

## What Polls Tell Us About the Public's View of Taxes

By David Cay Johnston

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Johnston looks at how the IRS stacks up in favorability with the tea party movement and Sarah Palin.

Readers, here is some terrific news for sound tax policy — and two related problems. But first, to give context to both the good news and the problems, a little quiz. Based on the latest national polls, how do Sarah Palin, the tea party movement, and the IRS rate with the American people?

The polls, done by reputable survey organizations, were taken shortly before the dreaded tax day, a fact that may have influenced the results given the focus that politicians, and thus the news media, give to taxes and the IRS from March to the ides of April.

Last place in favorable impressions goes to the former governor of Alaska. Fewer than one in four Americans view her favorably. Next up, with a 36 percent favorability rating, is the tea party movement. Leading the pack by a large margin is the IRS, with an approval rating of 49 percent.

Wow! Who would have thought that the IRS would have a favorability rating a third higher than the tea party movement's? Or that the IRS would be twice as popular as Palin?

Who would have thought the IRS has a favorability rating just 1 (statistically insignificant) percentage point below President Obama's? The IRS's favorability rating stands much higher than that of House Speaker Nancy Pelosi, D-Calif. (29 percent), and of Senate Majority Leader Harry Reid, D-Nev. (16 percent), and four times that of House Minority Leader John A. Boehner, R-Ohio (12 percent). (Among fellow Republicans, Boehner does better, coming in at 14 percent.)

The poll results are cause to celebrate, not just at IRS offices, but everywhere that people want sound tax policies. Those favorability ratings indicate that sound tax policies — transparent, simple, equitable ways to raise revenue that grease the wheels of the economy — can be attained. The public evidently gets that the IRS is only the tax police, enforcing the law Congress makes. Years of carefully crafted demagoguery using slogans

polished by Republican pollster Frank Luntz, are losing their hold on public opinion as hard facts disprove or discredit them.

Now here's the first problem: Hardly anyone knows about these poll results. The reason is that the news organization that commissioned the poll from which all of these numbers come, except those on Palin's favorability, did not announce it. That organization is Fox News.

Instead the Fox News poll, by Opinion Dynamics, was quietly posted on Fox's website. This information was found on page 4 of the 11 sheets of survey results. The poll was taken April 6 and 7, when Fox News was busy telling people 24/7 about the tea party and trying to create the impression that Americans are in revolt against the tax system and fed up with the IRS. Somehow the hard facts did not make it into the "fair and balanced" Fox coverage. (For the Fox survey, see *Doc 2010-8740*.)

The Palin numbers come from a March 29-April 1 CBS News poll and are consistent with other random surveys. CBS also asked a another question about Palin, which complements the questions Fox asked. CBS asked whether those polled were more or less likely to vote for a candidate Palin campaigns for. The poll found that 51 percent would be less likely to support the candidate and 20 percent would be unaffected. Just 25 percent said it would make them more likely to support the candidate. (For the CBS poll, see *Doc 2010-8766*.)

Would that we had a well-rounded discussion about taxes, and not the honed sound bites delivered by the usual suspects who offer predictable and often fact-free observations on talk shows. The news reports are filled with the same lame rhetoric, mixed with some hard facts and thoughtful reporting here and there.

The problem with how taxes are presented in the news is not limited to Fox. News organizations tend, like cattle, to move in herds, adopting a common narrative. So although tea party events drew small audiences around the country, because Fox News magnified these gatherings they got huge coverage from the major networks, the wire services, and virtually every newspaper. Demonstrations that have drawn far larger crowds got much less coverage during the past decade.

Further, the news media narrative continues to present the tax problem as an IRS problem when all the IRS does is enforce the laws that our Congress makes, something *Tax Notes* readers understand. The Fox survey results suggest that this is starting to seep into the mind-set of the rest of America.

Still, despite the often superficial reporting by actual news organizations on tax matters, the poll shows the body politic is not completely infected by demagoguery when it comes to taxes and the IRS.

This is not to be dismissive of the tea party movement. It has attracted a significant minority of Americans who are unhappy with their government for many reasons.

About 18 percent identify themselves as a member of the movement or say they support it, according to the latest CBS/*New York Times* poll.

That these folks are engaged as citizens and venting their frustration is good. The more people involved in tax debates, the better. Good ideas are distilled from many voices. However, poorly formed thoughts, and concepts polluted by misinformation, can produce rotgut policies. That is the risk with the tea party movement, which a host of documents reported on by outfits such as *Politico* have revealed is stealthily being used by wealthy interests known for backroom deals and campaign contributions aimed at shifting their tax burdens onto the hoi polloi.

The problem thus is not with the tea party movement, but with the inchoate comments on tax by its leading speakers. And the best known among them is the woman who quit her elected post as governor halfway through her first term. That brings us to the second problem: tax misinformation that gets attention all out of proportion to its audience or its significance.

Palin's 20-minute talk at the tea party event in Boston demonstrated what an empty vessel she is. That her audience was applauding some of her comments on tax indicates how they failed to connect rather obvious contradictory dots.

Her sound bite line was that 47 percent of households pay no federal income tax. Yet Palin says she is for tax cuts.

So why did almost half of households end up paying no income tax last year, an estimate that comes from the esteemed Tax Policy Center? There are two factors.

First is the economy. The collapse of demand after 25 years of excessive payroll taxes, three decades of artificially inflating asset values that encouraged the swelling of consumer debt, and a half century of nearly unbroken deficit budgets, combined with letting bankers and derivatives traders go wild (the Clinton administration) and eight years of wild borrowing and spending (the George W. Bush administration) caused a major recession. When demand collapses, jobs go poof. Right now we are short at least 11 million jobs — arguably 15 million.

Jobs create taxpayers; unemployment, tax eaters. People who are out of work for a long time pay little to nothing in income taxes. The millions who made too little to pay income taxes want to be working, but because of forces beyond their control there are not nearly enough jobs and thus less income taxes to be paid.

The second factor is the Obama tax cuts. If you have a job, there is a roughly 98 percent chance you qualified for a \$400 income tax credit. For millions of Americans in the bottom 75 percent of the income distribution, it meant their income tax liability last year shrank significantly or disappeared.

More than two-thirds of households that escaped income taxes still were burdened with payroll taxes, the Tax Policy Center estimated.

So who in America paid neither income nor payroll taxes? More than half were elderly — and two-thirds of those old folks got by on less than \$20,000, the Tax Policy Center says. Among households that paid neither income nor payroll taxes, just one in seven was working age and made more than \$20,000. I'll bet most of those were

parents with children making under \$50,000 who already paid little tax because of the child tax credit.

This means that Sarah Palin was complaining about income tax cuts for those who work. Who would have thought Palin was against tax cuts, yet her own words show that either she opposes tax cuts for people with jobs or she has no idea what she is talking about. I'll go with the latter.

Palin has already made \$12 million in the last half of 2009 and the first third of this year, according to calculations by reporters going over disclosure statements. That puts her in the top hundredth of 1 percent of all American taxpayers.

She will feel the tax burden more than most taxpayers above the 99.99 percent threshold. That threshold has been greater than \$10 million in 2006 dollars only twice, in the peak economic years of 2000 and 2007, according to Profs. Emmanuel Saez and Thomas Piketty.

In this top group of fewer than 15,000 households, a third of income is capital gains, taxed at no more than 15 percent. Palin likely has little capital gains. Her royalties, speaking fees, and cable television gig bring in ordinary income, most of it taxed at the 35 percent rate this year and, if her earnings continue next year, at 39.6 percent, plus both sides of the Medicare tax.

So the Palin family tax bill should be much larger than for most people in her income group. Knowing this makes it less surprising that she wants to have more Americans paying income taxes, which, as Ronald Reagan famously taught, spreads the burden.

But by complaining that 47 percent of households pay no income taxes, Palin is implicitly calling for undoing the Obama tax cuts for workers in the bottom 98 percent. And if she wants to make nearly all Americans pay income taxes, as seems clear from her remarks, then she is implicitly for levying the elderly poor, the disabled, and those future big taxpayers known as college students.

Palin will see her desire for more people to pay income taxes fulfilled. This year the number of American households paying no income taxes will slip to 45 percent, the Tax Policy Center says. That is because the economy is on the mend, however weakly, and more people are working. At the end of this year, the Making Work Pay tax credit ends. In 2011 non-income-tax households will then drop into the 30s and trend downward until by 2020, just 1 in 3 households will pay no income tax under current law.

We could kick that figure much higher just by eliminating the Republican-sponsored \$1,000 child tax credit, which helps parents while they are raising their children and shifts burdens onto nonparents and empty nesters. What Palin thinks about that we do not know because she takes no questions from what she calls the "lame stream media," and she has kept quiet on these issues.

That brings us back to the problems. Fox News seems to be hiding the facts from its viewers, many of whom trust no other source of information. The incoherent tax news reporting by many other news organizations that appeal to slices of the rest of America also doesn't help.

The tea party movement has helped bring out the frustration some people feel about taxes. The survey data Fox News buried indicates that many more people now

realize that they need to examine taxes thoughtfully. So, can we get enough Americans to recognize how nonsensical and contradictory the comments of Palin and some other prominent tea party speakers are?

Can we get a broad swath of the public to recognize how oligarchs who are undermining our democracy are stealthily financing tea party events and exploiting those who show up so they can continue to shift their tax burdens onto the rest of us, including tea party supporters?

The survey results that Fox News somehow did not find time to feature on television suggest that we can, that our nation can get back to serious debate about the crucial issue of how we distribute the burden of government and how much government we want and how much we are willing to pay. The Fox News poll results reveal that millions of Americans have already taken the one small step for a taxpayer that can become one giant leap for taxpayers toward sound tax policies that both create wealth and protect the liberties of the people.

Your thoughts? E-mail me at [JohnstonsTake@tax.org](mailto:JohnstonsTake@tax.org).

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