



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 large 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 20 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.

Design of the Survey

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 was examined to identify the key proposal 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 Joint Committee on Taxation was also incorporated into the presentation of the options.

The draft text was reviewed by experts on taxation, 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.

Fielding of Survey

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.

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.

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

Field Dates: November 14-17, 2017



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. 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.

Income Taxes on the Middle Class - Modest majorities propose reducing taxes on those with incomes from \$30,000 to \$50,000 by 5%. This included a substantial majority of Republicans, but only half of Democrats. 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, 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.

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.

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.

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.

Territorial Tax - Nearly seven in ten opposed the proposal 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, while Republicans were evenly divided.

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.

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.

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.



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. 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.

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.

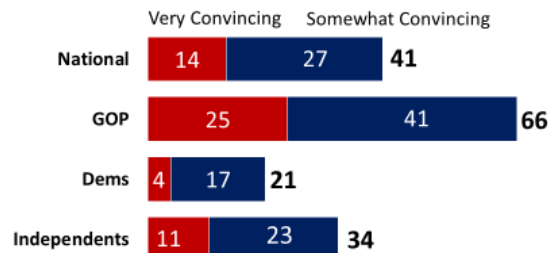
Though both the House and Senate tax bills would result in reductions in the effective tax rates for incomes over \$200,000, only 23% of respondents proposed reductions for incomes \$200-\$500,000, dropping to 20% for incomes \$500,000 to \$1 million, and 19% for incomes above \$1 million. Among Republicans, fewer than four in ten (39%) favored reductions for incomes from \$200-\$500,000, dropping to 32% for incomes over \$1 million.

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.

Lowering Income Taxes for High-Income Individuals

- Argument in Favor -

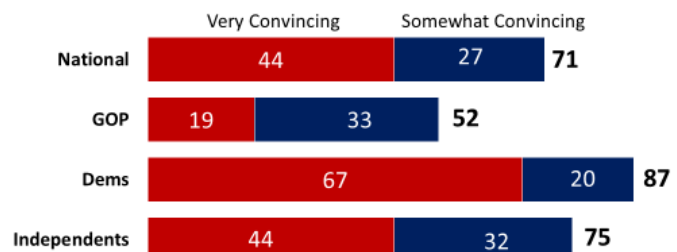
The people at the top already pay a lot more than everyone else. In fact, the top ten percent of earners are paying two-thirds of the amount the federal government collects in income tax. And the top tax rate already went up in 2013. Furthermore, people with high incomes play an important role in the economy. They are the only ones who have enough capital to create new businesses that hire people. We need to give them a break to encourage them to take the necessary risks to invest and create more jobs. If they pay lower taxes, they will have more money to invest in salaries. So everybody benefits.



Increasing Income Taxes for High-Income Individuals

- Argument Against -

We have heard for decades that tax cuts to the rich will trickle down and help everybody. Taxes for the rich have come down a lot over the last decades and are far lower here than they are in most developed democracies. But while most Americans are working hard and are more productive than ever, their salaries have barely grown at all and our national debt has grown enormously. Meanwhile, the rich have gotten far richer, so that the top 1% now has more wealth than the entire bottom 80%. It's only fair that the rich pay their share by letting their rates rise back to where they have been in the past.





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 and Senate Bill	Percentage increasing by 5% or more	
\$100,000-\$200,000	US	No change		- 6-7%	37	
	GOP	No change			30	
	Dem	No change			44	
	Indep	No change			40	
\$200,000-\$500,000	US	+5%		- 5-8%	54	
	GOP	No change			39	
	Dem	+5%			66	
	Indep	+5%			57	
\$500,000-\$1 Million	US	+5%		- 5-10%	60	
	GOP	No change			45	
	Dem	+5%			72	
	Indep	+5%			65	
Above \$1 Million	US	+5%		- 6-8%	62	
	GOP	No change			47	
	Dem	+ 10%			74	
	Indep	+ 10%			67	

Income Taxes on the Middle Class

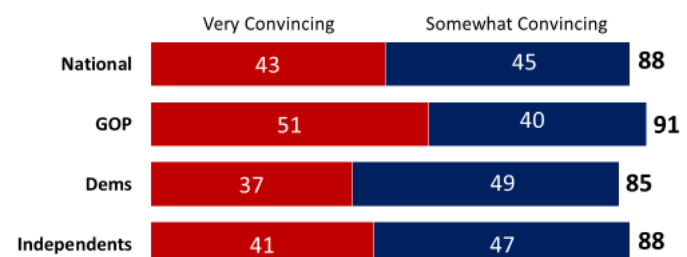
Modest majorities propose reducing taxes on those with incomes from \$30,000 to \$50,000 by 5%. This included a substantial majority of Republicans, but only half of Democrats. For income of \$50,000 to \$100,000 there was no majority support for increases or decreases, but a majority of Republicans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

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.





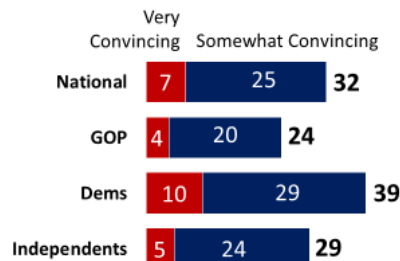
For incomes of \$50,000 to \$100,000, there was not majority support for decreases, but 56% of Republicans cut taxes by 5 percent or more on incomes of \$50-\$75,000 and 54% on incomes of \$75-\$100,000.

According to the Joint Committee on Taxation report, the net effect of the House and Senate bills would be to lower 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 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 and Senate Bill	Percentage reducing by 5% or more
\$30,000-\$40,000	US	-5%	- 8-9%	52
	GOP	-5%		54
	Dem	No change		50
	Indep	-5%		51
\$40,000-\$50,000	US	-5%	- 7-9%	54
	GOP	-5%		58
	Dem	No change		50
	Indep	-5%		53
\$50,000-\$75,000	US	No change	- 8-9%	48
	GOP	-5%		56
	Dem	No change		40
	Indep	No change		48
\$75,000-\$100,000	US	No change	- 7-8%	42
	GOP	-5%		54
	Dem	No change		31
	Indep	No change		40



Deducting State and Local Taxes

Nearly seven in ten, including a majority of Republicans, 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.

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.

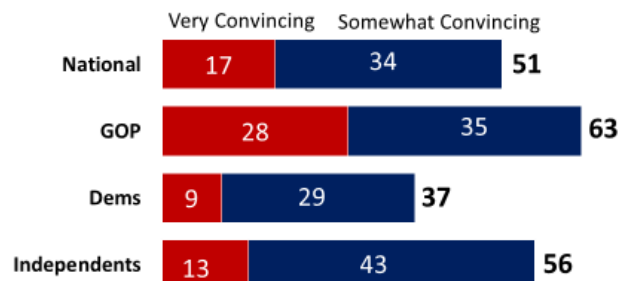
When making their final recommendation among those who evaluate the Senate bill's proposal to simply eliminate the SALT deduction, 69%, including 55% of Republicans, opposed the idea.

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.

Eliminating State and Local Tax Deductions

- Argument in Favor -

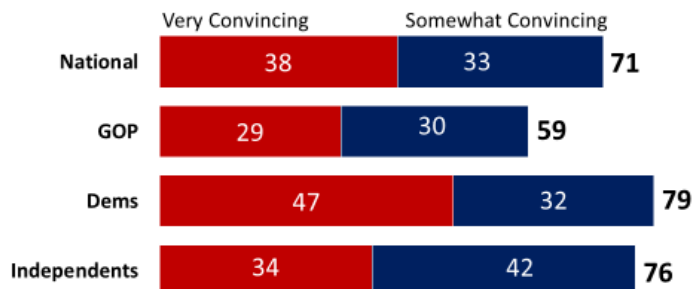
The deduction for state and local taxes is fundamentally unfair. States and counties vary greatly in terms of the amount of services they provide to their taxpayers. By making the taxes paid to support those services deductible on federal taxes, all taxpayers in the country effectively subsidize those states and counties with more services. States and counties where voters don't get as many services from the government get the short end of the stick. This creates an incentive for state and local government to provide more services when they might not really be needed.



Eliminating State and Local Tax Deductions

- Argument Against -

This is double taxation clear and simple. Say I earn one hundred dollars and state and local taxes take ten dollars. They are no longer part of my income. Should I still have to pay federal taxes on those ten dollars? States have the right to impose taxes and the federal government should not ignore the fact that the income taxed is no longer available for federal taxation. Furthermore, many of the things that states do with this tax money address important needs that the federal government would otherwise have to address.

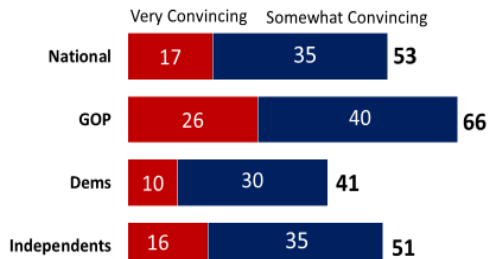




Eliminating State and Local Tax Deductions

- Argument in Favor -

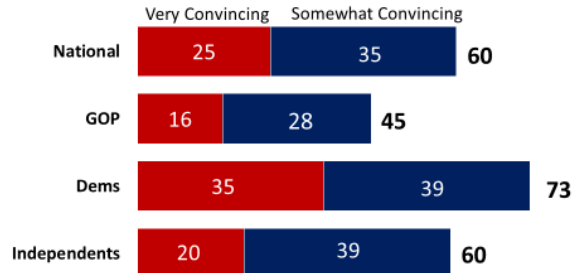
This deduction favors states and localities that are primarily urban where taxes tend to be higher. Rural areas, where state and local taxes are lower, benefit less. This is not fair.



Eliminating State and Local Tax Deductions

- Argument Against -

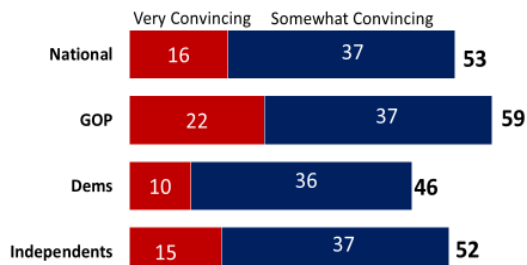
This idea that this deduction is unfair because in rural areas people have fewer taxes to deduct makes no sense. In fact, people in rural areas, because they are spread out more, get more federal subsidies such as for highways. Should we try to adjust for that too? Of course not.



Eliminating State and Local Tax Deductions

- Argument in Favor -

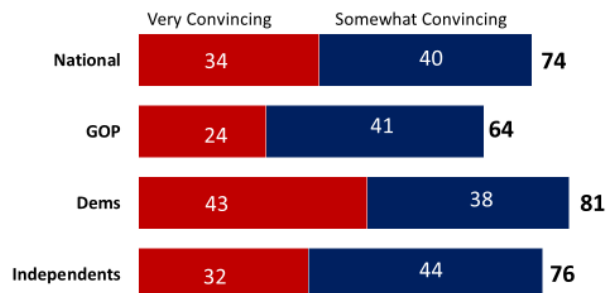
In terms of the dollars saved from this deduction, the benefits primarily go to higher income people, because they are much more likely to itemize their deductions, because they pay more state and local taxes, and because they are in a higher tax bracket. These high-income people can afford not to have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



Eliminating State and Local Tax Deductions

- Argument Against-

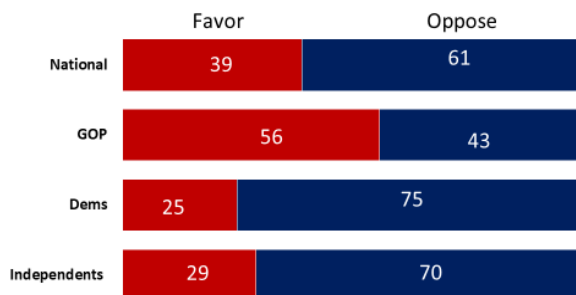
In terms of the number of people who benefit, this deduction primarily benefits the middle class. In 2015 nearly 87% of taxpayers who claimed the deduction had an adjusted gross income under \$200,000. Eliminating it would badly hurt many middle class taxpayers.



Eliminating State and Local Tax Deductions

- FINAL RECOMMENDATION: HOUSE VERSION -

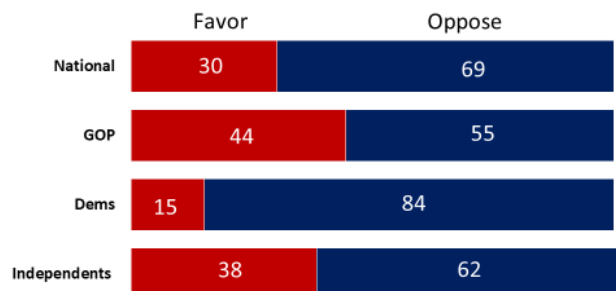
In conclusion, do you favor or oppose the proposal to eliminate the deduction for state and local taxes on individual federal income taxes? However, up to \$10,000 in property taxes would still be deductible.



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?





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.

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.

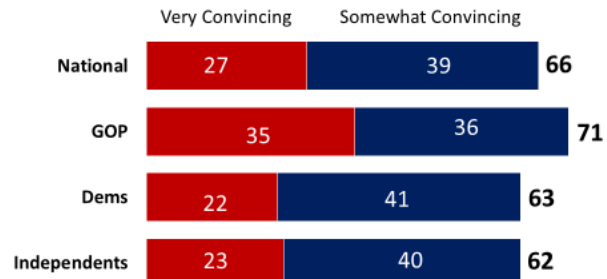
The argument in favor of the proposal was found convincing by two thirds, including substantial majorities from both parties. The argument against was found convincing by 56%, but just under half of Republicans.

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.

Lowering Mortgage Deduction Cap

- Argument in Favor -

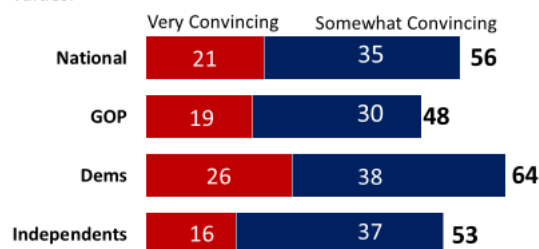
Right now, this deduction primarily benefits upper income people. More than half of those who benefit from the deduction have incomes above \$100,000, and they get 81 percent of the benefit. This is because most middle-income people do not itemize their deductions and because their mortgages are not 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 -

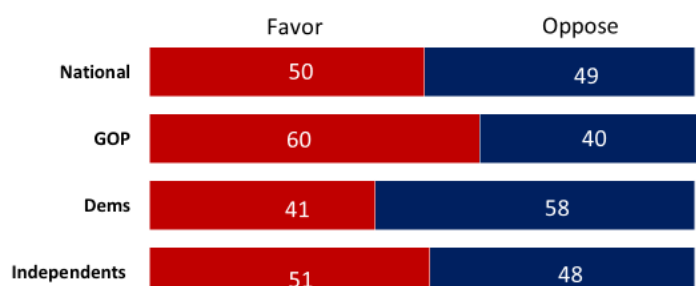
The entire real estate market is based on buyer's assuming that they will be able to deduct their mortgage interest. If this is scaled back—by half for many homeowners—this will discourage people from buying a new house. Sellers will have to reduce prices because buyers will no longer be able to afford 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.

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:

The proposal is to:

- 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.

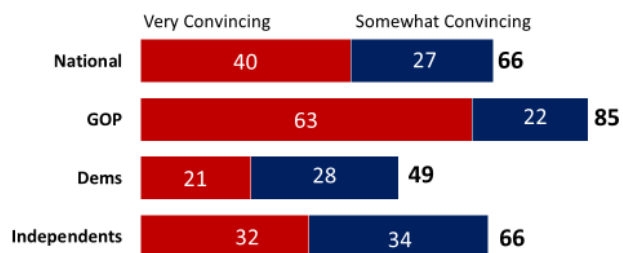
Respondents evaluated arguments for and against eliminating the estate tax. Larger numbers found the argument in favor of eliminating the estate tax convincing than the argument against.

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, though, favored the proposal.

Reducing, Then Eliminating, Estate Tax

- Argument in Favor-

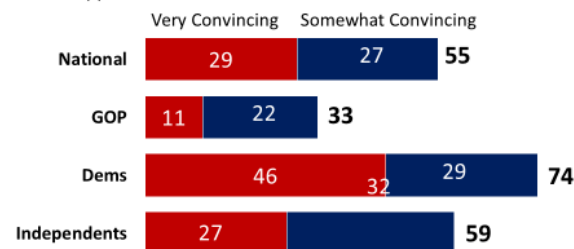
It's just not right for the government to get in between members of a family by taxing what children inherit from their parents. When somebody inherits cash, this was already taxed when it was earned, so it ends up being double-taxed. Why should we put an additional tax on someone who saves money and leaves it to her heirs but not someone who spends all her money on lavish living? More importantly when a child inherits assets like a house, a farm or a business, they may have to borrow money to pay the taxes or may end up having to sell the house, farm or business, which may have been in the family for generations.



Reducing, Then Eliminating, Estate Tax

- Argument Against -

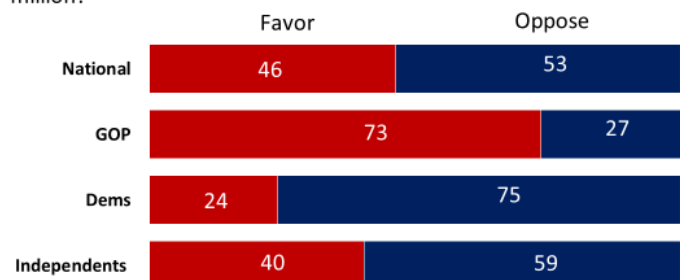
Just think about it. Wealthy parents can give nearly \$11 million to their children with no taxes. And these wealthy children complain about not getting one hundred percent of the value over and above that amount? Furthermore, when they get assets that have gone up in value, no one ever has to pay the capital gains tax on that increase. The idea that children of these very wealthy parents will have to sell a family property because they cannot afford the taxes is a far-fetched scenario; research shows that it almost never happens.



Reducing, Then Eliminating, Estate Tax

- FINAL RECOMMENDATION -

So now, do you favor or oppose the proposal to **eliminate the estate tax in six years** and 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, and for estates willed by couples from \$10.98 million to \$21.96 million?





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.

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.

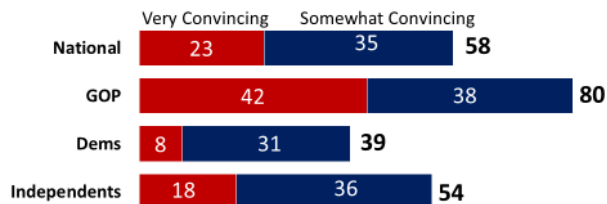
Respondents then evaluate arguments for and against the proposal. The argument against the proposal did significantly better, though both were found convincing by substantial majorities;

Asked for their final recommendation, 60% opposed the idea, including 80% of Democrats and two thirds of independents. However, 65% of Republicans favored the idea.

Lowering Top Corporate Tax Rate

- Argument in Favor -

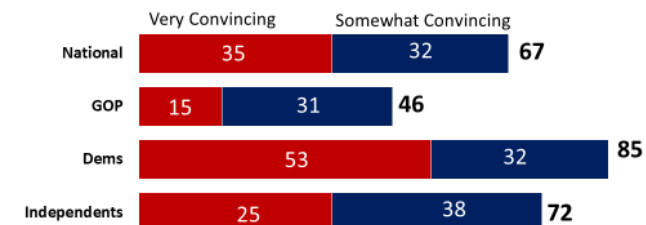
The 35 percent top corporate tax rate, combined with an average state corporate income tax rate of 4 percent, is the third-highest rate in the world. The effective tax rate is not as high, but is still higher than in most other advanced countries. If corporate taxes are lower, it will make U.S. corporations more competitive internationally. More important, it will give both U.S. and foreign companies an incentive to invest in the United States rather than abroad. The additional investments will create more jobs for Americans and push up wages. The current corporate income tax also gives companies an artificial tax incentive to borrow more than they otherwise would; cutting the rate would reduce that problem.



Lowering Top Corporate Tax Rate

- Argument Against -

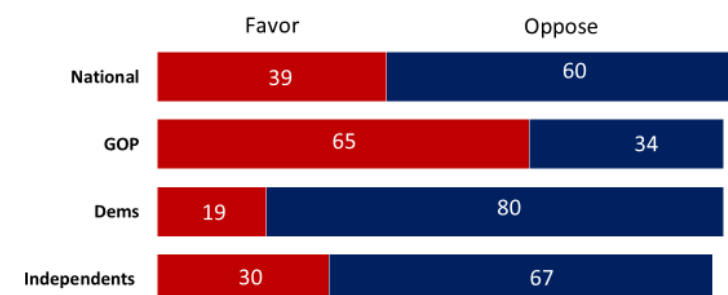
It's easy to say that lower taxes will help stimulate the economy. But when corporations get extra funds from tax breaks, they do not always invest those funds or raise workers' salaries; they often pass them on to shareholders or just boost the already huge salaries of their top executives. Over the last decades, while corporate profits have risen, their taxes have gone down, and the majority of corporations do not pay any taxes. Obviously corporate lobbyists have been hard at work. We have a large budget deficit and corporations need to step up and make a larger contribution to reducing it.



Lowering Top Corporate Tax Rate

- FINAL RECOMMENDATION -

So now, do you favor or oppose the proposal to lower the top corporate tax rate from 35% to 20%. Exemptions, credits and other deductions would then be applied to this amount.





Territorial Tax

Nearly seven in ten opposed the proposal 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, while Republicans were evenly divided.

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.

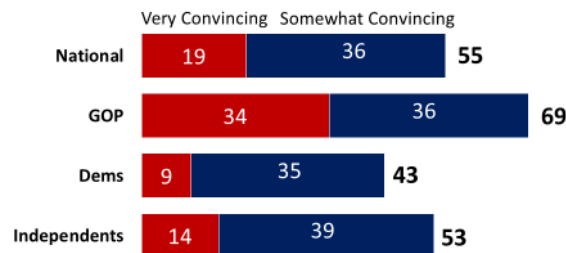
The argument in favor of the proposal was found convincing by just 55%, including seven in ten Republicans, but just 43% of Democrats. The argument against did substantially better with 68% finding it convincing including a 53% majority of Republicans.

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.

Territorial Tax

- Argument in Favor-

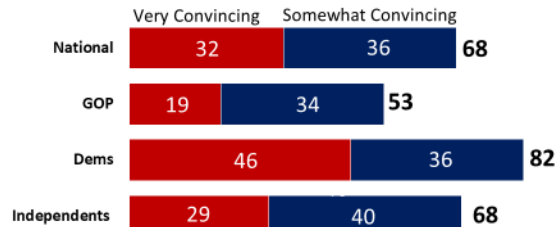
When U.S. companies are operating in other countries they are at a disadvantage because they not only have to pay local taxes but U.S. taxes as well. We need to help make U.S. companies more competitive by removing this burden. Furthermore, right now U.S. companies have a strong incentive to keep their profits abroad so as to delay paying taxes on those profits. Eliminating this tax would encourage companies to bring those profits back into the country and invest them here, helping to stimulate the U.S. economy and creating jobs.



Territorial Tax

- Argument Against -

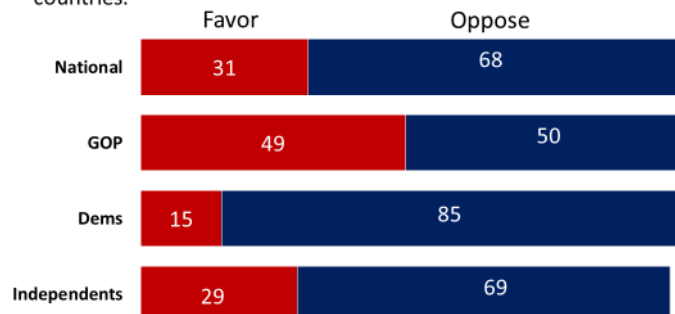
If we eliminate the tax on U.S. subsidiaries operating in other countries with lower tax rates than ours, we will be effectively encouraging those companies to invest in other countries rather than here. We will be encouraging them to export jobs overseas where taxes are lower. This will help drive down wages here. This whole idea is yet one more way that U.S. corporations are trying to avoid paying their fair share of taxes, driving up the deficit. If we want to stop encouraging those companies from keeping those profits abroad, we should tax them at a higher rate, not eliminate the tax.



Territorial Tax

- FINAL RECOMMENDATION-

So, in conclusion, do you favor or oppose the proposal to eliminate the U.S. corporate income tax on profits made by their subsidiaries in other countries.





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.

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%.

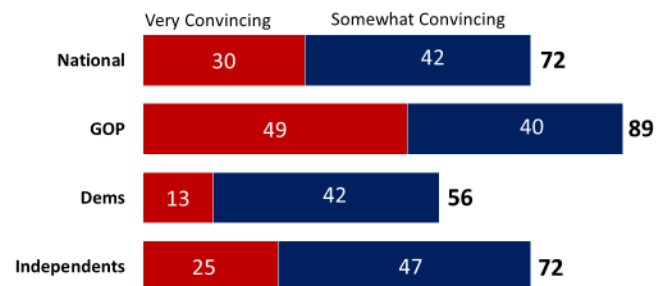
Both the pro and con arguments for this proposal did well, though the arguments in favor did a bit better. Republicans were consistently positive to the pro argument and unconvinced by the con arguments. Majorities of Democrats were strongly convinced by the con arguments but found one of the pro arguments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

Lowering Tax on 'Pass-Through' Business Owners

- Argument in Favor -

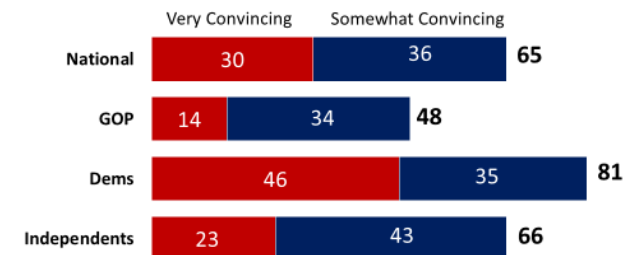
Most of the businesses that would be affected by this are small businesses, which are an important source of job creation. And regardless of their size, if we lower the top tax rate that the owners of pass through companies pay, this will free them up to invest more, grow their business, create more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



Lowering Tax on 'Pass-Through' Business Owners

- Argument Against-

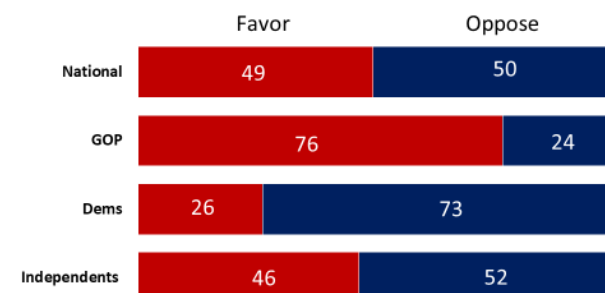
This proposal has two problems. First, this tax break will only benefit the wealthiest 5-6 percent of business owners, because they are the only ones who now pay more than the 25% rate. Many of these businesses are not "small." Second, lots of high-income people will set themselves up as a 'pass-through' 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.

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.

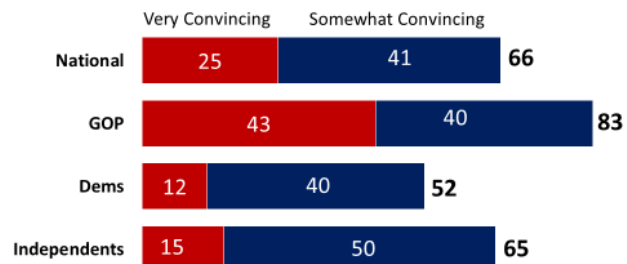
The argument in favor of the proposal did a bit better than the argument against. The pro argument got overwhelming support from Republicans and even a slight majority of Democrats. The argument against got substantial support from Democrats, but not Republicans.

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.

Immediate Expensing

- Argument in Favor -

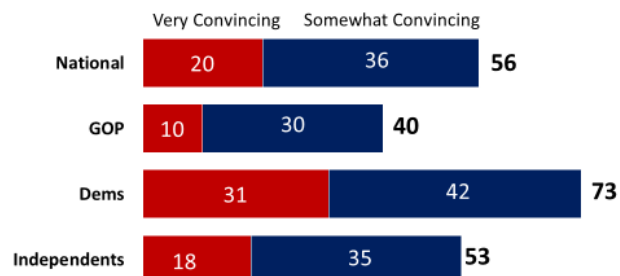
Giving businesses this tax break for the next five years will encourage businesses to invest more in their company, especially small businesses that have been putting off making upgrades. This will help their company to grow faster and will also help the companies they buy from. This will stimulate the economy and create more jobs, pulling more people into the workforce. The economy will grow and produce more revenues, offsetting the loss of revenue from the tax break.



Immediate Expensing

- Argument Against -

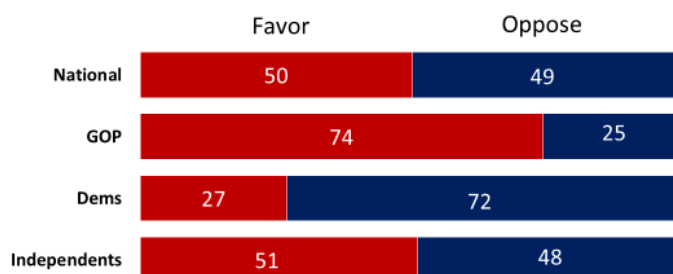
This idea is too risky. With unemployment already dropping this kind of stimulus is unlikely to lead to more growth and may well lead to inflation. Also, after the five years have passed, suddenly all these companies will have used up the deductions and will be hit with a bigger than usual tax bill--like the crash after a sugar high. This could contribute to a recession down the road.



Immediate Expensing

- FINAL RECOMMENDATION -

For the next five years, businesses would be allowed to deduct the full amount of their investments (other than buildings) in the year they make the investment. This will result in a tax reduction for those businesses during this period.





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.

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.

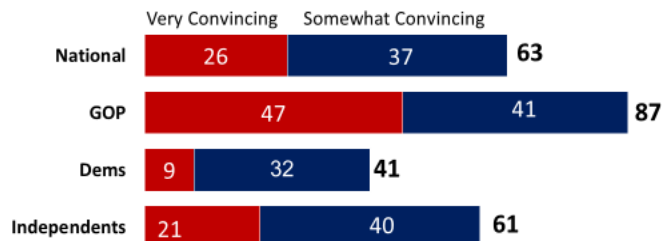
Arguments against reducing overall tax revenues emphasized the impact this would have on the deficit and rejected the supply side argument as wishful thinking. They too were found convincing by six in ten, but in this case, majorities of Republicans did not find them convincing. Finally, asked for their 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.

Reducing Overall Tax Revenues

- Argument in Favor -

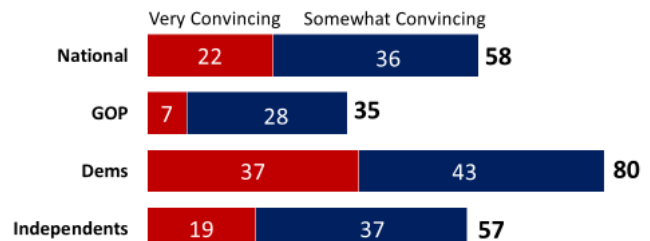
Reducing taxes is the key to making the economy grow. High taxes take money that could be used to grow the economy and create more jobs. High taxes reduce dividends, discouraging investors from taking the necessary risks with their capital and discourages work. All of this dampens the economy, while lower tax rates will energize the economy. In numerous cases when taxes were cut, the economy grew: including after the 1964 tax cut, or when capital gains went down in 1997. Now is the time to give the economy a boost.



Reducing Overall Tax Revenues

- Argument Against -

We still have a large deficit, more than half a trillion dollars. It would be unwise and shortsighted to cut tax revenues and make the deficit even worse. The deficit adds to the national debt, which is now \$19.5 trillion—three quarters of the annual size of the entire U.S. economy. Because the government has to borrow more money, interest rates can go up, which hurts investment and job creation. Just paying the growing interest on this debt can swamp the budget. Whatever benefits that might come from cutting taxes overall would be overwhelmed by the harmful effects of increasing the deficit and the debt.

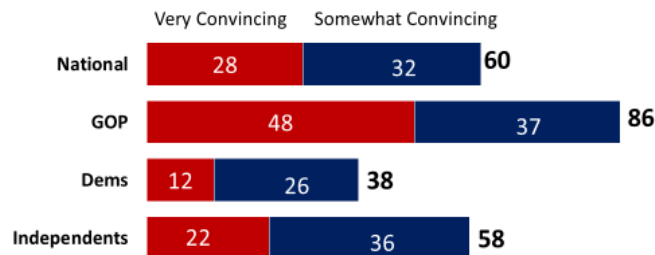




Reducing Overall Tax Revenues

- Argument in Favor -

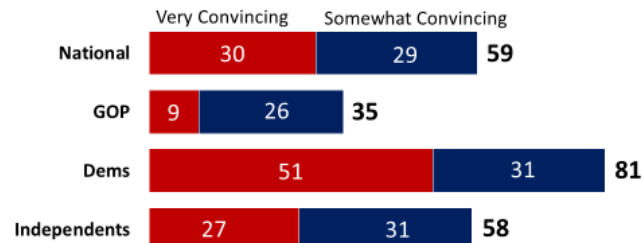
People get too concerned that cutting taxes will increase the deficit in the short run. They forget that cutting taxes gets the economy growing as companies have more money to invest and create jobs, and as people are encouraged to work more. When that happens, companies make greater profits and those 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

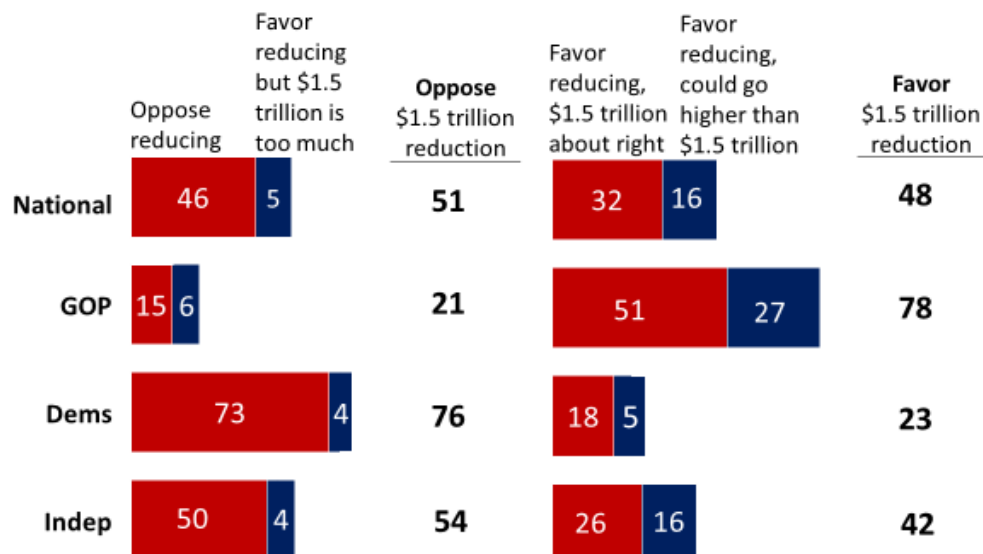
- Argument Against -

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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