



1900 M Street, NW, Suite 550  
 Washington, DC 20005-3908  
 (202) 464-6200  
 Fax: (202) 464-6201  
 TF@TaxFoundation.org  
 www.TaxFoundation.org

Media contact: Bill Ahern (202) 464-5101

## Tax Foundation Annual Survey of U.S. Attitudes on Tax and Wealth

(Full survey results online at [www.taxfoundation.org/taxsurvey.html](http://www.taxfoundation.org/taxsurvey.html))

*Summary: Survey respondents overwhelmingly report federal taxes are too high, too complex, and the value received from the federal government is poor. A majority favors tax reform and is willing to give up some deductions and exemptions if it leads to a simpler tax code.*

April 14, 2005—With tax reform a centerpiece of the President’s domestic agenda, the Tax Foundation’s 2005 *Annual Survey of U.S. Attitudes on Tax and Wealth* conducted by Harris Interactive® shows that a majority of U.S. adults believe taxes are too high, complex, and should be reformed—even if it requires giving up some deductions and exemptions to make taxes simpler.

The survey reveals a broad sense of unfairness regarding the tax system, finding that despite four consecutive years of tax reductions since 2000, 59 percent of U.S. adults today believe they pay more federal income tax as a percentage of income than billionaire Donald Trump.

### Taxes Complex, Returns Painful

With the April 15 tax deadline looming, the survey questioned respondents about the perceived complexity of federal income taxes and filing returns. An overwhelming 81 percent of U.S. adults believe the federal income tax is somewhat or very complex, and 70 percent said they either “hated” or “disliked” doing their income taxes—a 4-percentage point increase since 2001 and well above the response in 1990<sup>1</sup> (See Table 1). An overwhelming 77 percent said the federal tax code “needs major changes” or “needs to be completely overhauled.”

**Table 1.** How you feel about doing your income taxes?

	Love It (%)	Like It (%)	Dislike It (%)	Hate It (%)	Dislike it or Hate it (%)
April 2005	1	11	45	25	70
April 2001*	3	21	35	31	66
April 2000*	3	15	39	32	71
March 1991*	2	22	40	25	65
March 1990*	2	21	33	30	63

\*Gallup Poll

Previous polls show the number-one reason for tax complexity is the number of deductions and tax credits<sup>2</sup>, and 54 percent of respondents in the 2005 survey said they would be willing to give up some

<sup>1</sup> Gallup, April 2001; Gallup, 1990.

<sup>2</sup> NPR/Kaiser/Kennedy School Poll, April 2003.

deductions to make the tax system simpler.

Surprisingly, those most willing to trade deductions away for simplicity are the same ones likely to benefit from deductions: 59 percent of married respondents, 59 percent of those over age 45, and an overwhelming 69 percent of those with incomes over \$75,000 say they are willing to abandon some deductions for a simpler tax code.

### **Uneasiness with Tax Burden Rises**

In 1947, Gallup began asking Americans a famous tax question about whether they consider the amount of federal income tax they pay as too high, about right or too low. The question has since become a standard barometer of tax satisfaction. This year, 55 percent say the amount of federal income tax they pay is too high. This represents an increase of 5 percentage points since 2004, but is still below the average response since 1947 of 58 percent.

Those significantly more likely to say their federal tax bill is too high are married couples (58 percent) and those between the ages of 45-54 (64 percent).

### **Taxes Paid vs. Services Received**

Ultimately, taxes are paid in return for services from government. The survey asked respondents to rate the value they personally received from the federal government for their taxes paid. 66 percent rated the value as poor or fair, with just 3 percent rating it excellent. Though it falls short of a ringing endorsement of federal government services, this actually represents an improvement from 1993 when 80 percent of U.S. adults said the value received for their tax dollars was fair or poor<sup>3</sup>.

If the value received from taxes is low, should the level of taxes and government services be increased or decreased? Survey respondents leaned toward smaller government on this question, though less so than in previous polls by other organizations. Today, 34 percent of U.S. adults favor cutting taxes and services, while just 13 percent favor expanding services and boosting taxes and 30 percent favor no change.

### **Support for Changes to Tax System**

With fundamental tax reform in the news—including a possible flat income tax or national retail sales tax—the survey asked respondents about their preferred method of collecting taxes.

When asked to choose between a national sales tax, a flat-rate income tax with no deductions, or the current graduated income tax system, 37 percent chose a flat-rate income tax, while 19 percent favored a national sales tax and 19 percent favored the current system. Support for a flat income tax rose with income, and was significantly higher among married respondents (41 percent) and those over age 45 (42 percent).

When asked, “Would you favor or oppose a flat tax whereby everybody, whatever they earned, would pay income taxes on the same percentage of their income over some minimum level?” 54 percent of respondents favored the plan, while 21 percent opposed it. That represents a slight decline from 1999 when 60 percent supported such a plan<sup>4</sup>, though opposition also fell from 35 percent, signaling that fewer Americans today know enough to choose.

Americans are more divided over the merits of a national sales tax. When asked if they favor replacing

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<sup>3</sup> Business Week/Harris Poll, October 1993.

<sup>4</sup> Louis Harris and Associates, March 1999.

part of the income tax with a nationwide sales tax, 36 percent opposed such a change while 34 percent favored it, compared to 57 percent opposed and 34 percent in favor in 1999.

### **Estate Tax Repeal Favored**

While divided on tax plans, Americans are united in one respect: their distaste for the federal estate tax. Currently the estate tax is scheduled to be phased out in 2010, only to return in 2011 unless Congress takes action. When asked about completely eliminating the estate tax, an overwhelming 68 percent favored elimination.

Support for repeal is significantly higher among those in the middle to upper-middle income range of \$35,000-\$75,000 (73 percent) and those with three or more children at home (76 percent). That represents a sharp increase from 2003 when 54 percent of U.S. adults said they favored an estate tax repeal<sup>5</sup>.

### **Estate, Property Taxes Seen as Least Fair**

Americans clearly believe some taxes are more fair than others. When asked which federal tax is least fair, the estate tax received the most votes (30 percent) followed closely by the income tax (26 percent) and the Social Security payroll tax (15 percent).

Those with college (35 percent) and post-graduate degrees (39 percent) more strongly disliked the estate tax, while 18-44 year olds (19 percent) and those in the lower- to middle-income range of \$25,000-\$50,000 (23 percent) were more likely to think Social Security taxes are unfair. At the state and local level, property taxes are seen as least fair (38 percent), followed by state income taxes (19 percent) and sales taxes (18 percent).

### **44 Million Non-Payers Seen as Unfair**

In 2004 an estimated 44 million Americans filed tax returns but owed no federal income tax after deductions and credits. When asked whether this was fair, 59 percent said it was not and that everyone should be required to pay some minimum amount of tax to help fund government. Just 21 percent said it was fair.

### **Americans Understand Tax Burden, Favor Reduction**

Do Americans understand the cost of government? The survey asked respondents to guess the percentage of income Americans pay for taxes at all levels of government. The average response was 29 percent—remarkably close to the Tax Foundation's estimated national tax burden of 29.1 percent for 2005.

Respondents were then asked what they thought taxes should be. Across all demographic and geographic lines, U.S. adults favor a much lower tax bill. In two separate questions, respondents consistently said the maximum percentage of anyone's income that should go to taxes is 16 percent.

Women in the sample favored a significantly lower tax percentage (15.1 percent of income), as did those in the lower-income range of \$25,000-\$35,000 (14.1 percent of income). Geographically, those in the Pacific region favored higher taxes (17.7 percent of income), while those in the South Atlantic (14.9 percent of income) favored lower rates.

### **Taxes Affect Economic Behavior**

Taxes affect decisions. The survey asked respondents what choices they'd made in the last year that were made in order to pay less tax. 28 percent said they had bought something over the Internet rather than

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<sup>5</sup> NPR/Kaiser/Kennedy School Poll, April 2003.

from a local store, 25 percent said they gave more to charity, and 14 percent said they crossed a border to shop in a neighboring area with lower taxes—a vivid illustration of what economists call “tax competition.” Another 8 percent said they had worked fewer hours or overtime to avoid higher tax bills. Younger respondents and those with higher incomes and educational attainment were more likely to cross borders or shop over the Internet to avoid taxes.

### **Optimistic and Middle Class America**

As with most surveys, the majority of respondents viewed themselves as middle class. Only 2 percent of U.S. adults consider themselves upper class, and fully 79 percent say they are lower-middle, middle, or upper-middle class.

When asked what income it would take for them to consider themselves “rich,” the median response was \$200,000 per year with 27 percent saying they’d have to earn more than \$500,000 to be rich. However, responses show the definition of rich is different in urban vs. rural areas. The median response for those in rural, suburban, and mid-size counties was \$150,000 per year; only respondents in large urban counties defined rich as earning \$200,000 per year or more.

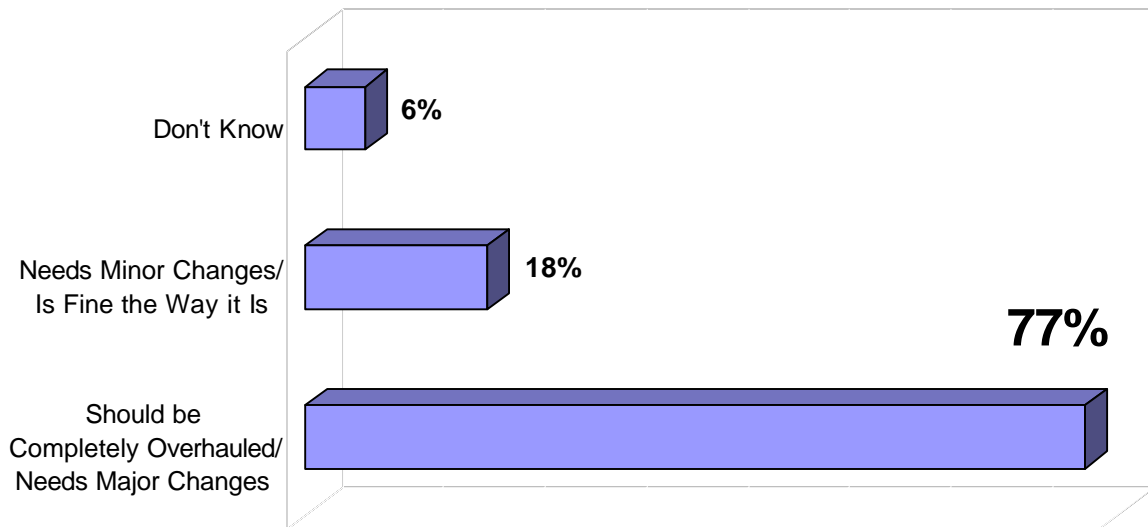
Consistent with previous surveys, young, single and educated Americans remain optimistic about their future. Fully 46 percent of 18-34 year-olds, 44 percent of singles, and 46 percent of those with a bachelor’s degree or higher say it is likely they’ll be rich someday.

### **Survey Methodology**

Survey results are based on a Harris Interactive® online survey conducted on behalf of the Tax Foundation within the United States between March 28 and April 1, 2005 among a nationwide cross section of 2,013 adults aged 18 and older. Figures for age, sex, race, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was also used to adjust for respondents’ propensity to be online. Though online samples are not probability samples, in theory, with samples of this size, Harris Interactive estimates with 95 percent certainty that the results have a sampling error of plus or minus 2.2 percentage points. The margin of error is higher for subgroup results based on subsets of respondents. As with all surveys of public opinion, sampling error is only one of many potential sources of error.

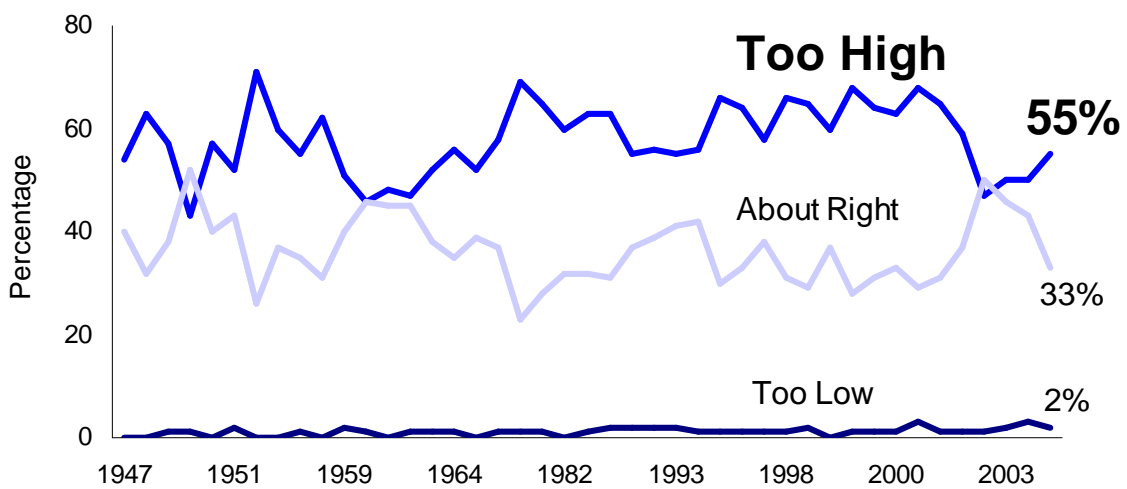
For more information on the polling methodology please contact Kelly Gullo (585-214-7172) at Harris Interactive.

## What Do Americans Think of the Federal Tax System?



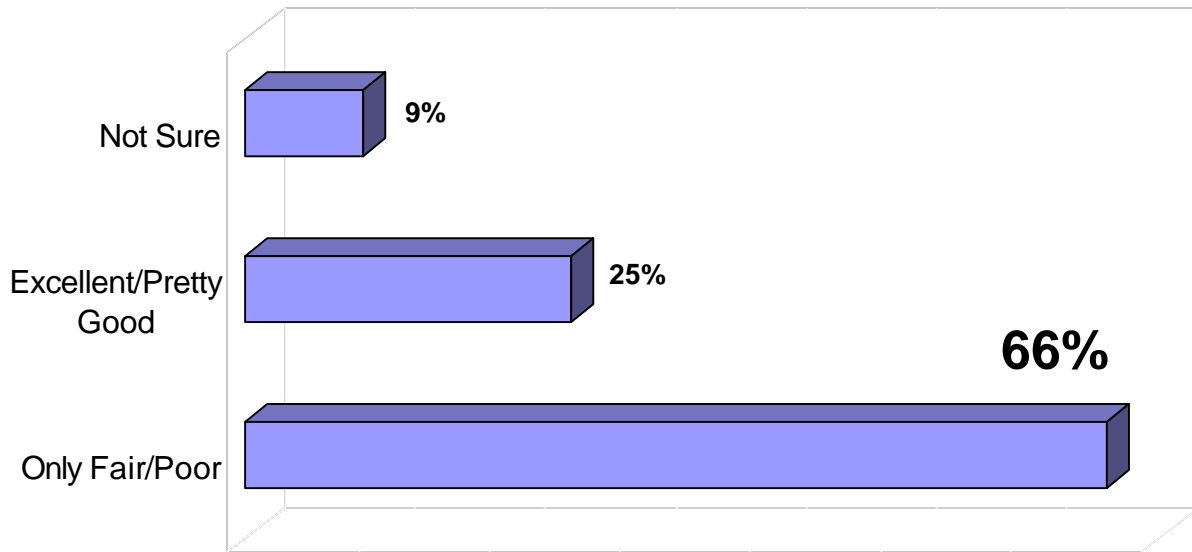
Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## Are Federal Income Taxes Too High, Too Low, or About Right?



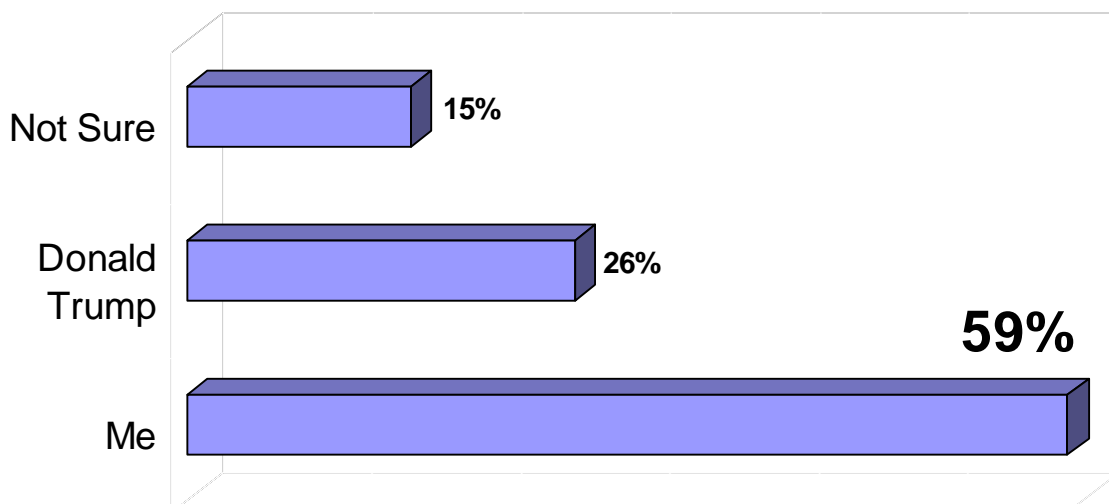
Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## How Do You Rate the Value Received From Taxes Paid to the Federal Government?



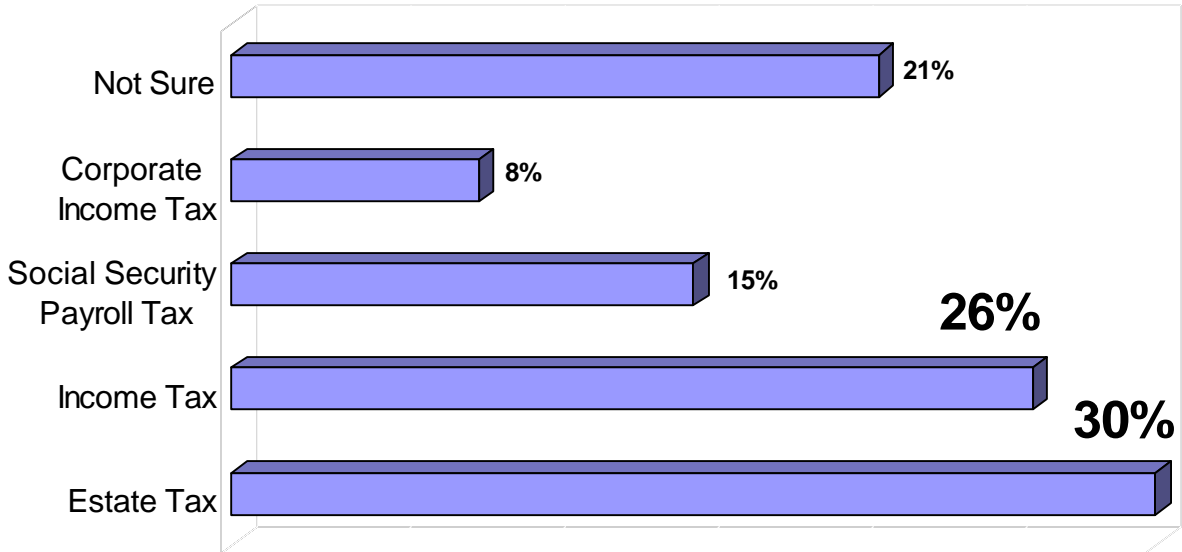
Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## Who Pays More Income Tax as a Percentage of Income, You or Billionaire Donald Trump?



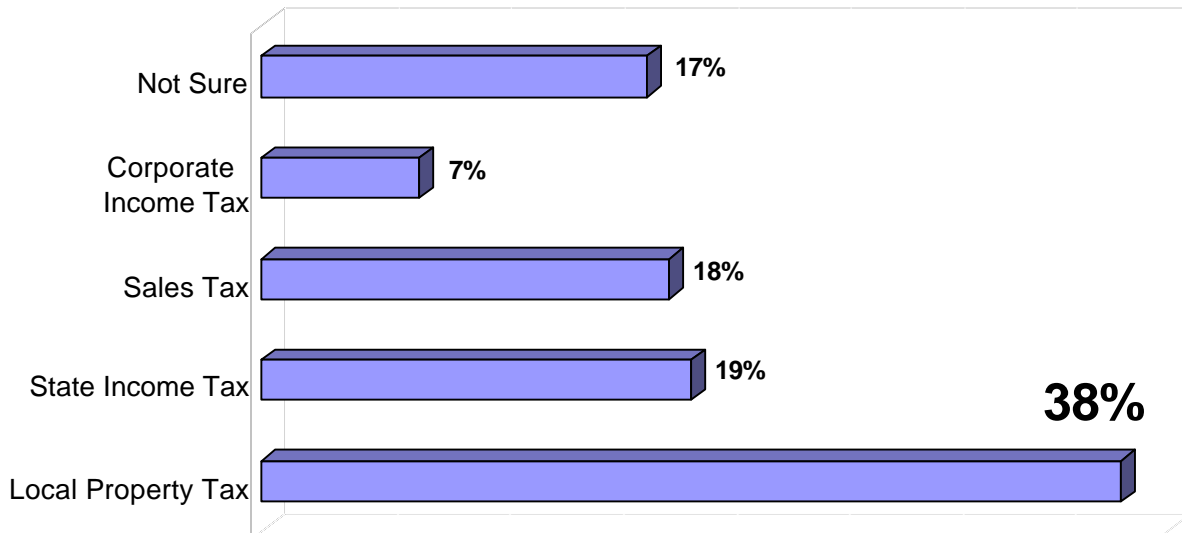
Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## Which Federal Tax is the Least Fair?



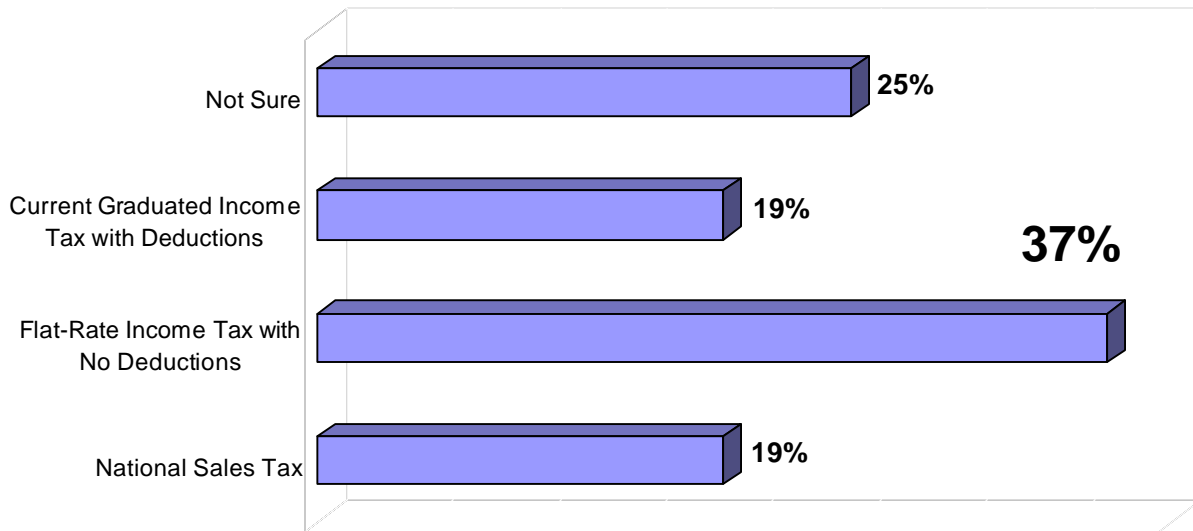
Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## Which State and Local Tax is the Least Fair?



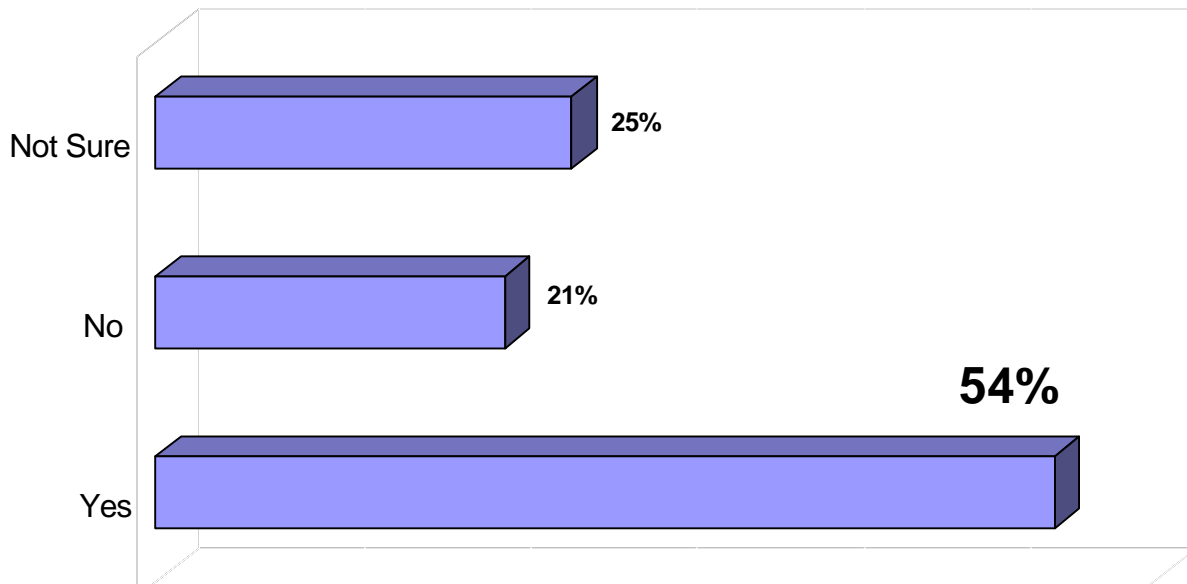
Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## Which Federal Tax System Do Americans Prefer?



Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005

## Are You Willing to Give Up Some Deductions to Make Taxes Simpler?



Source: Tax Foundation, *Annual Survey of U.S. Attitudes on Tax and Wealth*, conducted by Harris Interactive, March 28-April 1, 2005