

# *The Harris Survey*

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For release: Monday AM, August 18th, 1986

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## PUBLIC HEAVILY FAVORS TAX REFORM BILL

By Louis Harris

After being exposed to most of the key provisions likely to be contained in a final bill, an overwhelming 77-17 percent majority of the American people favor passage of tax reform legislation this year. This sentiment was expressed in the latest Harris Survey which was conducted by telephone between August 5th and 11th among a national cross section of 1,248 adults.

Although some of the specific parts of the bill likely to be reported to the floor of Congress out of the conference committee meet with opposition, nonetheless the American people feel that tax reform and tax simplification is an idea whose time has come. The Harris Survey asked people to choose between specific differences in the House and Senate versions of the bill. Then, they were asked which version they found more acceptable. The House bill won hands down by 57-33 percent, mainly because it shifts a larger amount of taxes from individuals to corporations.

Here is where the people stood on key provisions of the tax reform bill while it was still in Senate-House conference negotiations:

-- By 48-42 percent, a plurality of the public prefers the House version of cutting individual federal income taxes by \$140 billion over five years and increasing business taxes by a comparable amount compared to the Senate version which cut a lesser \$105 billion in individual taxes and tacked that amount onto business levies.

-- When asked to choose between the House version that had four basic tax rates -- 15, 25, 35, 38 percent for individuals -- or the Senate version that had only two brackets -- 15 and 27 percent -- a razor thin 48-47 percent of the public preferred the House provision. This must be taken to mean that people are willing to give up something in tax simplification in order to tax upper income people at higher rates.

-- By a substantial 62-33 percent, a majority prefers the House version which allowed deductions of all state and local taxes, from federal taxes including the sales tax, rather than the Senate bill that disallowed state and local sales tax deductions. Deductions of state and local taxes appear to be a sacred cow with the taxpayers.

-- By 64-29 percent, another big majority prefers the House bill that put a maximum tax of 22 percent on capital gains over the Senate bill that set the maximum at 27 percent. At a time of a soaring stock market, people want lower instead of higher capital gains taxes.

-- By 51-42 percent, a closer majority supports the House version that put the top corporate tax rate at a higher 36 percent than at the Senate's lower 33 percent corporate rate. This indicates a public preference, if in doubt, to raise, not lower, corporate tax rates.

-- By 48-41 percent, a plurality prefers the House version on capital depreciation for business, which slows down the current speed of business write-offs of capital investment, to the Senate version which keeps the current shorter period for business write-offs.

--By 76-20 percent the public overwhelmingly prefers the House version that preserved the deduction from federal taxes of individual retirement accounts (IRAs).

(over)

-- The Senate version was preferred in one case out of the eight major differences between the two chambers' bills that were tested: increasing the personal exemption. By 64-33 percent, a big majority likes the Senate raising personal exemptions from the current \$1,080 to \$2,000 rather than the House version that would raise the exemption to \$1,500. Obviously, the higher personal exemption has much more appeal.

The Harris Survey also tested five other key provisions which were the same in the two versions and therefore were not likely to change in the final bill:

-- By 78-19 percent, an overwhelming majority supports raising the minimum tax that wealthy individuals and corporations have to pay to 20 percent.

-- An almost identical 78-18 percent majority favors keeping the full deduction of all interest paid on mortgages for first and second homes.

-- By 75-22 percent, another big majority backs the provision that all households with incomes below \$14,800 would no longer pay federal income taxes.

-- However, a razor thin 45-44 percent plurality opposes repeal of the investment tax credit for business.

-- And a substantial 62-33 percent majority is opposed to eliminating the special deduction now allowed for two wage earners in the same family.

These results point clearly to the fact that the concept of tax reform has wide appeal in its own right, but that support clearly is engendered by the massive transference of tax burden from the individual to the business sector. There is a basic populist overtone to the public backing born of the long-standing frustration that, while most individuals have their federal taxes deducted straight out of their paychecks, the rich and big corporations are perceived as finding ways to avoid paying much of their taxes. Therefore, any plan which will add to the corporate and rich tax burden and give some relief to middle income people meets with favor.

#### T A B L E S

Between August 5th and 11th, the Harris Survey asked a nationwide cross section of 1,248 adults by telephone:

"Now let me ask you about the tax reform bill which is being worked on in Congress. I want to ask you about some of the major differences between what was passed in the House and was passed in the Senate and which you prefer.

Would you prefer the House bill that (READ EACH ITEM) or would you prefer the Senate bill that (READ NEXT ITEM)?"

#### PREFERENCE FOR VARIOUS PROVISIONS OF HOUSE OR SENATE TAX REFORM BILL

	<u>House</u> <u>Version</u> %	<u>Senate</u> <u>Version</u> %	<u>Not</u> <u>Sure</u> %
(House) Keeps the \$2,000 full deduction for individual retirement accounts (IRAs)			
or			
(Senate) Eliminates the \$2,000 deduction for IRAs	76	20	4
(House) Puts a maximum tax of 22 percent on capital gains			
or			
(Senate) Puts a maximum tax of 27 percent on capital gains	64	29	7

(continued)

PREFERENCE FOR VARIOUS PROVISIONS OF HOUSE OR SENATE  
TAX REFORM BILL (CONT.)

	<u>House</u> <u>Version</u> %	<u>Senate</u> <u>Version</u> %	<u>Not</u> <u>Sure</u> %
(House) Allows all state and local income and sales taxes to be deducted from federal taxes			
or			
(Senate) Allows only state and local income taxes but not sales taxes to be deducted	62	33	5
(House) Puts a top rate on corporate taxes of 36 percent			
or			
(Senate) Puts a top rate on corporate taxes of 33 percent	51	42	7
(House) Slows down the current speed of business write-offs on capital investment			
or			
(Senate) Keeps current fast write-off of capital investments made by business	48	41	11
(House) Cuts individual taxes by \$140 billion and adds the same amount to business taxes			
or			
(Senate) Cuts individual taxes by \$105 billion and adds the same amount to business taxes	48	42	10
(House) Has four basic income tax brackets: you pay 15 percent tax on an income up to \$22,500; 25 percent on income up to \$43,000; 35 percent on income up to \$100,000; and 38 percent on income over \$100,000			
or			
(Senate) Has two basic income tax brackets: you pay 15 percent on an income up to \$29,300 and 27 percent on an income over that amount	48	47	5
(House) Raises personal exemptions on federal taxes to \$1,500 from the current \$1,080			
or			
(Senate) Raises personal exemptions to \$2,000 from the current \$1,080	33	64	3

"Now we've just gone over the major differences between the Senate and the House tax reform bills. All in all, if you had to choose one or the other, which would you be inclined to favor -- the Senate or the House version of tax reform?"

(over)

## OVERALL PREFERENCE FOR HOUSE OR SENATE VERSION

	<u>%</u>
Senate version	33
House version	57
Neither (vol.)	2
Not sure	8

"Now let me ask you about some changes in federal income taxes that are in both the Senate and House tax reform bills. For each, tell me if you favor or oppose that provision."

## PROPOSED CHANGES IN FEDERAL INCOME TAXES

	<u>Favor</u> <u>%</u>	<u>Oppose</u> <u>%</u>	<u>Not</u> <u>Sure</u> <u>%</u>
Keep full deduction of all interest paid on mortgages for first and second homes	78	18	4
Raise the minimum tax that wealthy individuals and corporations have to pay to 20 percent	78	19	3
All households with incomes below \$14,800 would no longer pay federal income taxes	75	22	3
The investment tax credit for corporations would be repealed	44	45	11
Eliminate the special deduction now allowed for two wage earners in the same family	33	62	5

"All in all, do you favor or oppose the Congress passing a tax reform bill in 1986 that will cut individual taxes by \$105 billion over five years, will increase business taxes by the same amount, will reduce the tax rates that most individuals will pay, will cut the maximum tax rate for both individuals and corporations, and will increase the minimum tax that wealthy individuals and corporations will pay?"

## FAVOR CONGRESS PASSING TAX REFORM BILL?

	<u>%</u>
Favor	77
Oppose	17
Not sure	6

## M E T H O D O L O G Y

This Harris Survey was conducted by telephone within the United States between August 5th and 11th, among a cross section of 1,248 adults nationwide. Figures for age, sex, race and education were weighted where necessary to bring them into line with their actual proportions in the population.

In a sample of this size, one can say with 95 percent certainty that the results have a statistical precision of plus or minus three percentage points of what they would be if the entire adult population had been polled.

This statement conforms to the principles of disclosure of the National Council on Public Polls.

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