact this would have on the deficit and rejected the supply side argument as wishful thinking. They too were found convincing by six in ten, but in this case, majorities of Republicans did not find them convincing. Finally, asked for their position in reducing tax revenues, 54% initially said they were in favor and 46% opposed, though 73% of Democrats were opposed.

Those who favored a reduction were then told about the proposal (in both the House and Senate tax bills) to reduce tax revenues by \$1.5 trillion over the next decade. Most said this about right or could even go further. However, 5% (of the total sample) said this went too far. Adding this to the 47% who opposed reducing revenues at all, a slight majority of 51% was opposed to reducing revenues by \$1.5 trillion over the next decade. However, 74% of Republicans still favored it. Only in very red districts did a majority (53%) think this was acceptable, while other red districts were divided. Blue districts were opposed.



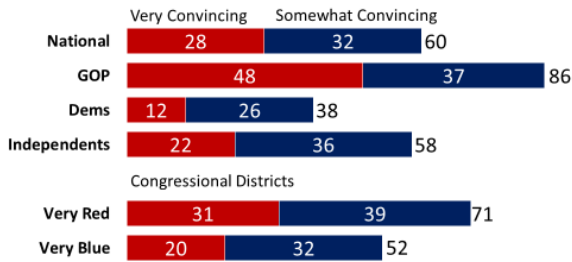




### Reducing Overall Tax Revenues

#### - Argument in Favor -

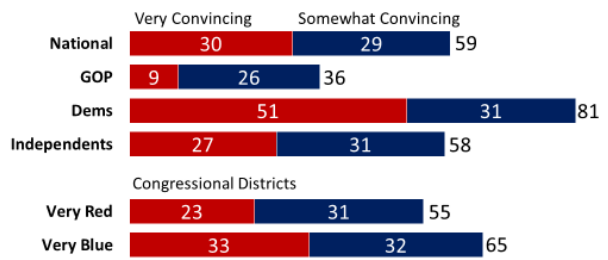
People get too concerned that cutting taxes will increase the deficit in the short run. They forget that cutting taxes gets the economy growing as companies have more money to invest and create jobs, and as people are encouraged to work more. When that happens, companies make greater profits and those profits are taxed, giving the government lots of income that it would not otherwise get. So, the tax cuts are a wise investment that will pay for themselves, at least in part, and maybe even completely. Lowering taxes will not only put more money in our pockets but they are a smart investment in our future.



### Reducing Overall Tax Revenues

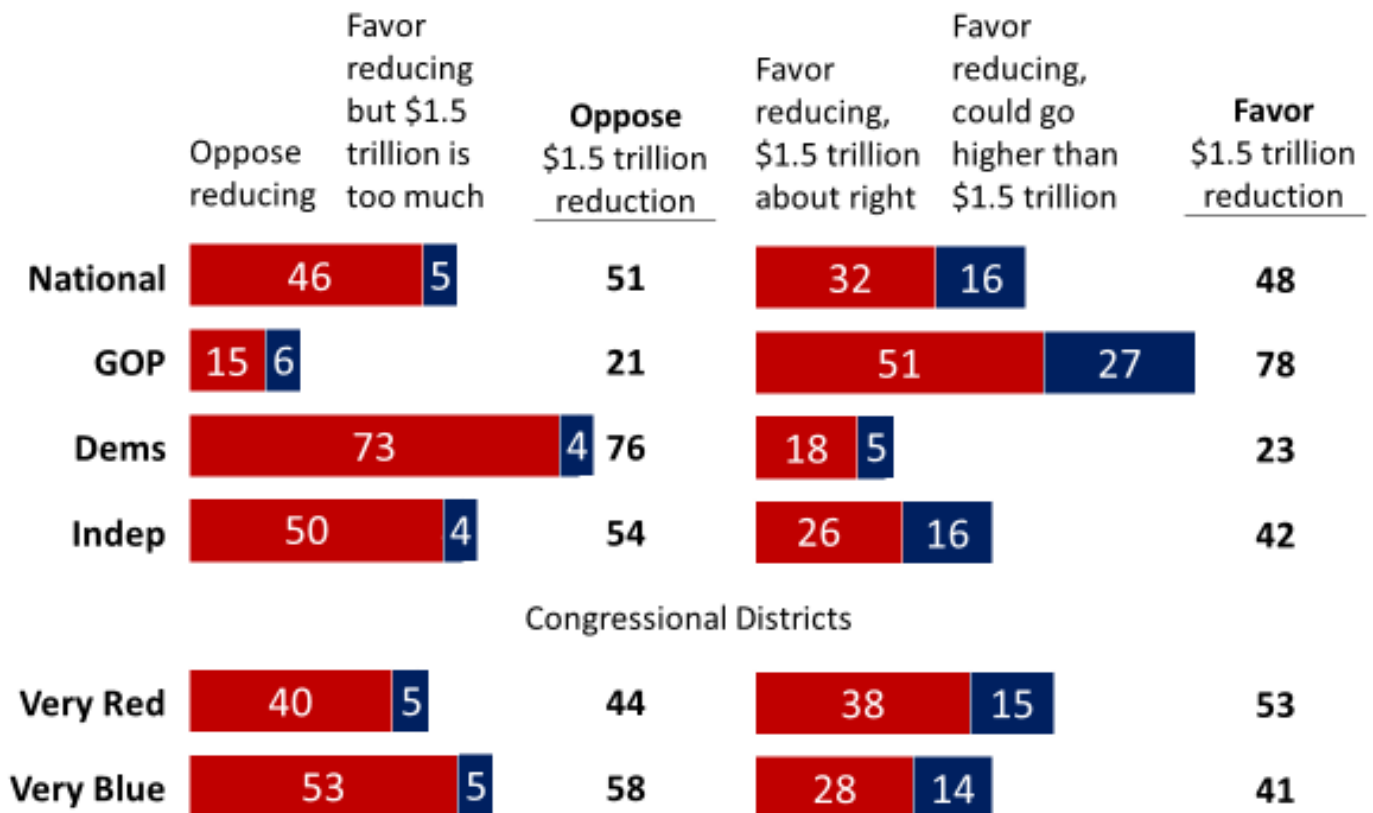
#### - Argument Against -

The idea that tax cuts will pay for themselves is wishful thinking and can be dangerous. Nearly all economists say only a small portion of the revenues lost from tax cuts comes back through growth. And tax cuts do not always stimulate growth. After 2001, when taxes were cut, the economy slowed. Recently, Kansas, cut taxes deeply and its economy did much worse than their neighboring states' economies. Kansas was forced to make drastic cuts to education, infrastructure and social services. We need to take a realistic approach and not gamble with our children's future.



## Reducing Overall Tax Revenues

### - FINAL RECOMMENDATION -





**Voice Of the People** is a non-partisan organization that seeks to re-anchor our democracy in its founding principles by giving ‘We the People’ a greater role in government. VOP furthers the use of innovative methods and technology to give the American people a more effective voice in the policymaking process.

VOP is working to urge Congress to take these new methods to scale so that Members of Congress have a large, scientifically-selected, representative sample of their constituents—called a Citizen Cabinet—to be consulted on current issues and providing a voice that accurately reflects the values and priorities of their district or state.



## PROGRAM FOR PUBLIC CONSULTATION

SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MARYLAND

The **Program for Public Consultation** seeks to improve democratic governance by consulting the citizenry on key public policy issues governments face. It has developed innovative survey methods that simulate the process that policymakers go through—getting a briefing, hearing arguments, dealing with tradeoffs—before coming to their conclusion. It also uses surveys to help find common ground between conflicting parties. The Program for Public Consultation is part of the School of Public Policy at the University of Maryland.

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