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Badger Poll™ #14, Release #6
University of Wisconsin Survey Center
University of Wisconsin Madison
April 14, 2004

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PERCEPTIONS OF THE FEDERAL INCOME TAX SYSTEM
by G. Donald Ferree, Jr.

The federal income tax system comes in for a good deal of criticism in Wisconsin. Asked, "overall, would you say the federal income tax system is basically fair, or not", state residents by about a three to two (58%-39%) margin say it is not. Criticism is strongest among self-described Democrats, followed closely by Democrats, with Republicans splitting pretty evenly. When it comes to age, only the youngest group (less than thirty) perceives the system as fair on balance and that by only four to three. Only about a third of the other age groups call the system fair. Those with a reported family income of less than thirty thousand dollars (before taxes) come closest to splitting, with a small majority viewing the system as not fair. As one moves up the income ladder, belief that the system is fair declines. But, beyond group-based, distinctions, it is worth noting that there is no group without a substantial proportion feeling the present system is unfair rather than fair, and except for the youngest, within each demographic group examined those calling the system not fair outnumber those who think it is basically fair.

Going a little deeper, when respondents were asked to characterize what "most people in the United States" pay in federal taxes, about four in ten (41%) say they pay "about their fair share." Those who have some complaint are about three times as likely to say that most people pay "more than their fair share" (40%) than that most pay "less than their fair share" (14%).

The onesidedness of this perception is greater among women than men. Democrats are somewhat more critical than Republicans, while -- on balance -- Independents come closest to being satisfied. The proportion among this group who say that most pay about what they should is higher than among either partisan camp, and -- granted that one sees a discrepancy between what is paid and what ought be -- fewer Independents feel most pay more and more feel most pay less than they ought. Discontent is greater for the middle aged groups than for either the youngest or oldest. There is some tendency as income rises to be MORE of the opinion that most people pay more in federal taxes than they ought.

When this question was recast in terms of what "you and your family" pay, just about half (49%) said they paid about what they should. Almost all the remainder felt they paid "more than your fair share" of federal levies. This general pattern tended to hold across all groups, though the oldest were less likely to feel they paid more than their fair share (about one in three, as opposed to one in two), and there was a mild tendency for sentiment that one pays more than one should to rise along with income, but differences are small.

The tax system is legendary for being complicated, and it would seem that Wisconsin residents fail to believe that the complications are worth it from the standpoint of fairness. When respondents were asked to choose one of three descriptions of "the current system of exemptions, deductions, and so on," fewer than one in six (15%) said "they are a pretty good attempt to see to it that people pay their fair share of taxes". Roughly equal sized groups of just under and just over four in ten chose "they are intended to make the tax system fair, but in practice they let a lot of people get off without paying their fair share", or the more critical, "they are designed to help the wealthy and special interests".

Group differences are small when it comes to the proportion seeing the system as doing a pretty good job at fairness. Distinctions are somewhat more clear when it comes to the relative tendency to see problems as inadvertent consequences as opposed to deliberate attempts to advantage the wealthy and special interests. Thus, for instance, fewer than one in five in any partisan group see the present arrangement as doing a pretty good job, but Democrats are twice as likely to see any unfairness as deliberately designed in than to think it is unintentional. Republicans more take the opposite stance, while Independents come closest to being divided. In none of the three broad income groups does more than one in six think the system does a pretty good job at fairness, but -- albeit more mutedly than for partisanship -- the balance between unintended consequences and special favors tends to move away from the latter tend toward the former as one's own income rises.

One alternative to the system of exemptions, deductions and the like has been the so-called flat tax, or "charging everyone the same flat rate of their income, but eliminating almost all the deductions, exemptions, credits and so on," Despite the criticism of that system, a plurality (47%-39%) labels this as not being a good idea.

Oddly, men as a group are clearly more positively disposed to this idea than women. Partisanship does not make much difference, though Independents are more inclined to like this notion than either Democrats or Republicans. Support for a flat tax is weakest among the youngest, rising to a modest plurality among those forty-five to fifty-nine, and then trails off again a bit. As income rises, sentiment moves from about three to two against at the lower level to a small plurality among those with incomes of \$75,000 or more.

The US system has long relied on "voluntary compliance", which means not only that most individuals must be honest but that taxpayers must believe that others are being honest as well. As it turns out, only about one resident in two thinks either that "almost all" (10%) are completely honest or that "most of them" are (38%). If one includes those who think that only about half are honest (32%), one reaches eight residents in ten, but recall that this answer means this group thinks taxpayers are no more likely to be completely honest than to take at least some shortcuts. About one in six thinks the typical taxpayer fudges his or her return since either some (10%), very few (5%) or almost none (1%) are seen as completely honest. Groups tend not to differ much, though it should be noted that younger respondents are no more cynical than their oldsters, and Republicans are somewhat more likely to believe that fewer than "most" are completely honest than are members of either other partisan group.

There is also a sense that complete honesty in taxes has been on a long-term downslope. Specifically, "compared to twenty years ago", half (51%) think Americans are less honest now in paying their taxes than they were. Almost all the remainder (41%) see the level of honesty as "about the same", with a handful

(5%) thinking Americans have become more honest about their taxes than they were.

In no group examined does a substantial proportion think Americans are overall more honest with their taxes, so group distinctions are limited to the relative proportion thinking they are less honest now compare to about as honest, and even this tends to be limited. Democrats are evenly divided, but by the time one gets to Republicans, a three to two majority thinks taxpayers are less honest. The most "cynical", albeit not by much, are the oldest respondents, Those in the middle (\$30,000 to \$75,000 in family income) are more likely to see a decrease in honesty than either the lower or higher group. Again, though the size of group differences tends to be quite modest.

Along another dimension, there is not much confidence that those who DO cheat will be caught. Fewer than one in ten think either almost all (3%) or most (6%) of the people who cheat will be caught. Even if one adds in those thinking about half will be (15%) one still only gets to one resident in four, with seven in ten thinking it less likely yet, with only some (33%), very few (32%) or almost none (5%) of the cheaters being caught.

No group shows much confidence that the typical tax cheat will be caught. Republicans are perhaps a little more optimistic (less pessimistic) than Independents and especially Democrats. Younger respondents tend to be at least as hopeful as older once, and optimism modestly declines (or pessimist modestly increases) as income rises. But overall it seems clear than there are twin perceptions which could be a problem for the voluntary system. Many doubt that the typical taxpayer is completely honest, and there is a substantial question in the minds of the public whether cheater do get caught.

Cynicism (or realism if one prefers) about the actual performance of the system and its enforcement is one thing. Acceptance of the NORM of honesty seems to be quite another. When respondents were reminded that "some people feel the tax system is so unfair that it is perfectly all right to cut corners to save yourself some money, others feel that all citizens have an obligation to fill out the forms completely honestly", nine in ten (91%) said that they felt one had an obligation to be completely honest, and only one in twenty (5%) accepted the argument that the system's unfairness rendered "cutting corners" legitimate. Opinion is one-sided among all groups examined. If THIS question showed a substantial proportion accepting cutting corners, that -- coupled with doubts about the actual fairness of the system, and especially the mix of exemptions and deductions -- could spell trouble for the voluntary compliance system.

The obligation to be honest, does not seem to extend to any duty to inform, however. Only three in ten (31%) say that if a citizen knows someone else is cheating on their income taxes, that person should report the offender. Almost twice as many (59%) say that it is "up to the government to find cheaters without the help of other citizens." Group differences are modest, and the proportion saying there is an obligation to report never dips below 22% nor rises above 38%. Still, Republicans and younger respondents are especially likely to say citizens should report one another.

The next question sought to personalize the issue by asking respondents to imagine what they would do if they knew "one of your friends was cheating on his income tax". Among the proffered alternatives, one in four (27%) would do nothing. Half (51%) would talk to them, but do nothing further, which might raise moral compunctions on the cheater's part, but threatens no action. Only one in six would contemplate reporting such a person either after talking and

giving them an opportunity to fix it (12%) or simply reporting it (4%). So the government appears to be pretty much on its own, relying only on its own investigative resources and the consciences of individual taxpayers. Among no group is reporting (with or without warning) anything approaching popular, but younger respondents, and those earning less were as likely to say they would misbehavior (though still on balance inclined not to) as older or higher earning persons.

Overall, then, while the system comes in for a good deal of criticism, and many residents are skeptical of just how honest their fellow taxpayers are, the key underpinning of the system -- that there is an obligation to be completely honest -- remains intact. Surely there are areas of concern, but that fundamental underpinning does not yet seem in doubt.

Statewide Marginals and Percentages for Key Groups

What follows is the exact question wording for each of the items referred to in the release. All results shown are for the basic sample of state residents. The first column is the percentage of the entire sample giving each response. The second and third reports the percentages for men and women separately. The fourth, fifth, and sixth columns show self-described Democrats, Independents, and Republicans. Columns seven through ten group respondents by age. Finally, the last three columns group respondents by reported family income before taxes, with cutpoints at \$30,000 and \$75,000 per year.

Q01. INTERVIEWER: (DO NOT ASK) Enter respondent's gender

	GENDER			PARTISANSHIP			AGE IN YEARS				INCOME \$K		
	TOT	M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
MALE	49%	100%	--%	37%	60%	47%	45%	54%	52%	44%	45%	50%	57%
FEMALE	51	--	100	63	40	53	55	46	48	56	55	50	43

USINC05. On a different subject... Overall, would you say the federal income tax system is basically fair, or not?

	GENDER			PARTISANSHIP			AGE IN YEARS				INCOME \$K		
	TOT	M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
FAIR	39%	39%	40%	34%	32%	47%	56%	36%	37%	34%	44%	39%	36%
NOT	58	60	56	61	67	51	42	62	61	61	53	60	63
DON'T KNOW	3	1	5	4	1	2	2	2	2	5	3	1	1
REFUSED	--	--	--	--	--	--	--	--	--	--	--	--	--

USINC06. In general, do you think most people in the United States pay more than their fair share of federal taxes, less than their fair share, or about their fair share?

	GENDER			PARTISANSHIP			AGE IN YEARS				INCOME \$K		
	TOT	M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
MORE THAN FAIR SHARE	40%	35%	45%	47%	28%	42%	34%	49%	44%	31%	34%	43%	44%
LESS THAN FAIR SHARE	14	19	9	12	20	14	11	18	11	16	10	16	12
ABOUT FAIR SHARE	41	43	40	35	48	41	49	31	43	45	51	36	42
DON'T KNOW	5	4	6	6	3	3	6	2	2	8	5	4	2
REFUSED	*	*	--	--	*	--	--	--	*	--	--	*	--

USINC14. Compared to twenty years ago, do you think Americans today are more honest, less honest, or about as honest in paying their taxes than they were then?

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
MORE	5%	7%	3%	5%	5%	7%	3%	8%	5%	4%	5%	4%	5%
LESS	51	48	54	47	50	55	53	50	44	60	46	60	49
ABOUT THE SAME	41	42	41	45	45	36	43	38	48	35	43	34	45
DON'T KNOW	2	3	2	4	1	2	1	5	2	2	7	1	--
REFUSED	--	--	--	--	--	--	--	--	--	--	--	--	--

USINC15. Of the people who DO cheat on their income taxes, how many do you think finally get caught? Almost all, most of them, only about half, some, very few or almost none?

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
ALMOST ALL	3%	3%	3%	4%	4%	2%	3%	2%	4%	3%	8%	2%	--%
MOST OF THEM	6	6	7	3	10	8	11	6	4	6	10	6	2
ONLY ABOUT HALF	15	14	17	12	13	18	25	16	14	12	20	13	14
SOME	33	30	36	42	24	35	20	34	35	37	27	36	34
VERY FEW	32	36	28	29	41	27	36	29	32	32	23	33	43
ALMOST NONE	5	7	3	4	4	4	1	9	5	3	4	6	5
DON'T KNOW	6	5	7	7	5	6	4	4	6	8	8	3	2
REFUSED	--	--	--	--	--	--	--	--	--	--	--	--	--

USINC16. Some people feel the tax system is so unfair that it is perfectly all right to cut corners to save yourself some money. Others feel that all citizens have an obligation to fill out the forms completely honestly. Which of these opinions comes closest to how you feel?

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
OK TO CUT CORNERS	5%	9%	2%	3%	6%	5%	7%	10%	2%	4%	7%	5%	4%
MUST BE FULLY HONEST	91	85	96	94	91	92	89	84	94	94	88	92	96
DEPENDS (VOL.)	*	--	*	--	*	--	--	*	--	--	*	--	--
DON'T KNOW	3	4	2	3	1	2	3	4	2	2	5	1	--
REFUSED	1	2	*	1	1	1	2	2	1	--	--	2	--

USINC17. If a citizen knows someone else is cheating on their income taxes, do you think they should report them, or is it up to the government to find cheaters without the help of other citizens?

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
SHOULD REPORT	31%	32%	30%	22%	32%	35%	38%	28%	31%	29%	29%	32%	29%
UP TO GOVERNMENT	59	57	61	65	59	55	51	62	61	59	61	63	58
DON'T KNOW	8	8	8	11	8	7	9	8	6	11	10	3	9
REFUSED	2	3	1	2	1	3	2	2	3	2	--	1	4

USINC18. Suppose you found out that one of your friends was cheating on his income tax. Which of the following comes closest to what you would do?

- * Nothing
- * Talk to them about it but do nothing further
- * Talk to them about it and report them if they didn't fix it
- * Report them

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
NOTHING	27%	32%	23%	24%	28%	28%	12%	30%	30%	30%	28%	29%	25%
TALK ONLY	51	48	55	58	52	49	57	49	52	51	47	51	57
TALK AND REPORT	12	11	13	9	16	13	25	10	9	12	16	13	11
REPORT	4	3	4	3	1	3	4	4	3	2	2	3	4
DON'T KNOW	5	5	4	6	2	6	3	7	4	4	6	4	3
REFUSED	1	2	1	--	*	3	--	1	2	1	1	--	1

QD05. Generally speaking, do you consider yourself a Democrat, a Republican, an Independent, or something else?

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
DEMOCRAT	27%	21%	34%	100%	--%	--%	20%	27%	27%	32%	29%	27%	30%
REPUBLICAN	30	29	32	--	--	100	32	27	29	33	20	34	30
INDEPENDENT	27	33	21	--	100	--	29	27	26	27	34	26	24
OTHER	11	15	7	--	--	--	9	14	14	4	13	10	12
NONE	3	2	4	--	--	--	4	4	2	2	3	1	4
DON'T KNOW	1	1	2	--	--	--	5	--	1	*	1	1	--
REFUSED	1	--	1	--	--	--	--	1	--	1	--	--	--

QD11. In what year were you born? (ENTER FOUR-DIGIT YEAR) (Calculated and grouped as below)

	TOT	GENDER		PARTISANSHIP			AGE IN YEARS				INCOME \$K		
		M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
18-29	15%	14%	16%	11%	16%	16%	100%	--%	--%	--%	19%	18%	9%
30-44	23	26	21	23	24	21	--	100	--	--	20	28	28
45-59	34	36	31	34	33	33	--	--	100	--	25	31	50
60 and over	26	24	29	31	27	29	--	--	--	100	37	23	13
DK/REFUSED	1	--	3	1	*	2	--	--	--	--	--	--	--

QD13. About how much was your TOTAL FAMILY INCOME last year before taxes, was it... (READ CATEGORIES AS NECESSARY)

	GENDER			PARTISANSHIP			AGE IN YEARS				INCOME \$K		
	TOT	M	F	DEM	IND	REP	<30	<45	<60	60+	<30	<75	75+
LESS THAN \$10,000	3%	3%	4%	2%	5%	2%	5%	2%	3%	3%	15%	--%	--%
\$10,000-\$15,000	3	3	4	6	2	1	2	2	2	6	14	--	--
\$15,000-\$20,000	6	6	7	5	10	4	13	6	2	8	27	--	--
\$20,000-\$30,000	10	10	10	11	11	8	8	8	9	13	44	--	--
\$30,000-\$50,000	15	15	16	19	14	14	18	20	10	18	--	43	--
\$50,000-\$75,000	20	22	19	16	21	25	24	23	23	14	--	57	--
\$75,000-\$100,000	13	15	12	17	11	11	9	16	21	5	--	--	54
OVER \$100,000	11	14	9	9	11	14	6	13	16	7	--	--	46
DON'T KNOW	5	4	6	3	6	5	11	1	2	7	--	--	--
REFUSED	12	10	14	11	8	16	4	8	13	17	--	--	--

* denotes less than .5%

-- denotes 0%

HOW THE POLL WAS DONE

This BADGER POLL™ was conducted by the University of Wisconsin Survey Center as part of its ongoing program of research designed to benefit the research community and the people of Wisconsin, under the direction of G. Donald Ferree, Jr., Associate Director for Public Opinion Research of the Center. The media sponsors of the survey are the (Madison) Capital Times, and the Milwaukee Journal-Sentinel. The BADGER POLL™ is intended to be a "poll of record" for the state, investigating matters of concern to Wisconsinites including politics, culture, and their daily lives, adhering to the highest standards of polling methodology and rigorous independence.

A total of 500 randomly chosen state residents were interviewed for this survey by telephone between March 23 and 31, inclusive. Telephone numbers were generated by computer in proportion to the number of adults living in each area of the state. Theoretically, results from this survey have a "margin of error" of a little over +/- 4%. This means that, had we asked every eligible resident in Wisconsin, exactly these questions at the time the survey was conducted, there is only a one in twenty chance that the answers would differ by more than that in either direction from what we report here. There could be differences because of changes in question wording, events occurring in the meantime, or any of the practical difficulties involved in taking a scientific survey. Results based on subgroups are subject to a larger "margin of error".