Voice of the People
Tapping the Common Sense

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

AMERICANS ON THE FY 2020 FEDERAL BUDGET

A Survey of Voters Nationwide

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INTRODUCTION

Standard poll questions related to the Federal budget often reveal a seeming contradiction. Asked about the Federal budget deficit majorities often express a desire for it to be reduced. Asked about specific areas of Federal spending, for very few do majorities want to reduce them. Asked about Federal taxes, majorities tend to show little interest in increasing them.

This apparent contradiction can be easily explained. Each of these questions is asked in isolation with respondents simply expressing their preferences. Not surprisingly majorities can at the same time prefer to not raise taxes, not reduce spending, and reduce the deficit.

But what will happen if respondents are asked for more than an expression of preferences? What if they are put in the shoes of policymakers and asked to actually make up a budget in a context where they must recognize tradeoffs?

The US Congress is currently developing the budget for Fiscal Year 2020 in response to the Trump Administration's proposed budget put forward in March 2019. In the current survey respondents were put in the position of making up such a budget.

As is often the case, inherent in the budget process are a number of key debates. In the current context a paramount debate is over the size of the federal budget deficit. The Congressional Budget Office projects that the Trump administration's proposed budget for 2019 will be $900 billion plus the Social Security deficit.

Another controversy is the level of taxation on higher incomes. The 2017 Tax Cuts and Jobs Act substantially lowered taxes on higher individual and corporate incomes and there have been calls to reverse these in light of the burgeoning deficit. There have also been calls for a surtax on high incomes for individuals and corporations.

Another controversy is the size of the defense budget. The defense budget – which includes core defense, overseas operations, intelligence agencies and nuclear weapons -- rose substantially from FY2017 to FY2019, from $672 billion to $766 billion.

Yet another controversy is the use of taxes to discourage certain activities that create costs for society - such as consuming alcohol, or producing pollutants.

To give the American public an opportunity to weigh in on these controversies and, more centrally, to provide policymakers input on what their priorities for the budget should be, voters were given an opportunity to deliberate about the controversies surrounding the federal budget as well as proposing their recommended budget; thereby creating an effective dialogue between the American people and the government on what its priorities should be.

The survey was conducted by the Program for Public Consultation (PPC) of the School of Public Policy at the University of Maryland. PPC uses an innovative survey method, called a 'policymaking simulation,' for giving the public a meaningful voice on the issues that Congress is facing.

DEVELOPING THE POLICYMAKING SIMULATION

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 2019, and outlays for fiscal years 2017 and 2018. On the revenue side, some proposals for changes and new taxes were derived from and scored by the Congressional Budget Office. Others were derived from OMB, the Tax Foundation and the Tax Policy Center. Individual effective income tax tables were based on analyses released by the Joint Committee for Taxation.

Expert Review: 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 $900 billion for 2019. This deficit figures includes most mandatory spending, such as that on Medicare and Medicaid, but does not include spending on Social Security because that is calculated separately (it is an off-budget item).

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 1960 to the present, and a trendline showing the amount of debt held by the public as a percentage of GDP going back to 1960.

Discretionary Spending

Evaluation of Arguments on Federal Spending: Respondents were then asked to evaluate four pairs of arguments that are often made in regard to government spending and asked how convincing each one was to them. A pro and con argument was presented and evaluated on the questions of how important it is to:

- reduce the deficit this year
- generally reduce the size of government
- commit spending to make public investments
- increase spending on defense.

Adjusting Discretionary Budget: Next, respondents were presented the discretionary budget broken into 34 line items, with a brief description of what they include, the amount spent for FY 2017 and FY2018, and the amount projected to be spent in FY2019. 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 for that area.

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, relative to FY2019. A bubble containing the amount of the projected deficit (initially $900 billion) followed them as they scrolled though the line items and went down or up with each change they made.

General Revenues

Evaluating Arguments on Revenues: 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;
- 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 increase or decrease revenues. In the case of new proposed revenue sources, the only option was to increase revenues.

Once again, the bubble with the residual deficit followed them, going up or down in responses to changes made.

The first revenue source explored was for personal income taxes. Rather than presenting respondents with the complexity of deductions, credits, and variable rates for first and last dollars earned, respondents were simply presented the effective tax rates for each income bracket—i.e. the amount actually paid after deductions and credits etc. These effective tax rates were provided by the Congressional Joint Committee on Taxation.

Respondents were shown the new tax rates for 2018 and also the tax rates for 2017 (which are set to be reinstated automatically in 2025 as per the Tax Cuts and Jobs Act). They were given the opportunity to maintain the current rates, to lower them further, to increase to 2017, or increase above 2017 rates for each income level. The impact of each possible change on revenues was indicated.

They were also given the opportunity to impose a surtax on income above $5 million, which is a proposal from Hillary Clinton's 2016 campaign known as the "Fair Share Surcharge" (though respondents were not told about its source). They could charge a surtax of 4%, 8%, 12%, 16% or 20%.

Turning to corporate taxes, respondents were told about the current flat rate of 21%. Respondents could increase or decrease this flat rate. They were again given an opportunity to impose a surtax, this time on corporate income above $100 million, which is a proposal by Senator and Presidential candidate Elizabeth Warren. They could impose a surtax of 1%, 3%, 5%, 7% or 9%. This question came at the end of the survey.

For taxes on capital gains and dividends, respondents were given a proposal analyzed by the Congressional Budget Office for treating capital gain and dividend income beyond a certain level the same as ordinary income (and thus raising the level of taxation). Respondents were offered seven income levels for adopting this change.

Other possible changes to existing taxes were presented, including one proposed by the Trump campaign and some Republicans in Congress -- eliminating the estate tax. The option of reverting to estate tax levels in place in 2011 and 2009, which would increase revenues, was also provided. Respondents were also given the opportunity to increase taxes on alcohol and tobacco.

Several new sources of revenue were presented as well: charging a fee to big financial institutions for large amounts of uninsured debt, a tax on financial transactions, a tax on sugary drinks, and a tax on emissions from the burning of fossil fuels.

FIELDING OF SURVEY

The policymaking simulation was fielded with a probability-based representative sample of registered voters 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 by 2,403 registered voters. The survey was fielded April 10th through May 13th, 2019. The margin of error is +/- 2.0%. 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 FY2019 discretionary spending levels, to modify current revenue sources, and adopt possible new sources of revenue, majorities made changes that would reduce the projected FY2020 budget deficit by $544 billion. This was done by making a net cut of $70 billion in spending and increasing revenue by $474 billion. The changes on which majorities of Republicans and Democrats converged yielded $27 billion in spending cuts and $349 billion in revenue increases, for a total reduction of $376 billion. Republican and Democratic primary voters converged on a smaller amount overall. They agreed on $21 billion in spending cuts and $294 billion in revenue increases, for a total deficit reduction of $315 billion.

DISCRETIONARY SPENDING

Presented the discretionary budget broken into 34 line-items and given the opportunity to make changes, majorities did not increase any line-items, but reduced sixteen of them, creating a net cut of $70 billion. The largest reductions were in the category of national defense, which a majority reduced by $51 billion, including general operations, nuclear weapons, intelligence agencies, and overseas operations. The next largest reduction was to subsidies to agricultural corporations, which a majority reduced by $7 billion. The federal enforcement of federal laws was cut by $2 billion. All other areas cut were just $1 billion. Majorities of Republicans and Democrats agreed on $27 billion in spending cuts.

GENERAL REVENUES

PERSONAL INCOME TAX RATES

Respondents were given the opportunity to increase or decrease effective personal income tax rates by specific amounts. A bipartisan majority reinstated 2017 tax rates (which are set to be reinstated automatically in 2025) for incomes above $200k, generating $111 billion in deficit reduction. An overall majority, including a majority of Democrats, but not Republicans, supported reinstating 2017 tax rates for incomes between $100k and $200k, generating an additional $56 billion. Primary voters converged on increasing taxes for incomes over $500k, generating $56 billion.

CAPITAL GAINS AND DIVIDENDS

Bipartisan majorities raised taxes on capital gains and dividends, for those with incomes above $200k, by taxing capital gains and dividends as ordinary income, generating $122 billion.

SURTAX ON HIGH INDIVIDUAL INCOMES

A large bipartisan majority adopted a surtax of 4% on incomes above $5 million, generating $13 billion. Democrats went further imposing an 8% surtax.

SURTAX ON HIGH CORPORATE INCOMES

An overwhelming bipartisan majority adopted a surtax of 1% on corporate income above $100 million, generating $12 billion. A majority overall and two thirds of Democrats (but not a majority of Republicans) went further and recommended adopting a surtax of 3% on corporate income above $100 million, generating an additional $24 billion.

FINANCIAL TRANSACTIONS TAX

A bipartisan majority recommended a tax of 0.1 percent on trades of stocks, bonds, and derivatives, generating $70 billion in revenue.

FEE ON UNINSURED DEBT

A robust bipartisan majority favored a proposal for imposing a fee of 0.15 percent on the uninsured debt of very large financial institutions that have taken on large amounts of such debt. This fee would generate $11 billion in revenue.

ALCOHOL TAX

A large bipartisan majority recommended an increase in the alcohol tax to at least 25 cents per ounce of alcohol for all drinks, generating $5 billion in revenue.

TOBACCO TAX

A large bipartisan majority recommended an increase in the tax on various tobacco products, including increasing taxes on cigarette packs by 50 cents, generating $5 billion in revenue.

TAX ON FOSSIL FUEL EMISSIONS

Six in ten supported a tax on energy companies/utilities for coal, oil and natural gas emissions of $6.25 per metric ton of emissions that would raise gasoline prices by 5.75 cents per gallon and increase the price of electricity as much as 1.25%. The tax was recommended by an overwhelming majority of Democrats, generating $26 billion in revenue. However, it was rejected by six in ten Republicans.

NEW TAX ON SUGARY DRINKS

The majority overall, including a majority of Democrats, recommended a new tax of half a cent per ounce on sugary drinks, generating $10 billion in revenue. Just under half of Republicans concurred.

ESTATE TAX

The majority overall, including a majority of Democrats recommended rolling back the new reductions in the estate tax to 2011 law, generating $9 billion in revenue. Less than four in ten Republicans concurred, though only about one third favored eliminating the estate tax.

CORPORATE INCOME TAX RATE

Slightly less than half of respondents overall recommended any increase to the corporate tax rate, and no majority recommended a decrease. Over six in ten Democrats increased the corporate income tax rate by three percentage points, generating $20.4 billion. There was no majority of Republicans that recommended a change in one direction or the other, with four in ten recommending it stay at the current rate.

FINDINGS

OVERVIEW

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NATIONAL MAJORITY

There was no area in which an overall majority increased spending. For sixteen spending areas a majority decreased spending levels: these ranged from $1 billion to $42 billion. This majority included many who made larger changes, but the amount indicated is the amount that a majority would agree to. For the national sample, majorities agreed on $70 billion in cuts.

In no case did a majority reduce revenues. National majorities endorsed seventeen increases in revenues that totaled $474 billion. These majorities included some who made even greater increases, but the amount indicated is the amount that a majority would agree to. Thus, for the national sample, majorities reduced the deficit by a total of $474 billion.

PARTISAN VARIATION

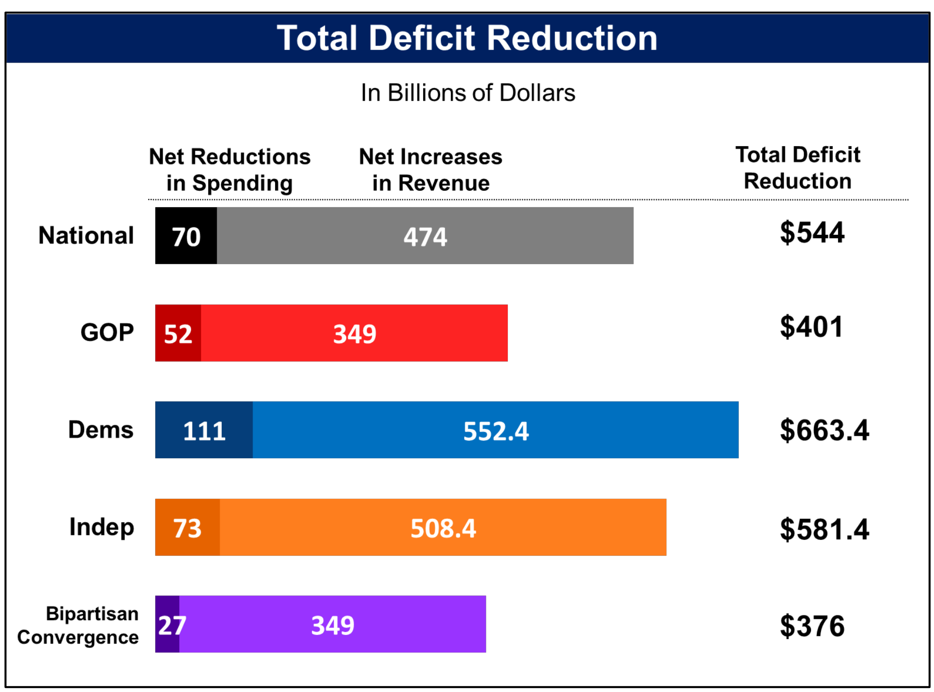
Majorities of Republicans reduced the deficit by $401 billion by cutting $52 billion in spending and increasing revenues $349 billion.

Majorities of Democrats reduced the deficit the most – by $663 billion – by making the largest net reduction in spending of $111 billion and increasing revenues by $552.4 billion.

Independents reduced the deficit by $581.4 billion by cutting $73 billion in spending and increasing revenues by $508.4 billion.

BIPARTISAN CONVERGENCE

While Republicans and Democrats differed significantly in many areas, majorities did converge or overlap on steps that would reduce the deficit by $376 billion.



For the most part these areas of convergence were the majority positions of Republicans because Democrats both reduced spending more and raised revenues more than Republicans. However, there were some spending areas that Republicans cut more.

Majorities in both parties converged on $27 billion in reduced spending. The most prominent convergences were in cuts to national defense, including general operations, overseas operations, intelligence agencies, and nuclear weapons programs (totaling $14 billion). They also converged on cuts to agricultural subsidies ($7 billion, federal enforcement of federal laws ($2 billion), and a variety of $1 billion cuts.

Convergences between Republicans and Democrats were much more significant on the revenue side than on the spending side. Majorities of Republicans and Democrats overlapped on changes producing $349 billion in new revenues.

COMPARING REPUBLICAN AND DEMOCRATIC PRIMARY VOTERS

The sample was large enough to enable dividing it into Republicans and Democrats who say they always vote in primaries. Primary voters leaned slightly stronger in the direction that all respondents from their party leaned. In some cases this was strong enough to change the outcomes. Republican and Democratic primary voters converged on $315 billion in deficit reductions, including $21 billion in spending cuts and $294 billion in increased revenues.

Convergence between Republican and Democratic primary voters is $63 billion less than that between Republicans and Democrats overall. This is due to Republican primary voters, who reduced the deficit by $63 billion less than Republicans overall. They did this by not increasing the tax rate for incomes between $200,000 and $500,000, unlike Republicans overall, and by making smaller cuts to defense spending and a few other areas than Republicans overall. Democratic primary voters also differed from their party overall by decreasing the tax rate for incomes between $30,000 and $40,000, which Democrats overall left changed, adding $6 billion to the deficit.

DISCRETIONARY SPENDING

ASSESSMENT OF GENERAL ARGUMENTS ON FEDERAL SPENDING

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 $900 billion for 2019.

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 1960 to the present, and a trendline showing the amount of debt held by the public as a percentage of GDP going back to 1960. They then evaluated a number of arguments related to Federal spending.

WHETHER IT IS IMPORTANT TO REDUCE 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), 1960-2019
- Debt held by the public as a percentage of GDP, 1960-2018

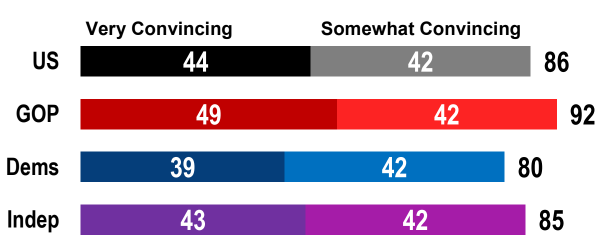
Thus, they saw in the first graph that the deficit as a percentage of GDP fell steadily between 2009 and 2016 (then beginning to rise again in 2017), while the second graph showed that the national debt, as a percentage of GDP, has gone up and down, but has continued to rise since the Great Recession in 2007.

Respondents then assessed an argument declaring that reducing the deficit should be a top priority (see box). Nearly nine in ten (86%) found it convincing—the same as in 2018. Ninety two percent of Republicans thought so, as did nearly as many Democrats (80% convincing).

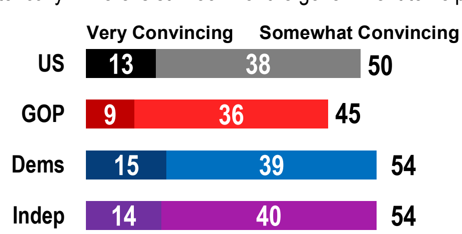
The counter argument emphasized that reducing revenue by cutting spending or increasing taxes would reduce growth and increase unemployment, and the rhetoric over a debt crisis is alarmist because our interest payments

ARGUMENTS ON THE FEDERAL BUDGET DEFICIT

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 owed by the federal government is about $16 trillion - over three quarters of the size of the entire U.S. economy, and the Congressional Budget Office projects it will grow over the next decade. Interest payments on the debt are growing, requiring further borrowing, and putting upward pressure on the rate of inflation. This means your paycheck and savings could be worth less. Also, if interest rates rise, any new borrowing will bring with it huge interest payments that could swamp



More important than reducing the deficit is for the government to continue to make the investments that ensure that the economy continues to grow and that more people are brought into the work force. There are still five million people who are unemployed or underemployed and wages are only just starting to increase. This is no time to cut government spending—it would slow the economy, increase the numbers of underemployed, and undermine the growth of wages. There are still unmet needs out there and investments that need to be made. Raising taxes could weaken investment. We shouldn't be obsessive about reducing the deficit; contrary to lots of rhetoric, inflation continues to be very low, and so are interest rates. Our interest payments, as a percentage of GDP, are about the same as they have been historically. There is still room for the government to help make the economy grow.



as a percentage of GDP are at the same level they've been historically (see box). Respondents were split (50% convincing), with less than half of Republicans finding it convincing (45%), but over half of Democrats and independents doing so (54% for both).

WHETHER THE FEDERAL GOVERNMENT SHOULD BE SMALLER

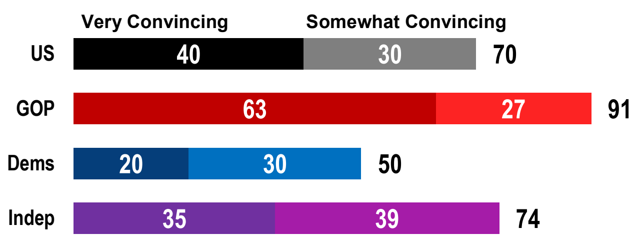
In the briefing, respondents were first presented a graph showing how federal spending as a percentage of GDP has changed from 1960 to 2018. They were told that "In 2018 the entire Federal government budget was 20% of the economy."

They then assessed an argument in favor of smaller government (see box). This was found convincing by seven in ten overall. An overwhelming 91% of Republicans found it convincing (63% very), as did half of Democrats.

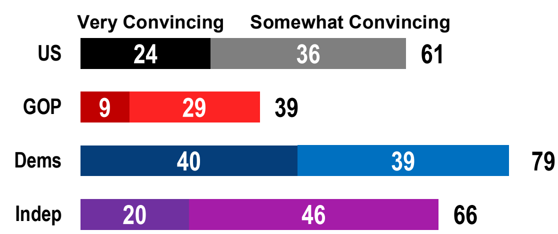
The counter argument stressed that the federal government has been a larger share of the US economy in the past than it is now, and reminded respondents of the various services it provides. It did about the same as the prior argument, with 61% finding it convincing – down from 71% in 2018 -- including an overwhelming 79% of Democrats. Less than four in ten Republicans (39%) found it convincing.

ARGUMENTS ON REDUCING THE SIZE OF GOVERNMENT

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. Asa 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 at home and from abroad.



MAKING PUBLIC INVESTMENTS

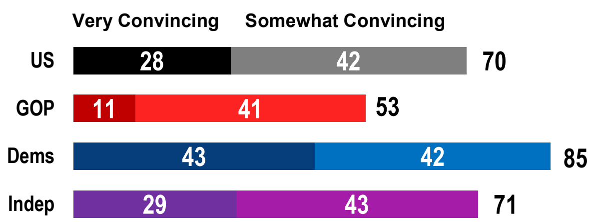
The next issue respondents tackled concerned putting government money into public investments, "such as scientific and medical research, development of new sources of energy, development and maintenance of transportation infrastructure, and educating the population which provides the workforce."

The pro argument held that "investing in the future…will bring big returns later on" and that corporations are necessarily profit-driven and cannot be counted on to deliver public goods. This was found convincing by seven in ten overall. A striking finding is that a majority of Republicans (53%) found this argument convincing as well as 85% of Democrats.

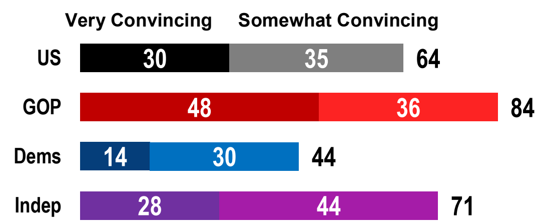
The counter-argument declared that the private sector is better than government at investing in the future, and that government attempts deflect capital from innovation in the private sector. This elicited a majority response at 64%. Eighty four percent of Republicans found it convincing, but less than half (44%) of Democrats concurred.

ARGUMENTS ON GOVERNMENT MAKING PUBLIC INVESTMENTS

When making up a budget, we must not scrimp on investing in the future, because such investments will 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, focused on short-term profits, to provide these important things for the common good. Government 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.



WHETHER DEFENSE SPENDING SHOULD BE REDUCED OR INCREASED

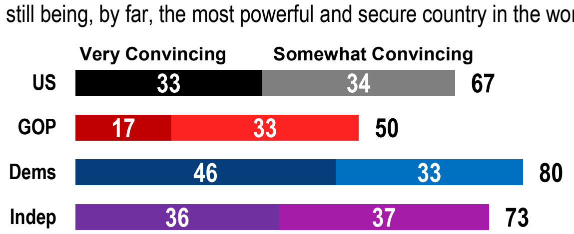
The last issue was focused specifically on spending on defense, which, they were told, "makes up about half of all discretionary spending." Defense spending in the 2020 budget was significantly higher than for 2019, which in turn was higher than 2018.

The argument in favor of reducing spending on defense proclaimed that we can, "cut the defense budget while still being, by far, the most powerful and secure country in the world," and how, "we can deal with global threats by working together with our allies and sharing the burden." This was found convincing overall (67%), including eight in ten Democrats and nearly three quarters of independents, but only half of Republicans.

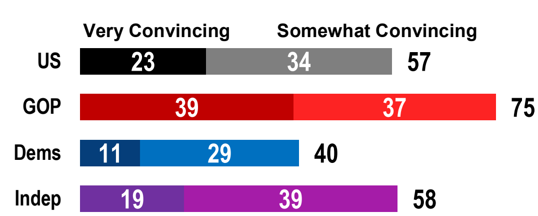
The argument for increasing stressed that, "America is threatened by hostile forces in many corners of the world, "and how national security, "is too important to let budget concerns dictate our level of spending." While this argument was found convincing by a majority overall (57%), it found strong partisan divisions with three quarters of Republicans finding it convincing and just four in ten Democrats feeling the same way.

ARGUMENTS ON GOVERNMENT SPENDING ON DEFENSE

The Pentagon keeps thinking we need to be the world's policeman, leading us to have this huge defense budget that is three times bigger than all of our potential enemies' combined. Even China and Russia spend a small fraction of what we do. It is now bigger than it has ever been, even at the height of the Cold War under President Reagan. We can deal with global threats by working together with our allies and sharing the burden. Furthermore, there is a lot of waste in the defense budget. Defense contractors persuade lawmakers to approve expensive weapons that aren't really needed by giving them large campaign contributions. Clearly there is room to cut the defense budget while still being, by far, the most powerful and secure country in the world.



America is threatened by hostile forces in many corners of the world. We should have the ability to quickly project overwhelming military power anywhere. Much of our military equipment needs to be revamped. If major conflicts were to break out in more than one place, we would not be able to deal with them all. We do have deficit problems, but national defense is the first responsibility of government and it is too important to let budget concerns dictate our level of spending. It should not be shortchanged. Furthermore, cutting defense spending would throw a lot of people out of work. We are spending less than five percent of our economy on defense - clearly we can and need to spend more.



CHANGES TO DISCRETIONARY SPENDING

Presented the discretionary budget broken into 34 line-items and given the opportunity to make changes, majorities did not increase any line-items, but reduced sixteen of them, creating a net cut of $70 billion. The largest reductions were to national defense, which a majority reduced by $51 billion, including general operations, nuclear weapons, intelligence agencies, and overseas operations.

The next largest reduction was to subsidies to agricultural corporations, which a majority reduced by $7 billion. The federal enforcement of federal laws was cut by $2 billion. All other areas cut were just $1 billion. Majorities of Republicans and Democrats agreed on $27 billion in spending cuts. Majorities of Republican and Democratic primary voters agreed on $21 billion in cuts.

Respondents were presented the discretionary budget broken into 34 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 projected budget deficit—$900 billion—was presented in a bubble that followed them as they moved down the list. Any variation from the FY 2019 budget resulted in an immediate change to the projected deficit in the bubble.

In the full sample, no area was increased by a majority. Out of the $1.508 trillion of spending shown to respondents as the FY2019 budget discretionary budget, majorities cut $70 billion—a trim of 4.6 percent. Of the 34 spending categories, majorities cut 16 of them.

Of the $70 billion that was cut, almost three quarters ($51 billion) were to national defense, with $42 billion cut from base general operations, $4 billion from overseas operations such as those in Afghanistan, Iraq and Syria to combat ISIS, $4 billion from nuclear weapons, and $1 billion from intelligence agencies. In addition, $7 billion was cut from subsidies to agricultural corporations. Federal enforcement of federal laws was cut $2 billion.

The remaining reductions were spread widely, with trims of $1 billion to military aid, the State Department, NASA, transportation funding for air travel and railroads, land management, medical research, general funding for the sciences, subsidies for oil, natural gas and coal, development assistance, and UN and UN Peacekeeping.

SPENDING AREAS MODIFIED BY MAJORITIES

SPENDING AREAS	2019 BUDGET (Billions)	CHANGES (BILLIONS)				
Areas Changed by Majorities Nationally and by Both Parties		National	Republicans	Democrats	Independents	Bipartisan Convergence
Defense: General Operations	$592	-42	-7	-92	-42	-7
Subsidies to Agricultural Corporations	$22	-7	-7	-7	-7	-7
Defense: Operations in Afghanistan, Syria	$69	-4	-4	-4	-4	-4
Defense: Nuclear Weapons	$24	-4	-2	-4	-4	-2
Federal Enforcement of Federal Laws	$34	-2	-2	-2	-3	-2
Defense: Intelligence Agencies	$81	-1	-1	-1	-1	-1
Space Program	$21	-1	-1	-1	-1	-1
Military Aid	$7	-1	-1	-1	-1	-1
State Department	$11	-1	-1	-1	-1	-1
Transportation: Air Travel and Railroads	$41	-1	-1	-1	-1	-1
	Total:	-64	-27	-114	-65	-27
Areas Changed by Majorities Nationally and One Party						
Medical Research	$41	-1	-3	0	-1	
Environment: Land Management	$28	-1	-3	0	-1	
Science	$23	-1	-3	0	-1	
Development Assistance	$9	-1	-2	0	-1	
UN and UN Peacekeeping	$3	-1	-1	0	-1	
Energy: Oil, Natural Gas and Coal	$3	-1	0	-1	-1	
	Total:	-6	-12	-1	-6	
Areas Changed by Majorities in One Party Only						
Higher Education	$28	0	-3	0	0	
Humanitarian Assistance	$8	0	-2	0	-1	
Transportation: Highways	$49	0	0	+1	0	
Transportation: Mass Transit	$15	0	-2	0	0	
Global Health: Medical Aid	$9	0	-1	0	0	
ESF: Aid to Countries of Strategic Interest	$4	0	-1	0	-1	
Energy: Improving Efficiency	$3	0	0	+1	0	
	Total:	0	-9	+2	-2	
Areas Changed by Both Parties, But in Different Directions						
Homeland Security	$53	0	+2	-3	0	
Housing Programs	$53	0	-1	+2	0	
Education: K-12	$28	0	-2	+1	0	
Energy: Renewable Energy	$8	0	-2	+1	0	
Environment: Pollution Control	$9	0	-1	+1	0	
	Total:	0	-4	+2	0	
Total Net Spending Changes:		-$70	-$52	-$111	-$73	-$27

VARIATIONS BY PARTY

Overall majorities of Republicans cut $52 billion and majorities of Democrats cut $111 billion. Defense received the largest cuts for both Democrats and Republicans, but Democrats made a much larger cut ($101 billion) than Republicans ($14 billion). Republicans made a much larger number of small cuts outside of defense (none more than $7 billion) totaling $38 billion, with the largest cuts to subsidies to agricultural corporations ($7 billion), and $3 billion cuts to medical research, land management, general scientific research, and higher education, with all other cuts no more than $2 billion

While Republicans and Democrats differed significantly in many areas, majorities converged on $27 billion in reductions. The most prominent convergences were a $14 billion cut to defense ($7 billion to general operations, $4 billion to overseas operations, $2 billion to nuclear weapons and $1 billion to intelligence agencies), a $7 billion cut to subsidies to agricultural corporations, a $2 billion cut to federal enforcement of federal laws, and $1 billion cuts to military aid, the State Department, NASA, and air travel and railroads.

There were also several areas where the majority from one party made a change, while there was no majority in the other party that made a change. Republicans made cuts to spending on higher education ($3 billion), humanitarian assistance ($2 billion), mass transit ($2 billion), as well as global health and economic aid to countries of strategic interest ($1 billion each).

There were no majorities among Democrats that increased or cut spending in those areas. Majorities of Democrats increased funding for highways and improving energy efficiency by $1 billion, whereas there were no majorities among Republicans for increasing or cutting spending.

Lastly, there were five areas where majorities of Republicans and Democrats made changes in opposite directions, with Republicans cutting spending and Democrats increasing it in all areas but Homeland Security.

For Homeland Security, a majority of Republicans increased spending by $2 billion, and Democrats decreased spending by $3 billion. For K-12 education and subsidies for renewable energy, Republicans decreased spending by $2 billion for each, while Democrats increased spending by $1 billion for each. Funding for housing programs and pollution control were cut by Republicans by $1 billion each, and increased by Democrats by $2 billion and $1 billion, respectively.

VARIATIONS BY REPUBLICAN AND DEMOCRATIC PRIMARY VOTERS

Republican and Democratic primary voters made cuts and increases to the same areas that majorities of Democrats and Republicans overall made. However, they converged on the smaller amount of $21 billion due to the smaller amount of cuts made by Republican primary voters as compared to Republicans overall. Majorities of Republican primary voters cut $8 billion less than Republicans overall in the areas of defense, federal enforcement of federal laws, medical research and humanitarian assistance, for a total spending cut of $44 billion. Democratic primary voters made the same cuts as Democrats overall.

GENERAL REVENUES

ASSESSMENT OF ARGUMENTS ON REVENUES

Before beginning to assess options for changes to general revenues, respondents assessed broad arguments on the tax policy that are foreground in current Congressional debates. These arguments dealt with whether taxes should be reduced, whether taxes on the wealthy should be increased and whether the Federal government should use taxes to discourage people from doing things that are harmful and create costs for society

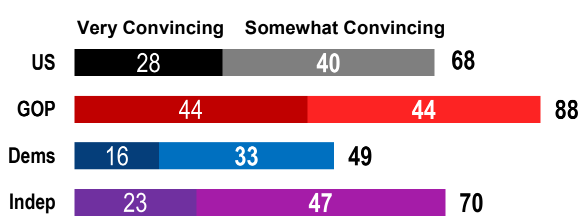
REDUCING TAXES

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 (68%) found this argument convincing (28% very), as did 88% of Republicans. Democrats were divided.

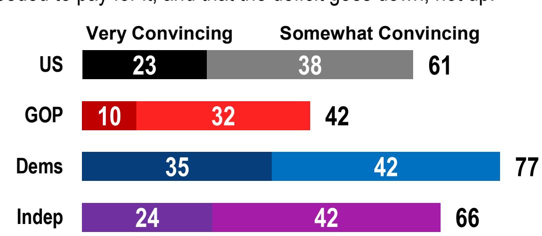
Respondents then read a counter argument that declared "we still have a major deficit," and pointed to other times in past decades when taxes were higher while this was accompanied by economic growth. This argument against tax reductions did slightly worse than the pro argument with 61% finding it convincing. In partisan terms, the responses were flipped from the pro argument—an overwhelming majority of 77% Democrats found it convincing, and only 42% of Republicans did.

ARGUMENTS ON 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 the capital gains tax was lowered in 1997. All across the country, high taxes are holding back businesses 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.



It is unwise and shortsighted to cut taxes when we have a major deficit - one that is projected to grow even higher in the future. It is a myth that lower taxes always 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 taxes were higher. What is most important is that we have a realistic and balanced approach that considers what we really need from government, what taxes are needed to pay for it, and that the deficit goes down, not up.



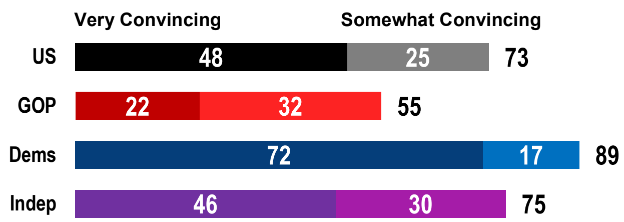
INCREASING TAXES ON HIGH INCOMES

The pro argument proposed higher income taxes for the top levels, saying this is justified by increased inequality (see box). This argument did very well, with 73% finding it convincing and 48% finding it very convincing. Democrats were almost unanimous on it (89% convincing, 72% very convincing), but a clear majority of Republicans also found it convincing (55%).

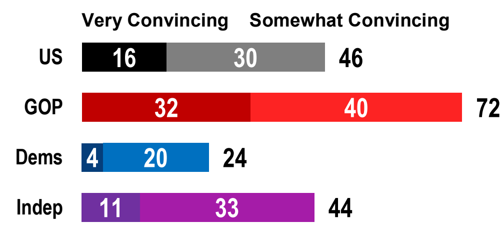
The rebuttal pointed out that higher-income people already pay a very large portion of all taxes and went on to make the case that such people can create jobs and should not be discouraged from doing so at a time when recovery from the recession is still ongoing. This argument was not very successful; under half (46%) found it convincing. However, it was convincing to 72% of Republicans, though just 24% of Democrats did.

ARGUMENTS ON INCREASING TAXES ON HIGH INCOMES

Over the last several decades, the wealth of most Americans has barely grown at all, even though American 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 a greater 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. 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 jobs.



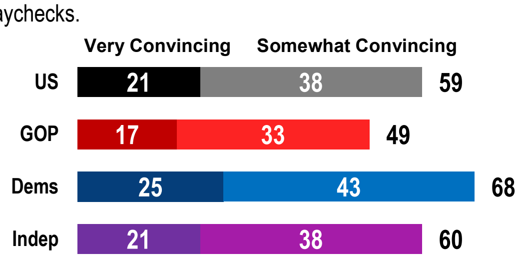
USING TAXES AS DISINCENTIVES

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 six in ten (59%, 21% very) including about two thirds of Democrats (68%) and Republicans were split (49%).

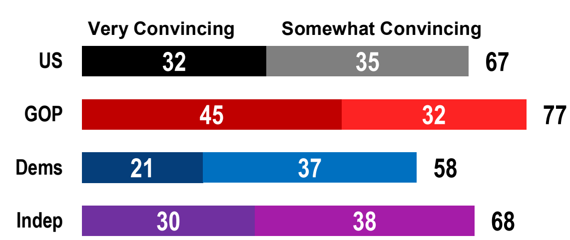
The con argument that followed invoked the "nanny state" as something to be avoided and argued that these kinds of taxes are regressive, falling disproportionately on people with low or modest incomes. This argument did a little better with 67% finding it convincing (32% very). Among Republicans, it was very well received (77% convincing, 45% very), and a clear majority of Democrats also found it convincing (58%, 21% very).

ARGUMENTS ON USING TAXES TO DISCOURAGE CERTAIN BEHAVIORS

When people use excessive amounts of alcohol, drink excessive sugary drinks, smoke tobacco or produce pollutants, they are creating costs for society in terms of healthcare and environmental quality. We should not all have to pay for those costs. Rather, the people who create those costs should pay for them. It might also encourage them to change their behavior. Thus, a good way to raise revenue is to tax alcohol, sugary drinks, and pollution. 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. This kind of thing makes the tax code more complex and favors some industries over others.



CHANGES TO GENERAL REVENUES

Respondents were then presented a series of options for modifying revenues. These included modifying existing tax rates, such as individual and corporate income; and adopting new taxes to generate new revenues.

Personal Income Tax Rates

Respondents were given the opportunity to increase or decrease effective personal income tax rates by specific amounts. A bipartisan majority reinstated 2017 tax rates (which are set to be reinstated automatically in 2025) for incomes above $200k, generating $111 billion in deficit reduction. An overall majority, including a majority of Democrats, but not Republicans, supported reinstating 2017 tax rates for incomes between $100k and $200k, generating an additional $56 billion. Primary voters converged on increasing taxes for incomes over $500k, generating $56 billion.

Respondents were given the opportunity to adjust income tax rates for different income levels. It was explained that they were dealing with effective rates, not top marginal rates; and that incomes below $30,000, which pay very little income tax, were not part of this picture.

They were also told, “As you may know, at the end of 2017 the government passed some tax cuts. Most of these tax cuts were temporary and are scheduled to be reinstated in 2025. You will have the option to reinstate some of these tax cuts early, for 2020.” They were then presented a chart (see table) showing the differences between effective tax rates currently and before the 2017 tax law.

ANNUAL INCOME	CURRENT RATES	2017 RATES
$30,000 - $40,000	5.9%	5.9%
$40,000 - $50,000	8.2%	9%
$50,000 - $75,000	11 %	12.6%
$75,000 - $100,000	13.4 %	14.7%
$100,000 - $200,000	17.1%	18.4%
$200,000 - $500,000	21.6%	23.5%
$500,000 - $1 million	25.7%	27.6%
Above $1 million	27.3 %	29.0%

They were then told that they could increase or decrease the effective rates for eight different income categories. Current rates from the new tax bill were presented as the base line. For each income bracket they were then given the opportunity to decrease this further by increments of 1 percentage point, raise taxes by reinstating the 2017 rate, or increase taxes further above the 2017 rate by increments of 1 percentage point. The effect this would have on 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.

Here is an example of what they saw, in this case for the $100,000 to $200,000 income bracket:

Income Bracket	Reduce below current rates to:		Keep current rates	Reinstate prior rates	Increase above prior rates to:	
$100,000 - $200,000	15.1%	16.1%	17.1%	18.4%	19.4%	20.4%
Effect on Revenue	-$86.0 B	-$43.0 B	$0	$55.9 B	$99.0 B	$142.0 B

Majorities of Republicans and Democrats converged on reinstating 2017 rates for incomes above $200,000, generating $111 billion. This was the same as the Republican majority position.

The overall majority and a majority of Democrats reinstated the 2017 rates for incomes over $100,000, generating an additional $56 billion in deficit reduction, for a total deficit reduction of $167 billion deficit reduction.

Democrats went even further, with a majority increasing the rate for incomes above $500,000 by one percentage point above the 2017 rate. These generated an additional $32 billion, for a total deficit reduction of $199 billion.

Individual Income Tax Changes by Majorities

	National	GOP	Dems	Bipartisan
$100 - 200k				
Increase tax to:	2017 rate	--	2017 rate	--
Revenue	$56B	--	$56B	--
$200 - 500k				
Increase tax to:	2017 rate	2017 rate	2017 rate	2017 rate
Revenue	$55B	$55B	$55B	$55B
$500k - 1mil				
Increase tax to:	2017 rate	2017 rate	1 percent point over 2017 rate	2017 rate
Revenue	$17B	$17B	$26B	$17B
$1mil-plus				
Increase tax to:	2017 rate	2017 rate	1 percent point over 2017 rate	2017 rate
Revenue	$39B	$39B	$62B	$39B
Total Revenue	**$167B**	**$111B**	**$199B**	**$111B**

Majorities of Republican and Democratic primary voters converged on reinstating 2017 rates for incomes above $500,000, generating $56 billion. Republican primary voters, unlike Republicans overall, did not increase taxes on incomes between $200,000 and $500,000. Democratic primary voters were the only group that reduced taxes for any group: a majority lowered the tax rate for incomes between $30-40k by one percentage point, increasing the deficit by $6 billion.

Capital Gains and Dividends

Bipartisan majorities raised taxes on capital gains and dividends, for those with incomes above $200k, by taxing capital gains and dividends as ordinary income, generating $122 billion.

Respondents were first told that capital gains and dividends are taxed differently than ordinary income. They were then provided with the definitions of capital gains and dividends and shown the current tax rates on income from capital gains and dividends (see table).

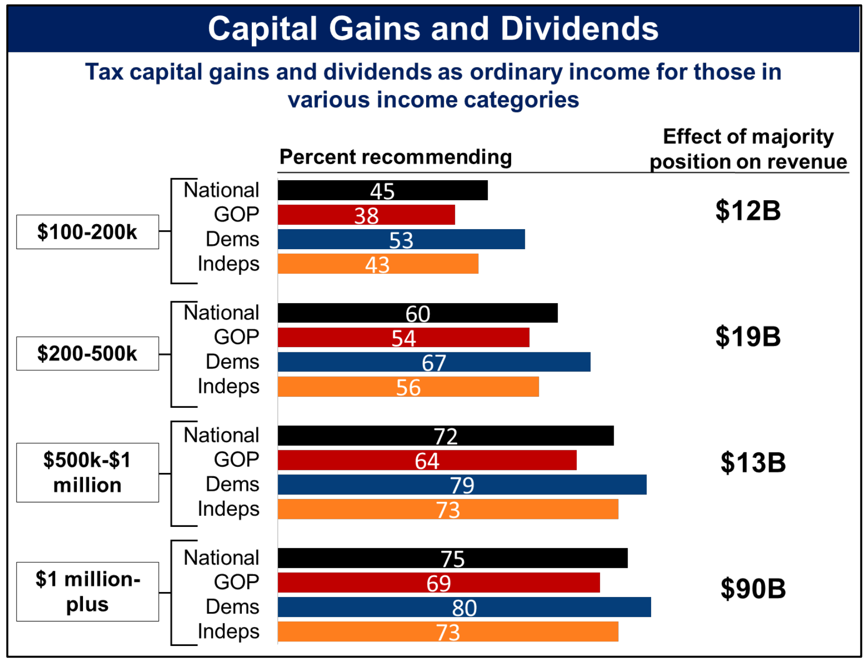
Individual Income Level	Tax Rate for Capital Gains and Dividends
Up to $39,375	0%
$39,376 to $434,550	15%
Over $434,551	20%

They were also informed that, “About 90% of capital gains go to people making above $200,000,” and thus increases to the tax rate would primarily affect high-income individuals.

Respondents then read:

There is a proposal for changing the tax rate for capital gains and dividends: capital gains and/or dividends would be taxed as ordinary income rather than at the special tax rates indicated on the previous screen.

They were presented seven income levels, starting from $40,000 to $50,000, and were given the opportunity to have capital gains and dividends taxed at the ordinary rate for people that fall within each income level. For each option, they were shown how much revenue would be generated.



Bipartisan majorities recommended taxing capital gains and dividends as ordinary income for incomes above $200,000, generating $122 billion. Democrats went further and recommended that option for incomes between $100,000 and $200,000, generating $12 billion.

No majority recommended applying the ordinary rate to those with incomes under $100,000.

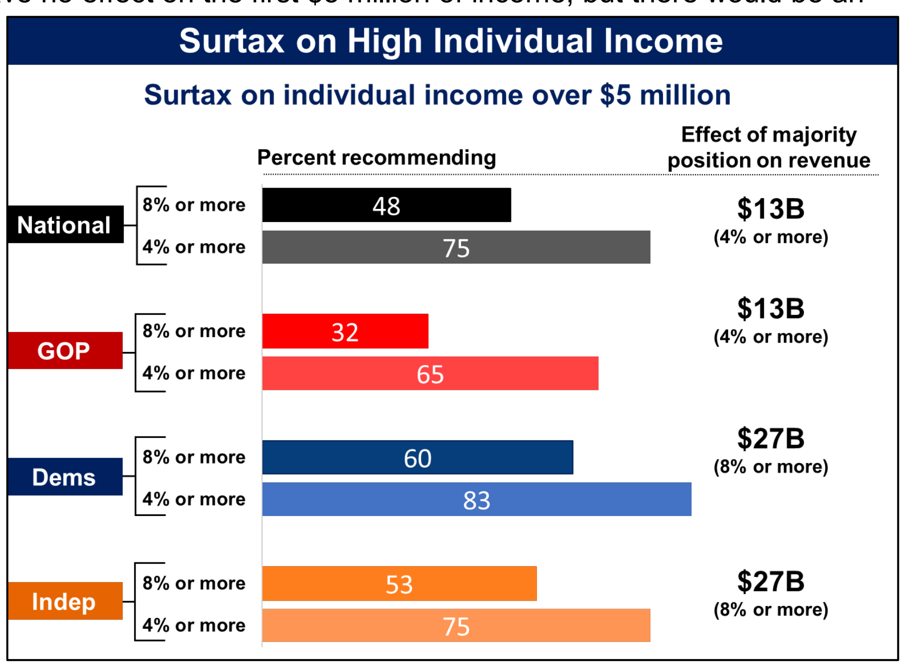
Surtax on High Individual Incomes

A large bipartisan majority adopted a surtax of 4% on incomes above $5 million, generating $13 billion. Democrats went further imposing an 8% surtax.

Respondents were presented with a proposal to charge an "extra tax" on income above $5 million: of 4, 8, 12, 16 or 20%. They were told that that, "it would have no effect on the first $5 million of income, but there would be an extra tax on the amount over $5 million."

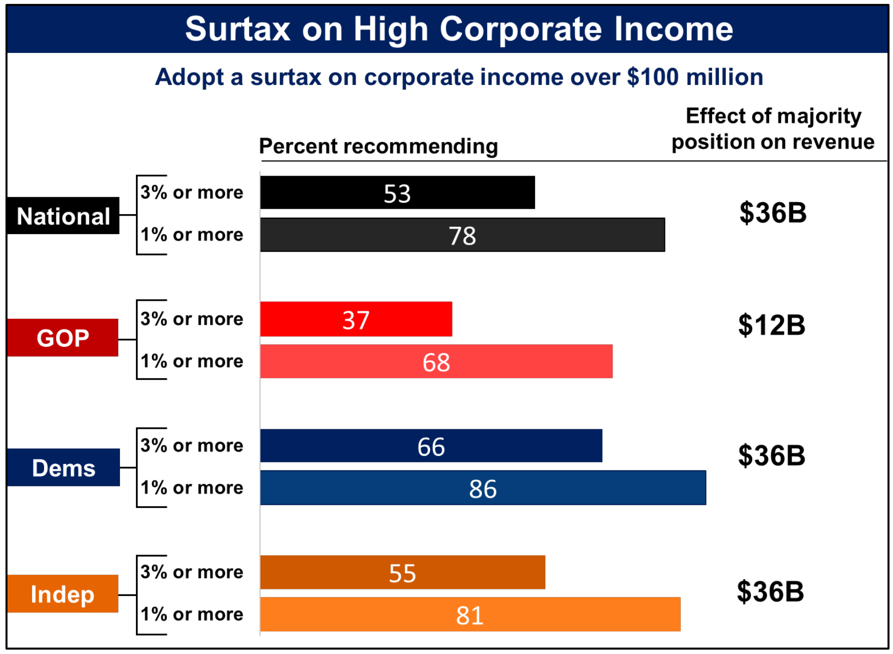
Three quarters of respondents imposed a surtax of 4%, including nearly two thirds of Republicans and over eight in ten Democrats (83%). This same exact surtax was proposed by Hillary Clinton during her 2016 candidacy. She called it the "Fair Share Surcharge."

Democrats went even further, with six in ten imposing an 8% surtax, generating an additional $14 billion.



Surtax on High Corporate Income

An overwhelming bipartisan majority adopted a surtax of 1% on corporate income above $100 million, generating $12 billion. A majority overall and two thirds of Democrats (but not a majority of Republicans) went further and recommended adopting a surtax of 3% on corporate income above $100 million, generating an additional $24 billion.



Respondents were presented with a proposal to adopt a surtax on corporate income over $100 million, form 1% up to 9% in increments of two percent. They were told that this, "would affect approximately 1,200 corporations."

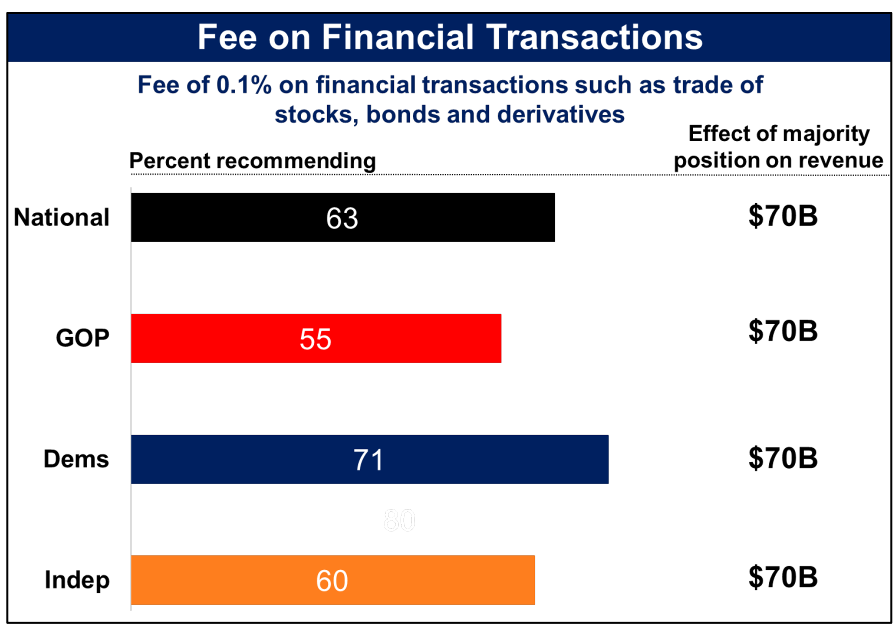
Overall, three quarters recommended a 1% surtax, including eight in ten Democrats and, surprisingly, two thirds of Republicans, generating $12 billion. Democrats again went further with 63% imposing a 3% surtax, generating an additional $24 billion.

Financial Transactions Tax

A bipartisan majority recommended a tax of 0.1 percent on trades of stocks, bonds, and derivatives, generating $70 billion in revenue.

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 one tenth of one percent (0.1%) of the value of the security being traded. For example, this would be a tax of $1 on a trade worth $1,000. This would increase revenues by $70 billion.*



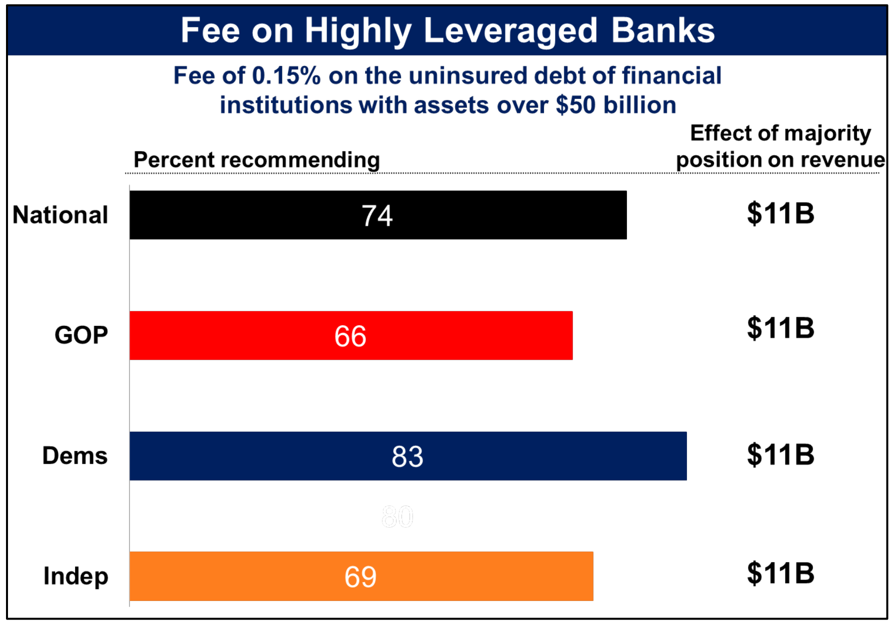
Overall, sixty-three percent recommended a financial transactions tax, while 36% recommended against it. Fifty five percent of Republicans recommended this tax. Seven in ten Democrats (71%) were positive.

Fee on Uninsured Debt

A robust bipartisan majority favored a proposal for imposing a fee of 0.15 percent on the uninsured debt of very large financial institutions that have taken on large amounts of such debt. This fee would generate $11 billion in revenue.

Respondents read:

One proposal is to impose a fee on very large financial institutions (such as banks) that have taken on large amounts of uninsured debt. This is meant to discourage them from taking on high levels of risk, as well as to generate revenue for the federal government. Institutions with assets over $50 billion (these are roughly the 100 largest firms) would pay a fee of 0.15 percent of their uninsured debt. This would increase revenues by $11 billion.



A robust majority of 74% endorsed this plan, which generated $11 billion in revenue. Two thirds of Republicans were supportive of this fee as were 83% of Democrats.

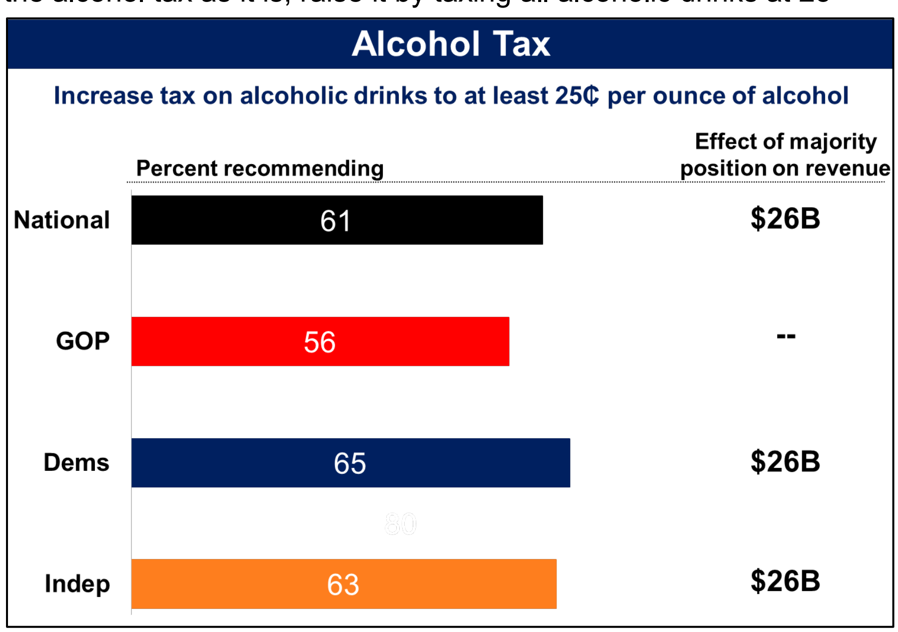
Alcohol Tax

A large bipartisan majority recommended an increase in the alcohol tax to at least 25 cents per ounce of alcohol for all drinks, generating $5 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 $5 billion in revenue); or raise it to 50 cents per ounce (generating $11 billion).



A majority (61%) supported raising the alcohol taxes at least to at a rate of 25 cents per ounce of alcohol, yielding $5 billion. Just 20% went further and chose the 50-cent rate.

The majority of Democrats (65%) chose at least the 25-cent an ounce level, with 19% choosing the 50-cent level. A smaller majority of Republicans (56%) chose at least the 25-cent level, with slightly more Republicans than Democrats choosing the 50-cent option (20%).

Tobacco Tax

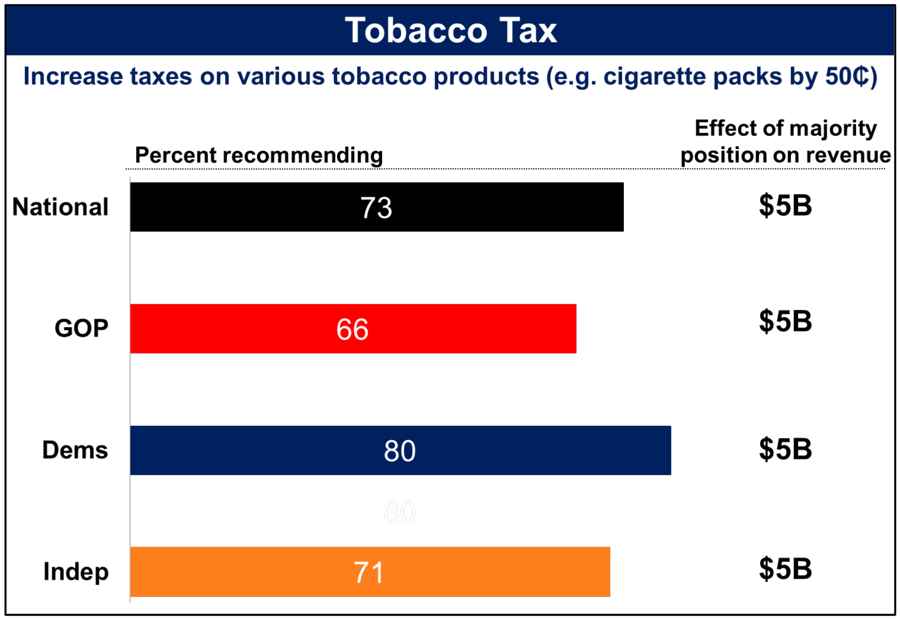
A large bipartisan majority recommended an increase in the tax on various tobacco products, including increasing taxes on cigarette packs by 50 cents, generating $5 billion in revenue.

Respondents were told that there is a proposal to increase taxes on a variety of products, and that this proposal would have the following effects:

- *The federal tax on cigarettes would be raised from $1.01 per pack to $1.51 per pack*
- *The federal tax on large cigars would be raised to be equal to the tax for cigarettes*
- *The federal tax on pipe tobacco would be raised to be equal to the current tax on roll-your own tobacco, which is $1.55 per ounce.*

They were also informed that, "Research shows that increasing tobacco taxes leads to reduced tobacco consumption, which has health benefits, particularly among teenagers and low-income people."

The proposal received large bipartisan support, with 66% of Republicans and 80% of Democrats in favor. Overall, nearly three quarters recommended it.

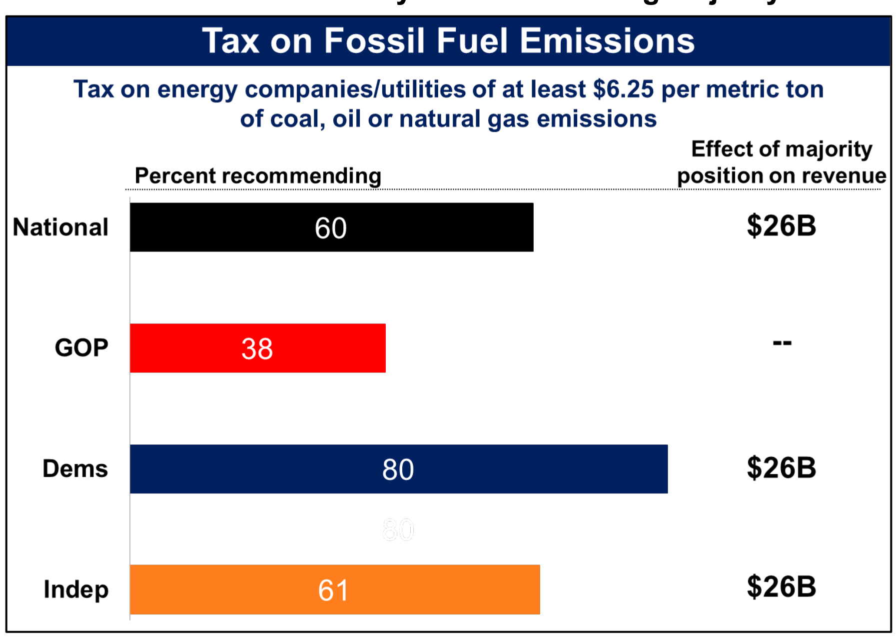


Tax on Fossil Fuel Emissions

Six in ten supported a tax on energy companies/utilities for coal, oil and natural gas emissions of at least $6.25 per metric ton of emissions that would raise gasoline prices by 5.75 cents per gallon and increase the price of electricity as much as 1.25%. The tax was recommended by an overwhelming majority of Democrats, generating $26 billion in revenue. However, it was rejected by six in ten Republicans.

Respondents were presented a proposal for a tax on emissions of coal, oil and natural gas that would be charge to energy companies/utilities that was offered by the Congressional Budget Office. It read:

> *One possibility is to impose a tax on emissions from the burning of coal, oil and natural gas (primarily carbon dioxide), that would be imposed on utility companies, oil companies, and natural gas refineries. It is assumed that these*



costs would be passed on to consumers. Here are three possible levels of such a tax and the estimated effect on the price of gasoline and electricity.

Overall, six in ten favored the idea of a tax of at least $6.25 per metric ton, which would generate $26 billion in revenue. The response to this proposal was remarkably partisan. A very large majority of Democrats (80%) favored the idea. However, only four in ten Republicans favored the idea. There were no majorities in favor of adopting a tax of $12.50 per metric ton or higher.

New Tax on Sugary Drinks

The majority overall, including a majority of Democrats, recommended a new tax of half a cent per ounce on sugary drinks, generating $10 billion in revenue. Just under half of Republicans concurred.

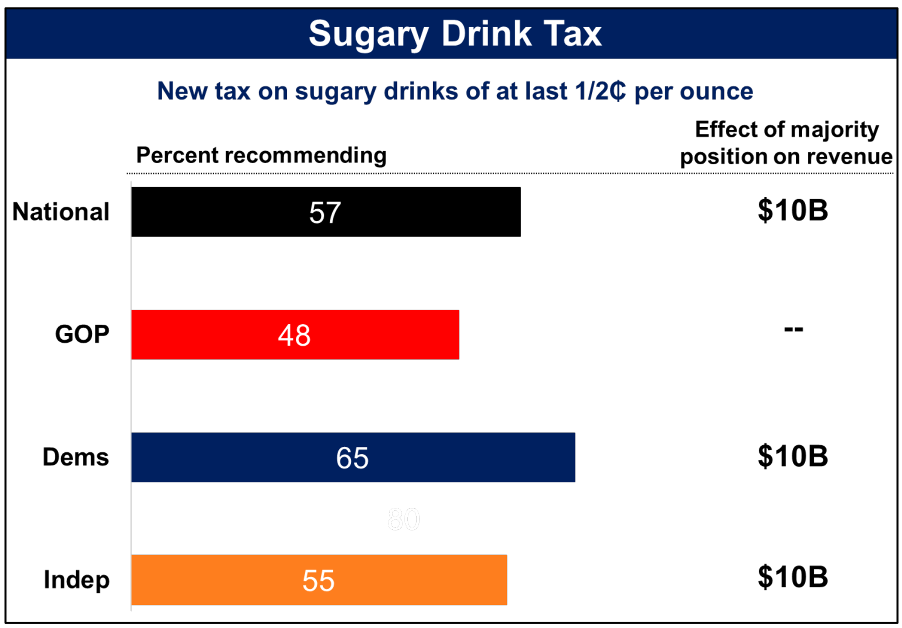
The proposal for a new tax on sugary drinks was presented as follows:

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: (see table)

Per oz. tax on sugary drinks	Tax for a 12 oz. can	Revenue
None at all	None	$0
½ cent	6 cents	+$10B
1 cent	12 cents	+$20B
2 cents	24 cents	+$40B

Overall, a majority of 57% recommended a tax of at least a half-cent per ounce, generating $10 billion in revenue. Thirty-one percent went further and raised it at least a full one cent. Among Democrats, two-thirds (65%) recommended a tax of at least half a cent—with one third going higher. Less than half of Republicans—48%—chose to adopt a tax on sugary drinks of at least a half-cent; 52% recommended against a tax.

Among primary voters, the half cent tax was slightly more popular among Democratic primary voters (69%) and slightly less among Republican primary voters (46%).



Estate Tax

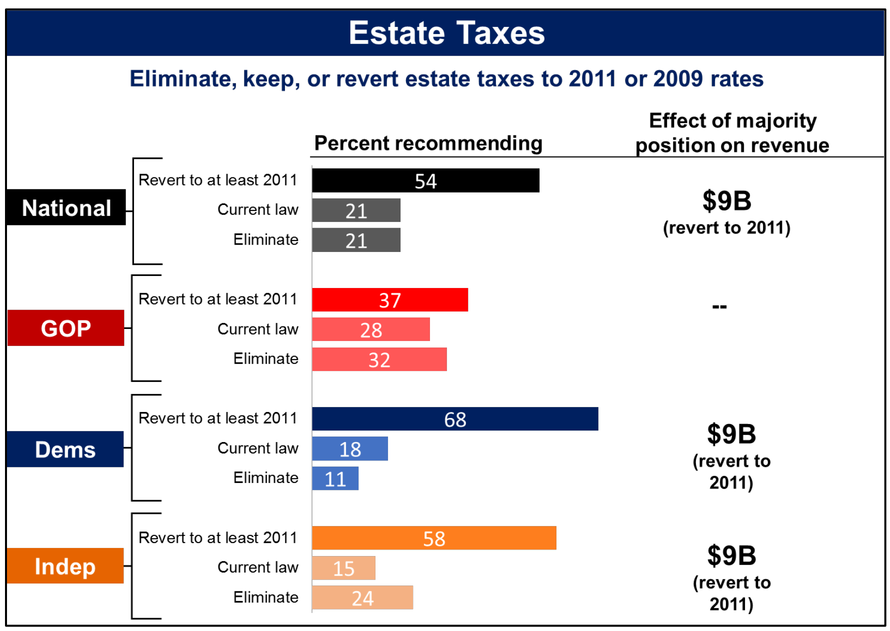
The majority overall, including a majority of Democrats recommended rolling back the new reductions in the estate tax to 2011 law, generating $9 billion in revenue. Less than four in ten Republicans concurred, though only about one third favored eliminating the estate tax.

Respondents were told the history of the estate tax, leading up to the recent cuts. They were told that there is discussion about whether the estate tax should be changed and were presented four options with their revenue effects (see table).

OPTIONS	REVENUE
Eliminate the estate tax completely	-$19B
Continue current law: A tax only on inherited wealth over $11 million for individuals and $22 million for married couples, up to 40%	$0
Revert back to 2011 law, taxing only inherited wealth over $5.5 million for individuals & $11 million for married couples, up to 40%	+$9B
Revert back to 2009 law, taxing only inherited wealth over $3.5 million for individuals & $7 million for married couples, up to 45%	+$15B

Nationally, fifty-four percent of respondents recommended rolling back the 2018 estate tax cut, thus reverting at least to the levels established in 2011. About three in ten went further, reverting all the way to 2009 levels.

However, this was not a bipartisan majority. Among Democrats, an overwhelming 68% support of reverting the estate tax to at least 2011 levels, with 37% choosing the 2009 level. But among Republicans, only 37% endorsed any of the forms for decreasing the exemptions or increasing the taxes. However, only 32% wanted to eliminate the estate tax completely.



Among primary voters, slightly more Democrat primary voters wanted to revert the tax law to 2011 levels (71%) and 2009 levels (40%). Republican primary voters did not want to revert the estate taxes (35%), and more wanted to eliminate it entirely (37%).

Corporate Income Tax Rate

Slightly less than half of respondents overall recommended any increase to the corporate tax rate, and no majority recommended a decrease. Over six in ten Democrats increased the corporate income tax rate by three percentage points, generating $20.4 billion. There was no majority of Republicans that recommended a change in one direction or the other, with four in ten recommending it stay at the current rate.

Corporate income taxes were introduced to respondents as follows:

> *As you may know recently the top corporate tax rate was lowered. Currently all corporations pay a tax rate of 21% on their net profits. Just like individuals, corporations have exemptions, credits and deductions that are applied to their profits before calculating their income tax. Therefore, their effective tax rate—the amount that they actually pay—is on average about 15%.*

They were then given the opportunity to increase or decrease the corporate tax rate by increments of three percentage points. The effect this would have on the amount of revenue generated was specified at each level.

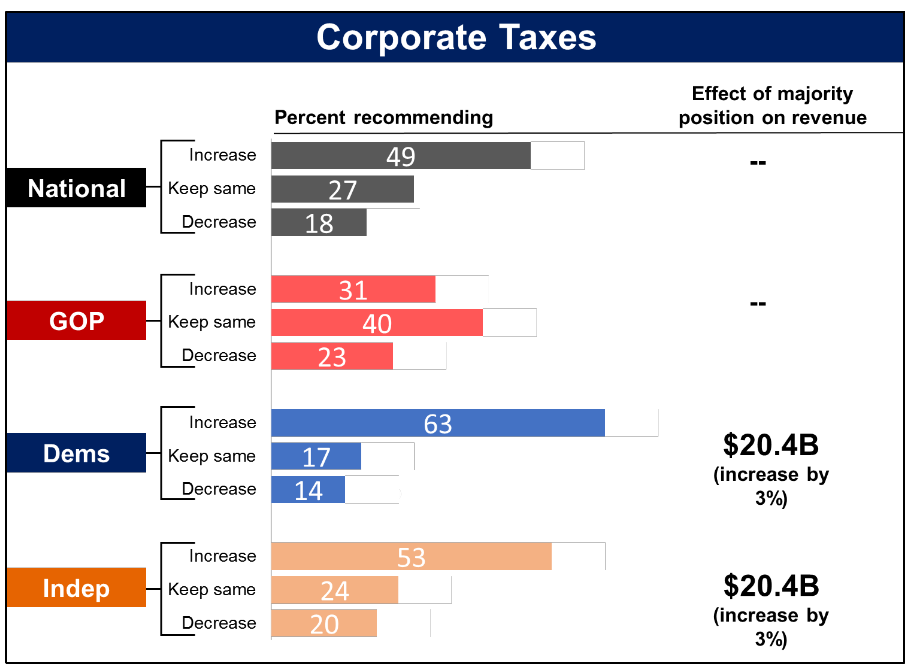
	Decrease current tax rate to:			Current rate	Increase current tax rate to:		
Tax rate on net corp. income	12%	15%	18%	21%	24%	27%	30%
Effect on Revenue	-$61.2 B	-$40.8 B	-$20.4 B	$0	$20.4 B	$40.8 B	$61.2 B

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.

Overall, there was no majority for increasing or decreasing the corporate tax rate, which is surprising given that in 2018 six in ten increased the effective corporate tax for $50.5 billion in revenue.

Only Democrats increased the corporate tax rate, which 63% did by three percentage points, generating $20.4 billion. Just one third increased it further. This is significantly less than what Democrats did in 2018 when nearly six in ten raised the effective corporate tax rate by 4.4 percentage points, generating $101 billion.

Slightly more Democratic primary voters increased the tax by three percentage points (67%). There was no majority among Republicans or Republican primary voters for changing the corporate tax rate.



REVENUE AREAS MODIFIED BY MAJORITIES

REVENUE AREAS	Revenue Billions	SUPPORT				
Changes Made by Majorities from Both Parties		National	GOP	Dems	Indep	Convergence
Raise income taxes back to 2017 rates for:						
• Income $200k-$500k	+$55	64%	54%	74%	62%	✓
• Income $500k - $1 million	+$17	68%	56%	79%	70%	✓
• Income above $1 million	+$39	71%	61%	79%	71%	✓
Raise taxes on capital gains/dividends by treating as ordinary income for those with:						
• Income $200k-500k	+$19	60%	54%	67%	56%	✓
• Income $500k-1 million	+$13	72%	64%	79%	73%	✓
• Income above $1 million	+$90	75%	69%	80%	73%	✓
Adopt extra tax of 4% on income above $5	+$13	75%	65%	83%	75%	✓
Adopt extra tax of 1% on corporate income above $100 million	+$12	78%	68%	86%	81%	✓
Adopt fee on large banks of 0.15% on uninsured	+$11	74%	66%	83%	69%	✓
Raise taxes on various tobacco products	+$5	73%	66%	80%	71%	✓
Raise alcohol taxes to 25 cents per ounce of	+$5	61%	56%	65%	63%	✓
Adopt financial transactions tax of 0.1% for stocks, bonds, derivatives	+$70	63%	55%	71%	60%	✓
Revenue changes supported by majorities:		$349	$349	$349	$349	$349
Changes Made by National Majority and One Party						
Raise income taxes back to 2017 rates for:						
• Income $100k-200k	+$56	53%	42%	64%	52%	
Adopt tax on energy companies/utilities for coal, oil, natural gas emissions ($6.25 per metric ton)	+$26	60%	38%	80%	61%	
Adopt tax on sugary drinks (6 cents per 12 oz.)	+$10	57%	48%	65%	55%	
Raise estate taxes back to 2011 levels	+$9	54%	37%	68%	58%	
Adopt extra tax of 3% on corporate income above $100 million***	+$24	53%	37%	66%	55%	
Revenue changes supported by majorities:		$125	--	$125	$125	
Changes Made by Only One Party						
Raise effective income taxes above 2017 rates by 1 percentage point for:						
• Income $500k-$1 million*	+$9	41%	27%	53%	38%	
• Income above $1 million*	+$23	47%	31%	63%	45%	
Raise taxes on capital gains/dividends by treating as ordinary income for those with:						
• Income $100k-200k	+$12	45%	38%	53%	43%	
Raise corporate tax rates 3 percentage points	+$20.4	49%	31%	63%	53%	
Adopt extra tax of 8% on income above $5 million**	+$14	48%	32%	60%	53%	
Revenue changes supported by majorities:		--	--	$78.4	$34.4	
Total Net REVENUE Changes Supported by Majorities		$474	$349	$552.4	$508.4	$349
Total Net SPENDING Changes Supported by Majorities		$70	$52	$111	$73	$27
GRAND TOTAL: DEFICIT REDUCTION		$544	$401	$663.4	$581.4	$376

** Revenue is over and above raising to 2017 rates made above*   *** Revenue is over and above 4% increase made above*   **** Revenue is over and above 1% increase made above*

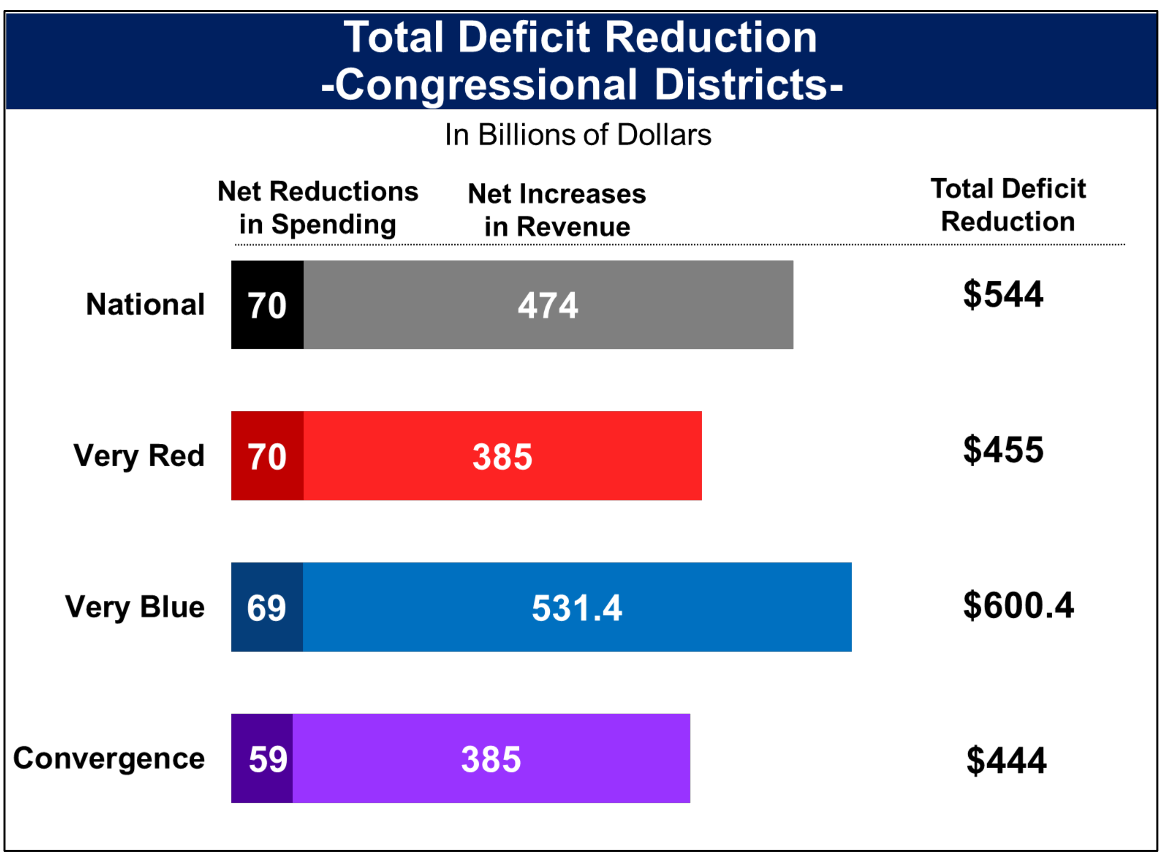
APPENDIX:
COMPARING VERY RED AND VERY BLUE DISTRICTS

The sample was large enough to enable dividing the sample six ways based on the partisan orientation of respondents Congressional district as determined by Cook's PVI ratings. Our analysis focuses on the sixth of the sample living in the most Republican districts (i.e. very red districts) and the sixth of the sample living in the most Democratic districts (i.e. very blue districts).

Very red districts reduced the deficit by $455 billion by cutting $70 billion in spending and increasing revenues by $385 billion. Very blue districts reduced the deficit by $600.4 billion by cutting $69 billion in spending and increasing revenues by $531.4 billion.

Very red and very blue districts converged on $444 billion in deficit reduction with $59 billion in spending cuts and $385 billion in revenue increases.

As one would expect, because even the most partisan districts include many from the opposing parties as well as independents, the very red and very blue districts were more convergent than Republican and Democratic voters. For example, they converged on twice the amount of spending cuts ($59 billion vs $27 billion) as well as $37 billion more in revenue increases ($385 billion vs $349 billion). Not only was there greater convergence between very red and very blue districts than between Republicans and Democrats, there was also much less divergence. While Republicans and Democrats changed spending levels in opposite directions for five areas, that did not happen once for respondents from very red and very blue districts.



SPENDING AREAS MODIFIED BY MAJORITIES - CONGRESSIONAL DISTRICTS -	2019 BUDGETED	CHANGES (BILLIONS)			
Areas Changed by Majorities Nationally and by Both Districts	Billions	National	Very Red	Very Blue	Convergence
Defense: General Operations	$592	-42	-37	-47	-37
Subsidies to Agricultural Corporations	$22	-7	-7	-7	-7
Defense: Operations in Afghanistan, Syria	$69	-4	-4	-4	-4
Defense: Nuclear Weapons	$24	-4	-3	-4	-3
Federal Enforcement of Federal Laws	$34	-2	-2	-2	-2
Defense: Intelligence Agencies	$81	-1	-1	-1	-1
Space Program	$21	-1	-1	-1	-1
Military Aid	$7	-1	-1	-1	-1
State Department	$11	-1	-1	-1	-1
Transportation: Air Travel and Railroads	$41	-1	-1	-1	-1
Energy: Oil, Natural Gas and Coal	$3	-1	-1	-1	-1
	Total:	-64	-59	-70	-59
Areas Changed by Majorities Nationally and District					
Medical Research	$41	-1	-1	0	
Environment: Land Management	$28	-1	-2	0	
Science	$23	-1	-2	0	
Development Assistance	$9	-1	-1	0	
UN and UN Peacekeeping	$3	-1	-1	0	
	Total:	-6	-7	0	
Areas Changed by Majorities in One Party Only					
Humanitarian Assistance	$8	0	-1	0	
Transportation: Highways	$49	0	0	+1	
Transportation: Mass Transit	$15	0	-1	0	
ESF: Aid to Countries of Strategic Interest	$4	0	-1	0	
Homeland Security	$53	0	0	-1	
Housing Programs	$53	0	0	+1	
Energy: Improving Efficiency	$3	0	-1	0	
	Total:	0	-4	+1	
Total Net Spending Changes:		-$70	-$70	-$69	-$59

REVENUE AREAS MODIFIED BY MAJORITIES - CONGRESSIONAL DISTRICTS -	REVENUE	SUPPORT FOR CHANGES			
Changes Made by Majorities Nationally and by Both Districts	**(Billions)**	**National**	**Very Red**	**Very Blue**	**Convergence**
Raise income taxes back to 2017 rates for:					
• Income $200k-$500k	+$55	64%	58%	66%	✓
• Income $500k - $1 million	+$17	68%	62%	71%	✓
• Income above $1 million	+$39	71%	65%	75%	✓
Raise taxes on capital gains/dividends by treating as ordinary income for:					
• Income $200k-500k	+$19	60%	55%	64%	✓
• Income $500k-1 million	+$13	72%	67%	73%	✓
• Income above $1 million	+$90	75%	73%	76%	✓
Adopt extra tax of 4% on income above $5 million	+$13	75%	70%	79%	✓
Adopt extra tax of 1% on corporate income above	+$12	78%	76%	84%	✓
Adopt fee on large banks of 0.15% on uninsured	+$11	74%	68%	82%	✓
Raise taxes on various tobacco products	+$5	73%	67%	74%	✓
Raise alcohol taxes to 25 cents per ounce of	+$5	61%	57%	64%	✓
Adopt tax on sugary drinks (6 cents per 12 oz.)	+$10	57%	53%	63%	✓
Adopt financial transactions tax of 0.1% for stocks,	+$70	63%	63%	70%	✓
Adopt tax on energy companies/utilities for coal, oil,	+$26	60%	51%	71%	✓
Revenue:	$385	$385	$385	$385	$385
Changes Made by National Majority and One District					
Raise income taxes back to 2017 rates for:					
• Income $100k-200k	+$56	53%	49%	55%	
Raise estate taxes back to 2011 levels	+$9	54%	47%	61%	
Adopt extra tax of 3% on corporate income**	+$24	53%	46%	68%	
Revenue:	$89	$89	--	$89	
Changes Made by Only One District					
Raise effective income taxes above 2017 rates by 1 percentage point for:					
• Income above $1 million*	+$23	47%	40%	57%	
Raise corporate tax rates 3 percentage points	+$20.4	49%	44%	59%	
Adopt extra tax of 8% on income above $5 million***	+$14	48%	40%	57%	
Revenue:	$57.4	--	--	$57.4	
Total Net REVENUE Changes Supported by Majorities		$474	$385	$531.4	$385
Total Net SPENDING Changes Supported by Majorities		$70	$70	$69	$59
GRAND TOTAL: DEFICIT REDUCTION		$544	$455	$600.4	$444

** Revenue is over and above raising to 2017 rates made above ** Revenue is over and above 1% increase made above *** Revenue is over and above 4% increase made above*

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 to be consulted on current issues and providing a voice that accurately reflects the values and priorities of their district or state.

PROGRAM FOR PUBLIC CONSULTATION
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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.

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