

## What Do Americans Think About Taxes? An Update

By Karlyn Bowman

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This article, updating an earlier On the Margin article, examines changes in attitudes toward taxes and the deficit since President Obama took office.

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In an On the Margin column last year, I summarized public attitudes about taxes this way:

Today Americans seem relatively comfortable with, or perhaps resigned to, the level of federal income taxes they pay. They see their federal tax burden as high but fair. Americans aren't very knowledgeable about progressivity, but they have consistent notions of the maximum amount people should pay in taxes. Trend questions provide little evidence that Americans are more concerned about inequality than they were in the late 1970s, although a few recent questions suggest that concern about it may rise. At this early stage in his presidency, Americans, although deeply skeptical of politicians' tax promises, have high hopes that President Obama will deliver a middle-income tax cut. The political coloration of the issue has changed, too, and the antitax banner Republicans unfurled in the late 1970s and early 1980s is now tattered. Democrats have made gains on the tax issue as the Republican Party has become less popular. Finally, the political urgency of the tax issue has diminished.<sup>1</sup>

Most of what I wrote holds up today.<sup>2</sup> In an early April 2010 poll, 48 percent of those surveyed told Gallup interviewers that their federal income taxes were too

high, but almost as many, 45 percent, said they were about right. In response to a slightly different question in March, 50 percent told Pew Research Center interviewers that they paid about the right amount "considering what you get from the federal government," with 43 percent saying they paid too much.

There has also been little or no change in perceptions of fairness. Sixty-two percent told CBS News/*The New York Times* interviewers in early April 2010 that they regarded the income tax they would pay this year as fair. Even 52 percent of self-identified tea party supporters gave that response. Few pollsters ask questions about progressivity, but in a Rasmussen poll from April, 75 percent said the average American should pay no more than 20 percent of his income in total taxes, a figure roughly in line with other surveys on the subject. There is little evidence that concern about inequality is growing, but that is not a subject pollsters take up very often.

The changes we have seen in tax attitudes in the past year involve Obama and the Republicans. Concern about the deficit has risen, which has affected attitudes toward potential tax changes that might be made to address it.

### President Obama

Despite considerable skepticism about politicians' promises of tax cuts, people seem to give presidents the benefit of the doubt when they take office. Obama, like his predecessors, received early positive reviews on handling taxes. In January 2009, for example, half of those surveyed by Associated Press/GfK-Roper interviewers said their taxes would stay the same under the Obama administration and 35 percent said they would go up. In the organization's January 2010 poll, however, the responses almost flipped, with 59 percent expecting their taxes to go up and 35 percent saying that they would stay about the same. In both years, less than 15 percent said they thought they would go down. In another April poll, this one from Gallup, 63 percent said their taxes would be higher in the next year under Obama. Majorities in all income groups and majorities of Republicans and independents thought this would be the case, as well as 49 percent of Democrats.

Indeed, a significant slice of the public believes that Obama has already enacted broad tax increases. In an April 2010 CBS News/*The New York Times* poll, 34 percent said that the Obama administration had increased taxes for most Americans, while 48 percent said the administration had kept them the same. Only 10 percent said the administration had decreased taxes. The responses are difficult to reconcile with the tax cuts included in the stimulus package.

Obama's approval rating on handling taxes has also declined. In the Associated Press/GfK-Roper poll, a respectable 54 percent approved the job he was doing regarding taxes in April 2009, the first time the question was asked; a year later, 41 percent did so. His overall job

<sup>1</sup>"What Do Americans Think About Taxes?" *Tax Notes*, Apr. 6, 2009, p. 99, Doc 2009-6493, 2009 TNT 64-15.

<sup>2</sup>All the polls cited in this article are available from the author. Most of them are also available from the Roper Center at the University of Connecticut, the largest survey archive in the country.

**Table 1. President Obama's Approval on Taxes and on His Job as President**

	Taxes		His Job as President	
	Approve	Disapprove	Approve	Disapprove
April 2009	54%	35%	64%	30%
July 2009	46%	44%	55%	42%
September 2009	38%	50%	50%	49%
October 2009	47%	41%	56%	39%
November 2009	42%	46%	54%	43%
December 2009	45%	43%	56%	42%
January 2010	43%	47%	56%	42%
March 2010	44%	43%	53%	46%
April 2010	41%	51%	49%	50%

Source: Associated Press/GfK-Roper poll.

rating in the poll dropped from 64 percent to 49 percent in the same period. Table 1 shows the responses for each instance in which both questions were asked in the same monthly poll.

The CNN/Opinion Research Corporation poll shows a sharper, 18-point drop on the president's tax portfolio, from 62 percent approval in March 2009 to 44 percent in January 2010. In their poll, his overall rating dropped, too, falling 13 points in the same period, from 64 to 51 percent.

Republicans appear to be clawing back ground they lost on taxes to the Democrats during President George W. Bush's second term. On 16 occasions from 1993 to 2004, NBC News and *The Wall Street Journal* asked people which party would do a better job handling taxes, and the Republican Party received higher ratings each time. But starting in 2005, as views on the Bush presidency soured, Democrats claimed the high ground. This indicator has turned once again. In their 2009 question, 28 percent thought the Democratic Party would do a better job while 35 percent chose the Republican Party. That 7-point GOP advantage rose to 11 points in the March 2010 poll.

The reasons for the change in GOP fortunes on taxes may stem from concerns about the scope and cost of federal government involvement in the economy. Americans initially supported the Troubled Asset Relief Program (TARP), which was signed into law in October 2008, but their views became more negative during late fall 2008. Polls conducted in early January 2009 showed strong opposition to the release of the second half of the remaining TARP funds (the remaining funds became available to the administration in mid-January). Most Americans opposed the auto company bailouts from the start. Early reaction to Obama's stimulus package was positive, but attitudes have become more negative. Most Americans don't think the stimulus has worked, and they also think government is getting too big and doing too much. In a January 2010 NBC News/*The Wall Street Journal* poll, only 39 percent approved of the expansion of government's role in the economy, while 53 percent disapproved. Cumulative sticker shock has set in, and in response, Americans may feel more comfortable with the GOP as guardian of the purse strings.

Partisan differences on the tax policy remain strong. A February 2010 Zogby International poll illustrated this

point. Nationally, 38 percent said taxes should be cut for everyone regardless of income, 25 percent said they should be cut for all except families earning more than \$250,000, and 30 percent answered that given the deficit and the cost of military operations in Iraq and Afghanistan, the federal government can't afford any income tax cuts. Seventy-six percent of Republicans wanted taxes cut for everyone while only 6 percent of Democrats agreed. A plurality of Democrats, 47 percent, chose the response that we couldn't afford any tax cuts, and another 41 percent wanted tax cuts for all except those earning more than \$250,000. In an early April CNN/Opinion Research Corporation poll, 6 in 10 favored making permanent the federal income tax cuts passed into law in 2001. A third were opposed. Questions asked in 2004, 2007, and 2008 that referred to "the federal income tax cuts passed into law since George W. Bush became president" also showed majority support for making the cuts permanent.

### Deficit Rising

The Pew Research Center, echoing other survey organizations' findings, reported in a March 2010 release that "public concern about the deficit is increasing." The 11 percent spontaneously mentioning it as the most important problem facing the country in the Pew survey was "the highest percentage volunteering the deficit as a top national problem in nearly two decades." The deficit has tended to be a sleeper issue: Everyone says it's important, but it usually doesn't have much intensity. That appears to be changing. In another question asked by Pew in January 2010, 60 percent said reducing the budget deficit should be a top national priority for the president and Congress, up 7 percentage points from a year earlier. Concern about the deficit wasn't as high as concern about strengthening the nation's economy (which 83 percent said should be a top priority), improving the job situation (81 percent), or terrorism (80 percent), but attention to it rose more in the past year than it did for those three top-tier items.

It's obvious that people want policymakers to address their concerns about strengthening the economy, but their concerns about the deficit are rising noticeably. A January 2009 ABC News/*The Washington Post* question found that 51 percent thought it was more important to increase spending "to try to improve the economy even if it sharply increases the federal budget deficit," while 44 percent said it was more important to avoid a big

increase in the federal budget deficit, even if it means not increasing federal spending to improve the economy. By July, 40 percent said it was more important to increase spending, while 55 percent said it was more important to avoid a big increase in the deficit. A January 2009 NBC News/*The Wall Street Journal* question found 61 percent more worried that the government would spend too much and drive up the deficit, with 29 percent more worried that the government would spend too little and prolong the recession. When pollsters framed the issue in terms of spending more to create jobs or focusing on reducing the deficit, as the CBS News/*The New York Times* poll did, the weight of opinion still favored creating jobs. In April 2010, 50 percent said the government should spend more to create jobs, while 42 said the focus should be on the deficit.

When asked about threats to the economic performance of the United States over the next two years, 75 percent of those surveyed by Bloomberg in a March 2010 survey said that persistently high unemployment represented a high threat. Seventy percent gave that response about the budget deficits, 58 percent cited homeowners who couldn't pay their mortgages, and 57 percent mentioned higher taxes. In the January Pew poll cited above, interviewers found more people saying that reducing the budget deficit was a top priority (60 percent) than giving that response about reducing middle-income taxes (42 percent).

In most polls, Obama has lost more ground on handling the deficit over the course of his presidency than he has lost on handling taxes. Dealing with the deficit is one of his weakest policy areas. Table 2 charts approval of his handling of the deficit in the CNN/Opinion Research Corporation polls.

	Approve	Disapprove
March 2009	52%	47%
August 2009	36%	63%
September 2009	46%	51%
October/ November 2009	39%	60%
January 2010	36%	62%
March 2010	36%	62%

Source: CNN/Opinion Research Corporation polls.

In some polls, the Republicans have gained ground as the party that could do a better job handling the deficit. In Pew's February 2010 poll, the Republican lead was identical to what it was in July 1994 before the Republicans took control of the House.

### Deficit Dilemmas

So what do Americans think should be done about the deficit, and particularly, what role should taxes play in addressing it? Table 3 compiles recent questions from four pollsters on the subject. Americans recognize their own culpability in the current situation. In March 2010, in a Pew poll, 56 percent agreed with the statement that Americans weren't willing to pay for the things they want government to do, while 39 percent disagreed. And

they believed in the abstract that middle-income Americans will have to sacrifice to reduce the deficit (90 percent in a March 2010 Bloomberg poll and 84 percent in Quinnipiac's March poll).

Still, most polls show considerable resistance to policy changes that would affect the middle class, especially tax increases. Only 17 percent told Quinnipiac interviewers that raising income taxes on middle-income earners should be part of any government approach to the deficit. Here political partisans are in rough agreement: 15 percent of Republicans and 22 percent of Democrats supported income tax increases on the middle class. Another Quinnipiac question found that 49 percent said only spending should be cut to reduce the federal deficit, 42 percent said there should be a combination of tax increases and spending cuts, and 4 percent said only tax increases.

Taxing the rich is usually popular, although the definition of "rich" affects responses. Seventy-two percent in the March Quinnipiac poll supported tax increases on households making more than \$1 million, but 60 percent supported tax increases for those making \$250,000 or more. During the healthcare debate, polls showed considerable doubts about taxing "Cadillac" or high-end healthcare plans, even when a dollar figure wasn't mentioned. A December 2009 Bloomberg poll, for example, found 40 percent in favor of, but 50 percent opposed to, imposing a tax on "the most expensive insurance policies, or Cadillac plans," to pay for healthcare reform. Removing the Social Security payroll tax cap for high-income earners is generally popular. Concern about the overall tax burden may explain opposition in most polls to a new sales tax.

Cutting defense spending is almost always more popular than cutting domestic spending, but here, too, there is resistance, especially in questions that mention military personnel. An across-the-board spending freeze is usually popular. Neither slowing the growth of Social Security or Medicare benefits nor increasing the age for retirement or eligibility is favored. And reducing cost of living adjustments for Social Security recipients is not popular, either.

Although these polls are useful, especially in assessing the strength of support or opposition for particular options, relying on the results of hypothetical questions about how to address the deficit is problematic. A package of reforms that combined some of the more and less popular responses could find favor. It will be hard to know until such a package is on the table. Nearly all polls conducted between 1984 and 2005 showed strong support for the idea of personal retirement accounts. But for a whole series of reasons, support collapsed when Bush made the abstraction a reality with his proposal. The final 1983 Social Security reform package included a provision, added on the floor, that raised the retirement age, a provision that consistently generates strong opposition in polls.

How Obama will shape the contours of deficit reduction remains to be seen. His deficit reduction panel, cochaired by Democrat Erskine Bowles and Republican Alan Simpson, is scheduled to report on December 1. A Democracy Corps/Tulane poll found that 44 percent thought the goal of the president and Congress in the

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next four years should be to get the deficit headed down from where it is now, 27 percent to cut it in half, 15 percent to keep it from getting any bigger, and 8 percent to eliminate it completely. Only 2 percent thought we shouldn't pay much attention to it. Given the messages Americans are sending policymakers about how to address the deficit, even reducing it will be difficult.

### Conclusion

In the last year, attitudes on taxes themselves have changed very little. What has changed is Obama's standing on the issue. He has clearly lost substantial ground on the perception of his handling of taxes. Whatever the

reality, most Americans do not believe their taxes have gone down in the past year. What may be worse from the administration's point of view, most people expect them to go up in the future. Public concern about the deficit is growing in virtually every poll that asks about it, and Obama is getting some of the lowest marks of his presidency for addressing it. Politicians need to be aware of what Americans are saying about ways to deal with the deficit, although the answers people give do not make solutions obvious.

*(Table 3 is on the next page.)*

<b>Table 3. Dealing With the Deficit</b>			
<i>Q: Now I'd like to read you a list of proposals to help close the federal budget deficit. After I read each item, please tell me whether you favor or oppose that proposal.</i>			
			<b>Favor</b>
Require any new government spending to be offset with other spending cuts or tax increases.			61%
Create a bipartisan deficit reduction commission that would provide recommendations of ways to cut the deficit which would have to be quickly passed or rejected with a three-fifths majority by the House and the Senate as a package.			59%
Cut all nondefense spending by 3 percent a year for five years.			57%
Increase the federal income tax rate for those earning over \$200,000 a year from 36 to 40 percent.			55%
Remove the limits on the Social Security payroll tax so that those earning more than \$90,000 a year pay taxes on their whole income instead of part of it.			53%
Reduce future defense spending.			47%
Put a freeze on all nondefense spending for five years.			46%
Increase the age to receive Medicare benefits from age 65 to age 67 by 2020.			43%
Change the Social Security system for younger workers from a system of defined benefits at retirement to a system that allows recipients to invest their payments in the stock market.			40%
Create a 3 percent national sales tax on all goods except food.			39%
Allow the Social Security retirement age for receiving full benefits to rise slowly to age 70 by the year 2020.			35%
Change future Medicare coverage for those under age 55 from a system of defined benefits at age 65 to a system of vouchers that provides recipients an average of \$11,000 a year to spend on their healthcare in retirement.			34%
Reduce future spending on entitlements such as Social Security and Medicare.			28%
<i>Note: Sample is people who said they voted in 2008.</i>			
<i>Source: Greenberg Quinlan Rosner for the Democracy Corps and Tulane, March 2010.</i>			
<i>Q: Do you think _____ should or should not be a main part of any government approach to the deficit?</i>			
		<b>Should be part of any government approach to the deficit</b>	
Raising taxes on households making more than \$1 million			72%
Raising income taxes on households making more than \$250,000			60%
Cutting the growth of spending on Medicare benefits			21%
Cutting the growth of spending on Social Security benefits			19%
Raising income taxes on the middle class			17%
<i>Note: Sample is registered voters.</i>			
<i>Source: Quinnipiac University, March 2010.</i>			
<i>Q: I'm going to mention some general approaches that could be considered to help decrease the deficit - some of which may mean a sacrifice for you and your household. For each, please tell me if you think this approach should be strongly considered, just considered, or taken off the table.</i>			
		<b>Strongly considered</b>	<b>Considered</b>
			<b>Taken off table</b>
Remove the cap on the Social Security tax so that wage earners who make more than \$107,000 continue to pay into Social Security.	36%	42%	18%
Continue to provide basic coverage for people on Medicare but require them to pay more for health services beyond basic care.	12%	35%	52%
Raise the age which people become eligible for Medicare from 65 to 67.	14%	32%	53%
Allow the tax rate for high-income earners to go back to where it was 10 years ago.	36%	32%	26%
Raise the income tax rate on middle-income Americans by 2 percent.	9%	25%	65%
Eliminate the income tax deduction for home mortgages.	13%	30%	55%
Cut federal spending on roads, bridges, and public transportation.	16%	38%	45%
Reduce annual cost of living increases for Social Security participants.	17%	35%	47%
Add a penny an ounce tax on sugar-sweetened drinks.	29%	28%	42%
<i>Note: Sample is adults.</i>			
<i>Source: Selzer &amp; Co. for Bloomberg, March 2010.</i>			
<i>Q: To reduce the budget deficit (CBS News/New York Times)</i>			
To reduce the budget deficit, would be willing to decrease spending for healthcare/education			30%
Not willing			62%
To reduce the budget deficit, would be willing to decrease military spending			45%
Not willing			51%
<i>Note: Sample is adults.</i>			
<i>Source: CBS News/The New York Times, February 2010.</i>			