



HARVARD UNIVERSITY  
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SCHOOL OF GOVERNMENT

## NPR/Kaiser/Kennedy School Poll Americans' Views on Taxes

### Americans feel better about the federal tax system, do not see tax cuts as a priority, but lack knowledge about how the system works

Although President Bush has made cutting taxes the centerpiece of his domestic agenda, a new poll by NPR, the Kaiser Family Foundation, and Harvard's Kennedy School of Government shows that most Americans believe that other things are more important than cutting taxes. For instance, an overwhelming 80% believe it is more important to maintain spending on popular domestic programs like education, health care, and Social Security than it is to cut taxes. And by a 53% to 41% margin, Americans think it's more important to keep down the federal deficit than it is to lower their taxes.\* Moreover, compared with the past few years, more people believe that the federal tax system is fair; a slim majority (51%) now holds that view. And an equally slim majority thinks their taxes are too high, but that number has dropped over the past five years and is at its lowest level since the 1960s. Interestingly, this number has dropped among Democrats, Republicans, and independents alike. **(Chart 1)**

On the specific proposals to speed up and make permanent the 2001 tax cuts, a large proportion of Americans simply have no opinion at all. Six out of 10 say they don't know enough to say whether they should be made permanent, and nearly half (48%) say they don't know enough to say whether they should be speeded up. Among those who do have an opinion, more people support the proposals than oppose them, but support drops nearly in half if they hear that it might lead to a large budget deficit. **(Charts 2 and 3)**

What's more, Americans don't necessarily believe that tax cuts would stimulate the economy. Given four potential tax cuts, a majority of Americans (54%) said only one of them — an across-the-board cut in federal income taxes — would stimulate the economy. Fewer believe a \$300 tax rebate (43%), a dividend tax cut (35%), or a temporary cut in payroll taxes (24%) would be an economic stimulant. Republicans are more likely than Democrats to say that tax cuts will stimulate the economy, yet even Republicans do not overwhelmingly see these tax cuts as stimulative — except the across-the-board income-tax cut, where 70% of Republicans say it would stimulate the economy, as opposed to 44% of Democrats. Fifty percent of Republicans and 38% of Democrats say a \$300 tax rebate would stimulate the economy, 50% of Republicans

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\* Although the NPR/Kaiser/Kennedy School Poll on Taxes was conducted in late February and early March, before the war with Iraq had begun, the findings are in line with other surveys conducted after the start of the war. See the NBC News/*Wall Street Journal* survey released March 31 and the *Los Angeles Times* survey released April 5.

and 25% of Democrats say a cut in taxes on dividends would, and only 27% of Republicans and 19% of Democrats say a temporary payroll-tax cut would. Americans feel this way about tax cuts despite the fact that, as expected, the vast majority believe the economy is not in good shape, and there has been an increase in the number of people saying their own personal finances are not very good. **(Chart 4)**

The survey asked about two specific tax-cut proposals — the elimination of the tax on dividends, and the elimination of the estate tax. On the former, more than six out of 10 people (61%) had never heard of the proposal, and of those who had heard of it, nearly three out of 10 (28%) — or another 11% of the population — didn't know enough about it to have an opinion. That means that 72% of Americans have neither heard of the proposal to do away with the tax on dividends or don't have an opinion about it.

On the estate tax, it was a different story. Although 28% of Americans said they did not know enough about the subject to have an opinion on it, a solid majority (57%) supported eliminating the estate tax; only 15% were opposed. However, looked at another way, support for completely eliminating the tax is not overwhelming. In addition to the 15% of Americans who oppose eliminating the estate tax, another 26% oppose eliminating the tax if it is only on estates worth \$1 million or more; taken together that means that 41% support the current law, which exempts estates worth \$1 million. About a quarter (26%) want to eliminate the tax even on estates worth \$25 million. **(Chart 5)**

Overall, a majority of Americans (52%) believes that there is so much wrong with the federal tax system that Congress should completely overhaul it. But 44% believe that, on the whole, the federal tax system works pretty well and Congress should make only minor changes to make it work better. It is interesting to note that this divide generally tends to hold up across sex, income, education, and other demographics. It also does not seem to be related to how much people know about the tax system. **(Chart 6)** People who say they trust the federal government to do the right thing are more likely to say the tax system needs only minor changes; those who do not trust the federal government to do the right thing are more likely to want to completely overhaul the system.

Despite the large number of Americans who think the tax system is so bad it should be completely overhauled, they do not support two suggestions about how to do it — one on a flat-rate tax (36% favor), and the other on a consumption (sales) tax (24% agree it's a good idea) to replace the current system. In both cases, people who want to completely change the tax system are more likely to favor the proposals than those who only want minor changes in the system (45% to 26% for the flat-rate tax, and 32% to 16% for the consumption tax). However, there are also large percentages of both groups who say they don't know enough to have an opinion about these suggested overhauls — 30% to 40% in all cases.

When it comes to how complex the federal tax system is, 87% of Americans say the federal tax system is complex (50% say it is very complex). The No. 1 reason they chose for the complexity is that “there are so many different kinds of deductions and tax credits, and so many rules about how to take them” (82%). However, people are not quick to support simplification. For one thing, they think the tax system should be used for more than just raising revenues. Asked

whether the tax system should be used to encourage things like financing a home, giving to charities, and buying health insurance, 72% said yes. In addition, although tax deductions make the system complex, Americans think that many tax deductions are fair. Asked about specific deductions, all but one earned a majority saying they were fair: deductions for dependents (76%), charitable contributions (62%), medical expenses (71%), and home mortgage interest (55%). Only tax breaks for investments did not reach 50% approval; 42% said they were fair.

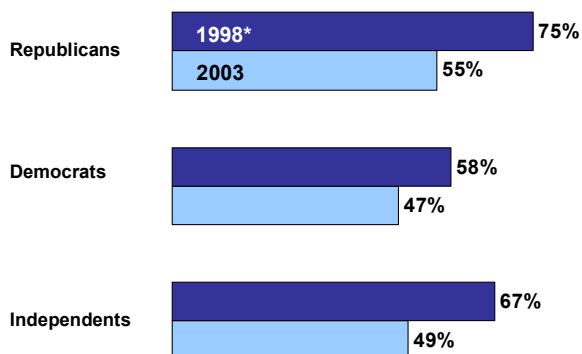
Americans' views about the tax system and what changes should be made are often related to their income. The starkest differences based on income are found in an examination of the responses of people in the top 5% of income (those making \$150,000 per year or more). They are more likely to favor a variety of proposals including eliminating the tax on dividends, speeding up and making permanent the 2001 tax cuts, and changing to a flat rate system than are those at lower incomes. They also are more likely to strongly disagree that it is the responsibility of the government to reduce the gap in incomes between the top and the bottom, or the top and the middle. Furthermore, they are considerably more likely to be knowledgeable about the tax system. **(Chart 7)**

In fact, knowledge — or lack of it — should factor into any analysis of Americans' feelings about taxes. Half of Americans (50%) don't know that in the past two years there has been a cut in federal income taxes. And most don't know much about how the tax system works. While a majority of Americans in the top 5% answered key knowledge questions correctly, only about 20% of the rest of the country did. For instance, a majority of Americans (57%) either think that Social Security tax and Medicare tax are part of the federal income tax system (30%) or don't know whether it is or not (27%); about three-quarters (74%) of those making less than \$20,000 a year are uninformed about that (40% believe these taxes are part of the income tax and 34% say they don't know). Asked about the basic structure of the system, 28% say they don't know whether people with higher incomes pay a higher percentage of their income in income taxes, or whether everyone pays the same percentage, and another 11% believe that everyone pays the same percentage. Perhaps most important of all, few Americans know how progressive the tax system is. More than six out of 10 (63%) think that low-income or middle-income people pay the highest percentage of their income in federal taxes. Only a quarter (25%) know that upper-income people actually pay the highest percentage. This misconception is likely why so many Americans (57%) think that high-income people don't pay their fair share in taxes. [See the Tax Policy Center of the Urban Institute and the Brookings Institution for tables ([www.taxpolicycenter.org/TaxFacts/overview/rate.cfm](http://www.taxpolicycenter.org/TaxFacts/overview/rate.cfm)) showing effective tax rates.]

Chart 1

## Consider Taxes Too High (2003 vs. 1998)

Percent who say the amount of federal income tax they have to pay is too high...



Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

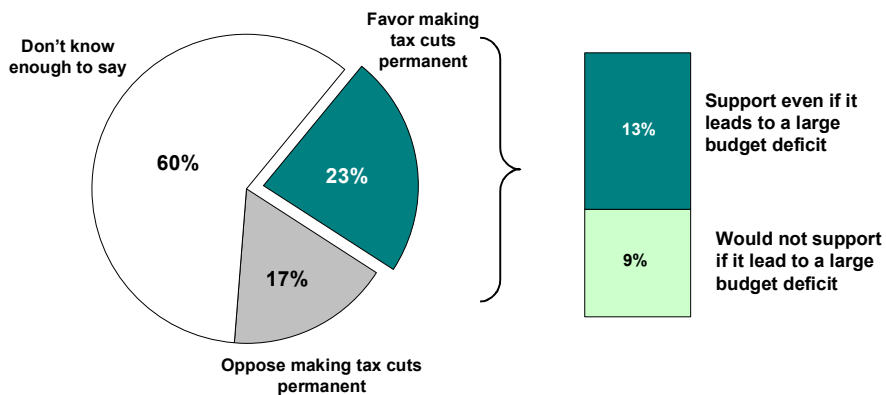
\* Source: Gallup/CNN/USA Today, 1998 (conducted April 17-19)

Chart 2

## Making the 2001 Tax Cuts Permanent

As you may know, the 2001 tax cuts are set to expire in 2011. Do you support or oppose making those tax cuts permanent, or don't you know enough to say?

You said you support making permanent the 2001 tax cuts. Would you support this even if it led to a large budget deficit?\*



\*Note: Don't know responses not shown.

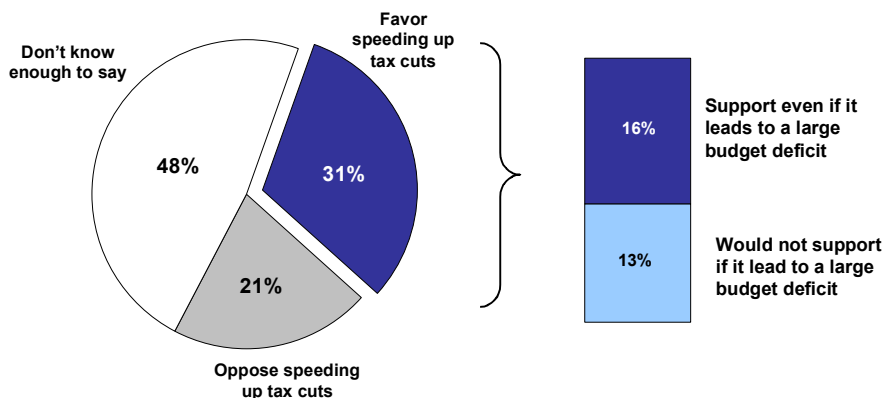
Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

Chart 3

## Speeding Up the 2001 Tax Cuts

As you may know, in 2001 Congress passed President Bush's proposals for tax cuts that are to be phased in over the next few years. Do you favor or oppose speeding up those tax cuts so they go into effect sooner, or don't you know enough to say?

You said you support speeding up the 2001 tax cuts. Would you support this even if it led to a large budget deficit?



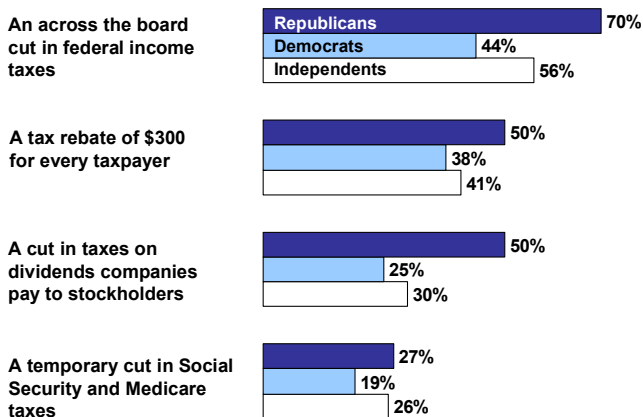
\*Note: Don't know responses not shown.

Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

Chart 4

## Stimulating the Economy

Here are four taxes that could be cut. Please tell me if you think cutting each would stimulate the economy or not. If you don't know enough about any one to say, just say you don't know. Percent who believe this would stimulate the economy...



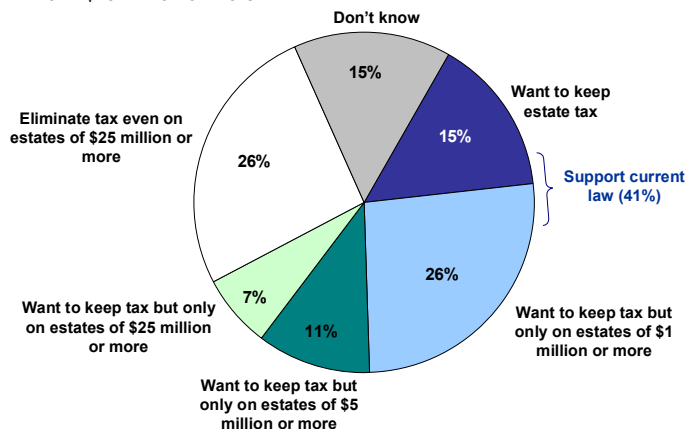
Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

Chart 5

## The Estate Tax

There is a federal estate tax— that is, a tax on the money people leave when they die. Do you favor or oppose eliminating this tax, or don't you know enough to say?

Would you still favor eliminating the federal estate tax if it were collected only on estates worth \$1 million? \$5 million? \$25 million or more?\*



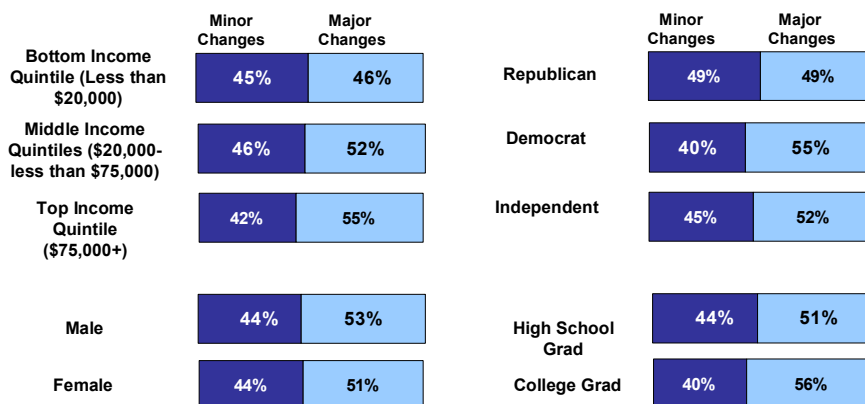
\*Note: See questionnaire for exact question wording.

Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

Chart 6

## Changing the Tax System

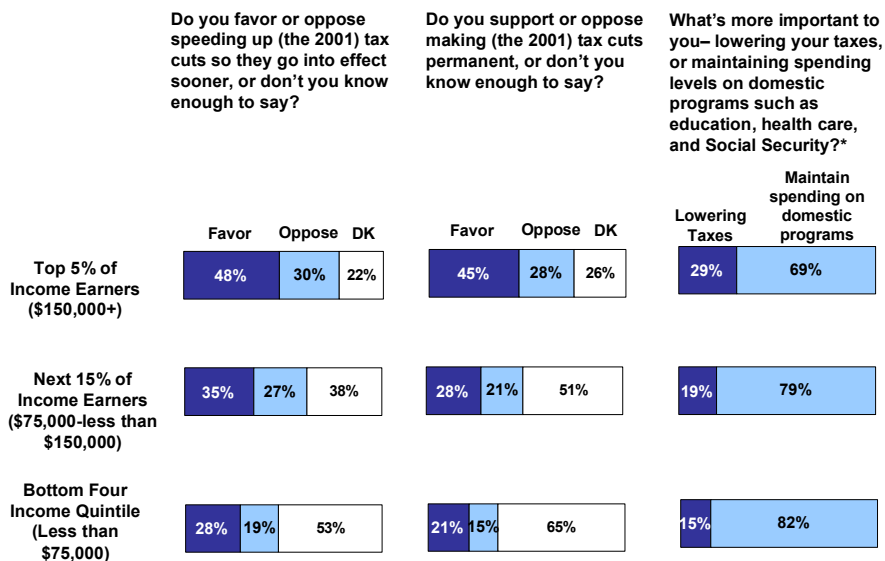
Which of the following statements comes closest to expressing your overall view of the federal tax system in this country? (1) On the whole, the federal tax system works pretty well and Congress should make only minor changes to make it work better. (2) There is so much wrong with the federal tax system that Congress should completely change it.



Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

Chart 7

## Attitudes on Tax Cuts By Income



\*Note: Don't know responses not shown.

Source: NPR/Kaiser Family Foundation/Kennedy School of Government *National Survey of Americans' Views on Taxes*, April 2003 (conducted February – March 2002)

## Methodology

The NPR/Kaiser Family Foundation/Kennedy School National Survey of Americans' Views on Taxes is part of an ongoing project of National Public Radio, the Henry J. Kaiser Family Foundation, and Harvard University's Kennedy School of Government. Representatives of the three sponsors worked together to develop the survey questionnaire and to analyze the results, with NPR maintaining sole editorial control over its broadcasts on the surveys. The project team includes:

**From NPR:** Marcus D. Rosenbaum, Senior Editor/Special Projects; Ellen Guettler, Assistant Editor.

**From the Kaiser Family Foundation:** Drew Altman, President and Chief Executive Officer; Matt James, Senior Vice President of Media and Public Education and Executive Director of kaisernetwork.org; Mollyann Brodie, Vice President, Director of Public Opinion and Media Research; and Rebecca Levin, Research Associate.

**From the Kennedy School:** Robert J. Blendon, a Harvard University professor who holds joint appointments in the School of Public Health and the Kennedy School of Government; Stephen R. Pelletier, Research Coordinator for the Harvard Opinion Research Program; John M. Benson, Managing Director of the Harvard Opinion Research Program; and Elizabeth Mackie, Research Associate.

The results of this project are based on a nationwide telephone survey, which was conducted between February 5 and March 17, 2003, among a random representative sample of 1,339 respondents 18 years of age or older. ICR/International Communications Research conducted the fieldwork for the survey. The margin of sampling error for the survey is plus or minus 3 percentage points for total respondents. For results based on subsets of respondents the margin of error is higher. Note that sampling error is only one of many potential sources of error in this or any other public opinion poll.

*The Kaiser Family Foundation is an independent, national health philanthropy dedicated to providing information and analysis on health issues to policymakers, the media and the general public. It is not associated with Kaiser Permanent or Kaiser Industries.*