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PROGRAM FOR PUBLIC CONSULTATION
SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MARYLAND

# AMERICANS ON THE 2018 FEDERAL BUDGET



## A Survey of Voters Nationwide

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MAY 2017

## INTRODUCTION

In May 2017, the Trump administration will put forward their first proposed budget. This is on the heels of the “budget blueprint” for FY2018 released in March,. The budget blueprint included a large increase for national defense spending of $54 billion and corresponding cuts across several federal agencies. There were also some proposed changes to sources of general revenue.

In anticipation of the upcoming budget, Voice of the People undertook a survey of the national Citizen Cabinet in which voters were given an opportunity to deliberate about and propose their recommended budget; thereby creating an effective dialogue between the American people and the government on what its priorities should be.

A key factor that is entering the current debate about the federal budget is the Budget Control Act, passed by Congress in 2011. In that legislation, Congress established annual spending caps for gradually reducing the deficit, with specific caps for defense and non-defense spending. The Act also specifies that if Congress fails to agree on spending that falls under these caps and does not specify offsets from revenue sources, automatic across-the-board cuts—called ‘sequestration’—would go into effect to force compliance with the caps. As intended, the prospect of such sequestration cuts has created concern across the federal government and in the public, since such cuts would be completely unselective. Thus, a key question is whether the budget that the public proposes falls under these caps.

The survey was conducted by the Program for Public Consultation (PPC) of the School of Public at the University of Maryland. PPC uses an innovative method, called a ‘policymaking simulation,’ for giving the public a meaningful voice on the issues that Congress is facing. Standard polling on budgetary matters tends to be inadequate for eliciting a meaningful response. While polls show that majorities would like to reduce the deficit, when asked in separate questions whether respondents would prefer to see taxes raised they rarely say yes—naturally they would prefer to find a way for that to not occur. Similarly, they express little enthusiasm for spending cuts. The problem is that each of these questions is asked in isolation, rather than having the respondent deal with the budget in a holistic problem-solving mode.

A policymaking simulation takes a different approach that goes beyond isolated reactions. The objective is to put respondents in the shoes of a policymaker by giving them a background briefing, presenting arguments for and against policy options, and then finally making their recommendations in a context that may require that they deal with tradeoffs. Another unique feature is that the content is fully vetted for accuracy and balance with Congressional staffers from both parties, as well as other experts.

## DEVELOPING THE POLICYMAKING SIMULATION

The policymaking simulation was developed by the Program for Public Consultation of the School of Public Policy at the University of Maryland.

**Data source:** The source for all spending items was the Office of Management and Budget's most recent estimate for budget authority for fiscal year 2017. On the revenue side, some proposals have been scored by the Congressional Budget Office; while others were analyzed by the OMB, the Tax Foundation and the Tax Policy Center. Individual tax tables were based on Internal Revenue Service analyses.

**Vetting**: To ensure accuracy and balance, and that the arguments presented were indeed the strongest ones in play in the Congressional discourse, the simulation was reviewed by and modified in response to comments from both Democratic and Republican Congressional staffers for the budget committees of the House of Representatives and the Senate.

## DESIGN OF POLICYMAKING SIMULATION

**Briefing:** Respondents were initially told that they would be dealing with the discretionary budget and general revenues. They were also told about the projected budget deficit and that this amount is projected to be $412 billion for 2017, excluding the amount of the deficit related to Social Security and Medicare.

They were then given more information about the deficit. They were presented a trendline of the amount of the deficit as a percentage of GDP from 1940 to the present, and a trendline showing the amount of debt held by the public as a percentage of GDP going back to 1940.

**Evaluation of Arguments on Federal Spending:** Respondents were then asked to evaluate three pairs of arguments that are often made in regard to government spending and asked how convincing each one was to them. One pair argued for and against the urgency of reducing the deficit. Another pair argued for and against the importance of reducing the size of government. Another pair argued for and against the importance of making public investments.

**Adjusting Discretionary Budget:** Next, respondents were presented the discretionary budget. Respondents were shown 31 line items of the budget, with a brief description of what they include and the amount of spending authorized for FY2017. For several areas that include mandatory spending, this amount was included as well as this is the clearest representation of the amount of public spending going to these priorities. Changes were assumed to be applied to discretionary spending.

Respondents were told that they could specify their recommended spending levels for each line item, either increasing it, decreasing it, or leaving it the same. A bubble containing the amount of the deficit (initially $412 billion) followed them as they scrolled though the line items and went down or up with each change they made.

**Evaluating Arguments re Revenues:** Next, respondents were told that they would deal with general revenues. But first they evaluated pairs of arguments on three issues: whether it is important to reduce taxes; whether taxes should be made more progressive; and whether taxes should be used to discourage certain problematic behaviors such as smoking or pollution.

**Adjusting Revenues**: They then turned to specific revenue sources and were given the opportunity to generate increased revenues, and in some cases, to reduce them. Once again, the bubble with the residual deficit followed them, going down or up in responses to changes made. The first revenue source explored was for personal income taxes. The effective tax rate for different income brackets was presented together with the total amount of revenue generated. Respondents were then given the opportunity to increase or decrease the effective tax rates for each income bracket.

A similar process was applied for corporate taxes, though there was only one effective tax rate presented—19.2%. Respondents could increase or decrease this effective tax rate.

For capital gains and dividends two options were presented, in addition to making no change: a proposal made by the Trump campaign to lower the tax on capital gains, dividends and interest at half the rate of ordinary wages and salary (and no more than 16.5%) and a proposal made by the Obama administration to increase the top tax rate for dividends and capital gains from 23.8 to 28 percent.

Other possible changes to existing taxes were presented including three that were proposed by the Trump campaign-- eliminating the estate tax, taxing carried interest as ordinary income (i.e. eliminating the hedge fund managers' special treatment), and giving special treatment for owners of pass through entities. Increases to the tax on alcoholic drinks were also considered.

Several new sources of revenue were presented as well: charging a fee to big banks that have large amounts of uninsured debt, a tax on financial transactions, a tax on sugary drinks, and a carbon tax.

## FIELDING OF SURVEY

The policymaking simulation was fielded by Nielsen-Scarborough with a probability-based representative sample of registered voters. The sample was provided by Nielsen Scarborough from its larger sample, which is recruited by telephone and mail from a random sample of households. The survey itself was conducted on-line. The survey was fielded March 8th through 16th, 2017

Responses were weighted by age, income, gender, education, and race with benchmarks from the US Census' Current Population Survey of Registered Voters.

## SUMMARY OF FINDINGS

### OVERVIEW

Given an opportunity to modify the FY2017 federal budget, and modify actual and possible sources of revenue, the overall majority made changes that reduced the Federal budget deficit by $211.2 billion by making a net cut of $57 billion in spending and increasing revenue by $154.2 billion. The changes on which majorities of Republicans and Democrats converged yielded $17 billion in spending cuts and $69.2 billion in revenue increases, for a total reduction of $86.2 billion.

### DISCRETIONARY BUDGET

#### Assessment of General Arguments on Federal Spending

Respondents evaluated arguments for and against the ideas that:

- cutting the deficit should be a top priority
- government performs poorly and is overextended into areas best left to the private sector
- we should not scrimp on government investments in future capacities and cannot rely on the private sector for this

Both the arguments for and against each of these arguments was found convincing by substantial majorities overall, though Democrats and Republicans varied.

#### Specific Changes to Discretionary Spending

Presented the discretionary budget broken into 31 line items and given the opportunity to make changes, majorities only increased one line item, but reduced a number of them, creating a net cut of $57 billion. The largest reductions were to national defense, which a majority reduced by $39 billion, including general operations, and operations in Afghanistan and Iraq. Other areas cut by $2-5 billion were the subsidies to agricultural corporations, intelligence, homeland security, the space program, and the State Department.

### GENERAL REVENUE

#### Assessment of Arguments on Taxes

Respondents evaluate arguments for and against the ideas that:

- tax cuts can stimulate economic growth
- the wealthy have not been paying their fair share of taxes
- it makes sense to use taxes to discourage people from doing things that are harmful and create costs for society

Both the arguments for and against each of these arguments was found convincing by substantial majorities overall. While in some cases this was true of both Democrats and Republicans, in other cases they diverged sharply.

## Revenue Changes with Bipartisan Support

***Personal Income Tax Rates***

Respondents were given the opportunity to increase or decrease effective personal income tax rates by specific amounts. The majority increased income tax rates by 5% for incomes over $100,000, generating $48 billion, and further increased tax rates for a total of 10% for incomes over $1 million, generating an additional $15.3 billion in revenue, for a total of $63.3 billion. While a 5% increase for incomes over $200,000 was supported by majorities of Republicans and Democrats, Republicans did not support the 10% increase for incomes over $1 million. Democrats also made a 10% increase on incomes starting over $500,000.

***Fee on Uninsured Debt***

A very large bipartisan majority of three in four approved of a proposal for imposing a fee of seven-tenths of one percent on the uninsured debt of very large financial institutions that have taken on large amounts of such debt, in an effort to discourage them from taking on high levels of risk, as well as to generate revenue. This fee would generate $6 billion in revenue.

***Increase of Tax on Carried Interest***

A very large bipartisan majority—three in four—approved of taxing 'carried interest' compensation to managers of private investment funds, such as hedge funds, as ordinary income. This would generate $2.1 billion in revenue.

***Financial Transactions Tax***

A large majority (62%) recommended a tax of 0.01 percent on trades of stocks, bonds, and derivatives, generating $20 billion in revenue. Nearly six in ten Republicans (57%) supported this proposal along with nearly seven in ten Democrats.

***Alcohol Tax***

A large bipartisan majority, including seven in ten Democrats and nearly six in ten Republicans, recommended an increase in the alcohol tax to at least 25 cents per ounce of alcohol for all drinks, generating $7 billion in revenue.

## Revenue Changes Recommended by Overall Majority and Majority of One Party

***Capital Gains and Dividends***

Two in three respondents nationwide (63%) approved of the proposal to raise the top tax rate on capital gains and dividends from 23.8 to 28 percent. Half of Republicans concurred. This would generate $22 billion in revenue. The Trump proposal to lower the tax on capital gains, dividends, and interest to half the rate of ordinary wages and salaries with a maximum of 16.5% was endorsed by just small minorities overall and in both parties.

***Corporate Income Tax***

Respondents were given the opportunity to increase or decrease corporate income tax rates by specific amounts. A modest majority overall recommended a 5% increase in corporate taxes, generating $17 billion in revenue, as did nearly two in three Democrats. Only four in ten Republicans supported any increase in corporate taxes.

***Tax on Sugary Drinks***
A majority overall (and of Democrats) recommended a tax of half a cent per ounce on sugary drinks, generating $9 billion in revenue. Just under half of Republicans supported this proposal.

***Estate Tax***
A slight majority overall approved of raising the estate tax from 40 to 45% generating $7.8 billion in revenue. Two thirds of Democrats concurred. Less than four in ten favored such a step, but only one in three favored eliminating the estate tax as President Trump has called for.

***Carbon Tax***
Respondents evaluated a new carbon tax based on a proposal offered by the Climate Leadership Council led by James Baker, secretary of the treasury and state in the George H.W. Bush administration. This proposal would impose a carbon tax of $40 per ton but return the revenues to taxpayers. Respondents were also offered the option of having a portion of the revenues retained by the government. An overall majority of more than six in ten favored having such a carbon tax, but less than half favored options by which the government would retain some of the revenue. Among Democrats eight in ten favored such a carbon tax and six in ten favored options by which the government would retain at least $50 billion of revenue. Among Republicans only four in ten favored the carbon tax and with even fewer favoring options for retaining revenue.

## Revenue Proposal Rejected Overall and by Both Parties

***Taxes for Pass Through Entities***
Respondents were presented the idea, proposed by the Trump campaign, of giving owners of pass-through business entities the option of paying a special maximum rate of 15%, which would be significantly less than what most pay now, as ordinary income taxes, which would reduce revenues by $74.5 billion. Only one third of respondents recommended this idea, including less than four in ten Republicans. Two thirds rejected it.

## FINDINGS

## OVERVIEW

**Given an opportunity to modify the FY2017 federal budget, and adopt possible revenue increases, majorities made changes that reduced the deficit by $211.2 billion by cutting $57 billion in spending and increasing revenue by $154.2 billion. The changes on which Republicans and Democrats converged yielded $17 billion in spending cuts and $69.2 billion in revenue increases, for a total of $86.2 billion in deficit reduction.**

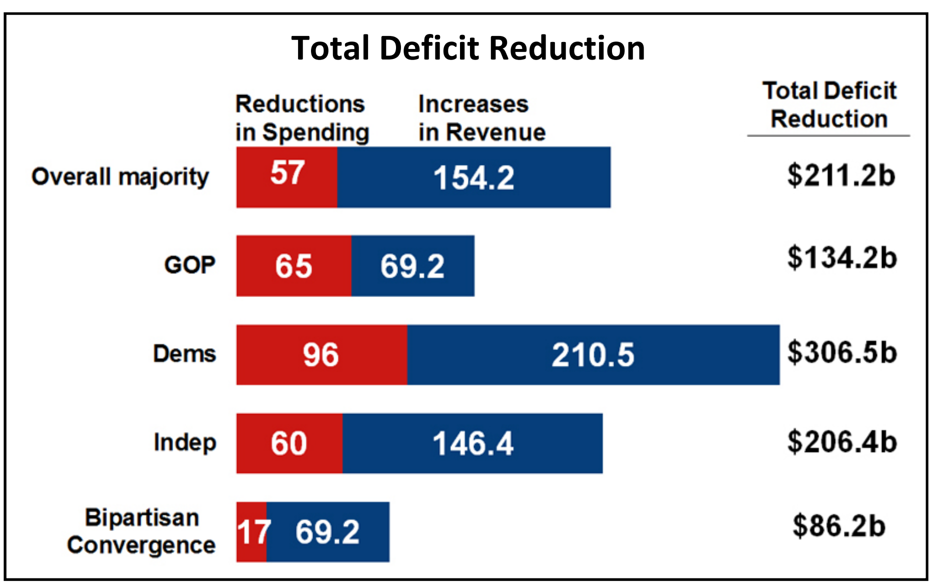
As they went through the simulation, majorities made changes that reduced the deficit by $211.2 billion by cutting $57 billion in spending and increasing revenues $154.2 billion. There were substantial variations by party:

- Republicans reduced the deficit by $134.2 billion by cutting $65 billion in spending and increasing revenues $69.2 billion.
- Democrats reduced the deficit the most – by $306.5 billion. They had the highest level of net spending cuts ($96 billion), plus the greatest increases to revenues of $210.5 billion.
- Independents reduced the deficit by $206.4 billion by making a net cut of $60 billion in spending plus increases to revenues of $146.4 billion.

### Bipartisan Convergence

While Republicans and Democrats differed significantly in many areas, majorities did converge on steps that would reduce the deficit by $86.2 billion.

Majorities in both parties converged on $17 billion in reduced spending. The most prominent convergences were $5 billion cuts to national defense and subsidies for agricultural corporations. They also converged on cuts to the intelligence agencies ($4 billion) as well as $1 billion cuts to each of the following categories: federal enforcement of federal laws, military aid, and the Economic Support Fund.




Convergences between Republicans and Democrats were more significant on the revenue side than on the spending side. On the revenue side, majorities of Republicans and Democrats overlapped on changes producing $69.2 billion in new revenues.

For personal income taxes, the parties converged on 5 percent increases in the effective rates for incomes above $200,000, raising $34.1 billion. Large majorities in both parties approved of a proposal to impose a fee of seven-tenths of one percent on the uninsured debt of very large financial institutions that have taken on large amounts of such debt; this raised $6 billion. Similarly, large majorities approved of taxing 'carried interest' as ordinary income ($2.1 billion). Setting the alcohol tax at 25 cents an ounce was supported by more than half of Republicans and almost two in three Democrats. This would generate an additional $7 billion in revenue. In addition, a proposal to charge transaction fees on stock exchange deals was approved of by nearly six in ten Republicans and seven in ten Democrats. This would raise $20 billion.

# DISCRETIONARY BUDGET

## Assessment of General Arguments on Federal Spending

**Respondents evaluated arguments for and against the ideas that:**

- **cutting the deficit should be a top priority**
- **government performs poorly and is overextended into areas best left to the private sector**
- **we should not scrimp on government investments in future capacities and cannot rely on the private sector for this**

**Both the arguments for and against each of these arguments was found convincing by substantial majorities overall, though Democrats and Republicans varied.**

Before beginning to work with the numbers in the budget and revenue proposals, respondents were presented a background briefing on some of the issues surrounding the Federal budget and asked to assess competing arguments on the issues that are prevalent in the political discourse on the budget. These issues centered on several key questions:

- How high a priority it should be to reduce the deficit
- The size of the federal government and how active it should be
- How important is it for the government to spend money on public investments

## The Importance of Reducing the Budget Deficit

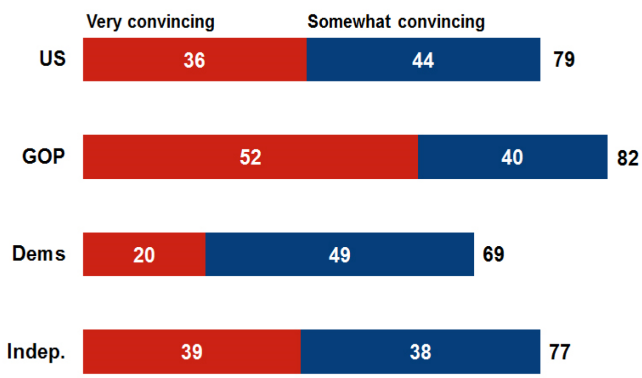
To introduce the issue of the budget deficit respondents were presented two graphs putting the deficit into historical perspective:

- Deficits as a percentage of Gross Domestic Product (GDP), 1940-2015
- Debt held by the public as a percentage of GDP, 1940-2015

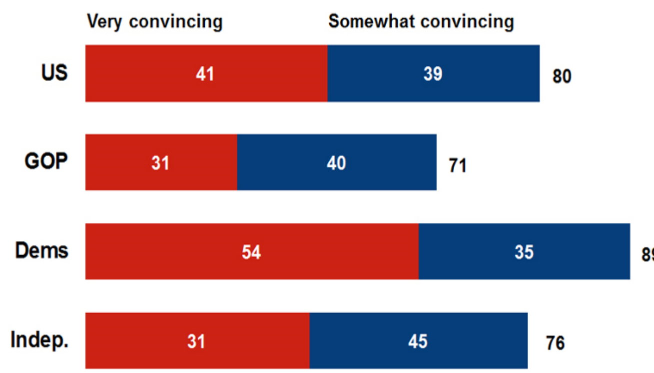
Thus, they saw in the first graph that the deficit as a percentage of GDP has been falling since 2009 – but the second graph showed that the national debt, as a percentage of GDP, has continued to rise.

## Arguments on Making Deficit Reduction a Top Priority

We have been running huge deficits for years now, putting the national debt on a path to unsustainable heights. The government cannot continue to spend beyond its means indefinitely. The debt held by the public is $13 trillion—three quarters of the size of the entire U.S. economy, and the Congressional Budget Office projects it will grow over the next decade. This debt is dragging down our economy. Uncertainty over taxes, inflation, and interest rates is hurting investment and this hurts job creation. Further, once interest rates rise, just servicing this debt will swamp the budget, crowding out all other needs. We need to make reducing the deficit our first priority.




It is important to reduce the deficit, but the deficit, as indicated here, has already come down by more than half since 2009, and the reason is that more people are working and paying taxes. The most important thing right now is making sure that the economic recovery continues and that unemployment continues to go down. There are still many needs to be met and crucial investments to be made for our future that will create jobs. Cutting spending too sharply will throw people out of work and reduce tax revenues. Our first priority should be putting more people back to work.




Respondents then assessed an argument declaring that reducing the deficit should be a top priority (see box). Nearly four in five (79%) found it convincing. Virtually all Republicans (92%) thought so, but the argument also got a good reception among Democrats (69% convincing). The counter-argument called the deficit important, but said it should be secondary to the goal of sustaining the economic recovery (see box). Four out of five respondents found this argument convincing. A slightly lower number of Republicans found this convincing (71%), while nine in ten Democrats found it convincing (89%, 54% very).

## The Role of Government

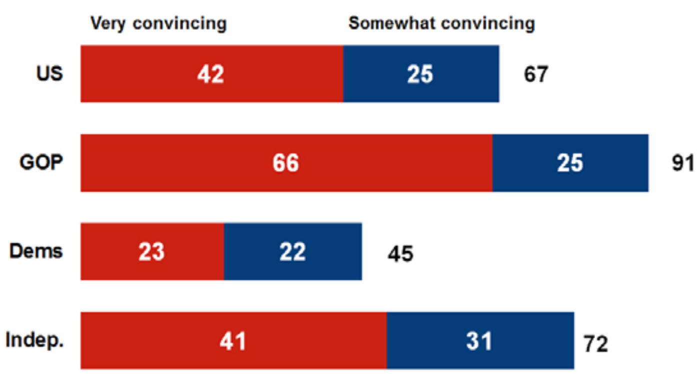
In the briefing respondents were first presented a graph showing how federal spending as a percentage of GDP has changed from 1940 to 2015. They were told that "based on the 2017 federal budget, the entire federal government would represent 21% of the economy."

They then assessed an argument in favor of smaller government (see box). This was found convincing by two thirds (67%) overall. An overwhelming 91% of Republicans found it convincing (66% very), as did slightly less than half of Democrats (45%).

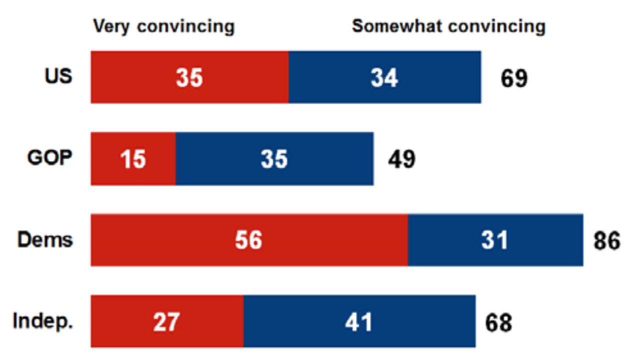
The counter-argument stressed that the federal government has been a larger share of the US economy in the past than it is now, and reminded respondents of the various services it provides. It did slightly better than the prior argument, with nearly seven in ten (69%) finding it convincing. A majority of Republicans found it unconvincing (51%), while almost nine in ten Democrats (86%) found it convincing.

### Arguments on Government's Role

Too often, people think government is the solution, when it really is the problem. The federal government is susceptible to waste, fraud, and abuse. We've all seen how government can fail, whether by spending too much money or imposing heavy-handed regulations. Too often it gets involved in things that are best left to the private sector.




We shouldn't just cut government for its own sake. As a share of the economy, these days the federal government is at about the average for the last four decades and a bit smaller than it was under Ronald Reagan. More importantly, the government does many necessary things and we cannot just assume that the private sector will take care of them. People in government work to make sure that our food, air, and water are safe; that we have national parks; that we will be secure when we retire; that our airplanes are safe; and that we are protected from threats from abroad.



## Public Investment

The last broad issue before respondents tackled the spending numbers concerned putting government money into public investments, "such as scientific and medical research, development of new sources of energy, development and maintenance of transportation infrastructure, and educating the population which provides the workforce."

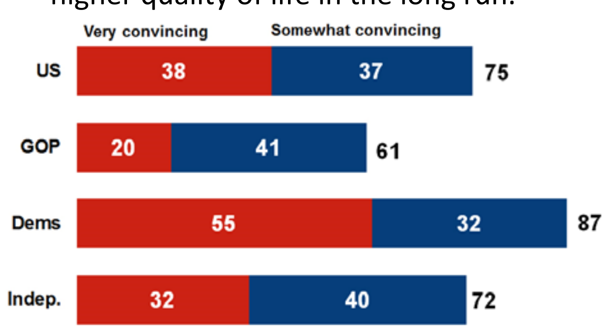
The pro argument held that "investing in the future…can bring big returns later on" and that corporations are necessarily profit-driven and cannot be counted on to deliver public goods. A very large majority of 75% found this convincing, as did 87% of Democrats.

A striking finding is that 61% of Republicans also found this argument convincing—up nine points from the year before--perhaps from the effect of Trump's promoting the idea of infrastructure investments leading to the creation of jobs.

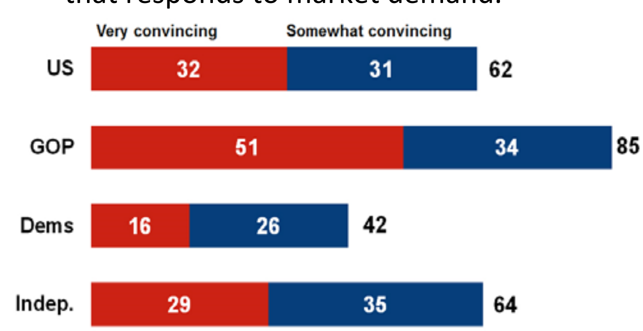
The counter-argument declared that the private sector is better than government at investing in the future, and that government attempts deflect capital from innovation in the private sector. This elicited a majority response but relatively lower at 62%--down from 68% from the previous year. Eighty five percent of Republicans found it convincing, but only 42% of Democrats concurred (down six points from the previous year).

### Arguments on Public Investment

When making up a budget, we should be sure to not scrimp on investing in the future, which can bring big returns later on. Investments in scientific discoveries, medical breakthroughs, and new sources of energy, upgrading the work force, and improving our transportation infrastructure are key for America to be prosperous, and to compete with rising nations in the decades to come. We cannot count on corporations seeking short-term profits to provide these public goods. Furthermore, such investments create good jobs in the short run, as well as a higher quality of life in the long run.




Investment in the future is important, but the private sector is much better at it than government. The government is inefficient and wasteful. And when government officials "invest" taxpayers' money they think more about what is good for their short-term political interests than the long-term interests of the country. Thus, there is no coherent and stable plan. Furthermore, when the government spends money on its pet projects, this pulls capital away from the private sector; those resources would be better left free for the natural innovation that responds to market demand.



## Specific Changes to Discretionary Spending

**Presented the discretionary budget broken into 31 line items and given the opportunity to make changes, majorities only increased one line item, but reduced a number of them, creating a net cut of $57 billion. The largest reductions were to national defense, which a majority reduced by $39 billion, including general operations, and operations in Afghanistan and Iraq. Other areas cut by $2-5 billion were the subsidies to agricultural corporations, intelligence, homeland security, the space program, and the State Department.**

Respondents were presented the discretionary budget broken into 31 line items, each with a brief description of the program. The order of the presentation of the line items was varied to counter any potential order effect. Next to each line item was a box for the panelist to enter the amount that they would recommend. The amount of the budget deficit—$412 billion—was presented in a bubble that followed them as they moved down the list. Any variation from the FY 2017 budget resulted in an immediate change in the projected deficit in the bubble.

In the full sample, out of the $1,364 billion of spending shown respondents as the proposed discretionary budget, majorities cut $57 billion—a trim of 4.2 percent. Of the 31 spending categories, majorities left 18 unchanged, while reducing 12 of them. Only spending on energy alternatives and efficiency received an increase--$2 billion.

Of the $57 billion that was cut, three quarters ($39 billion) came from national defense, with $26 billion cut from base general operations and $13 billion from operations in Afghanistan and Iraq. In addition, $4 billion was cut from the intelligence agencies. Nuclear weapons spending was not reduced.

The remaining reductions were spread widely, led by a cut to subsidies for agricultural corporations —$5 billion (a 33% cut). Homeland security, the State Department and the space program (NASA) received $2 billion cuts each. Slight cuts of $1 billion were applied to Federal enforcement of federal laws, military aid, the Economic Support Fund for strategic countries, development assistance, and global health.

## Variations by Party

Majorities of Republicans cut $65 billion and majorities of Democrats cut $96 billion. Democrats made their largest cuts to national defense, while Republicans made a larger number of small cuts (none more than $5 billion), with the largest cuts to national defense, K-12 education, land management, agricultural subsidies, and medical research.

While Republicans and Democrats differed significantly in many areas, majorities converged on $17 billion in reductions. The most prominent convergences were $5 billion cuts each to national defense and subsidies for agricultural corporations. They converged on cuts to the intelligence agencies ($4 billion) as well as $1 billion to federal enforcement of federal laws, military aid, and the Economic Support Fund.

***Republicans' Changes to Discretionary Spending***

Among Republicans, majorities cut $65 billion.  No category received an increase, and all but 10 of the 31 categories were reduced to some degree.

Unlike the full sample, only $5 billion of Republicans' cuts came from national defense, which came from cuts to the operations in Afghanistan and Iraq, while leaving the base general operations budget and nuclear weapons unchanged.  Republicans cut the intelligence agencies by $4 billion,

In addition, Republican majorities made some of their largest reductions ($5 billion each) to subsidies for agricultural corporations, K-12 education, medical research and land management.

Both science categories (science in general and the space program) were cut by $4 billion each as was higher education.

Republican majorities also cut the international affairs budget, especially development assistance ($4 billion) and global health ($4 billion).   The State Department, the UN and UN peacekeeping as well as aid to strategic countries were cut by $2 billion each.  Military aid was cut $1 billion.

Republicans cut housing for elderly and low-income by $3 billion, job training by $2 billion and $1 billion to federal enforcement of federal laws, pollution control, mass transit, and air travel and railways.

***Democrats' Changes to Discretionary Spending***

Democratic majorities made $105 billion in cuts, but unlike the Republicans, they also made some spending increases totaling $9 billion.  Thus, their net reduction in discretionary spending was $96 billion. Democrats made cuts totaling $91 billion to national defense--$76 billion from general operations, and $15 billion from operations in Afghanistan and Iraq, though nuclear weapons were not changed.  In addition, $4 billion was cut from intelligence agencies.

Democrats also cut subsidies to agricultural corporations ($5 billion), and federal enforcement of federal laws ($1 billion). In the international affairs budget, Democrats, like the rest of the sample, made cuts to military aid ($1 billion) and aid to strategic countries ($1 billion).  However, they preserved the current level of funding for the State Department, development assistance, global health and the UN.

The biggest increase was for alternative energy and efficiency, up $3 billion. Democrats also increased special education by $2 billion and by $1 billion each: higher education, science, mass transit and pollution control.

## Budget *A*reas Modified by Majorities

| ***Changes by national majority and majority of both parties*** | ***Budgeted Amount (billions)*** | ***Natl*** | ***GOP*** | ***Dems*** | ***Ind.*** |
|---|---|---|---|---|---|
| ***Reduced by both parties*** | | | | | |
| *Subsidies to agricultural corporations* | *15* | *-5* | *-5* | *-5* | *-5* |
| *Defense: operations in Afghanistan and Iraq* | *65* | *-13* | *-5* | *-15* | *-15* |
| *Intelligence agencies* | *54* | *-4* | *-4* | *-4* | *-4* |
| *Military aid* | *6* | *-1* | *-1* | *-1* | *-1* |
| *ESF: aid to countries of strategic interest* | *6* | *-1* | *-2* | *-1* | *-1* |
| *Federal enforcement of federal laws* | *31* | *-1* | *-1* | *-1* | *-1* |
| ***Total:*** | | ***-25*** | ***-18*** | ***-27*** | ***-27*** |

| ***Changes supported by national majority and majority of one party*** | | | | | |
|---|---|---|---|---|---|
| *Defense: general operations* | *526* | *-26* | *0* | *-76* | *-26* |
| *Homeland security* | *47* | *-2* | *0* | *-2* | *-2* |
| *State Department* | *12* | *-2* | *-2* | *0* | *-2* |
| *Development assistance* | *11* | *-1* | *-4* | *0* | *-1* |
| *Global health: medical aid* | *9* | *-1* | *-4* | *0* | *0* |
| *Space program* | *19* | *-2* | *-4* | *0* | *-1* |
| *Energy: alternatives, efficiency* | *2* | *+2* | *0* | *+3* | *+2* |
| ***Total:*** | | ***-32*** | ***-14*** | ***-75*** | ***-30*** |

| ***Additional changes with no national majority, but supported by majority of one party*** | | | | | |
|---|---|---|---|---|---|
| *Education: K-12* | *35* | *0* | *-5* | *0* | *0* |
| *Higher education* | *32* | *0* | *-4* | *+1* | *-2* |
| *Special education* | *13* | *0* | *0* | *+2* | *0* |
| *Environment: pollution control* | *9* | *0* | *-1* | *+1* | *+1* |
| *Environment: land management* | *20* | *0* | *-5* | *0* | *0* |
| *Medical Research* | *35* | *0* | *-5* | *0* | *-2* |
| *Housing for elderly and low-income* | *48* | *0* | *-3* | *0* | *0* |
| *Job training* | *20* | *0* | *-2* | *0* | *0* |
| *Science* | *14* | *0* | *-4* | *+1* | *0* |
| *Transportation: air travel and railways* | *27* | *0* | *-1* | *0* | *0* |
| *Transportation: mass transit* | *19* | *0* | *-1* | *+1* | *0* |
| *UN and UN peacekeeping* | *4* | *0* | *-2* | *0* | *0* |
| ***Total:*** | | ***0*** | ***-33*** | ***+6*** | ***-3*** |
| **Grand Total:** | | **-57** | **-65** | **-96** | **-60** |

*Discretionary spending areas that were not modified by a majority are: Transportation: highways; Federal prison system; Subsidies to small farmers; Veteran's benefits; Humanitarian assistance and Defense: nuclear weapons.*

# GENERAL REVENUE

## Assessment of Arguments on Taxes

**Respondents evaluate arguments for and against the ideas that:**

- **tax cuts can stimulate economic growth**
- **the wealthy have not been paying their fair share of taxes**
- **it makes sense to use taxes to discourage people from doing things that are harmful and create costs for society**

**Both the arguments for and against each of these arguments was found convincing by substantial majorities overall. While in some cases this was true of both Democrats and Republicans, in other cases they diverged sharply.**

Before beginning to assess options for changes to general revenues, respondents assessed broad arguments on the proper role of taxes. They rated a pair of arguments each on:

- Whether it is important to reduce taxes
- What the income tax rate should be for people with very high incomes
- Whether taxes should be used to discourage certain things that create costs for society (tobacco, alcohol, pollutants)

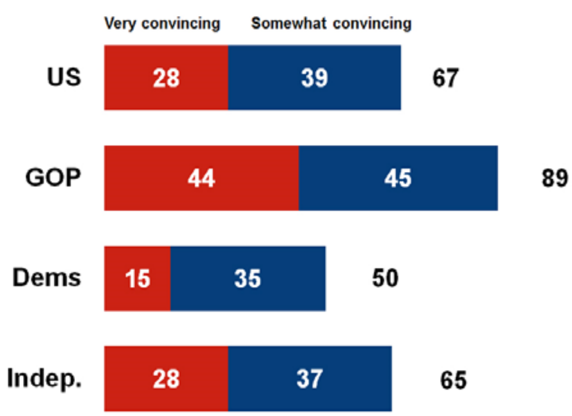
## Value of Tax Reduction

Respondents first assessed an argument in favor of tax cuts saying that they stimulate economic growth, mentioning times in the 1960s and 1990s when tax reductions were followed by economic expansion (see box). About two thirds (67%) found this argument convincing (28% very), as did 89% of Republicans. Democrats were divided (50% convincing, 49% unconvincing).

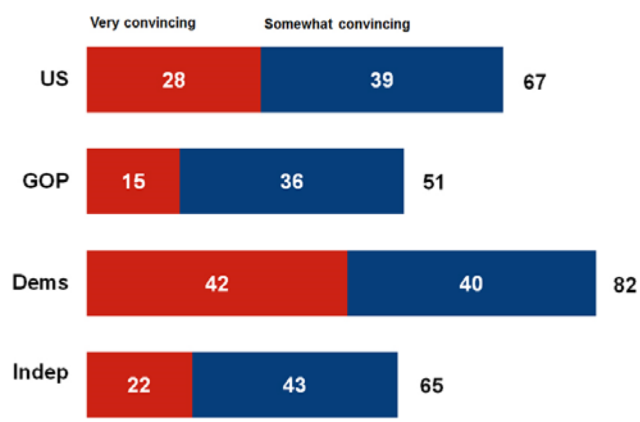
Respondents then read a counter-argument that declared "we still have a major deficit," and pointed to other times in past decades when taxes were higher while this was accompanied by economic growth. This argument against tax reductions did as well as the pro argument 67% found it convincing. In partisan terms, the response was a mirror image—an overwhelming majority of 82% Democrats and a slight majority of Republicans (51%) found it convincing.

## Arguments on the Value of Reducing Taxes

For the economy to grow, it is important to reduce tax rates. There have been numerous cases when taxes were cut and the economy grew: under Kennedy in the 1960s, or when capital gains went down in 1997. All across the country businesses are being held back by high taxes from growing and creating more jobs. This makes investors hesitate from investing, because they are not confident they will get a good return. All this dampens the economy. Lower tax rates will energize the economy and free up the natural vitality of our system.




We still have a major deficit—it would be unwise and shortsighted to cut taxes, as this would add to the debt. It is a myth that lower taxes necessarily help the economy. In the 1950s and '60s taxes were far higher--yet the economy boomed and was better than at any time since. After 2001, when taxes were cut, the economy did not perform as well as in the 1990s when they were higher. What is most important is that we have a realistic and balanced approach that considers what we really need from government and what taxes are needed to pay for it.



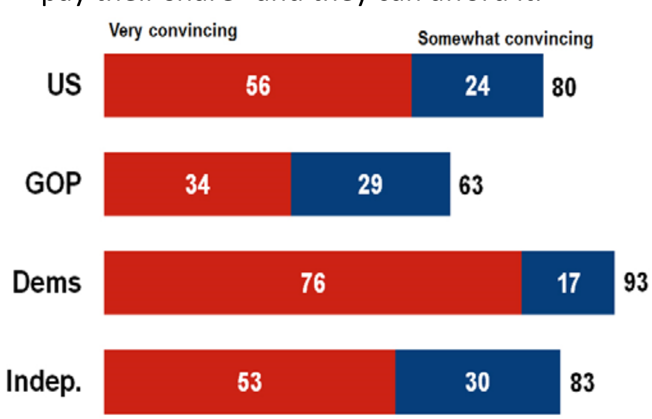
## Increasing Taxes on High Incomes

The pro argument respondents assessed proposed higher income taxes for the top levels, saying this is justified by increased inequality (see box). This argument did very well, with 80% finding it convincing and a 56% majority very convincing. Democrats were almost unanimous on it (93% convincing), but a clear majority of Republicans also found it convincing (63%).

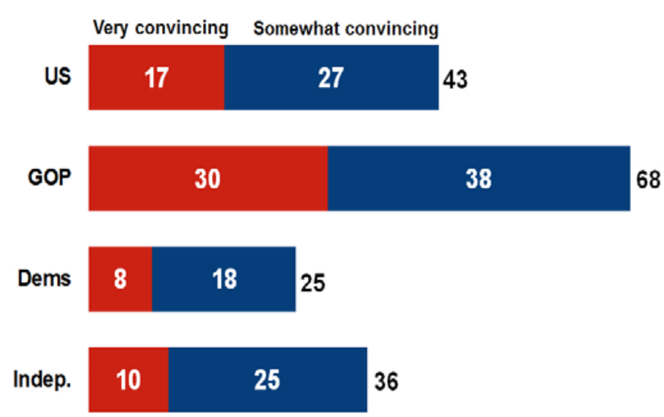
The rebuttal pointed out that higher-income people got a new tax increase just recently, and went on to make the case that such people can create jobs and should not be discouraged from doing so at a time when recovery from the recession is still ongoing. This argument was not very successful; under half found it convincing (43% convincing, 56% unconvincing). However, it was convincing to 68% of Republicans, (25% of Democrats).

### Arguments on Increasing Taxes on High Incomes

Over the last several decades, the wealth of most Americans has barely grown at all, even though Americans workers have become far more productive. Meanwhile, the wealth of the people in the top brackets has grown by leaps and bounds, so that the top 1% now has more wealth than the entire bottom 80%. A key reason is that taxes on upper incomes have been cut and are far lower than they were just decades ago, as well as being lower than they are in most developed democracies. It's great that the wealthy have succeeded, but it is only fair that they pay their share--and they can afford it.




The people at the top already pay a lot. In reality, the one in ten who are best off are paying two-thirds of the amount the federal government collects in income tax--and the top tax rate already went up in 2013. Furthermore, people with high incomes play an important role in the economy. Because they are the ones that have amassed capital, they can take the risk to create new businesses that hire people. With the economy still recovering, this is no time to pursue more 'soak the rich' policies. We want to encourage them to invest and create



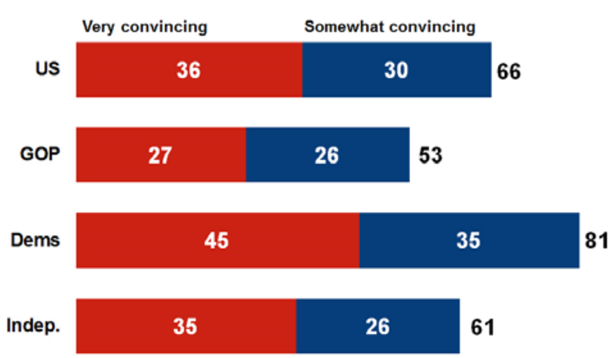
## Using Taxes as Disincentives

The last pair of arguments began with one praising taxes used as disincentives for activities that create costs to society, such as taxes on cigarettes (see box). This was found convincing by two thirds (66%, 36% very), including a modest majority of Republicans (53%).

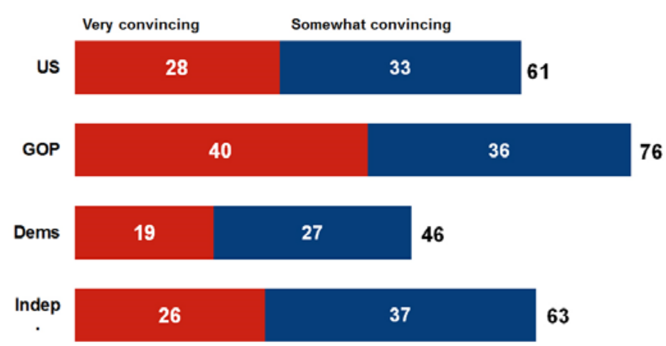
The con argument that followed invoked the "nanny state" as something to be avoided, and argued that these kinds of taxes fall disproportionately on people with low or modest incomes. This argument did a bit less well, with 61% finding it convincing (28% very). Among Republicans, it was very well received (76% convincing, 40% very), while a slight majority (53%) of Democrats found it unconvincing (46% convincing).

### Arguments on Using Taxes as Disincentives

Let's face it: taxes are no fun. So, it makes sense to use taxes to discourage things that can be harmful and create costs for society that taxpayers end up paying for. Tobacco should be taxed to discourage smoking and reduce related healthcare costs. Alcohol should be taxed to discourage excessive drinking and reduce drunk driving accidents. Pollution should be taxed to discourage things that hurt the environment and public health, and to encourage alternatives. Every dollar raised this way is a dollar that doesn't have to be taken out of working people's paychecks.




Government should not be in the business of trying to regulate people's behavior through taxes. That leads to a nanny state, imposing its ideas about personal virtue on individuals, and poking into our private affairs. It also can mean imposing more taxes on people with modest incomes: for example, making someone who has a long commute pay more to get to work. Also, this kind of thing makes the tax code much more complex and favors some industries over others. We should use the tax code to raise revenues in the most efficient, pro-growth way.



## Revenue Changes with Bipartisan Support

***Personal Income Tax Rates***

Respondents were given the opportunity to increase or decrease effective personal income tax rates by specific amounts. The majority increased income tax rates by 5% for incomes over $100,000, generating $48 billion, and further increased tax rates for a total of 10% for incomes over $1 million, generating an additional $15.3 billion in revenue, for a total of $63.3 billion. While the 5% increase for incomes over $200,000 was supported by majorities of Republicans and Democrats, Republicans did not support the 10% increase for incomes over $1 million. Democrats also made a 10% increase on incomes starting over $500,000.

When respondents were presented options for changing revenues the ones that elicited the highest revenue among those with bipartisan support were increases to income taxes with those in higher income brackets.

Respondents were given detailed instructions. It was explained that they were dealing with effective rates, not top marginal rates; that incomes below $30,000, which pay very little income tax, were not part of this picture; and that (as they had already heard via an argument) higher incomes just got a rate increase in 2013. The instructions read:

> *The next pages show the average effective income tax rates for people with different levels of income. These are lower than a person's marginal tax bracket, which you may have heard about. The effective tax rate shown is the percentage of their adjusted gross income that people actually pay, after exemptions, credits and deductions. This only deals with income tax, not payroll taxes for Social Security and Medicare. The lowest income level shown is $30,000. While those with less income pay payroll taxes, they typically pay little or no income tax.*

They were then given the opportunity to increase or decrease the rates of eight different income brackets by increments of five percent up to 20 percent. The effect this would have on the effective tax rate and the amount of revenue generated was specified at each level. Naturally, decreases in the tax rates resulted in increases in the budget deficit presented in the bubble that moved with them through the exercise, just as increases in the tax rates resulted in decreases to the deficit.

There was no overall majority support for increasing or decreasing tax rates for incomes under $100,000. However, all income groups above $100,000 were raised by at least five percent:

- 51% for incomes between $100,000 and $200,000
- 64% for incomes between $200,000 and $500,000
- 68% for incomes between $500,000 and $1 million
- 70% for incomes above $1 million

This increase of five percent on all incomes above $100,000 raised $48 billion in revenues.

Fifty-two percent of respondents went further and took the increase on incomes over $1 million up 10 percent. This generated an additional $15.3 billion in revenue, for a total of $63.3 billion.

Majorities of Republicans differed from the full sample by not increasing tax rates for incomes between $100,000 and $200, 000 and extending an increase to 10 percent for incomes above $1 million. Thus, Republicans raised $34.1 billion.

Democrats were the same as the general population except that they started increasing taxes by 10% on incomes above $500,000, generating an additional $6.3 billion, for a total of $69.6 billion.

***Fee on Uninsured Debt***

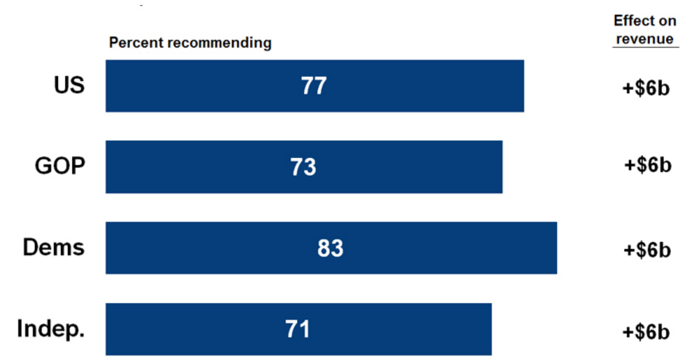
**A very large bipartisan majority of three in four approved of a proposal in the budget for imposing a fee of seven-tenths of one percent on the uninsured debt of very large financial institutions that have taken on large amounts of such debt, in an effort to discourage them from taking on high levels of risk, as well as to generate revenue. This fee would generate $6 billion in revenue.**

Respondents read that:

> *Another proposal imposes a fee on very large financial institutions (such as banks) that have taken on large amounts of uninsured debt, in an effort to discourage them from taking on high levels of risk, as well as to generate revenue. Institutions with assets over $50 billion (these are roughly the 100 largest firms) would pay a fee of seven-tenths of a percent on their uninsured debt.*

**Fee on Bank's Uninsured Debt**

Financial institutions with assets over $50 billion (these are roughly the 100 largest firms) would pay a fee of seven-tenths of a percent on their uninsured debt.




A robust bipartisan majority of 77% endorsed this plan, which generated $6 billion in revenue. Nearly three out of four (73%) Republicans were supportive of this fee—one of the highest levels of support for a revenue increase among Republicans and up six points from the previous year. Almost nine in ten Democrats agreed (83%).

***Increase of Tax on Carried Interest***

**A very large bipartisan majority—three in four—approved of taxing 'carried interest' compensation to managers of private investment funds, such as hedge funds, as ordinary income. This would generate $2.1 billion in revenue.**

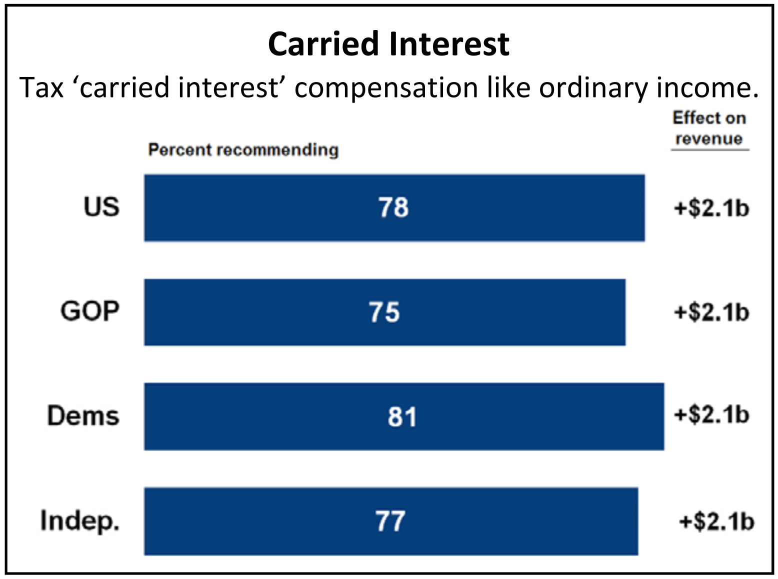
Respondents first learned how fund managers are currently paid and taxed:

> *Managers of private investment funds, such as hedge funds, are paid in part by giving them a percentage of the profits of the firm even though they have not invested money that is at risk. Currently this income is taxed at the same level as dividends or capital gains — that is, with a top*

*rate of 23.8%, which for high income managers is substantially less than it would be if it were taxed like ordinary income.*

And then were presented the proposal to:

> *…tax this "carried interest" compensation like ordinary income, such as wages. This would raise extra revenue of $2.1 billion and reduce the deficit accordingly.*




Taxing 'carried interest' as ordinary income was recommended by three in four (78%), with only 20% opposed.

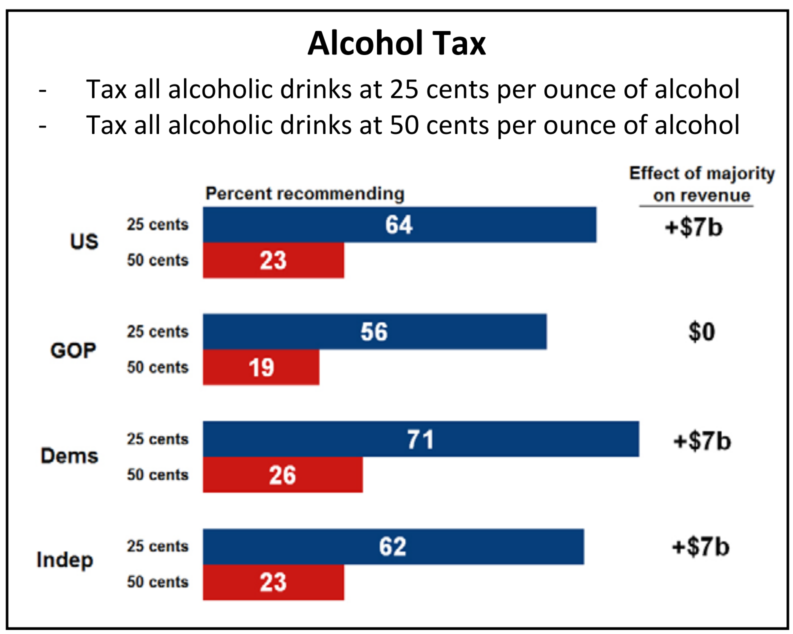
This was one of the highest levels of consensus registered in the survey. This change was adopted by very large majorities of Republicans (75%) as well as Democrats (81%).

***Alcohol Tax***

**A large bipartisan majority, including seven in ten Democrats and nearly six in ten Republicans, recommended an increase in the alcohol tax to at least 25 cents per ounce of alcohol for all drinks, generating $7 billion in revenue.**

Respondents were first told about the current levels of federal taxation of alcoholic drinks.

> *Currently alcoholic drinks carry a federal tax of 8 cents per ounce of alcohol in wine, 10 cents per ounce in beer, and 21 cents per ounce in spirits, such as whisky or vodka.*




Then they were offered three positions: leave the alcohol tax as it is; raise it by taxing all alcoholic drinks at 25 cents per ounce of alcohol (generating $7 billion in revenue); or raise it to 50 cents an ounce (generating $14 billion).

A majority (64%) supported changes to alcohol taxes such that all alcoholic beverages would be taxed at least at a rate of 25 cents per ounce of alcohol, yielding $7 billion. Twenty-three percent went further and chose the 50-cent rate.

The majority of Democrats (71%) chose at least the 25-cent an ounce level, with 26% choosing the 50-cent level. A similar but smaller majority of Republicans (56%) chose at least the 25-cent level, with only one in five choosing the 50 cent level.

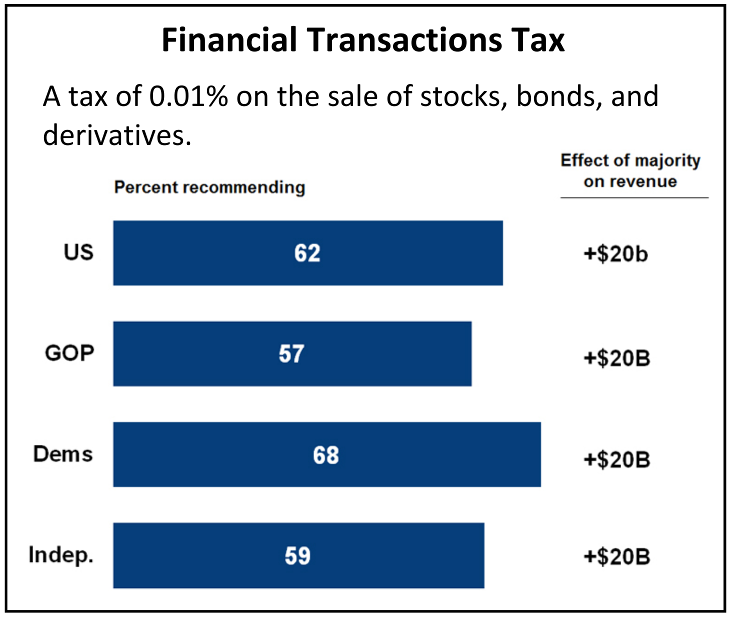
***Financial Transactions Tax***

**A growing bipartisan majority recommended a tax of 0.01 percent on trades of stocks, bonds, and derivatives, generating $20 billion in revenue. Republican support is up sharply from the previous year.**

The idea of a financial transactions tax was presented as follows:

> *Every day that financial markets are open, roughly $1 trillion worth of stocks, bonds and derivatives are traded. Another proposal would tax each trade transaction by a hundredth of one percent (0.01%) of the value of the security being traded. For example, this would be a tax of $1 on a trade worth $10,000. What is your position?*

They were also told that this would generate $20 billion in revenue.




Overall, sixty-two percent recommended a financial transactions tax, while 37% recommended against it. Fifty-seven percent of Republicans recommended this tax –up a remarkable 13 points from the previous year. More than two thirds of Democrats (68%) were positive—up three points.

## Revenue Changes Recommended by Overall Majority and Majority of One Party

***Capital Gains and Dividends***

**Just under two thirds approved of a proposal to raise the top tax rate on capital gains and dividends from 23.8 to 28 percent. Half of Republicans concurred. This would generate $22 billion in revenue. A Trump proposal to tax capital gains, dividends and interest at half the rate of salaries and wages (costing $51 billion in revenues) was supported by no more than one in five in all categories, including Republicans.**

Respondents were presented two proposals as follows:

> *Here are two proposals for changing the way capital gains and dividends are taxed*
>
> *One proposal increases capital gains and dividend taxes for high-income earners. The new top tax rate would rise from 23.8 percent to 28 percent.*
>
> > *This proposal would only affect high-income earners:*
> > *--Married couples making $500,000 or more*
> > *--Single persons earning $430,000 or more.*
> >
> > *This would increase revenues by $22 billion.*

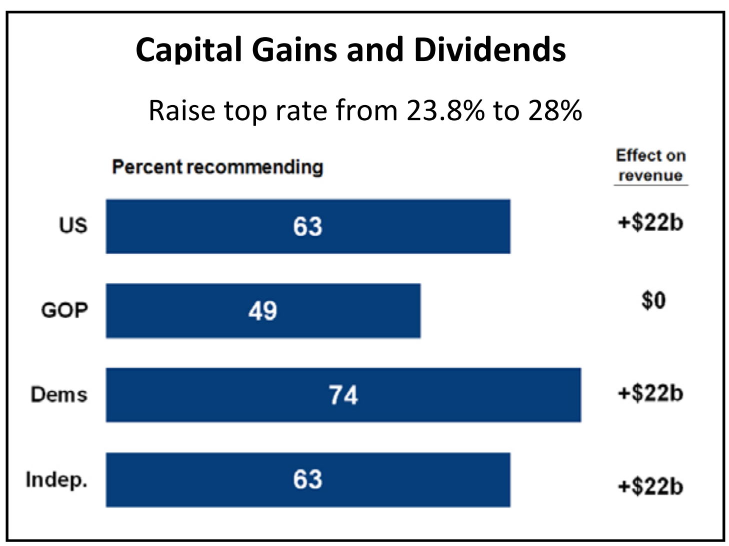
They were also presented a proposal that has been made by the Trump administration as follows:

> *Another proposal would lower the tax on capital gains and dividends and interest income as well, by taxing them at half the rate of income from salaries and wages.  This means the top rate would be 16.5%.*
>
> *This would reduce revenues by $51 billion.*

In making their final recommendation just under two-thirds (63%) elected to raise the top marginal tax rate on capital gains and dividends from 23.8 to 28 percent, which raised $22 billion. This revenue change was selected by 49% Republicans and 74% of Democrats.

The Trump proposal of a tax rate of 16.5% received low levels of support—nationally 15%, Republicans 21%, Democrats 10%.

Twenty two percent chose the option of no change.



***Corporate Income Tax***

**Respondents were given the opportunity to increase or decrease corporate income tax rates by specific amounts. A modest majority overall recommended a 5% increase in corporate taxes, generating $17 billion in revenue, as did two in three Democrats. Only four in ten Republicans supported any increase in corporate taxes.**

Corporate income taxes were introduced to respondents as follows:

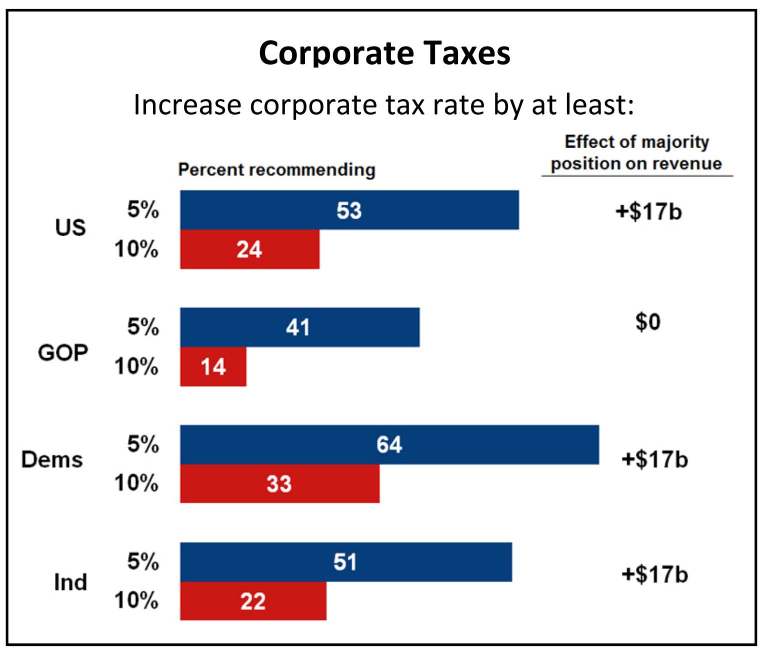
> *Most corporations or businesses pay a tax on their profits. Just like individuals, corporations have exemptions, credits and other deductions that are applied to their profits before calculating their income tax. According to the General Accountability Office, the average effective tax rate for corporations—the amount they actually pay—is about 19.2% of profits. You now have an opportunity to adjust this rate.*

Respondents could keep the effective rate the same, or increase or decrease it in increments of five to ten percent. The effect this would have on the effective tax rate and the amount of revenue generated was specified at each level. Naturally, decreases in the tax rates resulted in increases in the budget deficit presented in the bubble that moved with them through the exercise, just as increases in the tax rates resulted in decreases to the deficit.

Fifty-three percent chose to increase the corporate rate by at least five percent. Twenty four percent raised it 10% or more. Twelve percent selected higher levels. A quarter (24%) made no change in the rate, and 22% made some decrease in the rate.

Among Democrats, nearly two thirds (64%) recommended at least a five percent increase, with 33% going 10% higher or more. A fifth quarter (20%) made no change and 16% made some decrease.

Among Republicans, only 41% increased the corporate tax rate, but there was also not a majority for cutting it (31%) despite Trump's support for doing so. Twenty-eight percent made no change.



***New Tax on Sugary Drinks***

**A majority overall (and of Democrats) recommended a tax of half a cent per ounce on sugary drinks, generating $9 billion in revenue. Just under half of Republicans supported this proposal.**

The proposal for a new tax on sugary drinks was presented as follows:

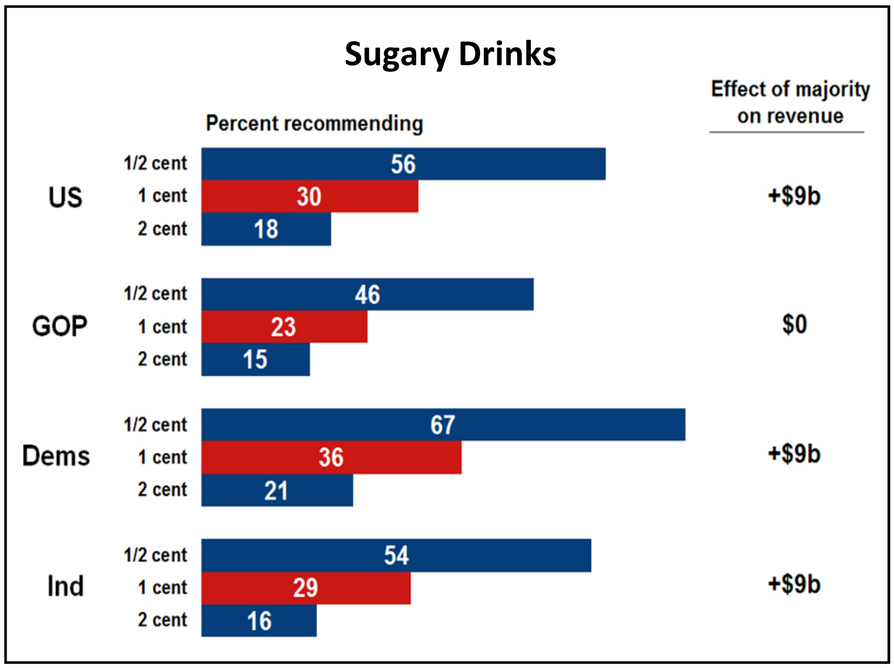
| | | |
|---|---|---|
| 1. | Do not tax sugary drinks, | -OR- |
| | Tax sugary drinks at: | |
| 2. | ½ cent per ounce (6 cents for a typical 12 oz. can) | +$9 B |
| 3. | 1 cent per ounce (12 cents for a typical 12 oz. can) | +$18B |
| 4. | 2 cents per ounce (24 cents for a typical 12 oz. can) | +$36B |

*Another idea is to tax sugary drinks, such as some soft drinks. This would also have the benefit of discouraging excessive consumption of such drinks, which have been linked to obesity. Here are some options, with the extra revenue they would raise:*

A majority of 56% recommended a tax of at least a half-cent per ounce (26% chose the half-cent level, 12% the one -cent level, and 18% the 2-cent level). Forty-three percent recommended against imposing a tax on sugary drinks.

Among Democrats, two thirds (67%) recommended a tax of at least half a cent--with 31% choosing the half-cent level and 36% going higher; 33% recommended no tax.

Less than half of Republicans—46%—chose to adopt a tax on sugary drinks of at least a half-cent; 54% recommended against a tax.




***Estate Tax***

**A slight majority overall approved of raising the estate tax from 40 to 45% generating $7.8 billion in revenue. Two thirds of Democrats concurred. Less than four in ten favored such a step, but only one in three favored eliminating the estate tax as President Trump has called for.**

The topic of the estate tax was explained to respondents as follows:

*As you may know, the estate tax is paid by heirs when the amount they inherit goes above a certain amount. Currently heirs pay no tax on the amount they inherit up to $5.5 million. For the amount over and above the $5.5 million, they may pay a tax as high as 40%, depending on other deductions they may have. Since last year, there has been discussion about whether the estate tax should be eliminated, kept as it is or increased.*

They were then presented the following four options with their revenue effects as follows:

| | | **Extra Revenue** |
|---|---|---|
| 1 | Eliminate the estate tax completely. | -$20 B |
| 2 | Continue the current law: A tax only on inherited wealth over and above $5.5 million, with a tax rate that can be as high as 40%. | $0 B |
| 3 | For inherited wealth over and above $5.5 million, raise the highest possible rate to 45%. | $7.8 B |
| 4 | Lower the amount of inherited wealth that is tax-free to $3.5 million and have rates that go gradually higher than 45%, so that when inherited wealth reaches $500 million the tax rate could be as high as 65%. | $12.4 B |

Nationally, fifty-one percent of respondents selected one of the two options raising the estate tax—21% simply raise the rate to 45%, while 31% went further and also made it possible for the rate to go as high as 65% as well lowering the tax-free threshold to $3.5 million. Twenty-six percent of respondents chose no change, while only 22% chose to eliminate the estate tax.

Among Democrats, 65% were in support of raising the estate tax, with 41% taking the stronger step. Among Republicans only 37% endorsed any of the forms for increasing the tax, but only 36% wanted to eliminate it, though this has been proposed by President Trump.

| Total Revenue Changes for Majority Position | Revenue Generated (billions | National | GOP | Dems | Indep. |
|---|---|---|---|---|---|
| ***Bipartisan convergence*** | | | | | |
| Increase income taxes 5%--$200k-$500k | +$12.5 | 64% | 51% | 73% | 69% |
| Increase income taxes 5%--$500k-$1 million | +$6.3 | 68% | 54% | 78% | 71% |
| Increase income taxes 5%--Over $1 million | +$15.3 | 70% | 57% | 79% | 74% |
| Alcohol tax--$0.25/oz. | +$7 | 64% | 56% | 71% | 62% |
| Transaction fees on stock purchase | +$20 | 62% | 57% | 68% | 59% |
| Fee on uninsured debt | +$6 | 77% | 73% | 83% | 71% |
| Carried Interest | +$2.1 | 78% | 75% | 81% | 77% |
| **Revenue:** | | **+69.2** | **+$69.2** | **+$69.2** | **+$69.2** |
| ***Additional changes with overall support, and one party*** | | | | | |
| Increase Income taxes 5%--$100k-$200k | +$13.9 | 51% | 41% | 57% | 57% |
| Increase income tax 10%--Over $1 million | +$15.3 | 52% | 34% | 65% | 56% |
| Increase corporate tax rate 5% | +$17 | 53% | 41% | 64% | 51% |
| Capital gains and dividends—23.8% to 28% | +$22 | 63% | 49% | 74% | 63% |
| Tax on sugary drinks--$.05/oz. | +$9 | 56% | 46% | 67% | 54% |
| Increase Estate Tax | +$7.8 | 51% | 37% | 65% | 48% |
| **Revenue:** | | **+$85** | | **+$85** | **+$77.2** |
| ***Additional changes supported by one party*** | | | | | |
| Increase Income taxes 10%--$500k-$1 million | +$6.3 | 44% | 27% | 55% | 49% |
| Carbon Tax – government retains 25% of revenue | + $50 | 45% | 27% | 59% | 48% |
| **Revenue:** | | | | **$56.3** | |
| **Grand total: Increases in revenue supported by majority** | | **$154.2** | **$69.2** | **$210.5** | **$146.4** |
| **Grand total: Reductions in spending supported by majority (see page 14)** | | **$57** | **$65** | **$96** | **$60** |
| **Grand total: Deficit reduction** | | **$211.20** | **$134.20** | **$306.50** | **$206.40** |

***Carbon Tax***

**Respondents evaluated a new carbon tax based on a proposal offered by the Climate Leadership Council led by James Baker, secretary of the treasury and state in the George H.W. Bush administration. This proposal would impose a carbon tax of $40 per ton but return the revenues to taxpayers. Respondents were also offered the option of having a portion of the revenues retained by the government. An overall majority of more than six in ten favored having such a carbon tax, but less than half favored options by which the government would retain some of the revenue. Among Democrats eight in ten favored such a carbon tax and six in ten favored options by which the government would retain at least $50 billion of revenue. Among Republicans only four in ten favored the carbon tax and with even fewer favoring options for retaining revenue.**

Respondents were presented a proposal for a tax on carbon dioxide that was offered by the Climate Leadership Council, led by James Baker who was secretary of the treasury and state in the George H.W. Bush administration. It read:

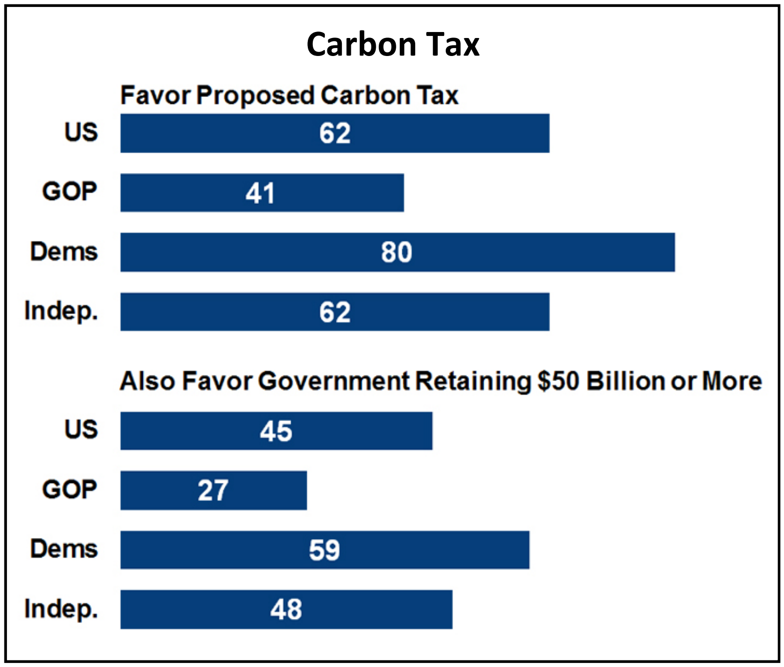
> *Another possibility is to impose a tax on the amount of carbon dioxide that results from burning fossil fuels, primarily coal, oil, and gas. The carbon dioxide from these fuels contributes to air pollution and also, according to the National Academy of Sciences, contributes to climate change. Research shows that such a tax would lead people and businesses to reduce their use of fossil fuels.*
>
> *One of the controversial issues about a 'carbon tax' is that it would have a bigger negative effect on low to middle income households because they spend a larger portion of their income on gasoline and electricity. Thus, there is a proposal to return all or part of the revenues from the carbon tax to all Americans. If all of the revenue were returned, people with low to middle incomes would actually get back a bit more than their increases in energy costs. Whatever is not returned could be used to reduce the deficit.*

They were then presented four options:

| | **Effect on Revenue** |
|---|---|
| Do not have a carbon tax | $0 B |
| Have a carbon tax that will increase energy costs and lower carbon dioxide emissions: | |
| --with all revenues returned to the public (e.g. a family of four would get about $2,000 over the course of the year). | $0 B |
| --with three quarters of revenues returned to the public (e.g. a family of four would get about $1,500 over the course of the year), generating $50 billion in revenue. | $50 B |
| --with half of revenues returned to the public (e.g. a family of four would get about $1,000 over the course of the year) generating $100 billion in revenue. | $100 B |

A large majority of 62% favored having some form of the carbon tax, however only 45% selected a carbon tax option that would generate revenue. Forty five percent selected an option that would generate $50 billion or more and 21% selected the higher level that would generate $100 billion.

An overwhelming eight in ten Democrats approved of a carbon tax and a substantial majority (59%) approved of a carbon tax that would generate revenue at least $50 billion and 28% choosing to retain $100 billion. Among Republicans only 41% favored some form of carbon tax, with just 28% favoring retaining at least $50 billion, and 13% $100 billion.



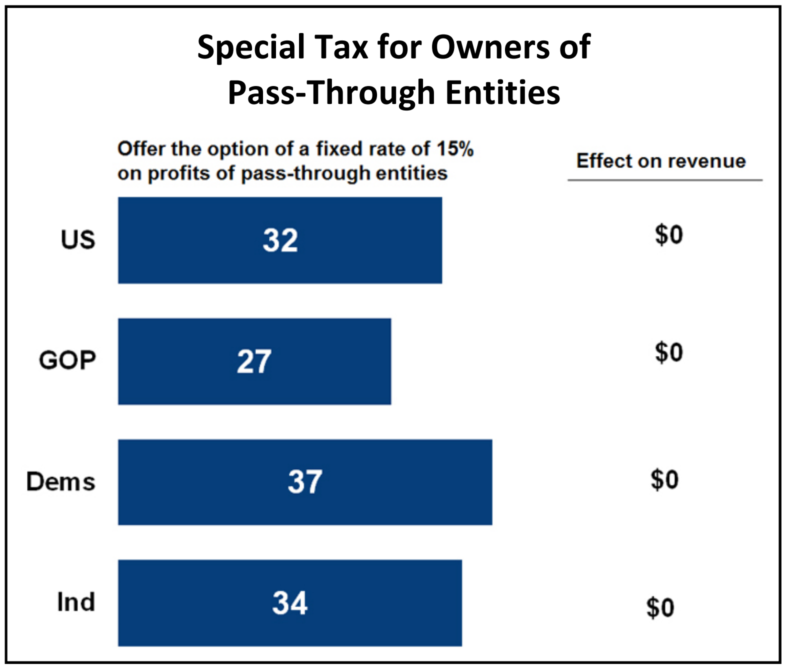

## Revenue Proposal Rejected Overall and by Both Parties

***Special Tax for Owners of Pass-Through Entities***

**Respondents were presented the idea, proposed by the Trump campaign, of giving owners of pass-through business entities the option of paying a special maximum rate of 15%, which would be significantly less than what most pay now, as ordinary income taxes, which would reduce revenues by $74.5 billion. Only one third of respondents recommended this idea, including less than four in ten Republicans. Two thirds rejected it.**

Respondents were presented an idea that was proposed by the Trump campaign as follows:

> *Here is a proposal that would reduce taxes for some business owners and also reduce revenues. There is a kind of business that does not pay corporate taxes. Rather, the owners of the business simply report their profits from the business and pay ordinary income tax rates. The proposal is to give these owners the option to pay a fixed rate of 15%, which could be significantly less than what they would otherwise pay. This would result in a loss of $74.5 billion in federal revenues.*




This idea fared quite poorly. Overall only 32% recommended the idea with 66% rejecting it. Even among Republicans just 37% endorsed it with 62% opposed. For Democrats 70% were opposed.

**Voice Of the People** is a non-partisan organization that seeks to re-anchor our democracy in its founding principles by giving 'We the People' a greater role in government. VOP furthers the use of innovative methods and technology to give the American people a more effective voice in the policymaking process.

VOP is working to urge Congress to take these new methods to scale so that Members of Congress have a large, scientifically-selected, representative sample of their constituents—called a Citizen Cabinet—to be consulted on current issues and providing a voice that accurately reflects the values and priorities of their district or state.

The **Program for Public Consultation** seeks to improve democratic governance by consulting the citizenry on key public policy issues  governments face.  It has developed innovative survey methods that simulate the process that policymakers go through—getting a briefing, hearing arguments, dealing with tradeoffs—before coming to their conclusion. It also uses surveys to help find common ground between conflicting parties.  The Program for Public Consultation is part of the School of Public Policy at the University of Maryland.

## ACKNOWLEDGEMENTS

This project is supported by generous grants from the Democracy Fund, Hewlett Foundation and the Circle Foundation.

This survey was fielded to a national panel by Nielsen Scarborough, with thanks to Scott Willoth, Neil Schwartz and Robert O'Neill. Additional respondents were recruited in Virginia and Maryland by Communications for Research, Inc., with thanks to Colson Steber and Chris Kreiling.

Richard Parsons, VOP's Executive Director, and Rich Robinson, VOP's Director of Communications, managed communications with U.S. Congressional offices and the press, and contributed to the writing of the report.

Allison Stettler managed the design and production of the report with assistance from Francesca Martens and Richard Wyche.