Voice Of the People — VOP.ORG — Citizen Cabinet Initiative

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In-Depth Study Finds Bipartisan Majorities Do Not Support Reducing Taxes on High Incomes, Eliminating State and Local Tax Deductions

A new in-depth survey on tax reform finds that fewer than one in four voters overall, and fewer than four in ten Republicans, support lowering taxes for incomes over $200,000. Sixty nine percent, including 55% of Republicans, oppose the Senate bill's complete elimination of the deductions for state and local taxes (SALT). However 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%), with 56% of Republicans favoring it.

The study of 1,750 registered voters, conducted by the University of Maryland's Program for Public Consultation (PPC), was released today by Voice of the People, a nonpartisan organization seeking to give citizens a greater voice in public policy.

The study used an advanced survey method in which respondents were given briefings on the key proposals in the tax reform bills and evaluated arguments for and against each proposal. The survey content was reviewed by experts who favor and oppose the proposed tax reform plan, to ensure accuracy and balance, and that the strongest arguments were presented for and against each proposal.

Steven Kull, director of PPC, commented, "Unlike most current standard polls on tax reform, which have large percentages declining to answer, in this survey nearly all respondents formulated responses."

On the proposal to reduce the top corporate tax rate from 35 percent to 20 percent (in both the House and Senate bills), 60% were opposed, including 80% of Democrats and 67% of independents. However, 65% of Republicans favored the proposal.

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.

Instead, 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.

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 the 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.

Though very large majorities found convincing the arguments for lowering taxes on the middle class, 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 substantial majorities of Republicans, but only half of Democrats. For income of $50,000 to $100,000, there was not majority support for decreases, 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 the average taxes by 7-9 percent for incomes of $30-$50,000, and 7-9 percent for incomes of $50-$100,000.

The least popular proposal was one that appears in both the House and Senate bills, establishing a territorial tax system which would eliminate the corporate income tax on profits made by subsidiaries in other countries. Though they heard the arguments that this would make US corporations more competitive and encourage repatriation of profits, 68% opposed the idea. Republicans were divided with 49% in favor and 50% opposed.

Steven Kull commented, "Republicans and Democrats diverge sharply on lowering most corporate taxes, with the exception of eliminating tax for overseas subsidiaries, on which Republicans are divided. On individual taxes, Democrats and Republicans find some common ground, especially in opposing tax cuts for high incomes and fully eliminating the state and local deductions."

Several proposals elicited divided responses overall, with sharp partisan divisions. Setting a new top tax rate of 25 percent for pass-through businesses (as called for in the House bill) was favored by 49% and opposed by 50%, with three quarters of Republicans in favor and three quarter of Democrats opposed. The Senate bill lowers the rate even further.

Allowing immediate expensing of business investments for a five-year period (as called for in the House bill) was favored by 50% and opposed by 49%, with 74% of Republicans in favor and 72% of Democrats opposed. The Senate bill has a more complex formula for allowing immediate expensing.

On the House bill proposal to lower the maximum amount of deductible interest for new mortgages to the interest paid on $500,000, 50% were in favor, 49% opposed, with 60% of Republicans in favor and 58% of Democrats opposed. The Senate bill maintains the current cap of $1 million.

For the estate tax, the House bill calls for doubling the amount of assets that can be transferred tax-free for the next six years and then completely eliminates the tax. This idea was opposed by 53%, including 75% of Democrats and 59% of independents. However, 73% of Republicans favored it. The Senate bill also doubles the amount of tax-free transfers, but does not eliminate the tax in six years.

On the broader question of whether tax revenues should be reduced, 54% favored some reduction, but 51% thought that $1.5 trillion over the next decade went too far, including 76% of Democrats and 54% of independents. Seventy seven percent of Republicans thought that the $1.5 trillion reduction was acceptable.

The survey was conducted online with a national probability-based sample of 1,750 registered voters, provided by Nielsen Scarborough from Nielsen Scarborough's sample of respondents, who were recruited by mail and telephone using a random sample of households. The margin of error was +/- 2.3%.

Download "Americans on Tax Reform" report at: http://vop.org/wp-content/uploads/2017/11/Tax_Reform_Report.pdf

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