

MEMORANDUM

TO: Interested Parties
FROM: Guy Molyneux and Geoff Garin
DATE: November 8, 2013
RE: Winning the Budget Debate

From October 25 to 30, 2013, Hart Research Associates conducted a national survey among 1,009 2012 voters on behalf of Americans for Tax Fairness (ATF). The survey measures voters' priorities for Congressional budget negotiations and tests the power of potential winning messages. The poll's margin of error is ± 3.1 percentage points. This memo reports the survey's key findings and offers strategic message recommendations.

Overview of Americans' Budget Priorities

1) Voters say that the next budget agreement should include revenue from the wealthy and corporations, and they strongly reject the cuts-only approach advocated by Republicans. By a strong 17-point margin, voters want the next budget agreement to include new tax revenue from the wealthy and corporations, in addition to spending cuts (56% agree), rather than a budget that features only spending cuts with no increase in taxes on anyone (39%). Political independents (+19 points), moderates (+43), and 2014 swing voters (+40) all clearly side with the Democrats' position on the inclusion of new revenue. Support for new revenue is also robust in 2014 Senate battleground states (+27).

Americans reject the position that revenue should be off the table because they continue to believe—despite the fiscal cliff deal—that the wealthy and corporations should pay more in taxes. Sixty-five percent (65%) of voters nationwide say that the richest 2% should pay more in taxes, virtually the same percentage as in the Hart Research survey conducted for ATF in January 2013 (66%). Similarly, 64% want large corporations to pay more in taxes (just 10% say less), figures that are also virtually unchanged since January.

2) Americans want Congress to put job creation back into the budget equation, rather than maintain a singular focus on the deficit. However, the public still desires deficit reduction and limiting spending. Americans are assigning Congress a "dual mandate" in this round of budget negotiations: work to strengthen the economy *and* reduce the deficit. By an overwhelming 40-point margin (68% to 28%), they say Congress should "focus on strengthening the economy and creating jobs, while also tackling our deficit responsibly," rather than simply "getting our budget deficit under control and bringing down the national debt."

Voters express less support for a plan that reduces the deficit solely through increasing tax revenue from the wealthy and corporations (38%) than one that relies exclusively on cutting spending (51%). A balanced revenue-and-cuts approach can win this debate, while a revenue-only proposal does not have the same advantage over the cuts-only agenda.

3) Americans want to see at least half of the sequester's automatic spending cuts replaced with revenue from the wealthy and corporations.

Just 18% of voters want to see the sequester's \$110 billion in automatic spending cuts take full effect, and another 18% want to cancel the spending cuts entirely. A 56% majority chooses the middle path of reducing the spending cuts "somewhat." By two to one (53% to 27%), the public favors reducing the sequester cuts by half and replacing them with new revenue from the wealthy and corporations. Voters prefer this proposal over allowing the full cuts to take effect by a double-digit margin in every region of the country, and in Senate battleground states. While Democratic voters are united around their party's position (79% to 7%), the GOP is divided badly: Tea Party Republicans support the sequester by 69% to 13%, but non-Tea Party Republicans actually favor reducing the cuts by half (40% to 35%). *And strikingly, voters overall support a proposal to cancel the sequester spending cuts entirely and replace them with new tax revenue from the wealthy and corporations by 16 points (50% to 34%).*

4) Voters strongly oppose offsetting the sequester by making cuts in Medicare, Medicaid, or Social Security.

About the only thing Congress could do that would be less popular than allowing the full sequester cuts to take effect would be to offset them with cuts in entitlement programs. If the choice is allowing the sequester cuts or offsetting them by reducing future spending on Medicare and Social Security, Americans prefer allowing the sequester cuts by two to one (just 22% favor the entitlement offset proposal). By a staggering 70% to 12%, voters say sequester relief should be offset by closing tax breaks for the wealthy and big corporations rather than reducing spending on Social Security and Medicare.

- 85% oppose asking seniors to pay more for Medicare.
- 83% oppose cutting Medicaid for families and seniors.
- 67% oppose reducing the Social Security COLA (chained CPI).

5) Almost no public support exists for reducing high-end or corporate tax rates as part of tax reform.

Voters insist by a remarkable nine-to-one ratio that any revenue from limiting tax deductions for the wealthy or closing corporate loopholes should be used for public investment and deficit reduction (82%), not to lower tax rates on the wealthy or corporations (9%). *Within the voting public there is virtually no significant constituency for reducing tax rates on wealthy individuals or corporations.*

Taxing large corporations has particular political appeal today. When voters hear a debate between Republicans who want to broaden the base and reduce corporate tax rates and Democrats who want big corporations to "live by the same rules as the rest of us," voters side with the Democratic position by two to one (62% to 30%). Similarly, by 55% to 35% the public agrees with the Democratic position on

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the need to close loopholes for corporations that ship profits and jobs offshore, over a Republican argument for a “level playing field” for U.S. companies against foreign competitors.

6) Republicans have much more to fear than Democrats from a debate over revenue and taxes. When we ask voters what part of the GOP budget agenda they find most appealing, their commitment not to increase taxes on anyone is by far the *least* compelling (behind deficit reduction and cutting spending). Similarly, the fact that Democrats want to raise taxes is the *lowest*-rated concern about Democrats’ budget priorities. And in general, voters are much more concerned that Republicans will go too far in protecting tax breaks for the wealthy and corporations (44%) than that Democrats will go too far in raising taxes (35%). *Across several measures, the survey clearly indicates that it is Republicans—not Democrats—who have a less popular position on tax issues.*

Message Findings and Recommendations

Democrats’ commitment to closing corporate tax loopholes and limiting tax breaks for the wealthy—together with Republicans’ refusal to even consider these steps—provides the public with a clear contrast that is enormously helpful for winning the budget debate. It is crucial that the budget debate not be limited only to a discussion of how much to cut spending, which means playing on the “home field” for anti-government conservatives. The best way to avoid that trap is to go on the offense by insisting on increasing tax revenue from the wealthy and corporations. In this section, we review the main message recommendations that emerge from the survey.

*** A strong message calling for new tax revenue from the wealthy and corporations, combined with responsible deficit reduction, beats a message of cutting spending and avoiding tax increases by a solid 13-point margin.** The survey tested two Democratic messages insisting on increasing tax revenue from the wealthy and corporations against a strongly worded message from Republicans calling for deficit reduction and no new taxes. In both cases, voters found the Democratic message more convincing by a robust 13-point margin. Significantly, when we instead describe the partisan debate chiefly in terms of the threat of automatic spending cuts, with no mention of the GOP’s opposition to taxes, Democrats actually do not fare quite as well (the margin drops to +8). Making revenue part of the debate is an essential step in winning the budget debate.

*** Tax tradeoff messages that offer a clear choice between a Democratic revenue proposal and a Republican spending cut are consistently very powerful.**

- *We should end tax breaks for companies that ship jobs and profits offshore, and level the playing field for small businesses that create jobs in America.* (55% very convincing)

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- *We should close tax loopholes for large corporations that ship jobs offshore, and instead use that money to invest in jobs in America by improving our roads and bridges and rebuilding manufacturing. (54%)*
- *Instead of cutting education funding for our children, we should ask millionaires to pay at least as high a tax rate as their secretaries. (50%)*
- *It's better to end huge tax subsidies to oil and gas companies making record profits than to make seniors pay more for Medicare. (48%)*

This same tradeoff approach is the most powerful way to criticize GOP budget priorities. The very strongest criticisms of those priorities also label them as “irresponsible,” and establish a link between their unwillingness even to consider increasing tax revenue and past crises and failures to reach agreements.

- *We need leaders to compromise to avoid another crisis, but nearly every Republican in Congress has signed an irresponsible pledge promising that they will never vote to raise even one penny of revenue by closing tax loopholes for the wealthy and big corporations. (55% very convincing)*
- *Republicans in Congress are proposing irresponsible new tax cuts for the wealthy and corporations, while putting the entire burden of deficit reduction on the backs of the middle class and vulnerable families. (54%)*

*** Voters prefer revenue proposals that close corporate loopholes and limit tax breaks for the wealthy.** Two-thirds (67%) of voters prefer a budget agreement that closes corporate tax loopholes and limits tax breaks for the wealthy, compared with just 28% who prefer a budget that does not raise taxes on any American. That 39-point margin shrinks to 22 points when the loophole closing language is replaced with “*increasing revenue* from the wealthy and corporations.”

These are the highest-rated revenue proposals tested in the survey:

- Close tax loopholes to ensure that American corporations pay as much on foreign profits as they do on profits made in the United States. (79% approve)
- Pass the Buffett Rule, which sets a minimum income tax rate of 30% for millionaires to ensure they do not pay a lower tax rate than the middle class. (71%)
- Eliminate tax loopholes for corporate meals and entertainment. (69%)
- Eliminate the [carried interest] loophole that allows Wall Street hedge fund managers to pay a lower tax rate than middle-class taxpayers. (68%)

*** Frame the sequester debate as being about avoiding additional automatic spending cuts, especially to education; do not allow conservatives to cast your position as pushing to “increase spending.”** When voters consider a proposal to **cut** \$50 billion in federal spending on programs like education and medical research, only 28% favor the cuts while 57% want to maintain current funding—a 29-point advantage for the progressive position. However, a proposal to **increase** federal spending by \$50 billion on the very same programs is actually rejected by 54% to 36%—an 18-point advantage for conservatives. We suggest

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taking advantage of this “status quo bias” (a clear majority favors current funding in both cases), and framing this debate in terms of whether Congress should make **additional spending cuts**. In contrast, anti-government conservatives will seek to portray the sequester as “settled law” and say that progressives want to increase federal spending dramatically—a claim that should be contested aggressively at all times.

We recommend a focus particularly on cuts to **education**, which are the most unpopular of all potential automatic spending cuts (42% cite education cuts as one of their top two concerns). More broadly, 79% oppose cutting spending on public education (64% strongly).

Note that voters’ reasons for wanting to scale back the sequester vary. While Democratic voters’ main concern about the sequester is that vital services like schools, medical research, and nutrition assistance will be cut, independent and Republican voters worry just as much about the sequester’s projected cost of 800,000 jobs. For more moderate to conservative audiences, **highlight the destruction of jobs** that will occur if the sequester is not scaled back.

*** Voters should be informed that “entitlement” is a euphemism for Social Security, Medicaid, and Medicare.** By a 17-point margin (52% to 35%), Americans approve of a budget deal that “cuts spending on entitlement programs.” However, that 52% support drops to a mere 14% if a budget “cuts spending on Social Security and Medicare,” while fully 79% oppose such cuts. Note also that opposition to cutting Medicaid (83%) is as strong as opposition to Medicare cuts (85%).

Based on the responses to message questions throughout the survey, we recommend the following as a core message in the budget debate.

It’s wrong to put the entire burden of deficit reduction on the backs of the middle class. Republicans are proposing to cut Social Security and Medicare, but at the same time they refuse to consider raising even one penny of revenue by closing corporate tax loopholes or ending tax breaks for the wealthy. Let’s ask millionaires to pay at least as high a tax rate as their secretaries, instead of cutting education, Social Security, and Medicaid. We should close tax loopholes for corporations that ship jobs offshore, and use that money to invest in jobs in America by improving our roads and bridges. If we ask the rich and big corporations to pay their fair share of taxes, we can be fiscally responsible *and* protect the middle class.