

**TO: Interested Parties**  
**FROM: Guy Molyneux and Geoff Garin**  
**DATE: January 29, 2013**  
**RE: Tax Reform And The Federal Budget**

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*From January 18 to 22, 2013, Hart Research Associates conducted a national survey among 1,006 2012 voters on behalf of Americans for Tax Fairness. The survey measured voter support for including tax revenue in future budget agreements, attitudes toward a variety of revenue and spending policies, and the strength of the two parties' positions on key tax and budget issues. The margin of error for results is  $\pm 3.1$  percentage points. This memo reports the key findings from the survey.*

### **Overview Of Key Findings**

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- **Voters decisively reject a cuts-only approach to deficit reduction, and say that the next budget agreement must include revenues raised from the wealthy and corporations.**
- **In the wake of the fiscal cliff legislation, public support remains strong for asking the top 2% and large corporations to pay more in taxes. Voters believe that still more needs to be done to ensure that the wealthy pay their fair share.**
- **Tax reforms that close corporate tax loopholes are especially popular, commanding overwhelming support. Americans want to see corporations pay their fair share, rather than see cuts in education or major entitlement programs.**
- **Virtually no support exists for cutting tax rates as part of tax reform. The public insists that revenue from limiting deductions for the wealthy or closing corporate loopholes be used for public investment and deficit reduction, not lowering tax rates.**

#### **1) Voters decisively reject a cuts-only approach to deficit reduction, and say that the next budget agreement must include revenues raised from the wealthy and corporations.**

By 18 points, voters agree with Democrats that the next budget agreement should include new tax revenue from limiting tax breaks for wealthy individuals and corporations, in addition to spending cuts (57% agree), rather than with Republicans that it should include only spending cuts, with no increase in taxes on anyone (39%). Political independents side with the Democrats' position on revenue by 54% to 37%, and moderates agree by 38 points. A majority of voters from every

region of the country agree that revenue should be included, including 57% of voters in 2014 Senate battleground states.<sup>1</sup>

- When this same budget choice is framed without partisan labels, the result is essentially the same: by 54% to 38%, voters want to see a budget bill that both increases tax revenue from the wealthy and corporations and also cuts spending rather than one that only cuts spending, with no increase in taxes.

Democrats' argument for including revenue in a new budget agreement to prevent devastating cuts in vital public services also proves to be much more convincing than the GOP argument that revenue has already been addressed by the fiscal cliff legislation and future deals should rely on spending cuts alone. Indeed, by the same 18-point margin, voters agree more with the Democratic budget position than the Republican position:

**Republicans say,** "Congress just passed a huge tax increase, and already President Obama is demanding more tax increases. But further tax hikes will kill jobs, hurt our economy, and endanger our children's future. Now we need to cut spending on the wasteful government programs that are the real source of our deficit. We don't have a deficit problem because we tax too little, we have it because we spend too much." (37% agree, 29% strongly)

**Democrats say,** "It's wrong to balance the budget on the backs of the middle class by relying only on cuts to vital programs such as Medicaid and education. Instead of taking away families' health care, we should limit tax deductions for the richest 2%. Instead of cutting funding for schools, let's end tax breaks for corporations that send jobs overseas. If we ask the rich and large corporations to pay their fair share, we can be fiscally responsible and protect the middle class." (55% agree, 44% strongly)

Public opposition to cuts-only budget plans is likely to grow even stronger as people contemplate the possibility of specific cutbacks in valued programs. Voters reject reducing the annual Social Security cost of living adjustment (i.e. "chained CPI") by 65% to 29%, with 51% strongly disapproving (67% of those age 50/over strongly disapprove). A remarkable 80% disapprove of cutting Medicaid, including 63% strongly. **And an overwhelming 83% of voters disapprove – 71% strongly – of making cuts to spending for K-12 education.**

### **2) In the wake of the fiscal cliff legislation, public support remains strong for asking the top 2% and corporations to pay more in taxes. Voters believe that still more needs to be done to ensure that the wealthy pay their fair share.**

An important reason for the low level of support for the Republican argument that revenue should be off the table is that Americans continue to believe—in the same large numbers as before the fiscal cliff deal—that the wealthy and corporations should pay more in taxes. The results of

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<sup>1</sup> 2014 battleground states: AK, AR, CO, IA, LA, MT, NC, NH, SD, VA, and WV.

this survey demonstrate clearly that the fiscal cliff and its resolution have not diminished voters' commitment to tax fairness.

- Only 28% of voters believe that the fiscal cliff bill raised taxes on the rich enough, and now the wealthy should not have to pay any more in taxes, while more than twice as many (59%) say that **we still need to do more to make sure the wealthy pay their fair share of taxes**. The view that still more needs to be done is shared by 55% of independents, 59% of moderates, and 64% of voters in 2014 battleground states.
- By 56% to 33%, voters report that they are **more likely to vote for a candidate who favors raising taxes on the wealthy and large corporations** over one who opposes any increase in taxes. When we asked this same question nine months earlier, the result was identical, indicating no drop in public demand for tax fairness.
- Fully two-thirds (66%) of voters nationwide now say that **the richest 2% should pay more in taxes** (9% say less). This result is essentially the same as in April 2012, when 70% felt the richest 2% should pay more (the difference is not statistically significant).
- 73% of voters tell us that **making sure the rich pay their fair share of taxes** should be an important budget priority for Congress.

Voters strongly embrace a variety of progressive tax reform measures that raise revenue from the wealthy. Those that elicit the strongest favorable responses include closing the hedge fund loophole (75% approve, 20% disapprove), placing a 5% surtax on income over \$1 million (67% to 28%, rising to 73% to 22% if applied to income over \$10 million), eliminating the "step-up" loophole that allows many wealthy families to escape paying capital gains taxes (60% to 35%), and limiting deductions for people making more than \$250,000 per year (56% to 41%) as President Obama has proposed.

When voters hear an extended debate over the proposal to limit deductions for those earning more than \$250,000 a year, voters side with the Democratic position by 12 points:

**Republicans say,** "President Obama and the Democrats just raised taxes on small businesses and many families across America. Raising taxes again will not solve Washington's spending problem, it will only hurt our economy and destroy jobs." (42% agree)

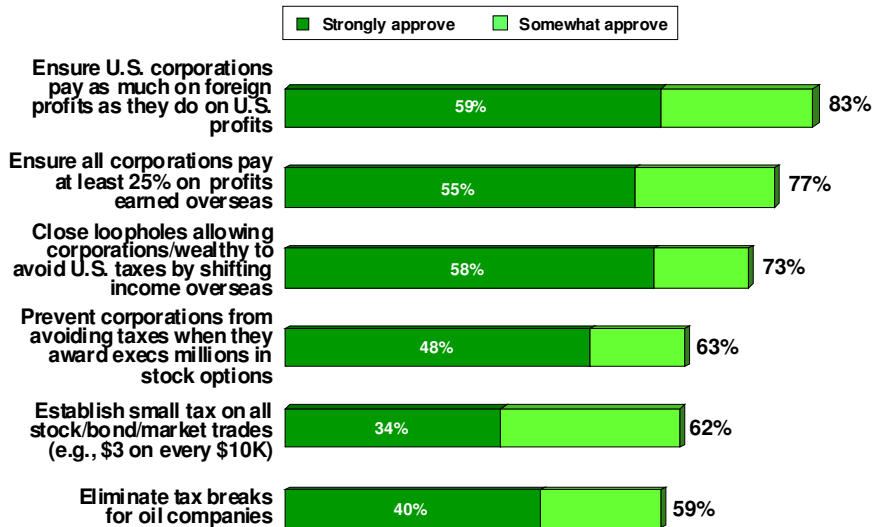
**Democrats say,** "Limiting the tax breaks that wealthy people get will make the tax system more fair. It's not right that the wealthy receive a larger tax break than middle-class families when they have a home mortgage, contribute to a 401k, or pay property taxes." (54% agree)

### 3) Tax reforms that close corporate tax loopholes are especially popular, commanding overwhelming support. Americans want to see corporations pay their fair share, rather than see cuts in education or major entitlement programs.

Fully 64% of voters believe that large corporations should pay more in taxes than they do today, virtually the same proportion as last year (66% in April 2012). Similarly, 78% tell us that making sure big corporations pay their fair share of taxes is an important budget goal (55% extremely important), and 80% say the same about closing tax loopholes that benefit big corporations.

Large majorities of Americans voice support for a variety of tax reforms that would raise revenue by closing loopholes for corporations. Indeed, in many cases the public demand for corporate tax reforms is even more passionate than for policies that raise revenue from wealthy individuals. Support is especially intense, with more than 50% who strongly approve, for closing loopholes that allow corporations to escape taxes on foreign profits or that reward companies for outsourcing jobs.

### Strong Support For Progressive Corporate Tax Reform Policies



### 4) Virtually no support exists for cutting tax rates as part of tax reform. The public insists that revenue from limiting deductions for the wealthy or closing corporate loopholes be used for public investment and deficit reduction, not to lower tax rates.

Clearly, Americans strongly favor the idea of reforming the tax code to limit or eliminate tax deductions and loopholes that mainly benefit the wealthy or big corporations. Conservatives have often tried to sell tax rate cuts under this rubric of "tax reform," or even define tax reform as including reductions in tax rates. However, this survey clearly documents

that rate cuts are not what the American people have in mind when they call for tax reform. They want the revenue raised through tax reform to be used for making public investments and lowering the deficit, not to pay for tax cuts.

- By nearly three to one, the voting public believes that revenue raised by closing loopholes and limiting deductions for wealthy individuals should be used to reduce the budget deficit and make public investments (66%), not to reduce tax rates (23%). Not only do Democrats (69% to 21%) and independents (66% to 21%) reject the rate cuts, but so do Republican voters by more than two to one (62% to 27%).
- While just 21% feel that reducing tax rates on all taxpayers is a very important budget goal today, more than twice as many (49%) say that making sure the rich pay their fair share of taxes is a top priority. Similarly, voters feel that making sure corporations pay their fair share of taxes (55%) is much more important than reducing tax rates on corporations (11%).
- A mere 16% of voters believe that tax rates on corporations should be lower than they are today, while three-fourths say that corporate tax rates should either be higher than today (48%) or kept at the current level (27%).

Simply put, within the voting public there is virtually no significant constituency for reducing tax rates on individuals or corporations, which is the GOP's most fundamental policy commitment. Republicans' continued call for cuts in tax rates—like their demand that budget agreements consist of 100% spending cuts with no new revenue—is simply outside the mainstream of public opinion. This leaves Democrats and President Obama with enormous advantages in future debates over our nation's budget priorities.

## Use Tax Reform Revenue For Public Investment And Deficit Reduction, Not Rate Cuts

*Congress is considering legislation to reform the tax system by closing loopholes and limiting deductions for wealthy individuals. How should tax revenue raised from these reforms be used?*

