

AMERICANS TALK ABOUT TAXES: LESSONS FOR POLICY MAKERS

A Public Opinion Study

April 1996

TAXES—A SYMBOL

Taxes and the federal tax system are a symbol for what is wrong with the federal government. This is the clear message garnered from a series of focus groups and a national survey of 800 adults Charlton Research recently conducted for The Congressional Institute, Inc.

The intent of this research project was to identify the values, attitudes and opinions Americans hold with respect to taxes. Experience has demonstrated that policies which are not based on core public values are unsustainable. Our research revealed that the lack of control, equality, effectiveness, self-reliance and justice the public associates with the tax system epitomizes their perception of government. When Republican Presidential candidate Steve Forbes or other politicians discuss tax reform, people are not reacting to the specific proposals, but instead the underlying **values** these proposals promote—the core values they want in a tax system and their entire system of government.

THE FEDERAL TAX SYSTEM DOES NOT REFLECT PEOPLE'S MAIN VALUES

In the focus groups we uncovered five main values “at risk”—values people are unable to see in the current tax system. The national survey provided quantitative confirmation that these are the core values that must be reflected in any reform of the federal tax system (See Fig 1).

Control

Most Americans do not consider taxes to be their money. For example, when focus group participants were asked to list the items in their budget, only one or two individuals in each group listed taxes. Furthermore, only 22% of survey respondents mentioned taxes as a personal budget item (See Fig 2). When asked why taxes were omitted, the overwhelming response was that taxes were not considered an expenditure (See Fig 3). Instead, because the money is simply taken directly out of their paycheck and never seen again, taxes are viewed by most individuals as something they have absolutely no control over. This conflicts with a primary American value—to be in control of one's life, money and the outside world.

CORE VALUES AMERICANS WANT IN THEIR TAX SYSTEM

- Control: The Primary Value
 - > Historical Context
 - > Control of My Life
 - > Control of My Money
 - > Control of the Outside World
- Equality
 - > Current tax system would be fair if the ideal were practiced.
 - > Loopholes, exceptions & write-offs lead to inequality.
 - > It has become too politicized—special interests have made deals to protect the poor and the rich, but I am left out.
- Effectiveness
 - > The problem is not the size of government, it is the inefficiency, waste & fraud.
 - > Taxes are viewed more negatively than positively, because people don't feel they are getting their money's worth.
- Self-Reliance
 - > Government has grown larger due to increased population & lack of individual responsibility.
 - > People are not taking care of their own problems.
- Justice
 - > Most people do not feel there is truth in the tax system.
 - > It is dominated by a lack of truth—it has become a lie.

Fig 1

VERY FEW CONSIDER TAXES A MAIN BUDGET ITEM

Thinking about your personal budget, what are the main items or categories that you spend the most of your money on?

Mortgage/rent	55 %
Food	54
Bills/utilities	40
Car	24
Taxes	22
Clothing	12
Children	10
Entertainment	9
Savings/retirement/investments	7
Travel	6
Charities	4
Other	12
Don't know	2

Fig 2

MANY DO NOT CONSIDER TAXES TO BE 'THEIR' MONEY

Earlier, when I asked you about your budget, you didn't mention taxes. Was there any particular reason you did not?

	n=621	
	First Mentions %	Total Mentions %
Didn't think of taxes/Forgot them	18	20
Not part of budget/income/taken out of paycheck	15	19
Don't pay taxes/Unemployed/Retired	15	15
It's a given/Inevitable	10	11
No reason	9	9
Should have said it - taxes are important in budget	4	8
Other Mentions	21	29
No opinion	1	1
Don't know/Refused	6	6

Fig 3

Equality

The current tax system would be fair, focus group participants responded, if it only reflected the ideals it was based upon. The consensus, however, is that the current system is anything but fair. According to the national survey, 71% believe the tax system benefits the rich or the poor, but not the middle class. The rich are seen as able to use loopholes to avoid paying taxes, and the poor are seen as the primary beneficiaries of the nation's spending programs. Sixty-six percent believe the current tax system is not fair. Republicans are more likely than Democrats to view the current system as unfair. Eighty percent said it contains too many loopholes, exceptions, and write-offs. Finally, echoing the sentiments of focus group participants, 88% of those surveyed stated that no matter what their income, every citizen should pay some level of taxes. (See Fig 4)

PEOPLE WANT EQUALITY BUILT IN THE TAX SYSTEM

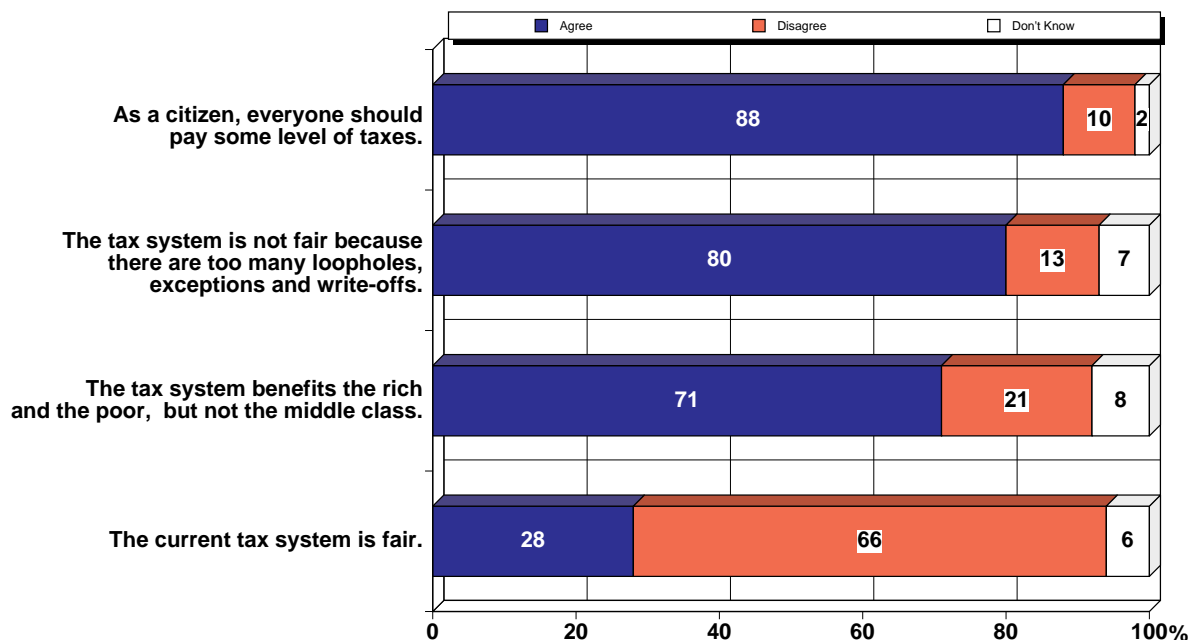
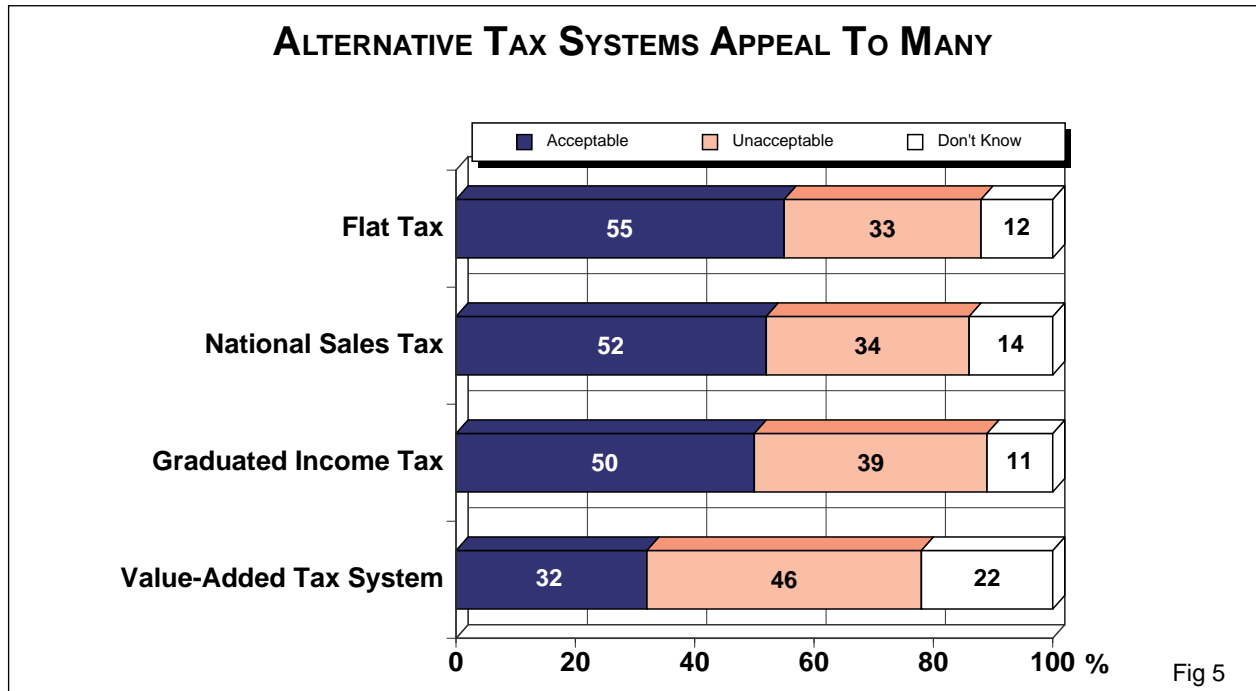
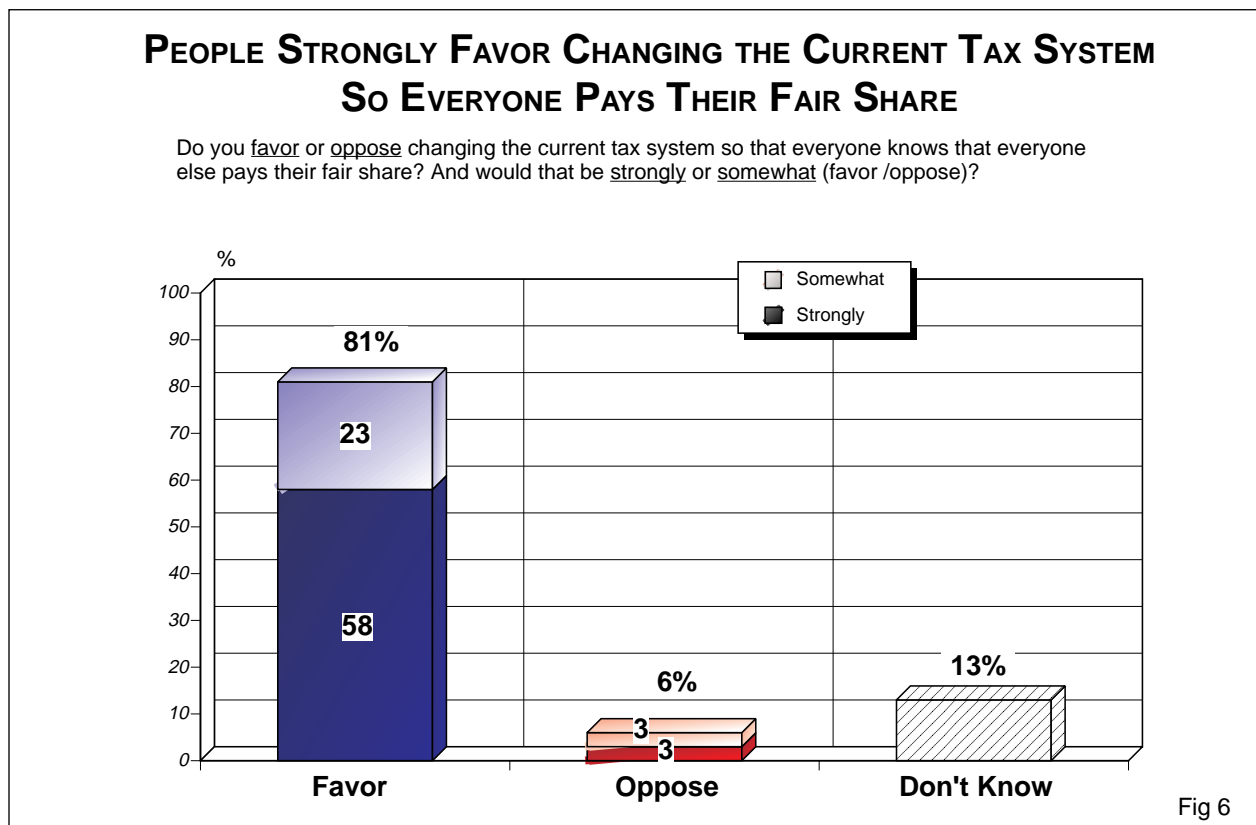


Fig 4

Alternative federal tax systems such as the flat tax (supported by 55% of those surveyed) and the national sales tax (supported by 52%) are appealing to people because they are viewed as leveling devices (See Fig 5). Republican respondents find the flat tax and sales tax more acceptable than their Democrat counterparts who are more supportive of a graduated income tax.



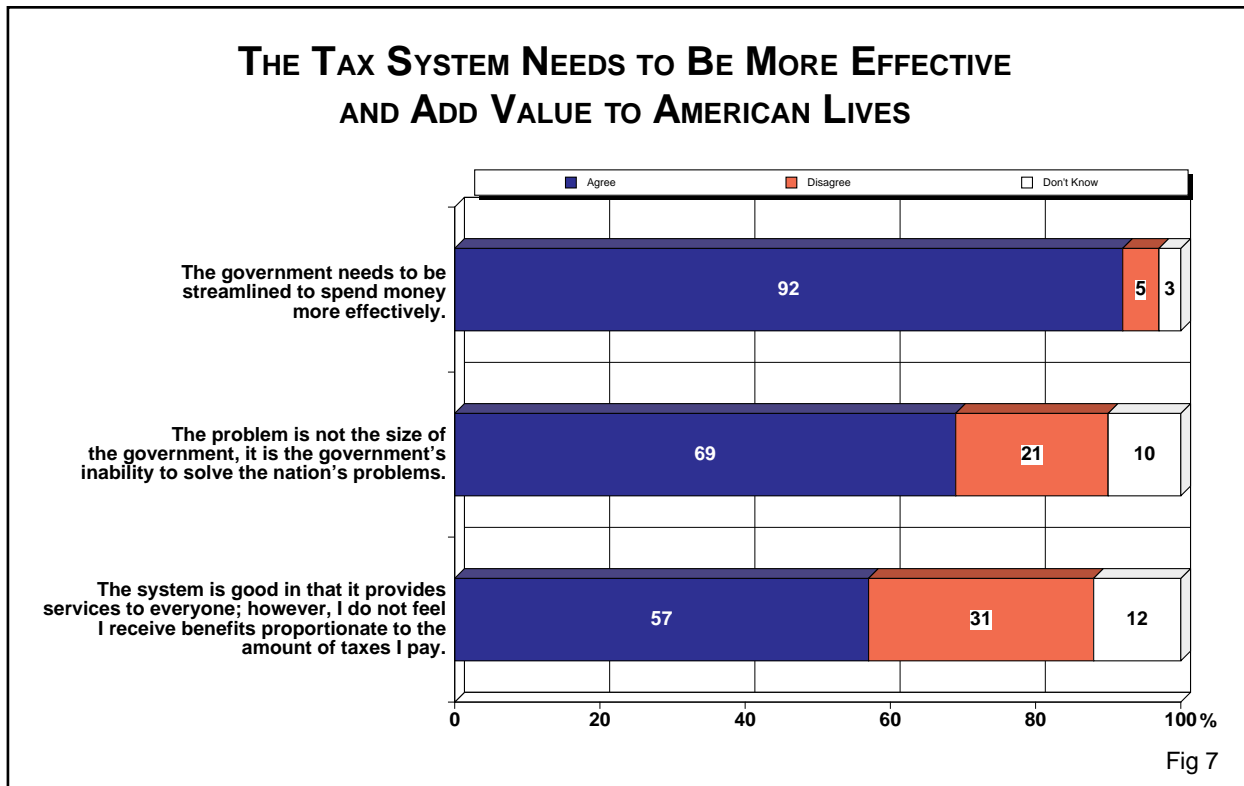
Eighty-one percent of respondents favor modifying the current tax system so that everyone is perceived as paying his or her fair share of taxes — not too little, not too much (See Fig 6).



Effectiveness

Sixty-nine percent of respondents believed that it is not the government’s size, but rather its inability to solve the nation’s problems which causes Americans heartburn. Ninety-two percent believe that the government needs to be streamlined so it can spend money more effectively (See Fig 7).

Directly related to these perceptions are people’s attitudes about what they receive for their tax dollars. Focus group participants had difficulty identifying the good things their tax dollars supported. Parks, monuments, and museums were about the only things they could list. Fifty-seven percent of those surveyed believe the current system provides services to everyone, but do not feel they receive benefits proportionate to the amount of taxes they pay.



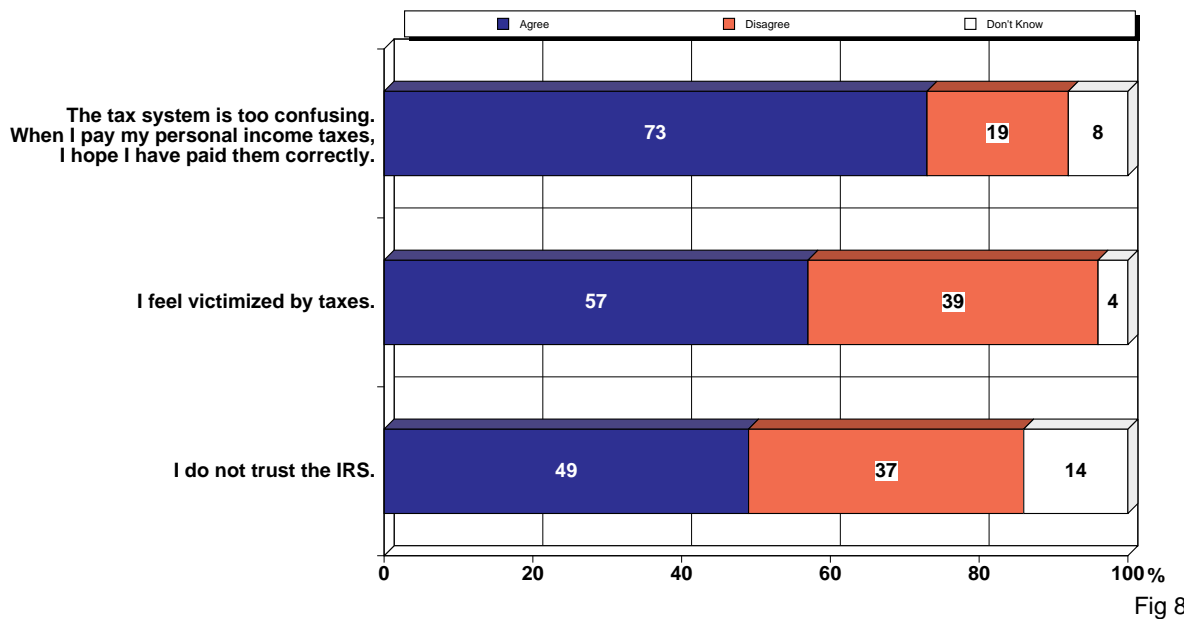
Self-reliance

People do not believe the current system promotes individual responsibility. The government is seen as the crutch people rely on to take care of their problems. Focus group participants expressed their anger over a system they believe promotes dependency on government welfare programs. Freeloading — escaping the payment of one’s fair tax obligation — and welfare dependency was listed by survey respondents as one of the reasons they favored changes to the current tax system.

Justice

There is a high level of paranoia and distrust toward the current tax system. More than half of those surveyed feel victimized by taxes. Half of Americans also do not trust the IRS (See Fig 8). Many others admitted that the entire system causes them to spend waking hours thinking of how they can cheat the tax system.

PEOPLE ARE CONFUSED BY AND DISTRUSTFUL OF THE CURRENT TAX SYSTEM



LESSONS FOR POLICY MAKERS

- Taxes are a symbol — a symbol of what is wrong with government. They represent a lack of control, equality, effectiveness, self-reliance and justice.
- Americans want a new tax system. Eighty-one percent of those surveyed believed the current system needs to be changed. People must feel everyone else is paying their fare share.
- The public may want change, but they are just beginning to explore alternatives. They have not yet weighed the consequences of various alternatives. Debate, not decision, is needed at this point.
- The public lacks a common language to discuss taxes. Our focus groups revealed that people do not have a common means for discussing money. They do not talk about personal financial matters with their friends, neighbors, or even their extended families. Money is low on the list of things that are most important to individuals. When policy makers or public policy experts talk about taxes or the economy, they are speaking at one level of abstraction and not connecting with the majority of Americans.
- The public is not concerned about technical details. They are looking for a tax system that promotes the core values of control, equality, effectiveness, self-reliance and justice.

Methodology--A series of seven focus groups took place in various cities around the nation. A telephone survey of 800 adults nationwide (margin of error of +/- 3.5%) was also conducted from March 15 through March 19, 1996. The sample was proportionate to the country's demographics, including geography, gender, registration and ethnicity.