



MEMORANDUM

TO: Interested Parties
FROM: Hart Research and Global Strategy Group
DATE: March 21, 2018
RE: Winning the 2018 Tax Debate

Hart Research Associates and Global Strategy Group conducted a national survey on the political impact of the December 2017 tax law among 2,065 likely 2018 voters—including oversamples in Senate battleground states and battleground House districts—from March 3 to 15, 2018. The survey assessed voters' attitudes toward the tax law, identified effective progressive messages for winning the ongoing tax debate, and tested potential campaign messages both in opposition to GOP candidates and in defense of Democrats who opposed the law. This memo reports the survey's findings and provides our message recommendations.

OVERVIEW: The Republican majority in Congress touts the December tax law as its most important accomplishment and is counting on it to lift public approval of their performance. However, the reality on the ground is that voters are divided on the issue, with no advantage conferred on the law's supporters. Moreover, this survey identifies powerful criticisms of the tax law that voters find far more persuasive than the case made by its advocates, and support for the law erodes significantly after voters hear messages from both sides. Looking forward, voters embrace proposals for progressive tax reform that would make the wealthy and large corporations pay their fair share.

View of the Tax Law

Voters are divided on the tax law today, with equal proportions voicing favorable and unfavorable opinions.

- Just 39% have a favorable view of "the tax law passed by Republicans," and an equal 39% view the law unfavorably (22% are neutral).
- Opinion is similarly divided when the tax law is identified as being "signed by President Trump"—42% favorable, 39% unfavorable.

Voters strongly prefer a Democrat advocating progressive tax reform over a pro-tax law Republican.

When voters face a choice between a Republican candidate who strongly supports the tax law and a Democrat who favors repealing the new tax law and making the

wealthy and corporations pay their fair share, they prefer the Democrat by a commanding 16-point margin (50% to 34%). The Democrat also is strongly favored by independents (+25 points), moderates (+40), and swing voters (+17).

Interestingly, a Democratic candidate who favors repealing the law's tax cuts for corporations and the wealthy, *but keeping tax cuts for the middle class*, fares slightly less well than the Democrat who simply advocates making the wealthy and corporations pay their fair share (prevailing against a Republican by 46% to 34%). The candidate pledging to keep the middle-class cuts runs a bit weaker in battleground House districts (+7 vs. +14) and also does less well in deep red Senate battleground states (-8 vs. +3).

Support for the law is driven more by the appeal of middle-class tax cuts than belief that it will grow the economy.

The highest ranked reason to support the tax law, by a considerable margin, is that it "cuts taxes for ordinary Americans, allowing them to keep more of their money" (63% select this as one of the top two reasons). Fewer voters cite companies using the tax cut for bonuses and higher wages (46%) or companies investing more in America (39%) as reasons to support the law. Voters also find the notion that the law cuts taxes for ordinary people more credible than the economic arguments on its behalf.

Just 22% of voters report that they or someone in their household had their taxes lowered as a result of the new law. However, a somewhat larger 33% say that someone in their household has seen an increase in take-home pay, and this proportion rises to 39% among employed voters.

Voters believe the tax law benefits the wealthy more than the middle class. And when they look ahead, they anticipate the tax law to hurt the country in important ways.

Voters expect the law to have a more negative than positive impact on Medicare, Medicaid, and Social Security (-34 points); on the budget deficit (net -32 points); and on the fairness of the tax system (-17 points). By 43 points, they expect the law will benefit the wealthy (60%) more than the middle class (17%). And by an even larger 46-point margin, they anticipate the law's corporate tax cuts to benefit corporate executives and shareholders (58%) more than employees (12%).

Support for the tax law erodes significantly after voters hear an extensive debate, including messages from both sides.

Prior to seeing a substantial debate on the tax law, voters split when we ask whether they support the tax law passed by Congress and signed by President Trump, with 47% supporting the law and 44% opposing it. Even at the start, strong sentiment is more negative (24% strongly opposed) than positive (18% strongly in favor). After voters consider the debate over the merits of the tax law, viewing messages from both sides, sentiment shifts markedly against the law. Post-debate, voters oppose the law by a 10-point margin (52% to 42%), a net swing of 13 percentage points. Importantly, strong opposition to the plan rises by 12 points (to 36%), while strong sentiment in support remains unchanged.

Core Message Recommendations

In this section, we review the main message recommendations for opponents of the tax law that emerge from the survey data.

Three important criticisms of the tax law meet the dual tests of being both highly credible with voters and ranking among their greatest concerns about the legislation:

- *The tax law will increase the budget deficit, which will result in large cuts in Medicare, Medicaid, and Social Security.*
- *The vast majority of the law's tax cuts will go to the wealthy and large corporations.*
- *The tax cuts for corporations are permanent, but the tax cuts for the middle class are only temporary.*

Among the Democratic criticisms measured, these are the three seen as most credible by the voting public—at least seven in 10 say that each claim about the tax law is definitely or probably true. And when we give voters the opportunity to rank these ideas as substantive worries about the law, a majority cite each of these as among their top three concerns.

Recommended message #1: The law's huge tax cuts for the wealthy and corporations will increase the national debt, which will result in large cuts in Medicare, Medicaid, Social Security, and education.

The consequences of the tax law for core services and investments is the #1 concern among women (67%), white voters (62%), voters age 50 and older (65%), and non-college white women (74%). Making this connection gives voters a personal stake in this issue, and encourages them to think about the law's long-term impact on the nation, rather than just the short-term gratification that tax cuts may provide.

Mentioning that the tax law increases the budget deficit is a critical element for making this message maximally effective. While 70% believe it is true that the law "will increase the budget deficit, which will result in large cuts in Medicare, Medicaid, and Social Security," belief drops to just 60% if we remove the first five words (making it one of the least credible criticisms tested). For many voters, the ultimate damage that tax cuts do to vital services is not intuitive or obvious, unless we connect the dots by highlighting the fiscal impact.

Citing the economic damage done by cutting Medicare, Medicaid, Social Security, and education is also an effective rebuttal to supporters' claim that the tax law is growing the economy:

Tax reform is growing the economy by putting more money in people's pockets and creating a level playing field for American business (43% more convincing),
OR

The law will weaken our economy by increasing the national debt, which will force deep cuts to Medicare, Medicaid, Social Security, and education (57% more convincing).

Here again, it is essential to include the connecting element of “increasing the national debt”—opponents win this debate by 14 points when using that language, but earn only a draw without it (50% to 50%).

When Democrats make this criticism central to their tax message, voters find their case more convincing than that of Republican defenders of the law by an overwhelming 20-point margin (60% to 40%). The fact that the same Republicans in Congress who passed the tax law are now calling for cuts to these programs helps to make this message credible.

Democrats say: We will pay a price for these huge tax breaks to corporations and wealthy campaign donors. Republicans are already proposing cuts to Medicare, Medicaid, Social Security, and education. Instead, we should make sure the rich and corporations pay their fair share of taxes, so we can protect these priorities. And we should invest in our communities to have better schools, fix roads, bridges, and transit systems, make healthcare more affordable, and provide a secure retirement with dignity. (60% agree)

Republicans say: Our tax reform law means that Americans will have a simpler, fairer tax code that lets them keep more of their hard-earned money. A typical family of four saves \$2,059 a year. The law doubles the standard tax deduction and the child tax credit, and simplifies your taxes. This reform lets job creators and workers compete and win, which will create hundreds of thousands of new American jobs. Republicans kept their promise, and now middle-class families are seeing higher wages and bigger paychecks. (40% agree)

Recommended message #2: The vast majority of the law’s tax cuts will go to the wealthy and large corporations.

The second central message point emerging from the survey is that the large majority of the law’s tax cuts benefit wealthy individuals and large corporations. Fully 72% of voters (including 74% of independents and 82% of moderates) believe this claim to be true, with 35% saying it is “definitely true” (the highest proportion for any criticism tested). As noted earlier, by more than three to one voters already expect the tax law to benefit the wealthy more than the middle class (60% to 17%).

A 51% majority identify this fact as among their three most pressing concerns about the tax law. It is the top-ranked concern among moderate/conservative Democrats (60%), college graduates (57%), and voters with an income of more than \$100,000 (57%).

Recommended message #3: The tax law provides permanent tax cuts to large corporations and CEOs, but the tax cuts for working families are only temporary.

This last message communicates three ideas in a few efficient words: 1) voters’ own tax cut will expire in a few years (if they get one at all); 2) Republicans in Congress care more about helping corporations and CEOs than working families; and 3) advocates of the law have been dishonest and deceptive in selling it to the public (by not disclosing that the tax cuts for average people will expire). This high-impact fact about the tax law is very

plausible to voters (more voters rate it “true” than any other positive or negative statement we tested), but we believe many voters still need to learn it. In focus groups held before the survey fielded, it was apparent that many voters did not know that the tax cuts for individuals would expire. Fully 60% rate it among their three greatest tax law concerns (tied for first place), and it is the top concern for many key voter groups not predisposed to oppose the law, including political independents (60%), men (62%), ambivalent Trump voters (69%), non-college white men (67%), non-Republicans who support the law (64%), and non-Democrats who oppose it (62%).

Messages #2 and #3 can be combined, to contrast the tax law’s generous giveaways to the wealthy and corporations with its shortchanging of working families. When they are included in a single message, voters find it more convincing than the Republicans’ tax law message by 54% to 46%:

This law delivers huge tax breaks to millionaires and wealthy corporations, while middle-class families are left to pick up the tab yet again. 83% of the tax cuts go to the richest 1%, while a majority of Americans will eventually end up paying higher taxes. Republicans gave permanent tax cuts to big drug companies, big oil, and other corporations, but average Americans only got temporary tax cuts. This law rigs the tax code and the economy even further in favor of those at the top.

Rebutting supporters’ claims: Supporters of the tax law make several key claims about the benefits that it allegedly will provide. The survey findings reveal that progressives have persuasive rebuttals to these claims available to them in each case.

Claim: The tax law provides tax relief to middle-class families (progressive winning margin of 16 points):

Our tax reform is providing much-needed tax relief to middle-class families, an average of \$2,000 per family. (42% more convincing); OR

The law gave large permanent tax cuts to corporations, but the middle-class tax cuts are only temporary (58% more convincing).

Claim: Employers are hiking wages and providing bonuses to employees (progressive winning margin of 16 points):

More than 400 companies have announced bonuses, wage hikes, or other employee benefits, affecting more than four million workers, since tax reform passed (42% more convincing); OR

Only a tiny fraction of America’s 26 million businesses have given their workers bonuses or a raise, but corporations have spent \$200 billion on stock buybacks to benefit CEOs and wealthy shareholders (58% more convincing).

Note that most voters are not familiar with stock buybacks. When using this message, one should say explicitly that stock buybacks *benefit CEOs and wealthy shareholders*.

Claim: Tax reform benefits all Americans (progressive winning margin of 10 points):

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Our tax cuts will benefit all Americans by growing the economy and allowing people to keep more of the money they earn (45% more convincing); OR

The law gave the biggest tax breaks to Republican politicians and to the wealthy donors and corporate interests who fund their campaigns (55% more convincing).

Claim: \$480 billion in new investments (progressive winning margin of four points):

Thanks to tax reform, companies have announced \$480 billion in new investments in America that will create thousands of new jobs (48% more convincing); OR

Studies show that these are not new investments, it is what corporations had already planned to spend before the tax cuts became law (52% more convincing).

While progressives have a rather narrow advantage on this debate, we also find that just 54% of voters believe that companies are investing more and creating more jobs in America as a result of the tax law, despite aggressive claims by the president and GOP congressional leaders and largely friendly media coverage. This claim has far less credibility with voters than nearly all criticisms of the law.

Using effective language can increase the persuasive power of progressive tax messages.

“Working families.” Many messages tested in the survey focus on the law’s adverse impact on the middle class, and voters feel quite positive toward “middle-class families” (68% favorable, 39% very favorable). However, the survey reveals that voters have even more positive feelings toward “working families” (73% favorable, 47% very favorable). Where possible, messages should use the “working families” formulation.

“Wealthy shareholders.” Americans likely will not be concerned to learn that the corporate tax cuts are benefitting “shareholders,” who are viewed favorably (30%) as much as unfavorably (27%). However, by a lopsided four-to-one ratio voters have a negative view of “wealthy shareholders” (13% favorable, 51% unfavorable).

“Corporate CEOs.” Voters have a very negative opinion of corporate CEOs (12% favorable to 52% unfavorable, including 28% very unfavorable), who should be identified often as principal beneficiaries of the tax law. In fact, CEOs are much more unpopular than the “large corporations” they operate, which have a rating of 29% favorable to 42% unfavorable (just 16% very unfavorable).

“Dishonest and deceptive.” Voters choose this phrase as best summarizing their concerns about the tax law. By highlighting the dishonesty of Republican claims for the tax law and its deceptive construction (expiring tax cuts for working families), Democrats can undercut the perceived honesty of Republican candidates.

Taxes Are a Winning Campaign Issue for Democrats

Republicans are betting that the December tax law will be a winning hand for them in 2018. However, the survey data show that in most of the country the issue can actually help elect Democrats, and even in deep red states the appeal of tax cuts can largely be neutralized. On all terrains, Democrats are

better off when they engage on the tax issue. This concluding section reviews the opportunities that the tax law provides to Democrats in 2018.

Republican candidates who supported the December tax law are very vulnerable to attack on tax issues.

From the beginning of the survey—before any debate or messages—a candidate’s support for the tax law is more of a liability than an asset in most of the nation. Just 28% say they would be more likely to vote for their member of Congress if they learned that s/he had voted for the law, while 37% say less likely (-9 net). The issue is more motivating to Democrats (68% less likely) than Republicans (57% more likely). In battleground House districts, a YES vote is a 10-point net negative among voters (30% more likely, 40% less likely).

Significantly, a YES vote becomes a still greater liability after voters are exposed to extensive debate and messages from both sides. After the debate, just 29% say more likely to support and 45% say less likely (-16 net). The issue does even more post-debate damage in House battleground districts (-22 net). Similarly, we see a substantial increase in opposition to the tax law in these districts (from 45% to 54%), and debate gives Democrats a trust advantage on handling the tax issue (Republicans +5 initially, Democrats +2 after debate).

Voters do not find the Republican pro-tax law message very compelling. Just 33% find this tax message by a GOP candidate convincing (36% in battleground districts):

Our historic tax reform is working for America. It’s working for families, it’s working for businesses, and it’s working for our economy. 90% of working people will see bigger paychecks, and the typical family of four will see a tax cut of more than \$2,000. Company after company has been announcing new bonuses, increased wages, and renewed investment in America. We produced a simpler, fairer tax code that allows Americans to keep more of their hard-earned paychecks, and it is improving people’s lives.

By contrast, all 18 Democratic criticisms of this candidate tested are rated as more concerning on the same one-to-seven scale.

Democratic members of Congress who opposed the tax law also stand to gain from engaging on the tax issue.

At the beginning of the survey, a NO vote on the tax law makes a candidate a bit less likely to receive voters’ support. But debate and engagement on taxes reverses this result, making opposition to the law a political plus. At the outset, 32% say they would be more likely to vote for their member of Congress if s/he had voted NO, while 37% say less likely (-5 net). In this context, the issue is slightly more motivating to Republicans (66% less likely) than Democrats (58% more likely). Significantly, a NO vote is converted into a political advantage after voters see messages from both sides: fully 40% now say they are more likely to support and just 34% say less likely (+6 net).

The Republican attack on Democrats who voted NO has limited traction. Just 46% say this GOP attack raises serious concerns about a Democratic candidate who opposed the tax law:

Tax reform is sweeping across America. Small businesses are growing. Paychecks are going up. Families are saving more for what matters. Democratic politicians said they would support tax cuts for hard-working families, but when they had the chance they said no, voting against tax cuts for you. They stood with Chuck Schumer and Nancy Pelosi instead of with us. Democrats should not have put politics ahead of good jobs and tax cuts.

By comparison, of the 18 Democratic messages in defense of a NO vote tested in the survey, every single one was rated higher than the Republican attack on the same one-to-seven scale.

Democrats in deep red states face a tougher challenge, but still gain from engaging aggressively on the tax issue. In the five deep red Senate battleground states (IN, MO, MT, ND, WV), voters are initially more likely to support the tax law (58% support) and inclined to oppose a candidate who voted NO (27% more likely, 41% less likely). Even on this hostile terrain, though, Democrats benefit from taking the debate to Republicans. After a vigorous back-and-forth on taxes, support for the law drops to a bare 51% majority. More impressively, the 14-point disadvantage facing a NO voter nearly vanishes, as 35% of red state voters say they are more likely to vote for this candidate, while 40% say less likely (-5 net). When one can turn your opponent's number-one campaign issue into a virtually break-even proposition with voters, that's a substantial accomplishment.

And even before the debate, red state voters report they are more likely to vote for a Democrat who favors "repealing the tax law and making the wealthy and corporations pay their fair share" (43%) than a Republican who strongly supports the law (40%).

Voters say they will reward candidates who advocate an alternative, progressive tax reform agenda.

Voters register substantial interest in supporting candidates who will take the tax code in a very different direction than the December law did. More than six in 10 voters say they are more likely to support a candidate who advocates the progressive tax priorities below, while less than 15% are less likely to vote for these candidates. Even in deep red Senate battleground states, voters are far more likely to support than oppose candidates who embrace these positions:

- *Make sure wealthy investors are taxed at a rate at least as high as workers pay on their wages (69% more likely, 10% less likely)*
- *End tax breaks for corporations that outsource jobs or shift profits offshore (68%, 11%)*
- *Close the loophole that benefits wealthy business owners like Trump and use the revenue for infrastructure (64%, 13%)*
- *Close the loophole that benefits wealthy business owners and use the revenue for infrastructure (64%, 14%).*

We also find support for candidates specifically proposing to repeal portions of the December tax law, IF they clarify that this repeal applies only to tax cuts for the wealthy and corporations. By more than two to one, voters say they are more rather than less likely to support candidates advocating these reforms:

- *Repeal the tax cuts for the wealthy and corporations, but keep the tax cuts for the middle class (58% more likely, 19% less likely)*
- *Repeal the tax cuts for the wealthy and corporations (55%, 23%)*
- *Repeal the new tax law and pass tax reform that makes the rich and corporations pay their fair share (54%, 25%).*

Voters are also more likely to vote for a candidate who says only that they will “repeal the new tax law and start over on tax reform,” but by a narrower 43% to 33%. Specifying that new reforms will make the wealthy and large corporations pay their fair share increases a candidate’s appeal to voters.

In both contexts (challenger or incumbent), Democratic candidates can effectively use the same three core messages discussed above: 1) the threat of cuts to Medicare, Medicaid, Social Security, and education; 2) the fact that a vast majority of the tax cuts go to the wealthy and large corporations; and 3) the contrast between permanent corporate tax cuts and temporary cuts for average Americans. However, one additional dimension is especially impactful in the electoral context: *GOP corruption*.

When voters consider specific criticisms of Republican candidates who support the tax law, they respond strongly to evidence that the law was designed to benefit special interests, especially interests that help fund the campaigns of the GOP members of Congress who passed the law. As with the expiration of the tax cuts for working families, this helps to raise concerns about the honesty and the true priorities of GOP candidates. The four criticisms below raise substantial concerns about a pro-tax law Republican (and also are seen as strong reasons for a Democrat to vote NO). Note that tax breaks for pharmaceutical companies and health insurance companies appear to especially inflame voters, who are extremely concerned about rising healthcare costs today.

- *Dozens of Republican politicians voted for a special tax loophole that will cut their own taxes by an average of more than \$50,000 per year (63% serious concern).*
- *Republicans gave pharmaceutical and health insurance companies billions in new tax breaks, but now those companies are raising drug prices and our insurance premiums (62%).*
- *Republicans gave a tax cut of more than \$1 billion a year to the billionaire Koch brothers, who promised to spend \$400 million to reelect Republicans who voted for the law. This was a political payoff (57%).*
- *Republicans opened up a huge new loophole that gives billions to wealthy business owners and real estate developers like Donald Trump who can game the system— but working people don’t qualify (56%).*