TO: Interested Parties

FROM: Guy Molyneux and Geoff Garin

DATE: November 7, 2019

RE: Making Taxes a Winning 2020 Issue

From October 1 to 6, 2019, Hart Research Associates conducted a national survey among 1,001 likely 2020 voters on behalf of Americans for Tax Fairness (ATF), Institute for Policy Studies (IPS), and Tax March. The survey assesses voters' tax policy priorities, reveals strong support for raising tax rates on the wealthy's investment income, and identifies a potentially powerful progressive policy initiative: the Millionaires Surtax. This memo reports the survey's key findings.

Americans' Tax Priority: Make the Wealthy Pay Their Fair Share

Americans' top priority regarding tax policy today is making sure the wealthy pay their fair share of taxes, while few voters say that reducing tax rates across the board is important.

- Voters today express very clear progressive priorities for the tax code. Fully 80% say that making sure the wealthy pay their fair share of taxes is important (including 68% "extremely" important), ranking first among 17 potential priorities. This represents a substantial nine-point increase since 2017, indicating a strong shift of public sentiment in favor of tax progressivity.
- Voters also assign high priority to closing loopholes that benefit large corporations (77% important), allow the wealthy to postpone paying taxes on their investment gains (74%), or generally benefit the wealthy (74%).
- By contrast, less than half as many (34%) voters place a high priority on the conservative goal of reducing individuals' tax rates across the board, a sharp 13-point decline in importance since 2017.

Candidates favoring higher taxes on the wealthy and corporations will enjoy a strong advantage over anti-tax candidates in 2020.

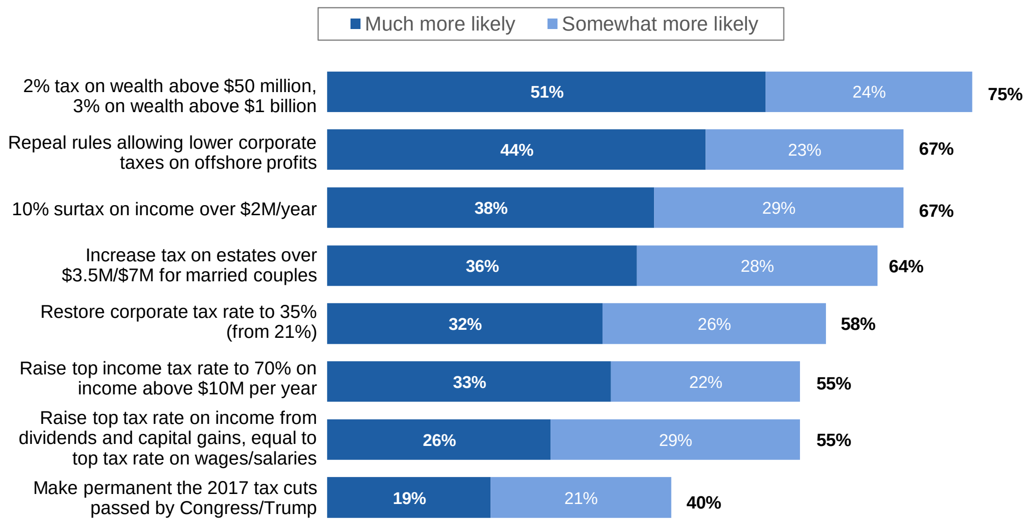
- By an overwhelming 30-point margin, voters say they are more likely to vote for a candidate who favors *raising taxes on the wealthy and corporations* (65%) over one who opposes any increase in taxes (35%). This margin in favor of the progressive taxation candidate exceeds 25 points in every region of the country. The survey reveals especially large advantages for this candidate among *independents* (72% to 28%, +44) and *moderates* (69% to 31%, +38).

Voters embrace a wide variety of progressive tax policies that raise taxes on the wealthy or corporations, but express little interest in conservatives' top tax initiative.

- Three progressive policies enjoy especially strong voter support, with two-thirds or more saying they would be more likely to support a candidate advocating these positions:
  - Place a **wealth tax** with a 2% rate on wealth above $50 million, and 3% above $1 billion (75% more likely);
  - Repeal rules that allow American corporations to pay lower taxes on their **offshore profits** than they pay on profits earned in the United States (67% more likely);
  - Place a **10% surtax** on income over $2 million per year (67% more likely).
- By more than two to one, voters also say they are more likely to support candidates who adopt such progressive tax policies as increasing the estate tax, restoring the corporate tax rate to 35%, and raising the top rate on dividends and capital gains to match the top rate on earned income (see graphic below).
- By comparison, just 40% of voters express support for a candidate who wants to make permanent the 2017 Tax Cuts and Jobs Act, while nearly as many voters (34%) are less likely to support this candidate.

Progressive Tax Policies Have Strong Appeal

Proportions saying they would be MORE LIKELY to vote for a candidate taking each position on taxes



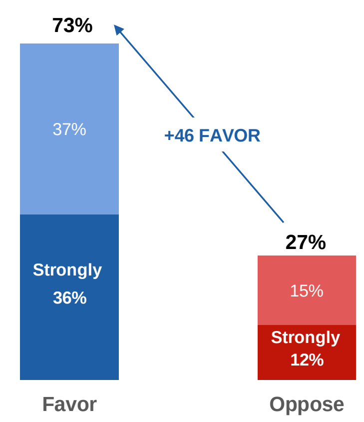
The Millionaires Surtax: A Powerful Emerging Issue

This survey provides the most in-depth look to date at an emerging tax issue: the Millionaires Surtax. The strong positive response—overall, and particularly among political independents and moderate voters—suggests the issue has tremendous potential to benefit candidates who support the surtax.

- Nearly three in four (73%) voters would support a proposal by Democrats to apply a 10% surtax on income above $2 million for married couples or $1 million for individuals, including 36% strongly in support. Just 27% object to the measure.
- The Millionaires Surtax has great appeal to key swing groups like independents (76% support) and moderates (76% support). Even a majority of Trump voters (57%) and Republicans (53%) favor the policy, despite its being identified explicitly as a *Democratic* proposal.

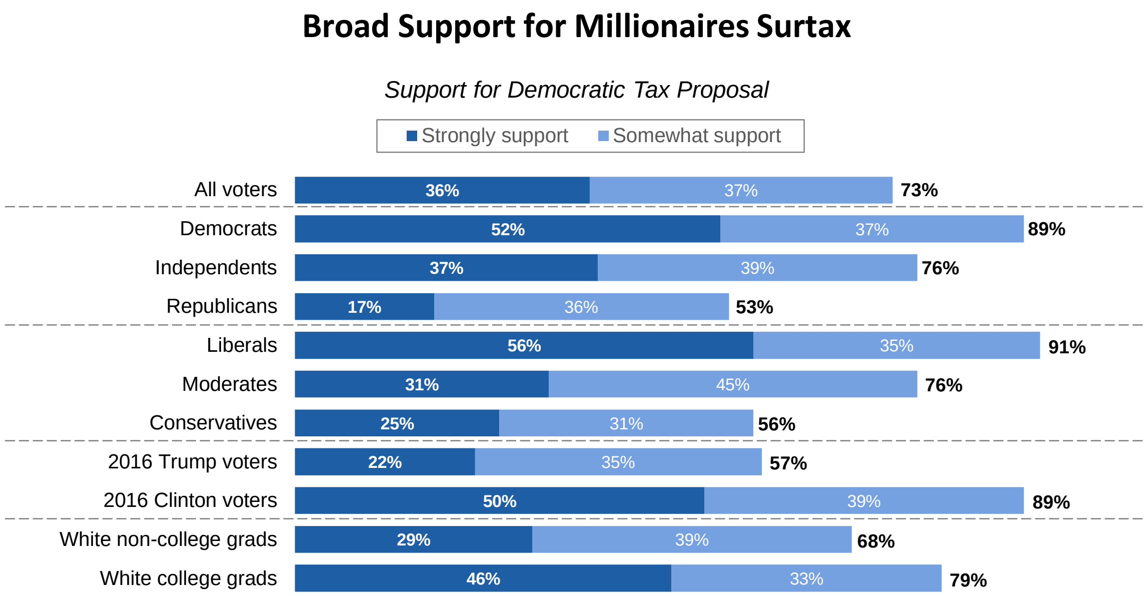
Overwhelming Support for Surtax on Incomes over $2 Million

Reaction to a tax proposal by Democrats: the proposal would apply a new 10% surtax to incomes above $2 million for married couples or above $1 million for individuals, including capital gains income. This would mean increasing their top tax rate by 10 percentage points.



Pro-surtax candidates will enjoy a significant electoral advantage in 2020.

- By a massive 40-point margin, voters say they are more likely to vote for a candidate who supports the Millionaires Surtax (60% more likely, 20% less likely). Independents favor a pro-surtax candidate by 55% to 14% (+41), and moderates do so by an even larger margin of 59% to 15% (+44). Moreover, we find this electoral edge is 35 points or higher in every region of the country.



Voters rally behind the Millionaires Surtax not only because it makes the wealthy pay their fair share, but because it raises substantial revenue to meet the nation's needs.

- By four to one (64% to 15%), voters feel more favorably about the surtax when they learn that the surtax will increase federal revenue by more than $600 billion over 10 years. Moderates (64%) and independents (59%) both respond quite positively to the substantial revenue delivered by the surtax.
- How should this new revenue be used? Voters' first choice, by a large margin, is protecting Social Security, Medicare, and Medicaid from cuts (70% high priority). Majorities also select making health insurance more affordable (55%) and rebuilding infrastructure (51%) as high priorities for investing this revenue.

Support for the Millionaires Surtax is deep as well as broad, and holds up under strong attacks from conservatives.

- The survey reveals that support for a surtax on millionaires is consistent and robust, even if applied to lower incomes. Six different surtax formulations were examined—varying the tax rate and income threshold—but the margin in favor of a pro-surtax candidate was never less than 44 points. For example, 64% are more likely to vote for a candidate who favors raising the tax rate by 10 percentage points on incomes of more than $1 million, while just 18% are less likely.
- After a substantial debate over the core Millionaires Surtax proposal, including exposure to *eight* different conservative attacks on the policy, support remains just as strong: 72% in favor and just 28% opposed. This includes support from 73% of independents, 76% of moderates, and 70% in

small towns and rural areas. Even voters who approve of President Trump's job performance say they support this Democratic tax initiative (52%).

Increasing Tax Rates on the Wealthy's Investment Income

American voters clearly want to see higher tax rates on the investment income of wealthy families and individuals.

- Three in four voters (74%) say Congress should make it a priority to "close the loophole that allows the wealthy to postpone paying taxes on their investment gains for years or decades." This includes 62% who consider it "extremely" important.
- Fully 81% believe that wealthy investors should be paying more in taxes, including 45% who say "a lot more." (Note, however, that a more modest 49% feel that "investors" in general should be paying more in taxes.)
- By a 34-point margin, a candidate who wants to raise the top tax rate on income from dividends and capital gains, so it equals the top tax rate on wages and salaries, is more likely to gain voter support (55%) than lose it (21%).

A large majority believes that investment income should be taxed at a rate at least equal to the rate applied to a taxpayer's wages and salaries. However, the desire to see more equitable taxation across different types of income is not nearly as strong as the sentiment in favor of asking the wealthy to pay their fair share.

- Fully 83% believe that the tax rate on income from stocks and other investments should be the same as (54%) or higher than (29%) the tax rate on wages and salaries. Only one voter in six favors taxing investment income at a lower rate (as it generally is for high-income taxpayers).
- However, a smaller 44% assign priority to the goal of "making sure income from investments is taxed at a rate as high as income from wages and salaries." When this result is compared to the 74% giving high priority to taxing the investment gains of the wealthy (see above), we see that income type matters less to the voting public than the relative wealth of the taxpayers.
- Similarly, while 67% are more likely to vote for a candidate who favors "closing the loophole that allows wealthy families to avoid paying income taxes on capital gains when they inherit assets," this proportion drops sharply by 24 points (to 43%) if the word "wealthy" is omitted.

A strong 62% majority supports a "Mark to Market" proposal for families worth more than $5 million, which would tax capital gains each year that an asset increases in value, whether or not the asset is sold.

- Three voters in four (74%) say Congress should make it a priority to "make sure the wealthy pay taxes as they profit each year from their investment gains, just as workers pay taxes each year on their wages and salaries."

- By a strong 24-point margin (62% favor, 38% oppose), the public embraces a policy requiring families worth over $5 million to pay taxes on capital gains annually, regardless of whether an asset has been sold. The proposal enjoys majority support from every region of the country, men and women, all age cohorts, and—remarkably—from Democrats (68%), independents (62%), and Republicans (54%).
    - Note that because knowledge about investment taxes varies considerably, this explanation of the issue was provided to survey respondents: *Today, income taxes for capital gains on an asset such as stock that increases in value are owed in the year that an asset is sold. As long as a person continues to own the asset, no taxes are owed. For families with a net worth of more than $5 million, would you favor or oppose changing the law so that capital gains are taxed each year when assets increase in value, whether or not the asset is sold?*
- Supporters of the Mark to Market policy maintain their advantage when voters are exposed to a debate on the policy. By 59% to 41%, voters say they agree more with the supporters' argument than the opponents'. This 18-point margin is even larger among independents (+24 points) and moderates (+26 points).
    - *<u>Supporters say</u>: The loophole allowing the rich to delay or avoid paying taxes on income from stock portfolios and other pricey assets should be closed. Every year, teachers, factory workers, and other average Americans pay income taxes on their wages and salaries without delay. The wealthy should also pay as they profit every year. It's time to end this rigged arrangement that favors wealth over wages. (59% agree)*
    - *OR <u>Opponents say</u>: Taxing someone's investments every year, even when they do not sell their assets, is a radical change from the way our tax system works now. It will prevent job creators from starting businesses and stifle risk taking, which means a lot fewer jobs will be created. It will also force families to sell off family-owned property and businesses to pay taxes on assets they didn't want to sell. (41% agree)*
- Support for the Mark to Market policy is weaker if it applies to families at all income levels. Just 48% favor the proposal, with 52% opposed, when the policy is not limited to families with a net worth of $5 million or more (all other wording in the two questions was identical).

A majority of voters support taxing <u>capital gains at death</u>, before assets are passed on to heirs.

- By 10 points, 55% to 45%, voters favor requiring taxes on capital gains to be paid before an asset is inherited. Majorities of both moderates (55%) and independents (57%) support this initiative. Surprisingly, it receives nearly as much support from voters with incomes over $100,000 (55% favor) as from those with incomes under $50,000 (58% favor).

- Note that because knowledge about investment taxes varies considerably, this explanation of the issue was provided to survey respondents: *As you may know, when an asset like stock, real estate, or a business is sold, people pay income taxes on the capital gains, which is the amount that the asset increased in value since it was purchased. However, if a person dies before selling an asset, the asset is passed on to their heirs with no capital gains taxes owed. Would you favor or oppose changing the law so that taxes on capital gains must be paid before the asset is passed on to heirs?*