

SPRING 2018
NEW YORK UNIVERSITY
SCHOOL OF LAW

“How the Taxpaying Experience Obscures Low-Income
Taxpayers and Shapes Attitudes about Progressivity”

Vanessa Williamson
Brookings Institution

February 13, 2018
Vanderbilt Hall – 208
Time: 4:00 – 5:50 p.m.
Week 5

SCHEDULE FOR 2018 NYU TAX POLICY COLLOQUIUM

(All sessions meet from 4:00-5:50 pm in Vanderbilt 208, NYU Law School)

1. Tuesday, January 16 – Greg Leiserson, Washington Center for Equitable Growth. “Removing the Free Lunch from Dynamic Scores: Reconciling the Scoring Perspective with the Optimal Tax Perspective.”
2. Tuesday, January 23 – Peter Dietsch, University of Montreal Philosophy Department. “Tax Competition and Global Background Justice.”
3. Tuesday, January 30 – Andrew Hayashi, University of Virginia Law School. “Countercyclical Tax Bases.”
4. Tuesday, February 6 – Gerald Auten, U.S. Treasury Department. “Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends.”
5. Tuesday, February 13 – Vanessa Williamson, Brookings Institution. “How the Taxpaying Experience Obscures Low-Income Taxpayers and Shapes Attitudes about Progressivity”
6. Tuesday, February 27 – Jacob Goldin, Stanford Law School.
7. Tuesday, March 6 – Lisa Philipps, Osgoode Hall Law School. “Gendering the Analysis of Tax Expenditures.”
8. Tuesday, March 20 – Lisa De Simone, Stanford Graduate School of Business. “Repatriation Taxes and Foreign Cash Holdings: The Impact of Anticipated Tax Reform”
9. Tuesday, March 27 – Damon Jones, University of Chicago Harris School of Public Policy.
10. Tuesday, April 3 – Ajay Mehrotra, American Bar Foundation and Northwestern University School of Law. “T.S. Adams and the Beginning of the Value-Added Tax.”
11. Tuesday, April 10 – Jason Furman, Harvard Kennedy School.
12. Tuesday, April 17 – Emily Satterthwaite, University of Toronto Law School. “Electing into a Value-Added Tax: Survey Evidence from Ontario Micro-Entrepreneurs.”
13. Tuesday, April 24 – Wolfgang Schon, Max Planck Institute. “Taxation and Democracy.”
14. Tuesday, May 1 – Mitchell Kane, NYU Law School.

READ MY LIPS

**WHY AMERICANS
ARE PROUD
TO PAY TAXES**

Vanessa S. Williamson

Princeton University Press

Princeton & Oxford

Copyright © 2017 by Princeton University Press
Published by Princeton University Press, 41 William Street,
Princeton, New Jersey 08540
In the United Kingdom: Princeton University Press,
6 Oxford Street, Woodstock, Oxfordshire OX20 1TR
press.princeton.edu

Jacket art courtesy of Shutterstock

All Rights Reserved

ISBN 978-0-691-17455-6

British Library Cataloging-in-Publication Data is available

This book has been composed in Baskerville 120 Pro and
Berthold Akzidenz Grotesk

Printed on acid-free paper. ∞

Printed in the United States of America

1 3 5 7 9 10 8 6 4 2

CONTENTS

LIST OF ILLUSTRATIONS	vii
PREFACE: THE TAX REVOLT WAS A LONG TIME AGO	ix
ACKNOWLEDGMENTS	xvii
Introduction	1
1. Pride and Prejudice and Taxes	26
2. How the Taxpaying Experience Obscures Low-Income Taxpayers	46
3. Where Should Tax Money Go?	79
4. How the Taxpaying Experience Shapes Attitudes about Progressivity	117
5. (How) Is Tax Money Wasted?	142
Conclusion	165
APPENDIX A. THE U.S. TAX SYSTEM: A BRIEF INTRODUCTION	183
APPENDIX B. MEET THE INTERVIEWEES	193
NOTES	235
INDEX	277

2

How the Taxpaying Experience Obscures Low-Income Taxpayers

How do you feel about being a taxpayer?

Roy, 61, Republican from Ohio: Well, I feel like I'm contributing to the economy and the growth of our economy. I like the fact that I am contributing in that way because there are so many who aren't.

* * *

If you were going to imagine a taxpayer, what comes to mind?

Lawrence, 40, Democrat from Michigan: If I imagine a taxpayer?
[Yes.]

Lawrence: Well, they're middle class or lower—but not the lower end, because in my perception, they don't really pay a lot. So it's the working people. They're the taxpayers.

* * *

Do you think of yourself as a taxpayer?

Eileen, 59, Democrat from Washington: Do I think of myself. . . . [W]ell, I do, I mean, not on the same level as other people, because, you know, I'm not paying federal income tax, but I do pay taxes, so . . . I do think of myself as sort of a taxpayer.

Nearly every American adult pays some taxes, whether at the local, state or federal level.¹ And yet, many Americans are convinced that a large percentage of the public does not pay taxes. In my Q14 survey of one thousand U.S. adults, 88.0 percent of respondents answered “yes” to the question “Are you a taxpayer?” But these same respondents estimated, on average, that only 66.5 percent of adults in the United States are taxpayers. There is a twenty-plus point “taxpayer gap.” People see themselves as taxpayers, but doubt the tax-paying status of others.

Anger at these supposed non-taxpayers is rampant. Asked how she feels about being a taxpayer, a Republican survey respondent from Alabama writes, “I am barely taking care of myself and having to take care of those who don’t pay taxes.” A South Carolina independent’s very first thought about taxes is about “stupid people who don’t pay any.” A Democrat from California writes that he doesn’t mind paying his fair share, but “I don’t like the idea that others don’t pay their share.”

Who are these purported non-taxpayers? As we’ve seen, immigrants are often perceived as evading the tax

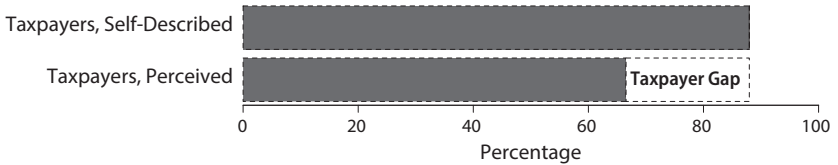


FIGURE 2.1. The Taxpayer Gap

Note: On average, Americans estimate 66.5 percent of U.S. adults pay taxes, but 88 percent of U.S. adults describe themselves as taxpayers.

responsibilities carried by other Americans. But poor people, even native-born Americans, are also presumed to be non-taxpayers or near non-taxpayers. This is not a view held only by the comparatively wealthy; poor and working-class people discount their own tax contributions. As Eileen says at the beginning of this chapter, her taxpaying is “not on the same level” as other people because she does not earn enough money to pay federal income tax.

The tax contributions of the poor are underestimated for two reasons. First, the sales taxes and payroll taxes that are expensive for working-class people are “low effort”: predictable, incremental, and automatic. Because their calculation and payment are less of a hassle than figuring out income taxes, these taxes get less attention. So the taxpaying process reduces awareness of certain types of taxes and, therefore, certain types of taxpayers: lower-income people.

Second, public rhetoric emphasizes the income tax over other duties. As I noted in the preface and introduction, the income tax plays an outsized role in contemporary Republican political thinking. Particularly in conservative circles, a distinction is often drawn between taxpayers and a presumed class of non-taxpayers. This rhetoric echoed in the thoughts of my interviewees, including those who describe themselves as liberal. Grace, a college student in the Bay Area, slightly overstates GOP presidential candidate Mitt Romney’s claims about the “47 percent”: “I think Romney said something about more than half the population not paying taxes.”

Accordingly, though Democrats and Republicans both underestimate the cost of low-hassle taxes, Republicans

are especially likely to focus on the income tax—even when other taxes are more expensive to them personally. They are also especially prone to seeing low-income Americans as non-taxpayers. But not all Republicans experience this blind spot to the same extent. It is Republicans who say they often seek out political news who most underestimate the breadth of the taxpaying population. The information one receives from the taxpaying process interacts with the public narrative about taxation to disguise the substantial tax contributions of low-income people.

Poor People Are Not Seen as Taxpayers

To be a “taxpayer” implies a certain economic status. Interviewees often describe taxpayers using signifiers of wealth. Many of my low-income interviewees and survey respondents doubted whether they “really” qualified as taxpayers. Thus to be a taxpayer is not simply to pay taxes; it is to be of relatively high economic standing.

Asked to describe “a taxpayer,” interviewees tend to imagine a working person or someone who owns property. Amber, a 40-year-old woman from Mississippi, says a taxpayer is “a person that works and has a job.” Tiffany, a stay-at-home mother in Texas, describes an “Average Joe working and paying taxes from their paycheck.”² The interviewees mostly talk about taxpayers in terms of employment, but some do mention property ownership as a criterion. When asked to describe a taxpayer, Steve, a retired military officer living in upstate New York, sees a “homeowner.” Those who are not employed or propertied

often do not think of themselves as taxpayers. Erick, from Michigan, is among the long-term unemployed. He is not a taxpayer “right now,” he says. “But in the past and in the future I will be again.” For Erick, to be a taxpayer is to be a working person.

The same definition is held by my Q14 survey respondents: taxpayers are property owners and working people. When I asked my survey respondents “Are you a taxpayer?” respondents working outside the home were 16 percent more likely to describe themselves as taxpayers. Similarly, those who own a home were 18 percent more likely to see themselves as taxpayers.

But owning a home and having a job are not enough to ensure that a person believes him- or herself to be a taxpayer. Lower-income survey respondents, even when they own their homes and work for a living, still tend to doubt that they qualify as taxpayers. A person with a household income over \$60,000 a year is 4 percent more likely to call him- or herself a taxpayer than a person making less than \$60,000 a year—even when both of those respondents are working people who own their home.³

The interviewees agree: one must earn not only an income but an income of a certain level before one *really* qualifies as a taxpayer. Asked to describe a taxpayer, Sharlene, a project manager for a media company, says he or she must make “a decent salary.” Jessica, a mental health therapist from Georgia, imagines an “accountant.” Bonnie, an antiques dealer in Texas, pictures a “guy in a suit with a briefcase, and he’s walking to his job in downtown Dallas somewhere.” As Lawrence says, taxpayers are not at “the lower end” of the

economic spectrum, “because in my perception, [poor people] don’t really pay a lot.” Thus the interviewees explicitly or implicitly exclude the poor from their definition of the taxpaying class.

My lower-income interviewees put caveats on their own taxpaying status. Jacqueline is self-employed, but says that she is not a taxpayer “in the same way that I would think of someone who’s got an \$80,000 salary and a lot of larger material possessions.” A college student, Grace works and considers herself a taxpayer, but adds, “I don’t really pay that much in taxes.” Marjorie is a disabled woman, living on an extremely restricted income. She also qualifies her status as a taxpayer. “I’ve never been rich to the point where I pay a lot like some people,” she says, “but I still pay taxes.”

As the interviewees consider what it means to be a taxpayer, it becomes clear that the federal income tax holds a privileged place in their minds. The federal income tax is the only tax that clearly qualifies one for “taxpayer” status; those who pay other kinds of taxes are quick to downgrade their status to quasi-taxpayer, or deny being a taxpayer at all, even when their taxes impose a sizable financial cost. A stay-at-home dad, Kyle at first says he doesn’t see himself as a taxpayer “because I’m taking care of my child.” But as he considers the question, he changes his mind.

But I’ve paid taxes many years. I’m 39 years old and pretty much worked since the time I was sixteen and paid taxes. Well, you know, I do pay taxes! I pay sales tax every time I make a purchase or something. I’m being taxed that way.

Kyle is typical in that he, at first, thinks of “taxes” only as the income tax. As a result, he hesitates to describe himself as a taxpayer—until he recalls the many other taxes he does pay.

Like Kyle, many other interviewees and survey respondents see being a “taxpayer” as a socioeconomic status associated primarily with earning a large enough income to pay a substantial amount in income taxes. Other taxes—the taxes that fall heavily on low-income people—are simply less prominent in the thinking of most Americans.

How the Taxpaying Process Obscures Poor People’s Taxes

It makes sense that the income tax would be a prominent part of Americans’ thinking about taxes, because it is the tax that is, by far, the biggest hassle. In fact, my interviewees and survey respondents systematically discounted the economic costs associated with easy-to-pay taxes.⁴ But the taxes that require effort to pay loomed large in their minds, even when the economic costs were small. In particular, Americans underestimate their payroll taxes, fail to recognize the cost of the sales tax for poor people, and overestimate their income taxes.

In both the survey and the interview, I asked an open-ended question: “What kind of tax makes up the biggest part of your family’s budget?” Three-quarters of respondents named one of four types of taxes: income taxes, sales and excise taxes, property taxes, or payroll taxes. The most commonly mentioned tax was the income tax, named by 38 percent of survey respondents. A 33-year-old woman from

Florida writes, “Income taxes, my husband works 80+ hours a week for them to take almost 1/4 of it away.” Seventeen percent of survey respondents mention the sales tax, including a 62-year-old unemployed man who describes “sales taxes on taxable purchases” as his largest tax expense. Nineteen percent of respondents refer to property taxes (occasionally described as “school taxes”) as the tax that cost them the most money.⁵ Finally, the mere 5 percent of respondents who speak specifically about payroll taxes refer to those taxes in a number of different ways. A 50-year-old from Tennessee thinks that the “FICA taxes” are her largest expense, while a 31-year-old from Florida names “payroll taxes.” Others refer to “Social Security” and “Medicare” taxes.

How accurate are these assessments? To answer this question, I combined the data about survey respondents’ economic and family life with academic tools for estimating Americans’ taxes.⁶ I brought this data together to compute how much each respondent paid each year in federal and state income tax, in payroll tax, in sales tax, and in property tax, and compared these results to their own assessments of their largest tax responsibilities. I conducted the same calculations for my interviewees.⁷

Figure 2.2 compares the survey respondents’ perceptions to my estimates of their taxes. The table includes 660 of the one thousand respondents who both provided enough demographic information for me to estimate their taxes and definitively named one of the four big tax types in answer to the “biggest tax” question.⁸ The rows of the table represent what respondents thought was their biggest tax; the columns represent my estimate of their actual largest tax.

		<i>Biggest Estimated Tax (based on respondents' economic and demographic traits)</i>			
		INCOME	SALES	PROPERTY	PAYROLL
<i>Biggest Perceived Tax (perceived by respondents)</i>	INCOME	68%	25%	36%	39%
	SALES	10%	49%	20%	17%
	PROPERTY	17%	22%	42%	30%
	PAYROLL	5%	4%	2%	13%
		100%	100%	100%	100%

FIGURE 2.2. Perceived versus Estimated Taxes

For example, where row 1, “Income,” intersects with column 2, “Sales,” we find people who perceived the income tax as their largest tax but likely pay more in sales tax. Respondents included in the shaded boxes along the diagonal were “right” about their biggest tax; their perceptions were confirmed by my calculations. Those outside of the shaded diagonal were “wrong”; according to my estimates,

a different tax was actually costing them more money. In each box, I note the percentage of people in that column who perceived a given tax as biggest; the percentages in bold represent the plurality perception in each column. In the top left box, for example, we can see that 68 percent of people who I estimate pay most in income tax correctly perceive the income tax as their biggest tax. By contrast, looking at the bottom right square, we find that only 13 percent of people who I estimate pay most in payroll taxes thought the payroll tax cost them the most. People who pay most in payroll taxes most commonly perceive the income tax as their largest tax.

There are several items worth noting in figure 2.2. First, and reassuringly, a large percentage of people fall in the shaded squares: many respondents were correct in their assessment of the biggest tax they pay. Overall, 54 percent of respondents accurately named their most expensive tax, by my calculations, and more educated people were more likely to answer this question correctly. These results suggest a relatively high level of public understanding of their tax costs—especially considering that some of the error is in my own estimates.

But the table also reveals several significant misperceptions. Perhaps most obviously, the number in the bottom right shaded square is comparatively small: only 13 percent. This means that only a small fraction of people who pay most in Social Security and Medicare taxes correctly recognize the cost of this tax. A closer look at the interviews and survey responses helps explain why the cost of the payroll tax is underestimated.

THE PARADOXICAL PAYROLL TAX:
FAMILIAR, YET INVISIBLE

The payroll tax affects almost every wage earner in the United States and funds two of America's most well-known social programs: Social Security and Medicare. Nonetheless, the tax escapes the notice of many of my interviewees and survey respondents, including those for whom it is likely the largest tax they pay. When I asked people directly about the taxes on their paystubs, most respondents recalled their payroll taxes, and interviewees were very willing to discuss the programs funded by these taxes—but they had very little to say about the taxes themselves. The design of the payroll tax makes it at once familiar and invisible.

One simple reason people might underrate their payroll tax is because half of the payroll tax is paid by the employer. Employees never see this part of the payroll tax, though this component likely lowers wages, and so is also “paid” by the employee. But to provide a fairer test for the respondents, who perhaps might not reasonably be expected to know about the incidence of the employer contribution, I took into account in my estimates of the “biggest tax” only the part of the payroll tax that is visibly removed from the employee's paycheck. Public underestimation of the cost of the payroll tax is not limited to the employer component.

Alternatively, perhaps people see payroll taxes as a kind of income tax—after all, both are removed from one's paycheck. This may explain part of the misperception. About fifty people gave answers to the “biggest tax” question that encompassed both the income and payroll components, as

was the case with a 42-year-old respondent from Missouri who wrote, “the taxes that come out of my husband’s check.” These respondents were removed from the analysis, so they are not skewing figure 2.2. But it may be that some people use the phrase “income tax” to mean all the taxes that come out of their paycheck.

This potential confusion of terminology does not mean that the federal income tax and the Social Security and Medicare taxes are indistinguishable to the taxpayers, however. Asked what taxes appear on their paystub, 69 percent of survey respondents explicitly named their payroll taxes, a result comparable to the 73 percent of respondents who listed the income tax. And interviews confirmed that the Social Security and Medicare taxes are no mystery to taxpayers. I asked twenty-two of the interviewees about the taxes on their paystub; nineteen not only recalled the payroll taxes as separate from the income tax, but named Social Security or Medicare as the purpose of the payroll components.⁹ That there are specific taxes that pay for Social Security and Medicare is widely recognized.

But the visibility of these benefits coincided with an invisibility of the associated costs. When I asked the interviewees directly about the payroll tax, I heard plenty of opinions about the Social Security and Medicare programs, but almost nothing about the tax itself. People had very few opinions about the payroll tax rate, structure, cost, or payment process.

The gas tax is a useful point of comparison. Interviewees would often mention that gas taxes were used to maintain the highways, and shared their opinions of the quality of local roads. But they would also talk about the gas tax

directly—saying, for instance, that they thought it was too high, or that they did not like that it was folded into the price of gasoline. Amber commented that the gas tax falls especially heavily on certain people, which is unfair when “it’s their job if they drive a truck or something.” The gas tax was discussed in terms of both its use and its collection.

But almost no one talked about how or from whom the payroll tax is collected. One of the very few exceptions is Patsy, a registered nurse from California. She is a strong Democrat who says she has only recently become interested in politics and has been “doing a lot of reading.” She argues in favor of raising the cap of Social Security contributions for high earners.¹⁰ But for most people, the structure and rules of the payroll tax are simply invisible. As Tracy puts it, “I haven’t really thought about that one as much.” The design of the payroll tax is something of an engineering marvel—it draws attention to benefits and away from costs.

Elements of the taxing process itself appear to reduce the visibility of the cost of payroll taxes. First, the taxes appear on one’s paystub but are often below the eye-catching federal income tax. For some people, the income tax may appear to be a larger expense than it is, since refunds at the end of the year will reduce their tax liability. Angel is a 20-year-old college student living near Santa Barbara, California, working his way through school at a local discount store. He is one of the interviewees for whom the payroll tax is likely his largest tax. Asked about the taxes on his paycheck, he remembers the state and federal, and then says, “The other ones are a little smaller though. So, they’re kind of negligible to me other than the big ones.”

In addition, most people do not have to take any active steps to pay their payroll taxes, a process that might draw greater attention to the cost. The one interviewee for whom the Social Security tax is a major issue is Tom, a consultant who had until recently been working as an independent contractor. Unlike most wage-earners, independent contractors must calculate and pay their own Social Security and Medicare taxes. Tom is very aware of this extra hassle. He talks about the Social Security tax vastly more than any other interviewee, raising the issue five times over the course of his interview. The only other person to talk about the Social Security tax on more than two occasions is Stacy, another independent contractor, who works as a transcriptionist in New Hampshire. For everyone else, these taxes are largely out of sight and out of mind.

The taxes that pay for Social Security and Medicare seem to fly below the radar for most Americans. But the payroll tax is not the only tax whose visibility is reduced by the process by which it is paid. Though the interviewees are more aware of the sales tax than the payroll tax, the regressive implications of the sales tax are largely invisible to my respondents. In fact, many interviewees who approve of the sales tax do so because they wrongly perceive it as a progressive tax.

THE SALES TAX: WRONGLY UNDERSTOOD AS PROGRESSIVE

The sales tax falls very heavily on the poor, and they tend to be aware of its costs. Nationally, the poorest 20 percent of Americans spend an average of 7 percent of their income on

sales and excise taxes; those in the top 1 percent spend less than 1 percent of their income on these taxes.¹¹ My research suggests that low-income people are very aware of this expense; figure 2.2 shows that 49 percent of respondents who pay most in sales tax correctly identify this tax as the biggest one they pay. These respondents are much poorer than the other respondents; their average estimated household income is only about \$20,000 annually.

The interviews demonstrate how much stress very poor people experience when making everyday purchases. Asked the biggest tax she pays, Marjorie, who describes herself as “poverty-stricken,” says, “I would say it’s sales tax. When I go to the store, I’m pinching pennies all the time because we never have enough food and everything.” Rosemary, a disabled woman in California, says, “I’m keenly aware if I go buy food. It’s bad enough that I’m trying to buy a value meal and paying 99 cents here for this and 99 cents here for that and then I have 50 cents for tax. I’m aware of that.”

Several low-income interviewees speak knowledgeably about which items are subject to sales tax, and which are not. “In Texas you don’t have to pay tax on food unless it’s served,” explains Donna. Alexa lives in Mississippi, where groceries are subject to sales tax. Her family was once on food stamps, but they are earning a little more these days since her husband got a new job. The sting of the grocery tax is still fresh in her mind. “When I go visit my parents in Dallas, I’ll still go grocery shop,” she says. “Anything that I can load in the back of my car and bring home with me to not have to pay an extra 8 percent when I get back home.”¹²

When every penny counts, respondents remember the pennies that go to the sales tax.

But the impact of the sales tax on the poor is all but invisible to those making a comfortable living. Middle-class interviewees mostly see the cost of the sales tax as “nominal,” as Dawn, a 46-year-old from Chicago, puts it. Amber, a 40-year-old from eastern Mississippi, says, “You just pay it every time you go to the store and you’re expecting to pay so it doesn’t hurt as badly.” The cost of the tax also gets diluted by the pleasure of a new purchase. Ralph says, “I would probably say that maybe the best tax is if I go into a store, let’s say, and I buy a physical product and I pay a tax, at least I’m getting something out of it.” As they make their day-to-day purchases, most people do not think much about the sales tax.

But the cost of the sales tax pops into focus for my middle-class interviewees when the purchase is large. Early in the interview, I ask people to describe an experience with taxation that made them think about taxes. Eleven people talk about the surprise of the sales tax on a large purchase. Angel, the college student in the Santa Barbara area, says,

I bought some shoes and they were, maybe, one fifty, and then the price just jumped up to like—, I forget what the tax was, like one-seventy or one something like that. So, usually on big purchases is where I see like, tax come into play.

Shoes costing \$150 are expensive for Angel, who is working in retail to pay for school, and he readily recalls the extra he

paid in taxes. Gabriel from Utah has a similar recollection when he made a significant purchase:

When I bought a car, you know, I guess you don't realize how much taxes really are until it's a big purchase like that, and the difference ends up being a couple thousand dollars. . . . that's probably when I realized that sales taxes actually make a difference, and if I were to look at all of my purchases for the year and how much I paid in sales tax, that that's actually a pretty good chunk of change and not just, you know, the extra dollar with groceries.

For most interviewees, then, the sales tax appears to be a small and reasonable amount, except when a purchase is very expensive.

The salience of the sales tax on large purchases misleads people about the impact of the tax on the poor. Though many people refer to their own surprise at the cost of the sales tax when they were purchasing something large, few make the leap to imagine the effect of the tax on people whose budget is small. Instead, they think the sales tax to be especially expensive for those at the top of the income spectrum—the people who regularly buy big-ticket items. “I guess the rich will buy heck of more luxury stuff or whatever that they'll get taxed on,” says Grace, the student in San Francisco, “whereas I won't buy an expensive TV set or an expensive computer.” Lawrence, the hairdresser in Michigan, says, “If you're buying a \$2,000 Louis Vuitton bag to match every outfit, that's more than my sister's purse from

the Gap.” The interviewees focus on the effect of the sales tax on conspicuous consumption, rather than the daily increment taken from necessities.

This impression of the sales tax led many strong proponents of progressivity to endorse one of America’s most regressive taxes. Asked which tax he thinks is best, Kyle, the stay-at-home dad, says,

I think I’m going to go with sales tax, and the reason why is because I think the sales tax is an equalizer in the sense that you can’t afford to buy a lot of things, you’re not being burdened with a lot of taxes. Whereas if you have wealth and the means to make large purchases, you’re going to pay a large amount of taxes, so it keeps things equal.

Michael feels the same way. He says, “as far as the regular income tax goes,” he believes in a progressive tax. But if we had a national sales tax instead of an income tax, he believes, progressivity would not “be an issue” because “the people who bought more would end up paying more.”

The explanation for this misperception is not—or at least, not entirely—a failure to grasp the idea of progressivity. Most interviewees clearly distinguish a flat tax from a progressive tax and support progressive taxation in principle, a finding confirmed by survey research on this question.¹³ Gloria from Kansas considers the cost of a flat tax: “10 percent of \$100 is a lot more hardship than 10 percent of a million dollars.” Only a very few of my interviewees, mostly at the lowest end of the education spectrum, seem unable to make this distinction.

Even those interviewees who wrongly see the sales tax as progressive were clear on the mathematical difference between a flat and a progressive tax. Michael, the 51-year-old from Ohio, is a good example. Despite his claim that a national sales tax would fall heavily on the rich, he very clearly understands what a progressive tax is in principle. He discusses the different brackets under the federal income tax system and worries that these brackets might not be “granular” enough.¹⁴ It is not that Michael does not understand the difference between a bigger amount and a bigger percentage.

What Michael fails to recognize is simply the fact that the poor spend nearly all of their income, while the rich have enough money to save. Or, as Daniel puts it, “If you go from making \$30,000 a year to \$150,000 a year . . . you might eat more fancy,” but that “doesn’t make it so that your grocery bill is five times as great.” Daniel is one of the only interviewees to recognize that consumption does not scale with income. For other middle-class interviewees, the sales tax seems to fall heavily on the rich because they notice the tax when they are making an expensive purchase—the kind of purchase they imagine wealthy people making frequently.

The sales tax is not always invisible. In some instances, when one is very poor or when one is purchasing an expensive item, the sales tax increment no longer feels small and predictable. This differential visibility leads middle- and upper-income people to assume the sales tax costs little to the poor, and a lot to the rich. As with the payroll tax, the experience of paying sales tax leads people to underestimate the tax responsibilities of the poor and working class.

THE INCOME TAX IS OBVIOUS (INCLUDING TAX CREDITS FOR WORKING FAMILIES)

More than the sales tax and the payroll tax, the income tax is obvious to those for whom it is expensive. Returning to figure 2.2, we can see that 69 percent of survey respondents who likely pay the most in income taxes think the income tax is their biggest tax. These respondents are wealthier than other respondents, and probably have a higher level of financial literacy, on average. But at the same time, many people who do not pay that much in income tax overestimate their income tax responsibilities. All the numbers in the top row of figure 2.2 are large—that is to say, when people misidentify their biggest tax, it is usually because they think the income tax is larger.

Indeed, the income tax was at the forefront of nearly every interviewee's mind from the very start of the interviews. I began each interview by asking each of the interviewees, after they introduced themselves, to tell me what they first thought of when I said the word *taxes*. For most people, their first thoughts involved the taxes on their wages. Thirty-one interviewees explicitly mentioned taxes on their paychecks. When I asked my Q14 survey respondents the same question, the income tax was by far the most commonly cited tax; four times as many people referred to the income tax as to the sales tax.

The income tax is a progressive tax, unlike the sales and payroll taxes, so a focus on this tax to the exclusion of other taxes already reduces the visibility of the taxes paid by the poor. But the fact that the poor pay little or nothing

in federal income tax is especially obvious to Americans because of widespread awareness of the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Low-income workers, and especially low-income working families, benefit from these tax credits that can cut their taxes or even result in a refund larger than the amount paid in.¹⁵ Popular familiarity with this aspect of the tax filing process helps reinforce perceptions that the poor do not pay much in taxes.

Scholars have traditionally argued that tax expenditures are an “invisible” part of the welfare state. Conducting redistribution via the tax code has become a popular strategy in conditions of gridlock, when direct spending is politically difficult. Tax expenditures are an approach to social spending that is sometimes more acceptable to Republicans than is direct spending.¹⁶ But disguising government action in this manner has some unintended consequences. Recipients of tax breaks do not see themselves as benefiting from government social programs, and some scholars have wondered whether this keeps beneficiaries from recognizing the ways in which government works for them.¹⁷

But tax credits are not operating entirely under the radar. Familiarity with the EITC and the CTC is high among my Q14 survey respondents. Thirty-eight percent of respondents believe that they had received one or both of the credits at one time,¹⁸ and 56 percent of respondents say they have had personal experience with the credits or know another household that has received them. Lower-income and employed people, and those with children, are all more likely to report that they have received one of these credits, as one would

expect if people were correctly recalling the credits for which they qualified. And the remarks made by those familiar with the tax credits show a relatively high level of understanding of the policies' effects.

Among the survey respondents, recipients of the EITC and CTC not only recognize the credits for which they qualify, but often have strong recollections of the benefits they have received. "The EIC meant I paid less in taxes that year, which helped because I was only able to work part-time due to increased illness, and was struggling to keep up with bills," comments a 45-year-old woman from North Carolina. A 61-year-old woman from Texas notes, "It really helped at the time to put groceries on the table when I had young children." A West Virginia woman no longer qualifies for the benefit, she says, but when she did, she used the money "to catch up on utility bills from winter." A 39-year-old man from Maryland put his tax credit toward future college expenses: "I put that money to my son's 529 plan," he says.¹⁹

Many nonrecipients are also aware of the policies' basic outlines: an income support for working families with low wages. A 53-year-old woman from New Hampshire says, "For families that just barely get by I think it's a great idea it gives them a little extra." A 35-year-old from California says the EITC is "more useful" than "just doing welfare or some other programs." A 45-year-old man from Florida is clearly aware that the credit is refundable—that is to say, that one can get money back even beyond what one has paid in income taxes: "It is not fair for you to give tax credits to people if they pay low income taxes or none at all." Others object to the EITC's higher-income limits for people with children. "I

think it is a good thing,” says a woman from Georgia, “but I also feel it should be open to people who make under 50,000 with or without a child.” Those claiming familiarity with the EITC and CTC were often very well informed about the policies’ specifics.

Still, these comments came in response to the survey’s prompting. Perhaps people have opinions about the EITC and CTC when one asks directly, but would not recall these credits unprompted. In my interviews, however, I did not ask about tax credits, and yet many respondents volunteered their thoughts on these policies. Sixteen interviewees referred to some form of tax credit for low- and moderate-income people. They could not always recall the name of the relevant policy, but it was widely recognized that lower-income working people, particularly those with children, can get large amounts back from their income taxes—often more than they paid in. Alexa from Mississippi says, “So the past couple of years we got back everything, plus the child care credit, plus whatever that’s called, the work credit.” For Alexa’s family, the EITC functions like a “free savings account,” she says, one that allows them to make larger purchases that would otherwise be out of reach. “This year we’re buying a new dryer,” Alexa concludes.

A few people spoke favorably about the credits without describing themselves as beneficiaries. Erick says, “I believe people that are in poverty shouldn’t pay anything or they should get that money back at the end of the year. They sort of do now, earned income credit, which I think is good.” But others who speak about tax credits are not receiving these credits personally, and several express strong displeasure with the policy. Lawrence from Michigan says,

I had a cousin who had two part-time jobs and the people who hired her got paid by the state to hire her. She was at a gas station. It was no big amount of money and she had three kids. She didn't make five grand and she got seven thousand dollars back at the end of the year. How's that something that happens?

Overall, the interviewees refer to tax credits about as often as many other programs targeted at low-income people. In fact, more interviewees talk about low-income tax credits than Medicaid and Social Security disability, and only slightly less than food stamps. Of course, I was conducting an interview explicitly about taxation, which surely brought tax policies to the fore. Had I framed the interviews as an exploration of "government spending," or "government social programs," the numbers would quite likely be different.²⁰ Nonetheless, though I did not ask about low-income tax credits, they were familiar to many interviewees, and these interviewees do recognize the policies as government transfers to the working poor.

While the EITC and CTC are actually comparatively visible, they also enjoy high levels of support among those who are familiar with the programs. Only 15 percent of the Q14 survey respondents make negative remarks about these policies, and 77 percent make positive remarks. The credits are even relatively popular among those who know about the policies but say they have not benefited from them; only 24 percent of these respondents make negative comments about the tax credits.

Nonetheless, these policies do not transcend partisanship. Among my survey respondents, negative remarks about the

EITC and CTC are far more common among Republicans than Democrats; fully a third of Republicans surveyed had something negative to say about the EITC or the CTC, compared to merely 4 percent of Democrats. Those negative comments tend to resemble stereotypical antiwelfare rhetoric. Though the EITC requires recipients to have earned a salary during the year, opponents say that they do not work enough. A 33-year-old man from Iowa writes, “I think it is given too easily to people that choose to barely work for a living.” Several respondents applied longstanding stereotypes of the “lazy welfare queen” to EITC recipients. “There are 10 women abusing it for every one that really needs it,” writes a 39-year-old woman from Virginia. “Too many people lay around on drugs and have babies.” In particular, respondents objected to the refundability of the credit—that is, the fact that recipients can receive a tax credit larger than what they paid in taxes. “Originally, it was meant to help low income families,” writes a 59-year-old woman from North Carolina. Now, however, “It is not a tax refund, but an entitlement program when you receive back more than you pay in.”

This kind of welfare-like rhetoric is not limited to the survey; several interviewees volunteer similar remarks. Stella, a strong Republican and military veteran living in Alabama, does not use the term “Earned Income Tax Credit,” but she clearly understands, and disapproves of, the program.

For instance, when people get their refund checks. And it’s usually more than what they even put into it. And then they act like it’s—like they earned it. “Oh, I’m

going to buy a car. Or, look at what I just bought.” *What do you mean you bought a car?*²¹ I’m thinking about some people that I do know. Like, wow, that must be nice. They can sit there and get a tax refund, it’s like five thousand or six. Specifically, I don’t know what people get back, but I think it’s quite a bit. Especially if you have children under a certain age and your income’s a little bit lower.

Compare Stella’s comments to Bridget’s discussion of someone she knows who is receiving direct government aid:

[She] is on government assistance and disability, but can raise two kids and wants to have another one, and they spend all their money on just doing things like going out and just buying frivolous things. And, she says she’s not capable of working, yet she can raise two kids and plan to have another one and do all these types of events. . . . I’m personally offended by that because I feel like some of my money is going there to support her and her family and she can work.

Both Bridget and Stella perceive that a low-income person with children is receiving a windfall they consider to be undeserved and spending the money in a way they deem frivolous. That Stella’s acquaintance has had to work to receive a tax credit has not, at least in this case, disguised the transfer of funds or improved her opinion of it. Instead, her awareness of the refundable tax credits aimed at low-income working families has actually shaded her perception of

taxpayers generally. Early in our interview, when she is asked to describe a taxpayer, Stella imagines “somebody that gets lots of credits and they don’t pay a lot!” Large transfers made through the tax code are not intrinsically invisible; progressive tax credits do not escape partisan opposition.

Americans evince quite high levels of awareness of the tax credits available to lower-income working families. Though attitudes about these policies are largely positive, there is also a current of opposition, particularly to families receiving more in credits than they paid in taxes. For some, the EITC and CTC serve as additional evidence that the poor are not paying their share of taxes. And, as we will see in the following section, the fact that many Americans do not have a net federal income tax liability has become a partisan political talking point that leaves highly engaged Republicans especially misinformed about the breadth of the taxpaying population.

Partisanship and Income Tax Salience

Opposition to the income tax, for the past several decades, has helped define the agenda of the Republican Party,²² while sales and payroll taxes are the subject of far less political controversy. In recent years, the thought of many American households having a zero or negative federal income tax rate has become a “core grievance” for Republicans.²³ It has even become common for those on the far right to propose a federal income tax standard for voting rights. Former Congresswoman Michele Bachmann, for instance, asked on Twitter whether, “if 45% of Americans pay no federal income taxes, should they be allowed to vote?”

The effect of this mobilization is very evident among my interviewees and my survey respondents. Politically engaged Republicans tend to guess that about 50 percent of Americans pay taxes. Democrats and less politically engaged Republicans think a much larger percentage of Americans pay taxes. Republicans' focus on the income tax is so strong that they often fail to recall the other taxes they themselves pay, even when those taxes are personally expensive.

Partisans have very different ideas about who pays taxes. As we saw in figure 2.1, respondents in my Q14 survey of one thousand U.S. adults thought that about 66.5 percent of American adults are taxpayers, on average. But that overall average disguises a notable partisan divide. Democrats estimate that 71 percent of U.S. adults are taxpayers, on average, while Republicans estimate that only 62 percent of U.S. adults are taxpayers.²⁴ Republican respondents estimate the taxpaying population to be nine percentage points smaller than Democrats do.

Figure 2.3 offers some suggestive evidence about why Democrats and Republicans have different views of who pays taxes. Again, survey respondents estimated what percentage of U.S. adults were taxpayers, so their answers necessarily fall between 0 and 100. Figure 2.3 breaks down those answers into ranges: respondents who think 0–10 percent of Americans are taxpayers, respondents who think 11–20 percent of Americans are taxpayers, and so on. The dark bars show how many Republicans choose an estimate in a particular range, while the light bars count the Democrats.

Looking at the Republicans, one can see an apparent effect of elite rhetoric about non-taxpayers. The dark bars

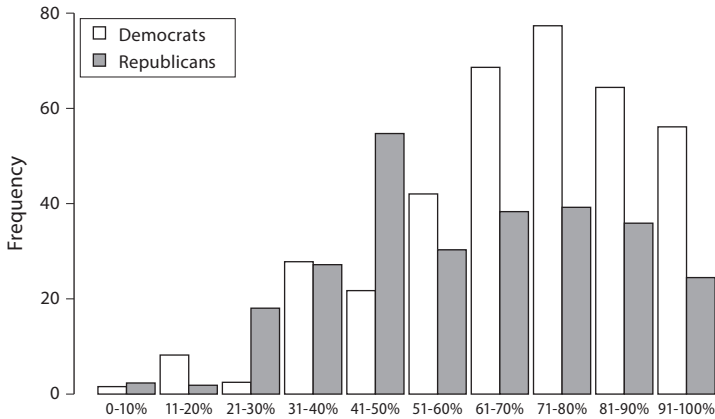


FIGURE 2.3. Partisan Estimates of the Taxpaying Population

spike noticeably at 41–50 percent. About a third of Republicans put the estimate of the taxpaying population at between 40 and 60 percent, while only a fifth of Democrats pick an estimate in that range.

Ironically, Republicans who most frequently seek out political information are the most inclined to underestimate the percentage of Americans who pay taxes. The Q14 survey respondents are asked whether they seek political news “frequently,” “somewhat frequently,” “infrequently,” or “never.” On average, a Republican who frequently seeks political news believes about 51 percent of U.S. adults pay taxes. Republicans who do not follow political news as much estimate the taxpaying population at about 66 percent. (Democrats, whether they sought a lot of political news or not, estimated the taxpaying population at about 70 percent.) It

is Republican “news junkies” who most underestimate the taxpaying population.²⁵

This misperception of who pays taxes is closely aligned with a tendency among Republicans to focus on the income tax to the exclusion of other taxes. At the beginning of my interviews, I ask my interviewees what the word *taxes* makes them think about. Many interviewees talk about the income tax in this context. But Democrats, unlike Republicans, also recall other kinds of taxes. Republicans, by contrast, are far more likely to think of taxes uniquely in terms of the income tax. In all, 38 percent of Democrats I spoke to mention more than one kind of tax off the top of their heads; only 9 percent of Republicans do.

In fact, my Republican interviewees often forget that they personally are paying non-income taxes—even when those other taxes were very costly to themselves personally. Before mentioning any kind of tax by name, I ask the interviewees to recall the last time they paid “any kind of tax at all.” In most cases, that tax should be a sales or excise tax, since most people make purchases on a regular basis. Angel, 20, remembers that he “just went to 7-Eleven two hours ago, paid the sales tax.” Daniel says, “I think I put gas in my car the other day.” But this relatively straightforward recollection is heavily shaped by partisanship. My Democratic interviewees are more likely to think of the sales tax when asked what tax they paid most recently. Republicans are much more likely to forget about the sales and gas taxes, and think instead about taxes on their income or property. Marjorie and Stella say they last paid any kind of tax “last year” when

they filed their income taxes, while Steve says the last tax he paid was “land tax” in “January,” several months prior to his interview.²⁶

One might think that Democrats recall taxes like the sales tax because they are, on average, poorer than Republicans. Turning to the Q14 survey, we can confirm that it is political orientation, rather than socioeconomic status, that is driving who thinks about the income tax. As with my interviews, I begin my survey by asking respondents to describe the first thing they think about when they hear the word *taxes*. In response, Republicans are more likely to talk about the income tax than Democrats are. About 30 percent of Republicans talk about the income tax, compared to 24 percent of Democrats. The significance of partisanship persists even when one controls for household income and employment; it is not working people or the wealthy who are especially likely to think about the income tax, it is Republicans. The difference is even bigger, however, between self-described “liberals” and self-described “conservatives.” Only 13 percent of liberals think first of the income tax, compared to 31 percent of conservatives.²⁷ Republicans, and especially conservatives, have the income tax at the forefront of their minds.

Focused on the income tax, many conservatives believe that the poor are not paying enough in taxes. Bridget, a Republican from Pennsylvania, says people in “lower-paying jobs” are paying less than they should, while Craig, a Republican in Florida, argues that “people who don’t work” are not paying their share. “And I don’t mean stay-at-home moms,” he clarifies. The conservative belief that the poor do not pay enough is evident in national survey data. In a 2003

poll, a Republican was twice as likely as a Democrat to say low-income families are paying too little in taxes.²⁸

The belief that poor people do not pay taxes is even held by Republicans who are themselves poor. As I noted earlier in the chapter, wealthier people are more likely to describe themselves as taxpayers, even controlling for employment and homeownership. But the impact of income is twice as large for Republicans. All else being equal, the richest Republicans are more than twenty percentage points more likely than the poorest Republicans to describe themselves as taxpayers. Among Democrats, income is less correlated with self-identification as a taxpayer. Compared to the poorest Democrats, the richest Democrats are only ten percentage points more likely to say they are taxpayers.²⁹ Poor Republicans are especially likely to doubt their status as taxpayers.

Perhaps the most striking comments about being a taxpayer come from Gloria, who is both very poor and strongly Republican. When I ask Gloria, who is active in her local Tea Party group and living in Section 8 housing, she says she is “not really” a taxpayer. “I know I pay like the food sales and other taxes on items,” she continues. “But no, I benefit from taxpayers.” Later, when I ask if she thinks there are people who do not pay “any kind of tax at all,” she says, “People like me. The very poor and disabled.” Gloria had earlier expressed how much grocery and utility taxes strained her tiny budget; she tells me how in Kansas, where she lives, groceries are taxed and the credit that used to offset those costs was recently eliminated. When I remind her of this discussion she says, “Yeah, but I mean like income taxes. I was thinking income tax.” In this way, Gloria is typical of other

low-income Republicans. No matter the costs she faces, the income tax is the only tax that counts.

Conclusion

When Americans think about taxes, they think primarily of the income tax, not the sales and payroll taxes that are actually more expensive for most families. Moreover, the tax credits available to low- and middle-income people are more salient than previous research would lead one to believe. The net result is a tendency, across party lines, to underestimate the taxes paid by working-class people. Part of the misunderstanding stems from the taxpaying process: payroll taxes and sales taxes are easy to pay, and therefore easy to underestimate. Income taxes are a hassle, and so are prominent in Americans' thinking about taxes even when they are not expensive. Partisan rhetoric has also had a measurable impact on Americans' tax attitudes. As Republican politicians have focused on the "47 percent," rank-and-file party members (and particularly Republicans who follow politics closely) are especially likely to underestimate the taxpaying population. This misperception of taxpaying by the poor has a powerful effect not just on opinions about tax policy, but also on attitudes about government spending. The belief that poor people do not pay taxes shapes Americans' attitudes about who has a right to benefit from tax dollars—as we will see in the following chapter.

4

How the Taxpaying Experience Shapes Attitudes about Progressivity

When it comes to the income tax, do you think that everyone should pay the same percentage of their income or should people with more money pay a higher percentage of their income?

Aaron, 33, Democrat from Alabama: That's a good question. It's hard to say because if someone who's very wealthy is paying the same percentage, they're going to be paying a lot more money, but I think that the brackets should go up as you make more and more money. When you make outrageous amounts of money, with all the write-offs and exemptions that they can come up with and loopholes they find—yeah, I guess that people who make way more money than 99 percent of the population should be paying a higher percentage.

* * *

Eileen, 59, Democrat from Washington: I'm not sure. I know you're referring to the flat tax, and I don't really understand how that works. Personally, I think, that, you know, the people that make millions of dollars and benefit from, you know, a lot of the stuff the taxes pay for, maybe should pay more, but, you know, I'm not really sure.

* * *

Bridget, 38, Republican from Pennsylvania: I think a flat tax across the board would be fair because if there's people out there who are busting their butts and working to make their lives better and to make more money, then I don't see why they should have to pay more.

In national surveys, most Americans favor progressive taxation. In 2008 the National Opinion Research Center asked Americans whether people with high incomes should pay a larger share of their incomes in taxes than those with low incomes, the same share, or a smaller share. Sixty percent of Americans said a larger share (including 19 percent of Americans who said a “much larger” share). Only 37 percent of Americans said “the same share.”¹ What qualifies as “much larger” depends to some extent on how you ask the question, but the principle of progressive taxation receives the support of a consistent and comfortable majority of Americans.² Indeed, Americans approve of progressivity even when it is framed in relatively forceful terms: 56 percent of Americans think the government should redistribute income by applying “heavy taxes on the rich.”³

My interviews shed light on what considerations Americans are bringing to bear in thinking about tax progressivity. Their answers reveal two internal debates. First, interviewees consider how to apply a bedrock commitment to civic equality given contemporary conditions of economic inequality in

America. Aaron's statement at the beginning of this chapter reveals that his support for progressive taxation stems from his concerns about large gaps between the vast majority of Americans (the "99 percent") and those who are making "outrageous amounts of money." Second, the interviewees consider the role of hard work in one's economic fortunes. As Bridget argues, some people succeed because they have been "busting their butts." Once again, a key question about taxes is, at its core, about one's place in the community, and particularly whether success is due to one's environment or one's effort.

As they wrestle with these considerations, many supporters and opponents of a graduated income tax are quick to qualify their views or say they are unsure of the best system. And while many people feel very strongly about whether the rich are paying enough in taxes, their attitudes about tax rates are remarkably muted. Eileen is a strong Democrat very angry about poverty and corporate power, but as her remarks at the beginning of this chapter reveal, she does not feel confident in her opinion about the flat tax.

One reason the interviewees are uncertain about tax rates has to do with the lessons they draw from the experience of taxpaying. The process of filing one's income taxes is complicated for many Americans, and, as they seek out their various credits and deductions, they draw conclusions about how wealthier people can evade their tax responsibilities. In particular, they discount the effect of progressive tax rates on the amount the wealthy pay. Some think the loopholes in the current system are so large that a flat tax, without loopholes, would actually raise taxes on the rich.

What Is an Equal Civic Commitment? Rates versus Hardship

Because they see taxes as an obligation owed to the community, Americans tend to think everyone should chip in. James, an appliance repairman from Michigan, says taxpaying is a responsibility that applies to “everybody that lives here in America.” “Everybody needs to pay taxes of some kind,” agrees Patsy, a registered nurse from Sacramento, California. For some interviewees, a flat tax seems to accord with the principle of equality between citizens. But for many, this ideal-world solution quickly hits up against the reality of economic inequality. Given the reality of wealth and poverty, most interviewees adopt a principle of *equal hardship*, arguing in favor of taxation according to one’s ability to pay.

Some of the emotional appeal of a flat tax is that seems to be based on a principle of equal civic commitment from all people. Army pilot Matthew argues for a flat-rate tax because “that way everyone’s on an even playing field.” Rosemary, 56, from California, puts forward an even more extreme definition of equality. She likes the idea of a poll tax—not just a flat *rate*, but a flat *amount* paid by every adult. For Rosemary, a poll tax would mean that “we’d all be equal.” The interviewees see taxation as a form of civic or community responsibility, one that ideally could be borne equally by all adults.

But my interviewees’ support for the flat tax often founders on the reality of contemporary American income inequality. Bonnie from Texas is in favor of a flat tax, but as she

explores how “it would work out, number-wise,” she is unhappy with the results, both for someone making \$100,000 a year and someone making \$20,000 a year. She concludes that it may not be the “best system” after all. Rosemary experiences similar doubts about her poll tax idea, when she considers what it might mean for people at different income levels. “\$250 to Barack Obama is nothing,” she muses. “\$250 to me is huge. . . . So you have to be careful. That’s why I say I don’t know if it’s realistic. You can’t come up with a number that really is fair to everybody.” What is appealing in principle might turn out to be unfair in practice, some interviewees conclude upon reflection.

A few interviewees resolved the tension between a principle of civic equality and a reality of economic inequality by imagining a flat tax for most people, with an exception for people at the extremes. James would prefer a flat tax, except for the “extremely wealthy”—those making more than “a million dollars a year.” By contrast, Matthew would like a flat tax, except for its effect on those “trying to get up to a decent standard of living,” which he defines as those making less than “maybe \$60,000 or \$70,000 dollars a year.” These proponents of a flat tax move toward a somewhat progressive system as they considered the question more closely.

Other interviewees state at the outset that the flat tax is only an option after income inequality is addressed. Patsy believes that the gulf between the rich and the poor would need to be “repaired,” as she puts it, “before they can do the kind of tax that I think would be fair, which is everybody paying a certain percent.” Similarly, some of the support

for progressive taxation comes from interviewees who wish to reduce economic inequality. Several left-leaning interviewees are familiar with some of the data on economic inequality and cite it when they defend progressive taxation. Adam, 26, says that the wealthy should “pay a higher income tax,” because “I mean, the top whatever percent—the top sixty-five earners in the world have half of the income or something like that.”⁴ Grace, the college student in San Francisco, favors progressive taxation specifically because it is a way to “narrow the income gap.” Republican Marjorie also bases her support for progressive taxation on the fact of economic inequality: “I think that taxes should be higher for people who are at a higher income level, but I really think that what we need to do is close the inequality gap.” If wages were “more even,” Marjorie concludes, “then everybody could pay more of an even tax and everybody would feel fair about it.”

There is good evidence to suggest that if people knew more about how extreme economic inequality is, their support for progressive taxation would be even higher. Though Americans have expressed a significant and growing opposition to economic inequality since the late 1980s,⁵ Americans still dramatically underestimate how concentrated economic resources actually are in the United States. Americans imagine that CEOs make about thirty times as much as unskilled workers, and think these executives should make only seven times more than the lowest-paid workers. In reality, CEOs make over three hundred times more than unskilled workers.⁶ What qualifies as “very wealthy” in the minds of most Americans is not nearly as wealthy as very

rich people actually are.⁷ As a result, surveys likely underestimate support for progressive taxation; when explicitly asked about very high incomes, Americans favor higher levels of progressivity.⁸

Even so, a majority of my interviewees, like a majority of Americans, opt for progressive taxation over a flat tax. The interviewees typically justify differential tax rates on the principle of equal hardship; progressive taxation is fair, supporters argue, because one's taxes should be in line with one's ability to pay.⁹ Higher-income people "can afford to pay more," as Marshall, a military veteran from North Carolina says. Tom, the 63-year-old consultant living outside of Detroit, makes a similar comment. He says, "Bill Gates and Warren Buffett and people like that can certainly afford to pay a little bit more than people who are making \$20,000 a year." Luis works in construction in Lowell, Massachusetts. He emphasizes the relative comfort of the wealthy, even after paying comparatively high income tax rates:

It's not as if the government is taking away money that you can't do anything without. If us poorer people, so to speak, or middle-class people can manage with what we have, then people who earn more should be able to manage with what they have after the government takes out their taxes.

That a rich person still has, as Joe says, "a huge amount left over" after paying his or her taxes, serves as evidence that higher rates for the wealthy do not result in higher hardship and therefore that progressive taxation is fair.

Where Does Wealth Come From? Punishing Individual Effort versus Repaying Societal Debt

Many interviewees, including both opponents and supporters of progressive taxation, worry about the possibility that progressive rates would punish hard workers for their effort.¹⁰ Gloria, the Tea Party activist from Kansas, thought that raising taxes on the rich would mean they were being “punished for producing and creating.” Denise, a strong Democrat, says that she does not “want to punish people for struggling” to get ahead and make a good living. When my interviewees see success as a result of individual effort, they tend to express concerns that progressive taxation might be unfair. The main counterargument that proponents of progressivity offer, as I have already noted, is that wealthy people are not punished by higher rates because they can afford it. But some take a different tack, discussing the role society plays in the creation of wealth.

Some respondents minimize the importance of personal effort in an individual’s material success, insisting instead on how wealthy people have benefited from society. As Eileen says somewhat hesitantly at the beginning of the chapter, “the people that make millions of dollars” benefit from “a lot of the stuff the taxes pay for,” and so should perhaps pay a higher rate. For Kyle, the rich “obviously used the system to their advantage to become successful, and so paying more into the system that made them wealthy doesn’t seem too ridiculous to me.” Thus a small number of interviewees emphasize not the individual effort of wealthy people, but rather the benefits they have received from the society they live in.

Interestingly, the leftist variation on this argument is almost entirely absent from the interviewees' discussions: only one person went so far as to say that rich people are rich because they have unfairly extracted wealth from working people. Marjorie, who describes herself as a strong Republican and a fan of conservative Congressman Paul Ryan, is the only interviewee who makes this case,¹¹ which she bases on her personal experience as a low-wage worker.

I think that people with more money should pay a higher percentage. A lot of that is because it seems like people who make a lot of money do so at the expense of people who don't. One of my biggest beefs is that for years, I worked in fast food industries. The top-level people, like the district managers and store managers and the franchise owners, all made good money. However, the people who worked there all day every day doing the dirty work didn't make anything. They made bare minimum wage.

Marjorie is defending the idea that rich people should pay more in taxes not simply because they can afford it, but because they have garnered their riches by exploiting those who work for them. She goes on to describe at length the unfair treatment she saw in the fast food industry:

They want you to be able to work whatever shifts that they want you to work. They want you to be more available. If they work you full-time, then they'll give you five days a week, but it's only a six-hour shift, so it's

only 30 hours a week. A lot of them don't even get that 30 hours. A lot of them only get 20 or 24 hours. Then when they try to work two jobs to make up for it, it's hard to work around two different schedules if both of them want you to be available at different times and stuff. . . . The franchise owners are millionaires, but the people who are working for them and are actually there every day, cooking the food and washing the dishes and serving the customers, don't even make enough money to pay their bills. I feel like this is just government-approved slavery.

Marjorie's anger about how the wealthy earn their money is striking in light of the far less militant arguments made by the interviewees who place themselves on the left of the political spectrum. Alicia describes herself as a "decidedly liberal, young, brown woman," who thinks Fox News provides "blatantly biased" news for "conservative, old white men." When I asked her about tax progressivity, she is a strong proponent of the graduated income tax. But compare her rationale to that of Marjorie's.

It really comes down to what people really need to get by and live comfortably and have the things that they want and need. . . . People who earn—you know, CEOs who earn multimillion dollars, multibillion dollars a year, that's their income, that's fine. They don't need that. I mean, nobody needs that much money to be comfortable and live comfortably. It's just like you're collecting money for the sole purpose of collecting and

earning interest on it. And, that's all well and good, but there's so many who need so much. I don't see anything wrong with asking those people, or requiring those people, to give a higher percentage of what they make.

Even as she describes it as “collecting money,” Alicia still describes the earnings of wealthy people, even extremely wealthy people, as “all well and good.” She simply claims that, because the rich can pay high taxes and still be comfortable, they should pay more than the people who could not afford high tax rates. She does not argue that the wealthy did not earn what they receive; instead, she explicitly defends their success but argues that taxation does not punish them for that success.

The level of punishment that taxes are imagined to impose on work may be inflated by a misunderstanding of the graduated income tax system. As one goes up the tax brackets, the new, higher tax rate applies only to the income one earns *over the previous bracket maximum*. I did not ask people explicitly about marginal taxation, but passing comments suggest that many people do not understand this process. Michael says,

The way they graduate via the tax brackets, but I don't think it's quite granular enough where you start making a few more dollars a year that could jump you up into the next bracket, and you might end up actually taking a lot less money after you pay taxes.

In reality, if earning a few dollars more pushes you into the next tax bracket, it is only those few dollars that would

be taxed at the new rate. But like Michael, several of my otherwise-most-informed interviewees clearly imagine one's top tax rate to be applied to one's entire income. Joe says,

When I was younger, the incremental tax rate was actually up to 90 percent. It was a real high bracket. Most of the people in that range must have had deductions. I don't think anybody collected a salary of \$1 million and paid \$900,000 in taxes.

Joe is very politically savvy, readily referring to a wide range of fiscal policy proposals and analyses, from the Reagan-era Grace Commission to Herman Cain's "9-9-9" plan. Here, he calls the top tax rate "incremental," perhaps suggesting an awareness of marginal taxation. But when he considers the impact of a very progressive tax system, he, like many less politically engaged interviewees, imagines that the top tax rate applies to every cent a wealthy person makes.¹² To the extent that people believe the graduated rates can actually have the perverse effect of leaving you with less take-home pay than if you earned a lower wage, this misperception likely encourages concern that the tax system "punishes work."

Uncertainty about Progressivity

As they debate the competing implications of civic equality and economic inequality, and the relative role of society and individual in one's success, many people who do state a preference for progressive or flat taxes also express doubts

about their choice. Even those who have strong opinions about taxpaying by the rich can suddenly grow uncertain when asked about progressivity.

Denise complains at length about corporations not paying their share in taxes. “I think it was GE who only paid like a penny last year,” she begins. Walmart, she notes, is “generating billions and billions of dollars” but “they’re getting tax breaks. Meanwhile their employees are basically becoming burdens because they have no choice but to go on state assistance.” Denise is a committed Democrat, and sounds like one here with her opposition to tax breaks for corporations. Asked specifically about progressivity, she does favor a “progressive percentage.” But she suddenly seems much less of a firebrand when she says,

I don’t want it to be like people are getting punished for having decent income, because I don’t feel like it should be that either. I think some people get offended and say *well I worked*. I’m not saying that either because *no, you deserve to enjoy the fruits of your labor*.

Denise, who seemed so sure that people at the top are not paying their share, suddenly considers specific wealthy people who might be unfairly affected.

On the other end of the spectrum one finds Ralph, who worries a great deal about the “anti-rich mentality” he perceives in the contemporary United States. At the conclusion of our interview I ask, if he were writing a book on taxation, what the most important chapter would be. He imagines a chapter illustrated by a scene such as this:

Somebody in a big tuxedo or suit and he's running and there'll be poor people chasing him. They're trying to steal everything he has.

Ralph, one would assume, would be an ardent opponent of progressive taxation. Instead, when asked about flat or progressive tax rates, he says,

Oh well, that's something. Whenever I hear that in the news and I read about the flat tax, and what's that other one, the, I don't know, proportion. I can't think of the name of it. This is really tough. I mean whenever I think of that, that really is tough.

Even those who have strong opinions about whether the wealthy are paying too little or too much express uncertainty when asked directly about tax rates.

How can people who have strong beliefs about taxes paid by the rich and the poor show such uncertainty when thinking about progressivity? As we will see in the following section, the interviewees' hesitations about progressivity are heightened by the confusing experience of filing one's income tax.

What Americans Learn from the Income-Tax Filing Process

Americans are very concerned that rich people are getting an unfair break on their taxes. In 2011, when the Pew Research Center asked Americans what bothered them most about

taxes, 57 percent said “the feeling that some wealthy people get away not paying their fair share.”¹³ In stark contrast, only 11 percent picked the “large amount” that they themselves paid as their top concern, and another 28 percent said the “complexity” of the income tax system. The most common frustration about the income tax, by far, is the conviction that the rich are not chipping in like other, middle-class Americans.

This belief, my interviews reveal, is reinforced by an income-tax filing process that encourages people to imagine that the wealthy are getting a special deal, and in particular, to see loopholes (rather than historically low top marginal tax rates) as the reason why rich people can avoid paying much in taxes. The prominence of loopholes leads them to believe that the rich can evade a large portion of their tax responsibilities, no matter what nominal rate they are supposed to be paying. As a result, some of those who would like the rich to pay more are willing to trade higher rates for fewer loopholes, and those supporting a flat tax underestimate the magnitude of the policy change they are espousing.

LOOKING FOR YOUR LOOPHOLES

Once a year, Americans suddenly receive a great deal of information about the deductions and credits in the income tax code. In the lead-up to Tax Day 2015, TurboTax warned on its blog about the “8 Most Missed Deductions.” H&R Block tweeted, “Vroom, vroom! That’s the sound of you driving to the bank with your vehicle deduction. Do

you qualify?” A working, low-income single mother must remember to apply for the Earned Income Tax Credit and Child Tax Credit. A college student might deduct the cost of books. Upper-income homeowners likely get a break for their mortgage. For rich and poor, the filing process is a hunt for loopholes.¹⁴

What the income-tax filing process does not require is any attention to one’s actual tax rate. Most people probably have their eye focused on whether or not they will be receiving a refund on the amount they have already paid. This is surely what an accountant will draw his or her clients’ attention to, and most tax preparation software shows a running tally of one’s refund throughout the filing process. But a taxpayer has no incentive to compare his or her refund to the overall amount he or she paid over the year. Even those taxpayers who still file their paperwork by hand, consulting the table of tax rates provided by the IRS, see only their top marginal rate—and only if they look closely. The income-tax filing process does not tell Americans much about the amount or the percentage they pay in income taxes.

It follows, then, that Americans focus on loopholes rather than rates when they think about why one’s tax responsibilities go up or down. Indeed, deductions are a prominent part of my interviewees’ thinking about the income-tax filing process. Kimberly, a veterinary technician in Florida, says, “It’s stressful. I feel like even after it’s done and over, I’m thinking, *What could I have added? What else could I have counted? What else could I have done?*” Adam, a 26-year-old from Indiana, doesn’t mind filling out his income taxes, seeing it instead as “a little puzzle,” figuring out how to be as

“innovative” as possible to find savings. Wilma, from Florida, recalls vividly the first year that she missed out on the Earned Income Tax Credit. “I think I made \$5 too much so I couldn’t get it,” she says.¹⁵

Many interviewees make the mental leap from their own small deductions to the accounting tricks of the very wealthy. Rosemary talks first about herself going to “some kind of H&R Block expert,” and then notes that the wealthy can afford to hire a “hotshot accountant” to “hide” their money much more effectively than average people. Lawrence agrees. “I know that I’m probably paying too much because of how I get my taxes done. The H&R Block lady is probably not the best at finding loopholes. That’s probably not one of the classes that they attend.”

The vexation of tax filing, therefore, carries with it a corollary that the tax code benefits the rich. The first minutes of my interview with Tracy shows how quickly her train of thought moves from the practical irritation of having to file her income taxes to the broader concern that she is paying while rich people are not:

When I said the word “taxes” what did it make you think about?

Tracy: Next month. And the fact that we put it off until next month. And the burden of it. Those are the main things I think of.

And when you say “the burden,” what do you mean?

Tracy: Well, I’m fairly middle class and the loopholes that—I’ve already said it right there. The tax codes that afford the wealthier people to pay a lot less percentage than we do.

For Tracy, the pain of coping with the arcana of the tax code is inextricable from a broader sense that rich people are benefiting unfairly. Kyle also makes the logical leap from the income-tax filing process to the belief that the wealthy are underpaying their taxes. Asked what he thought of the IRS, Kyle responds,

Red tape and bureaucracy. And . . . I think that everything's so convoluted that only people that are in very good financial situations are able to use the system to their advantage when it comes to the IRS and tax loopholes, that kind of thing.

For Kyle, the complexity of income tax filing is evidence that many rich people are getting away with something.

As Kyle's and Tracy's remarks indicate, the taxpaying process also influences *how* Americans believe the wealthy are escaping their tax responsibility: via "loopholes." When I ask Grace who she thinks is paying too little in taxes, she responds, "The rich pay too little because of all the loopholes they have." Michael, a 51-year-old IT technician, agrees. "I think the richest pays too little nowadays," he says. "They've got their resources to exploit all the loopholes and they end up paying too little."

Even when people raise issues that are technically about tax rates, they still conceive of the problem in terms of loopholes. Tracy believes that the rich don't pay enough because investments are taxed differently from regular wage income. "I don't have money that I make money on," she says. "All of my money is taxable." Tracy is correct that investments

are taxed at a lower rate. But she still sees this as a problem of “tax breaks and a lot of loopholes.” She does not describe this as a problem of tax rates being too low. Alexa, a young mother from Mississippi, is also drawn to deductions and credits, rather than rates, as the source of progressivity. She says she would prefer a flat tax, the same percentage for everybody. But, she quickly adds, “Now what people get back I think should be geared towards your income level.” Alexa imagines a progressive tax system with a flat rate; for her, it is exemptions, deductions, and credits taken into account at tax time that should allow poorer people to pay less than richer people. In my interviewees’ understanding, then, the word *loophole* includes a very wide array of policies and is applied even in instances that might otherwise be understood as evidence of a need to raise or lower the tax rate.

In all, twenty-eight interviewees talk specifically about “loopholes”; only two interviewees, Kenneth and Joe, both highly educated Democrats, talk about income tax rates for the wealthy. Kenneth is a lawyer from Peoria, Illinois. He talks about tax rates on the wealthy being low, by historical standards. Joe, a retiree from California, says, “I don’t know why we can’t go back to the tax rates during the Clinton years.”¹⁶ But comments like these are extremely rare.

People convinced that the rich currently escape their income taxes often believe a flat tax would be as or more progressive than the current system. Gabriel thinks a flat tax would hardly alter the amount rich people pay: “If the loopholes were closed and they were actually paying that percentage, as opposed to, you know, having the best lawyers and the best accountants that could find a way to not pay,

then I think they would be paying about the same.” Jessica goes further. “I think that, for example, a flat tax would wind up with the super-rich paying less but if there were no loopholes, I’m not sure,” she says. “They might end up paying more even if it were a lower percentage.” Thus the desire for wealthy people to pay more in taxes is focused on a preference for the closing of loopholes, rather than the raising of rates, to the point that some people who want the rich to pay more believe a flat tax might be the right policy solution.

This misperception is not limited to my interviewees. A substantial percentage of people who support a flat tax wrongly believe that such a policy would raise taxes on the rich.¹⁷ One explanation for this widespread misunderstanding might be innumeracy; perhaps Americans simply do not understand how percentages work. But survey data show that Americans have a reasonably good handle on the difference between progressive and proportional taxation,¹⁸ a finding in keeping with my interview experience. The problem, instead, is that some Americans wrongly think that the income tax is more regressive than a flat tax—a conclusion reinforced by the experience of taxpaying.¹⁹

The Impact of Media Attention to Tax Avoidance by the Wealthy and Corporations

Doubts about the progressivity of the income tax are compounded by widespread awareness that certain famous wealthy people, and especially corporations, are paying very little in federal taxes. A very large majority of Americans are concerned about corporate tax avoidance. In a 2015 poll

conducted by the Pew Research Center, 82 percent of Americans said they were bothered “a lot” or “some” by the feeling that “some corporations don’t pay their fair share” in taxes. As we will see, however, issues of corporate tax avoidance and low tax rates on investment income are translated in the popular understanding into a belief that loopholes undermine the progressivity of the individual income tax.

A few of the more politically engaged interviewees, on the left and the right, are aware of the claim made by billionaire investor Warren Buffet that he paid a lower tax rate than his employees. Joe, the highly engaged Democrat who is one of the few to talk about progressivity in terms of tax rates, lays out the “Buffett Rule”:

He says that his secretary—who, once again, gets a salary that’s just cut and dry and the government knows about it right away and the tax is withheld and she has to declare all of that at income tax time—pays 30 percent. So Warren Buffet, being the big guy, so to speak, that he was, he actually said that he shouldn’t be paying less of a tax rate than his secretary. That’s the Warren Buffet rule.

Several interviewees who could not name Warren Buffett also had his story in mind. Daniel appears to have co-founded the Buffett Rule with news of presidential contender Mitt Romney’s low tax rates; he says that

when Mitt Romney was running for office and they were breaking down how much he paid in taxes

compared to how much his secretary paid in taxes . . . as a percentage of his income he paid less than she did.

Stories like that of Mitt Romney and Warren Buffett clearly reinforce the belief that the income tax is not actually a progressive tax, a misperception that buttresses some of my interviewees' support for a flat tax. Bridget struggles to remember the name of "the guy who was on the news and he said that his secretary had to pay more taxes than what he did," but she goes on to use this as a justification of the flat tax.

Because of the tax deductions that he can take because of his wealth and where his secretary can't take those and she ends up paying more. In those instances, I don't think that's fair. So, I think a flat tax across the board would be fair.

Note once again that Bridget perceives the problem in terms of "deductions," not the lower tax rate on investment income compared to wage income. Thus the news of Warren Buffett's comparatively low tax obligations feeds into a more general impression that a flat tax might increase the amount the wealthy pay in income taxes.

The flat tax also appears to garner some support as a result of how the interviewees think about corporate taxes. For corporate taxes, what one might reasonably deem "loopholes" do have a tremendous effect on overall liability,²⁰ and interviewees are certainly aware of these accounting tricks, like the "Double Dutch sandwich,"²¹ which Grace recalls reading about. But the corporate income tax code is different from

the tax code that applies to individuals and households. The interviewees, however, do not appear to make a distinction between the personal and the corporate income tax. So news about corporate tax avoidance has reinforced the conviction that loopholes undermine the progressivity of the individual income tax.

The interviewees tend to think of taxes facing wealthy people and taxes facing corporations as a single set of policies whose impact comes primarily from loopholes. As Marjorie puts it, only “business owners or corporations” can find a legal way to avoid paying much in taxes, because they have accountants who know the “special discounts.” Jacqueline expresses anger at “the 1 percent and the people that we feel and corporations that we feel should be paying more and that kind of skirt around things and have the little loopholes.” Many interviewees volunteered a specific example of a corporation paying little or nothing in taxes, including several proponents of the flat tax. Lawrence notes,

I heard one year—probably last year or maybe the year before—that General Electric really effectively paid no tax at all. I don’t even know if that’s true, but I remember that really standing out and thinking, “Hey, wait, how is that fair?” I probably would be more in favor of a flat tax.

The thought that General Electric can avoid its taxes entirely leads Lawrence to the conclusion that a flat tax might be fairer. Bonnie, an antiques dealer in Texas, draws a similar conclusion:

Do you think that, on balance, wealthy people would be paying more, less, or the same under a flat tax?

Bonnie: I wish I knew. I've heard of a lot of corporations that have a good enough lawyer where they don't pay and there was some major names in the news recently, like six months ago, and I can't recall the names, but they were household names. . . . I think it's a travesty when a business is having the benefit of being in this country, but they're not paying their fair share. So, I'd like to see the loophole system go away.

Bonnie later emailed me a link to an Associated Press article about the construction equipment company, Caterpillar, accused in 2014 of avoiding \$2.4 billion in taxes by shifting its profits overseas.

Public concern about the effect of tax loopholes is reinforced by media coverage of tax policy. Many of my interviewees are aware of reports of particular wealthy people paying a lower percentage than middle-class workers, as well as stories of corporations paying nothing at all in federal taxes. This knowledge compounds the sense that wealthy people pay a lower percentage than poorer people and encourages approval for a flat tax.

Conclusion

Though most Americans, on balance, prefer a progressive tax system and believe that the rich are not paying their share, their attitudes about tax rates are subdued. Partially, this uncertainty is philosophical: Americans are uncertain about

how to balance the ideal of civic equality with the reality of economic inequality, and weigh competing ideas about how wealth relates to work effort. But support for tax progressivity is also muted because of Americans' experience of income tax filing. Many interviewees, drawing on their own experience of taxpaying, focused on loopholes, rather than rates, as the aspect of the tax code that changes how much people pay. The importance of loopholes is reinforced by news about corporations, and about a few very wealthy people, paying little or nothing in taxes. Thus the experience of taxpaying misleads some people about the tax policies that would achieve their preferred outcome: a higher share of taxes paid by the rich.

But the complexity of the tax code does not just lead Americans astray about tax policy. It also reinforces an intense pessimism, even a cynicism, about the possibility that government can work in the public interest. As we will see in the following chapter, Americans view the complexity of the tax code as evidence that the government operates on behalf of special interests—an issue that they discuss using the language of “government waste.”

Chapter 2: How the Taxpaying Experience Obscures Low-Income Taxpayers

1. Carl Davis, Kelly Davis, Matthew Gardner, Harley Heimovitz, Sebastian Johnson, Robert S. McIntyre, Richard Phillips, Alla Sapozhnikova, and Meg Wiehe, “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States,” Institute on Taxation and Economic Policy, January 2015, <http://www.itep.org/pdf/whopaysreport.pdf>. For more on who pays taxes and how much, see appendix A.
2. It is worth noting that interviewees tend to think of a “taxpayer” as a man; at least, no one explicitly imagines a woman. This may be because of unconscious assumptions about gender that are specific to taxpaying—for instance, that it is men who work outside the home, or that fiscal matters are “man’s work”—or simply because “male” is the neutral or default category in most Americans’ thinking.
3. The correlation of income with describing oneself as a taxpayer, even controlling for homeownership and employment status, is demonstrated in table A4 of the Methodological Appendix: <https://dataverse.harvard.edu/dataverse/readmylips>.
4. In calling a tax “easy to pay,” I am referring only to the procedure by which it is paid. I mean that the tax is (1) predictable, (2) occurring automatically and in small increments, and (3) with little or no paperwork on the part of the taxpayer. Thus a tax can be easy to pay, but also expensive. Sales and excise taxes usually fall into this category, as well as payroll taxes for most wage earners.
5. The interviewees’ answers are largely the same. The federal income tax is volunteered by twenty interviewees (41 percent). Thirteen interviewees (27 percent) choose the sales tax. The property tax and the payroll tax are each chosen by 12 percent of interviewees.

6. For each respondent, I have self-reported information about their household income and its sources, their employment, their marital status, number of dependents, and whether they own their home. To estimate the federal income and payroll taxes paid by the survey respondents, I relied on TAXSIM, a program from the National Bureau of Economic Research that calculates federal and state income tax liabilities from survey data. To calculate sales tax levels, I turned to the Institute for Taxation and Economic Policy's "Who Pays," a report detailing the average level of taxes paid, by state, for taxpayers in each income quintile. For property taxes, I relied on county-level data from the Tax Policy Center. For details of my tax estimation process, see the Methodological Appendix: <https://dataverse.harvard.edu/dataverse/readmylips>.
7. Compared to my survey respondents, my interviewees and I agree substantially more often about what their biggest tax is. There are several plausible explanations for why. First, my estimates for the interviewees' taxes are probably more accurate. In the course of our discussions I got to know the interviewees more than I did the survey respondents, and thus I tend to have a more complete picture of their respective financial situations. In addition, the interview process may have encouraged respondents to think more carefully about their tax obligations than someone filling out a survey online.
8. Nine hundred and forty-six respondents gave enough demographic information for me to create the tax estimates. Forty-seven respondents are not included in the table because they list more than one kind of tax as most expensive, such as the respondent who mentions "federal income and property tax." The remaining respondents give a response that could not be coded because it was too vague (e.g., "the taxes taken out of

- our pay checks”), listed another kind of tax (e.g., “city tax”), or simply said they did not know for sure.
9. Two other interviewees were also asked what taxes appeared on their paystub, but had a paystub on hand and read it aloud to me, and so I could not judge which taxes they would have recalled without a reminder. It is worth noting, also, that the interviewees do not see Social Security and Medicare taxes as a contribution to a personal account; but they know that these are taxes that pay for current retirees.
 10. The Social Security tax is a flat tax on wages up to about \$118,000 a year. All earnings above about \$118,000 a year are free from the payroll tax. As a result, high earners pay a lower effective Social Security tax rate than other Americans.
 11. For more on the regressivity of state taxes, see Carl Davis, Kelly Davis, Matthew Gardner, Harley Heimovitz, Sebastian Johnson, Robert S. McIntyre, Richard Phillips, Alla Sapozhnikova, and Meg Wiehe, “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States,” *Institute on Taxation and Economic Policy*, January 2015, <http://www.itep.org/pdf/whopaysreport.pdf>.
 12. Still, the total expense can be startling. Throughout her interview, Alexa shows herself to be exceptionally adept at mental arithmetic, so I ask her to give me a rough estimate of how much she spends on grocery tax each year. “Well, I spend about \$500 in groceries in a month, let’s see times 7.25 percent . . . probably a good 500 dollars” a year, she concludes with audible surprise. “Yes and that’s a whole lot. I never really think about it that way. So, yes, that’s a lot of money actually.” Alexa previously guessed that the sales tax was the biggest tax her family paid, but even so, the total was not something she had taken into account.

13. The most comprehensive analysis of this question is Lawrence Zelenak, "The Conscientious Legislator and Public Opinion on Taxes," *Loyola University Chicago Law Journal* 40, no. 2 (2009): 369.
14. In fact, Michael likely overestimated the progressivity of the federal income tax because of his unfamiliarity with marginal tax rates. See chapter 4 of this book.
15. In 2013 the EITC lifted about 6.2 million people out of poverty, including about 3.2 million children. See Center on Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," January 15, 2016, <http://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit>.
16. Christopher Howard, "The Hidden Side of the American Welfare State," *Political Science Quarterly* 108, no. 3 (1993): 403–36; C. Faricy and C. Ellis, "Public Attitudes toward Social Spending in the United States: The Differences between Direct Spending and Tax Expenditures," *Political Behavior* 36 no. 1 (2014): 53–76.
17. Suzanne Mettler, "Reconstituting the Submerged State: The Challenges of Social Policy Reform in the Obama Era," *Perspectives on Politics* 8, no. 3 (2010): 803–24.
18. There are not, to my knowledge, lifetime usage data about the EITC. About 20 percent of tax filers claimed the EITC in 2011 alone.
19. My respondents' examples of how they used their EITC benefits are typical. Sarah Halpern-Meekin, Kathryn Edin, Laura Tach, and Jennifer Sykes, *It's Not Like I'm Poor: How Working Families Make Ends Meet in a Post-Welfare World* (Berkeley: University of California Press, 2015).
20. Mettler, "Reconstituting the Submerged State."
21. Research suggests that EITC benefits are primarily used by low-income working families to cover necessities or, if possible,

- to accrue some savings. Halpern-Meekin, Edin, Tach, and Sykes, *It's Not Like I'm Poor*.
22. Isaac William Martin, *The Permanent Tax Revolt: How the Property Tax Transformed American Politics*. (Stanford: Stanford University Press, 2008); Isaac William Martin, *Rich People's Movements: Grassroots Campaigns to Untax the One Percent* (New York: Oxford University Press, 2013); Campbell, "What Americans Think of Taxes."
 23. Zelenak, "Mitt Romney, the 47 Percent, and the Future of the Mass Income Tax," 471.
 24. Regression tables available in the Methodological Appendix: <https://dataverse.harvard.edu/dataverse/readmylips>.
 25. The difference between high-political-information Republicans and other Americans persists even when controlling for age, gender, education, political ideology, and marital status, as well as for several different indicators for economic well-being (household income, employment status, and home-ownership), other measures of political engagement (political knowledge, political efficacy), and whether one sees oneself as a taxpayer. See table A3 in the Methodological Appendix: <https://dataverse.harvard.edu/dataverse/readmylips>.
 26. Of course, there are times when the last tax one has paid was actually the income or property tax. I conducted many interviews in the spring, and so someone might just have sent a check to the IRS. An interviewee who does not drive a car or own a house, and lives in a state without a sales tax, might indeed pay few taxes other than the federal income tax. Finally, one might think of income taxpaying as an ongoing process. Brandon says he pays his income taxes "every two weeks," when he gets paid. But even excluding all the respondents who might have, by any stretch of their wording, been accurate in saying that they most recently paid income or property

- taxes, Republican interviewees are much more likely to report having most recently paid income taxes.
27. See table A5 in the online Methodological Appendix: <https://dataverse.harvard.edu/dataverse/readmylips>.
 28. Kaiser Family Foundation/Harvard University's Kennedy School of Government/NPR Poll: Taxes Study, February 2003 [dataset], USICR2003-NPR012, Version 2. ICR—International Communications Research [producer], Cornell University, Ithaca, N.Y.: Roper Center for Public Opinion Research, RoperExpress [distributor], accessed July 27, 2016. *National Survey of Americans' Views on Taxes*, 2003, National Public Radio/Kaiser Family Foundation/Kennedy School of Government.
 29. See table A4 in the Methodological Appendix: <https://dataverse.harvard.edu/dataverse/readmylips>.

Chapter 3: Where Should Tax Money Go?

1. Page and Jacobs, *Class War?* See also Free and Cantril, *The Political Beliefs of Americans*.
2. Mettler, "Reconstituting the Submerged State"; Joe Soss and Sanford F. Schram, "A Public Transformed? Welfare Reform as Policy Feedback," *American Political Science Review* 101, no. 1 (2007): 111.
3. Shrimp have indeed been made to run on a treadmill. In the *Chronicle of Higher Education*, marine biologist David Scholnick defended his work as intended to assess the bacterial contamination rates of an important food source. He notes that the treadmill cost less than \$50 to make, and that he paid for it himself, without taxpayer funds. A YouTube video of the running shrimp in question, accompanied by the "Benny Hill" theme song, had received almost 2 million views as of February 11, 2015.

at a young age, before they are able to have worked a full ten years. Details are available at ssa.gov.

29. The other context in which healthcare spending is mentioned negatively by the survey respondents is that of politicians receiving better healthcare plans than their constituents, as in the case of a 40-year-old man from North Carolina who complained about “politicians’ big salaries and perks and their pensions and medical.” For more on attitudes about politicians’ perks, see chapter 5.
30. Bonnie’s policy solution is not simply increasing border enforcement. She clarifies that she does not “mind people wanting to immigrate here.” In fact, she says she supports “a path for them to become citizens” specifically because such a strategy would mean they would pay taxes.

**Chapter 4: How the Taxpaying Experience
Shapes Attitudes about Progressivity**

1. National Opinion Research Center, University of Chicago, General Social Survey 2008, April 2008 [survey question], USNORC.GSS08J.Q1391, National Opinion Research Center, University of Chicago [producer], Storrs, Conn.: Roper Center for Public Opinion Research, iPOLL [distributor], accessed February 22, 2016. Flat tax support is higher among Republicans; about half of Republicans support a flat tax. See CBS News, CBS News Poll: 2012 Presidential Election/Economy/Foreign Affairs, November 2011 [dataset], USCBS2011-11A, Version 2. CBS News [producer], Cornell University, Ithaca, N.Y.: Roper Center for Public Opinion Research, RoperExpress [distributor], accessed July 27, 2016.
2. Zelenak, “The Conscientious Legislator and Public Opinion on Taxes,” 369.

3. Page and Jacobs, *Class War?*
4. Adam is likely referring to the statistic that the top eighty-five wealthiest people in the world own as much as the bottom half of the world's population. See Laura Shin, "The 85 Richest People in the World Have as Much Wealth as the 3.5 Billion Poorest," *Forbes*, January 23, 2014, <http://www.forbes.com/sites/laurashin/2014/01/23/the-85-richest-people-in-the-world-have-as-much-wealth-as-the-3-5-billion-poorest/>.
5. Leslie McCall, *The Undeserving Rich: American Beliefs about Inequality, Opportunity, and Redistribution* (New York: Cambridge University Press, 2013); Leslie McCall and Lane Kenworthy, "Americans' Social Policy Preferences in the Era of Rising Inequality," *Perspectives on Politics* 7, no. 3 (2009): 459–84.
6. M. I. Norton and D. Ariely, "Building a Better America—One Wealth Quintile at a Time," *Perspectives on Psychological Science* 6, no. 1 (2011): 9–12.
7. Sorapop Kiatpongsan and Michael I. Norton, "How Much (More) Should CEOs Make? A Universal Desire for More Equal Pay," *Perspectives on Psychological Science* 9, no. 6 (2014): 587–93.
8. As Zelenak notes, Americans "suffer from a certain failure of imagination with respect to how high the highest income might be." Zelenak, "The Conscientious Legislator and Public Opinion on Taxes," 369.
9. In basing taxation on one's capacity to pay, these respondents reiterate the arguments put forward by some of the earliest proponents of the progressive income tax. For more on the campaigns for a modern income tax, see Ajay K. Mehrotra, *Making the Modern American Fiscal State: Law, Politics, and the Rise of Progressive Taxation, 1877–1929* (New York: Cambridge University Press, 2014).
10. In this concern, my interviewees are anything but unique. For more on how attitudes about work effort influence support

for progressive taxation and spending, see Skocpol, “Targeting within Universalism: Politically Viable Policies to Combat Poverty in the United States”; Alberto Alesina and George-Marios Angeletos, “Fairness and Redistribution,” *American Economic Review* 95, no. 4 (2005): 960–80; Martin Kreidl, “Perceptions of Poverty and Wealth in Western and Post-Communist Countries,” *Social Justice Research* 13, no. 2 (2000): 151–76; Adrian Furnham, “The Protestant Work Ethic, Human Values and Attitudes towards Taxation,” *Journal of Economic Psychology* 3, no. 2 (1983): 113–28.

11. A handful of other interviewees do describe particular luxuries as unearned, but do not connect those incidents with a need for progressive taxation. Rosemary is angry that “the CEO of Anthem Blue Cross” has a private plane, while his company is “charging their health policy holders mega-tons of money and turning down procedures and all that kind of thing.”
12. It is significant, also, that Joe, knowing it is unlikely that someone actually paid 90 percent of his or her income in taxes, imagines that “deductions” explain the difference.
13. Pew Research Center for the People and the Press Political Survey, December 2011 [survey question], USPSRA.122011.R52, Princeton Survey Research Associates International [producer]. Storrs, Conn.: Roper Center for Public Opinion Research, iPOLL [distributor], accessed March 2, 2016.
14. The IRS website has dozens of forms dedicated to obscure provisions like the American Samoa Economic Development Credit, the Distilled Spirits Credit, and the Mine Rescue Team Training Credit.
15. The Earned Income Tax Credit phases out as one earns more money, so normally earning a few extra dollars would not have a big effect on one’s tax refund. But the credit is much larger for parents, and so they can lose a substantial amount

of money when their children hit adulthood—even if their income is unchanged and they are still financially supporting their kids. Wilma believes she may have missed out on “a good chunk of rebate,” as she puts it, because of her son’s age. “So I didn’t get it that year and I was getting it all those years because I was raising a son by myself,” she concludes.

16. Joe may not have been aware that Clinton-era tax rates had been partially restored when, in 2013, the Bush tax cuts were allowed to expire for the top income-tax bracket. See Ezra Klein, “Democrats Don’t Want to Go Back to Clinton-Era Rates,” *Washington Post*, September 5, 2012, <https://www.washingtonpost.com/blogs/ezra-klein/wp/2012/09/05/democrats-dont-want-to-go-back-to-clinton-era-rates/>; Jonathan Weisman, “Senate Passes Legislation to Allow Taxes on Affluent to Rise,” *New York Times*, January 1, 2013, <http://www.nytimes.com/2013/01/02/us/politics/senate-tax-deal-fiscal-cliff.html>.
17. Joel Slemrod, “The Role of Misconceptions in Support for Regressive Tax Reform,” *National Tax Journal* 59, no. 1, (2006): 57–75.
18. Zelenak, “The Conscientious Legislator and Public Opinion on Taxes,” 369.
19. For details of how much Americans at different income levels pay in federal income tax, see appendix A.
20. Though on paper, corporations should pay a relatively high tax rate in the United States, the “effective” tax rate—the rate companies actually pay—is much lower. For details, see appendix A.
21. The “Double Irish with a Dutch sandwich” is a tax maneuver used by technology companies that involves routing patent royalties through several European subsidiaries before sending the funds to a tax haven. Charles Duhigg and David Kocieniewski, “Apple’s Tax Strategy Aims at Low-Tax States and Nations,” *New York Times*, April 29, 2012, <http://www.nytimes>

.com/2012/04/29/business/apples-tax-strategy-aims-at-low-tax-states-and-nations.html.

Chapter 5: (How) Is Tax Money Wasted?

1. As this quote suggests, Bonnie expressed some mixed feelings about the parties in her interview. However, she identified as a Republican in her survey, and so is listed as such here.
2. While policymakers in general estimate government waste at a few pennies on the dollar, some public figures may have encouraged high waste estimates. Ronald Reagan's Grace Commission reported in 1984 that "one third of all income taxes is consumed by waste and inefficiency." One result of high waste estimates may be that Americans imagine that budgets can be cut without a reduction in service quality. See Susan Welch, "The 'More for Less' Paradox: Public Attitudes on Taxing and Spending," *Public Opinion Quarterly* 49, no. 3 (1985): 310-16. Also relevant: David O. Sears and Jack Citrin, *Tax Revolt: Something for Nothing in California* (Cambridge: Harvard University Press, 1982), 51.
3. People often pick quite large percentages when asked to estimate something. By way of comparison, I also asked the interviewees to estimate waste in corporations, small businesses, and charities. On average, they estimated corporations waste about 28 percent of their money, small businesses 11 percent, and charities 30 percent.
4. Marc J. Hetherington, *Why Trust Matters: Declining Political Trust and the Demise of American Liberalism* (Princeton: Princeton University Press, 2005); Derek Bok, "Measuring the Performance of Government," pp. 55-76, in *Why People Don't Trust Government*, ed. Joseph S. Nye, Philip Zelikow, and David C. King (Cambridge: Harvard University Press, 1997).