

MEMORANDUM

TO: Interested Parties
FROM: Hart Research and Global Strategy Group
DATE: March 27, 2018
RE: Winning the 2018 Tax Debate

Hart Research Associates and Global Strategy Group conducted a national survey on the impact of the December 2017 tax law among 2,065 likely 2018 voters from March 3 to 15, 2018. The survey assessed voters' attitudes toward the tax law and identified effective progressive messages for winning the ongoing tax debate. This memo reports the survey's findings and provides our message recommendations.

OVERVIEW: The majority in Congress touts the December tax law as its most important accomplishment and is counting on it to lift public approval of its performance. However, the reality on the ground is that Americans are divided on the issue, with no advantage conferred on the law's supporters. Moreover, this survey identifies powerful criticisms of the tax law that voters find far more persuasive than the case made by its advocates, and support for the law erodes significantly after people hear messages from both sides. Looking forward, the voting public embraces proposals for progressive tax reform that would make the wealthy and large corporations pay their fair share.

View of the Tax Law

The public is divided on the tax law today, with equal proportions voicing favorable and unfavorable opinions.

- Just 39% have a favorable view of "the tax law passed by Republicans," and an equal 39% view the law unfavorably (22% are neutral).
- Opinion is similarly divided when the tax law is identified as being "signed by President Trump"—42% favorable, 39% unfavorable.

Support for the law is driven more by the appeal of middle-class tax cuts than belief that it will grow the economy.

The highest ranked reason to support the tax law, by a considerable margin, is that it "cuts taxes for ordinary Americans, allowing them to keep more of their money" (63% select this as one of the top two reasons). Fewer voters cite companies using the tax cut for bonuses and higher wages (46%) or companies investing more in America (39%) as reasons to support the law. Voters also find the notion that the

law cuts taxes for ordinary people more credible than the economic arguments on its behalf.

Just 22% of voters report that they or someone in their household had their taxes lowered as a result of the new law. However, a somewhat larger 33% say that someone in their household has seen an increase in take-home pay, and this proportion rises to 39% among employed voters.

People believe that the tax law benefits the wealthy more than the middle class. And when they look ahead, they anticipate the tax law to hurt the country in important ways.

Voters expect the law to have a more negative than positive impact on Medicare, Medicaid, and Social Security (-34 points); on the budget deficit (net -32 points); and on the fairness of the tax system (-17 points). By 43 points, they expect the law will benefit the wealthy (60%) more than the middle class (17%). And by an even larger 46-point margin, they anticipate the law's corporate tax cuts to benefit corporate executives and shareholders (58%) more than employees (12%).

Support for the tax law erodes significantly after people hear an extensive debate, including messages from both sides.

Prior to seeing a substantial debate on the tax law, voters split when we ask whether they support the tax law passed by Congress and signed by President Trump, with 47% supporting the law and 44% opposing it. Even at the start, strong sentiment is more negative (24% strongly opposed) than positive (18% strongly in favor). After people consider the debate over the merits of the tax law, viewing messages from both sides, sentiment shifts markedly against the law. Post-debate, voters oppose the law by a 10-point margin (52% to 42%), a net swing of 13 percentage points. Importantly, strong opposition to the plan rises by 12 points (to 36%), while strong sentiment in support remains unchanged.

Core Message Recommendations

In this section, we review the main message recommendations for opponents of the tax law that emerge from the survey data.

Three important criticisms of the tax law meet the dual tests of being both highly credible with voters and ranking among their greatest concerns about the legislation:

- *The tax law will increase the budget deficit, which will result in large cuts in Medicare, Medicaid, and Social Security.*
- *The vast majority of the law's tax cuts will go to the wealthy and large corporations.*
- *The tax cuts for corporations are permanent, but the tax cuts for the middle class are only temporary.*

Among the criticisms measured, these are the three seen as most credible by the voting public—at least seven in 10 say that each claim about the tax law is definitely or probably true. And when we give people the opportunity to rank these ideas as

substantive worries about the law, a majority cite each of these as among their top three concerns.

Recommended message #1: The law's huge tax cuts for the wealthy and corporations will increase the national debt, which will result in large cuts in Medicare, Medicaid, Social Security, and education.

The consequences of the tax law for core services and investments is the #1 concern among women (67%), white voters (62%), voters age 50 and older (65%), and non-college white women (74%). Making this connection gives people a personal stake in this issue and encourages them to think about the law's long-term impact on the nation, rather than just the short-term gratification that tax cuts may provide.

Mentioning that the tax law increases the budget deficit is a critical element for making this message maximally effective. While 70% believe it is true that the law "will increase the budget deficit, which will result in large cuts in Medicare, Medicaid, and Social Security," belief drops to just 60% if we remove the first five words (making it one of the least credible criticisms tested). For many people, the ultimate damage that tax cuts do to vital services is not intuitive or obvious, unless we connect the dots by highlighting the fiscal impact.

Citing the economic damage done by cutting Medicare, Medicaid, Social Security, and education is also an effective rebuttal to supporters' claim that the tax law is growing the economy:

Tax reform is growing the economy by putting more money in people's pockets and creating a level playing field for American business (43% more convincing);
OR

The law will weaken our economy by increasing the national debt, which will force deep cuts to Medicare, Medicaid, Social Security, and education (57% more convincing).

Here again, it is essential to include the connecting element of "increasing the national debt"—opponents win this debate by 14 points when using that language, but earn only a draw without it (50% to 50%).

When opponents of the tax bill make this criticism central to their message, voters find their case more convincing than that of law defenders by an overwhelming 20-point margin (60% to 40%). The fact that the same members of Congress who passed the tax law are now calling for cuts to these programs helps to make this message credible.

Democrats say: We will pay a price for these huge tax breaks to corporations and wealthy campaign donors. Republicans are already proposing cuts to Medicare, Medicaid, Social Security, and education. Instead, we should make sure the rich and corporations pay their fair share of taxes, so we can protect these priorities. And we should invest in our communities to have better schools, fix roads, bridges, and transit systems, make healthcare more affordable, and provide a secure retirement with dignity (60% agree).

Republicans say: Our tax reform law means that Americans will have a simpler, fairer tax code that lets them keep more of their hard-earned money. A typical family of four saves \$2,059 a year. The law doubles the standard tax deduction and the child tax credit, and simplifies your taxes. This reform lets job creators and workers compete and win, which will create hundreds of thousands of new American jobs. Republicans kept their promise, and now middle-class families are seeing higher wages and bigger paychecks (40% agree).

Recommended message #2: The vast majority of the law's tax cuts will go to the wealthy and large corporations.

The second central message emerging from the survey is that the large majority of the law's tax cuts benefit wealthy individuals and large corporations. Fully 72% of voters (including 74% of independents and 82% of moderates) believe this claim to be true, with 35% saying it is "definitely true" (the highest proportion for any criticism tested). As noted earlier, by more than three to one voters already expect the tax law to benefit the wealthy more than the middle class (60% to 17%).

A 51% majority identify this fact as among their three most pressing concerns about the tax law.

Recommended message #3: The tax law provides permanent tax cuts to large corporations and CEOs, but the tax cuts for working families are only temporary.

This last message communicates three ideas in a few efficient words: 1) voters' own tax cut will expire in a few years (if they get one at all); 2) conservatives in Congress care more about helping corporations and CEOs than working families; and 3) advocates of the law have been dishonest and deceptive in selling it to the public (by not disclosing that the tax cuts for average people will expire). This high-impact fact about the tax law is very plausible to the public (more voters rate it "true" than any other positive or negative statement we tested), but we believe many people still need to learn it. In focus groups held before the survey fielded, it was apparent that many participants did not know that the tax cuts for individuals would expire. Fully 60% rate it among their three greatest tax law concerns (tied for first place), and it is the top concern for many key groups not predisposed to oppose the law.

Messages #2 and #3 can be combined, to contrast the tax law's generous giveaways to the wealthy and corporations with its shortchanging of working families. When they are included in a single message, voters find it more convincing than the pro-tax-law message by 54% to 46%:

This law delivers huge tax breaks to millionaires and wealthy corporations, while middle-class families are left to pick up the tab yet again. 83% of the tax cuts go to the richest 1%, while a majority of Americans will eventually end up paying higher taxes. Republicans gave permanent tax cuts to big drug companies, big oil, and other corporations, but average Americans only got temporary tax cuts. This law rigs the tax code and the economy even further in favor of those at the top.

Rebutting supporters' claims: Supporters of the tax law make several key claims about the benefits that it allegedly will provide. The survey findings reveal that progressives have persuasive rebuttals to these claims available to them in each case.

Claim: The tax law provides tax relief to middle-class families (progressive winning margin of 16 points):

Our tax reform is providing much-needed tax relief to middle-class families, an average of \$2,000 per family. (42% more convincing); OR

The law gave large permanent tax cuts to corporations, but the middle-class tax cuts are only temporary (58% more convincing).

Claim: Employers are hiking wages and providing bonuses to employees (progressive winning margin of 16 points):

More than 400 companies have announced bonuses, wage hikes, or other employee benefits, affecting more than four million workers, since tax reform passed (42% more convincing); OR

Only a tiny fraction of America's 26 million businesses have given their workers bonuses or a raise, but corporations have spent \$200 billion on stock buybacks to benefit CEOs and wealthy shareholders (58% more convincing).

Note that most people are not familiar with stock buybacks. When using this message, one should say explicitly that stock buybacks *benefit CEOs and wealthy shareholders*.

Claim: Tax reform benefits all Americans (progressive winning margin of 10 points):

Our tax cuts will benefit all Americans by growing the economy and allowing people to keep more of the money they earn (45% more convincing); OR

The law gave the biggest tax breaks to Republican politicians and to the wealthy donors and corporate interests who fund their campaigns (55% more convincing).

Claim: \$480 billion in new investments (progressive winning margin of four points):

Thanks to tax reform, companies have announced \$480 billion in new investments in America that will create thousands of new jobs (48% more convincing); OR

Studies show that these are not new investments, it is what corporations had already planned to spend before the tax cuts became law (52% more convincing).

While progressives have a rather narrow advantage on this debate, we also find that just 54% of voters believe that companies are investing more and creating more jobs in America as a result of the tax law, despite aggressive claims by the president, GOP congressional leaders, and largely friendly media coverage. This claim has far less credibility with the public than nearly all criticisms of the law.

Using effective language can increase the persuasive power of progressive tax messages.

“Working families.” Many messages tested in the survey focus on the law’s adverse impact on the middle class, and people feel quite positive toward “middle-class families” (68% favorable, 39% very favorable). However, the survey reveals that voters have even more positive feelings toward “working families” (73% favorable, 47% very favorable). Where possible, messages should use the “working families” formulation.

“Wealthy shareholders.” Americans likely will not be concerned to learn that the corporate tax cuts are benefitting “shareholders,” who are viewed favorably (30%) as much as unfavorably (27%). However, by a lopsided four-to-one ratio, voters have a negative view of “wealthy shareholders” (13% favorable, 51% unfavorable).

“Corporate CEOs.” The public has a very negative opinion of corporate CEOs (12% favorable to 52% unfavorable, including 28% very unfavorable), who should be identified often as principal beneficiaries of the tax law. In fact, CEOs are much more unpopular than the “large corporations” they operate, which have a rating of 29% favorable to 42% unfavorable (just 16% very unfavorable).

Voters Support an Alternative, Progressive Tax Reform Agenda

Voters want Congress to take the tax code in a very different direction than the December law did.

More than six in 10 embrace these tax positions:

- *Make sure wealthy investors are taxed at a rate at least as high as workers pay on their wages (69% more likely, 10% less likely);*
- *End tax breaks for corporations that outsource jobs or shift profits offshore (68%, 11%);*
- *Close the loophole that benefits wealthy business owners like Trump and use the revenue for infrastructure (64%, 13%);*
- *Close the loophole that benefits wealthy business owners and use the revenue for infrastructure (64%, 14%).*

They also support repealing portions of the December tax law, IF the repeal applies only to tax cuts for the wealthy and corporations. By more than two to one, voters say they are more rather than less likely to support these reforms:

- *Repeal the tax cuts for the wealthy and corporations, but keep the tax cuts for the middle class (58% more likely, 19% less likely),*
- *Repeal the tax cuts for the wealthy and corporations (55%, 23%);*
- *Repeal the new tax law and pass tax reform that makes the rich and corporations pay their fair share (54%, 25%).*

Voters are also more likely to support “repealing the new tax law and start over on tax reform,” but by a narrower 43% to 33%. Specifying that new reforms will make the wealthy and large corporations pay their fair share increases the appeal to voters.