

What do tax policy experts think about US tax policy?

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Large majorities of tax policy experts in the U.S. favor a graduated personal income tax, taxing long-term capital gains as ordinary income, a net income tax on corporations and extending the retail sales tax to services.

These are among the findings of a nonpartisan survey conducted by the University of Michigan's Office of [Tax](#) Policy Research and the National Tax Association that polled 415 NTA members on their opinions regarding U.S. tax policy. The survey is part of a year-long project to mark this year's 100th anniversary of the U.S. federal income tax.

Some of the 100 survey questions related to the respondents' personal views about tax equity, such as the degree of "progressivity," while others dealt with their views about the [behavioral responses](#) to taxation and the effective structure of various tax systems. The NTA membership is comprised of tax [policy experts](#) in business and consulting, government and academia.

Among the highlights of the survey responses, arranged by policy categories:

Rate structure of the personal (individual) income tax

- 88 percent say there should be a "graduated" personal /individual income tax (a tax structure with marginal tax rates that rise with income). In a separate question, only 17 percent favor a "flat-rate" structure (single marginal tax rate over an exemption level of income).
- 18 percent said the top marginal tax rate on income should be 50 percent or higher, while 20 percent said the top rate should be reduced to 28 percent—which, combined, suggest that the majority of respondents think the top rate should be above 28 percent but below 50 percent.

Incentive/supply-side effects of tax rates

- 66 percent believe that lower marginal tax rates increase work effort/labor supply, 63 percent believe that lower marginal tax rates increase private saving and 52 percent think a lower capital gains tax rate encourages investment and economic growth.
- 11 percent believe that "lower marginal tax rates increase work effort and taxable income generally so much as to raise revenue."

Tax treatment of capital income vs. labor income

- 62 percent think that realized, inflation-adjusted long-term capital gains should be taxed as ordinary income, and only 38 percent believe the tax rate on capital gains should be lower than that on ordinary income. Similarly, 36 percent said that dividends should be taxed at a lower rate than other personal income.
- Only 8 percent think capital income should be completely exempt from taxation, but at the same time only 6 percent think capital income should be taxed at a higher rate than labor income.
- 90 percent think "carried interest" should be taxed at "normal" rates (like ordinary income).

Itemized deductions

- The charitable contributions preference receives the most support, with 61 percent of respondents saying that the contributions should be deductible.
- 46 percent say that state and local income taxes should be deductible, while 29

percent say that state and local sales taxes should be.

- 23 percent think that mortgage interest should be deductible.

Social Security and taxes

- 52 percent say that Social Security and unemployment benefits should be fully taxable.
- 29 percent think that Social Security benefits should be financed out of general revenues rather than the payroll tax.
- 64 percent think caps on the Social Security tax base should be eliminated.

Corporate income taxation

- 77 percent believe that there should be net income tax on corporations, yet 69 percent think the personal and corporate income taxes should be "integrated" (such that corporate income is taxed only once).
- 65 percent think that corporate income earned abroad ("foreign-source income") should be taxed by the United States.

Consumption-based taxes

- 85 percent think that retail sales taxes should be extended to sales of services.
- 41 percent like the idea of a consumption-based tax (such as a value-added or national retail sales tax) as a replacement for the current income tax, but 64 percent support it as an add-on, rather than replacement, tax.

Other taxes (some of these sometimes argued to be "corrective taxes")

- 91 percent believe there should be a gasoline tax "to pay for all the highway construction and maintenance."
- 39 percent like the idea of a special tax based on the fat content of processed

foods.

- 45 percent support a tax on financial transactions.
- 85 percent think there should be a carbon tax (tax on carbon content of energy sources or uses).

Taxes and inequality (income and wealth distribution)

- 60 percent believe that wealth should be taxable.
- 84 percent think the distribution of [income](#) in the United States should be more equal and 85 percent say government has a role in redistribution.

Tax policy and deficits

- 50 percent say the costs of the next war should be financed by current taxation instead of by borrowing.
- 40 percent say that the level of government spending as a share of the economy should be reduced ("disregarding expenditures for stabilization"), while 77 percent believe that federal revenues as a share of the economy should rise above historical averages (18-19 percent) as part of any deficit reduction effort.
- 87 percent believe that government fiscal stimulus (i.e., tax cuts or spending programs) "work to help prop up an otherwise weak economy," while 77 percent say that consistent budget deficits adversely affect economic performance in a "full-employment economy."
- 13 percent support a balanced budget amendment to the U.S. Constitution.

Fiscal federalism (relationships among different levels of government)

- 85 percent think that "state and federal aids" should be distributed "on the basis of need."
- 72 percent believe that states should limit

the debt incurring powers of local governments.

Tax administration/compliance

- 99 percent say that "administrative and compliance concerns" should "play an important role in designing tax policy."
- 70 percent think the IRS should provide taxpayers with pre-populated tax returns.

Later this year, the OTPR and NTA plan to survey members of both houses of Congress and the general public on a small subset of these 100 questions asked of NTA membership. They will release further analysis of the responses from all three groups, representing the opinions of tax policy experts, tax policymakers and the tax-paying public—highlighting the particular tax issues where the biggest similarities and differences across these groups lie.

This analysis will be presented as part of a special event on the 100th anniversary of the U.S. [federal income tax](#), co-sponsored by the OTPR, NTA and the Urban-Brookings Tax Policy Center, to be held Sept. 10, 2013, at the Capitol Visitors Center in Washington, D.C.

Provided by University of Michigan

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