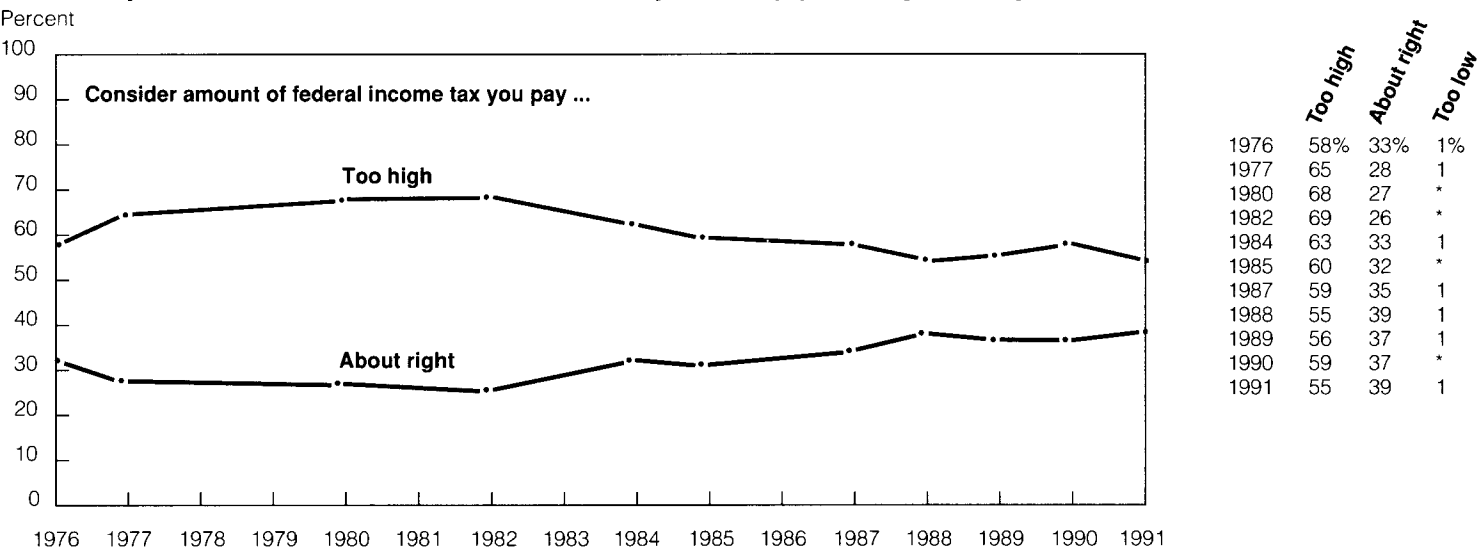


TAKING OUR TAX TEMPERATURE

How taxing are taxes? At every point over the past 15 years, a majority of the public, when asked about it in public opinion polls, has said the federal income taxes which they pay are too high. Nearly half of respondents (45%) say they are paying more taxes than a few years ago. Waste of tax dollars is perceived as greatest at the federal level.

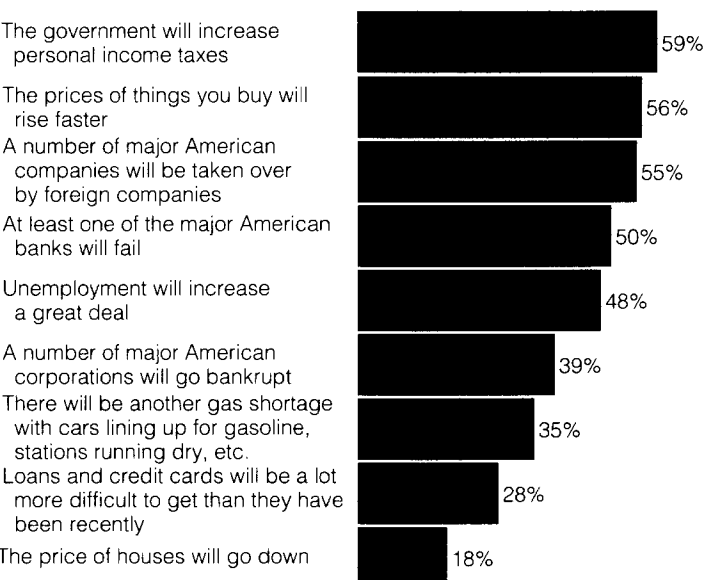
Question: **Do you consider the amount of federal income tax which you have to pay as too high, about right, or too low?**



Source: Surveys by National Opinion Research Center, February-April for the years shown.

Question: **Now I'd like to ask your opinion about some things that could happen to the economy over the next two years. For each one will you tell me if you think it is very likely to happen, somewhat likely, not very likely, or not at all likely that this will happen during the next two years?**

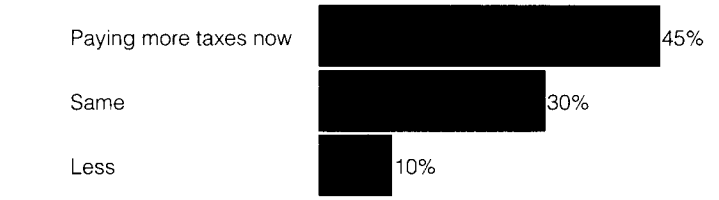
Very likely will happen during the next two years



Source: Survey by the Roper Organization (Roper Reports 91-2), January 5-19, 1991.

Question: **Generally speaking, have you been paying more on your federal income tax than you had before the tax laws were changed about five years ago, or about the same, or have you been paying less than you did before the tax laws were changed?**

Compared to federal income tax you paid before tax laws were changed five years ago



Source: Survey by the Los Angeles Times, April 6-9, 1991.

Question: **Out of every dollar (the federal/your state/your local) government collects in taxes, how many cents do you think are wasted?**

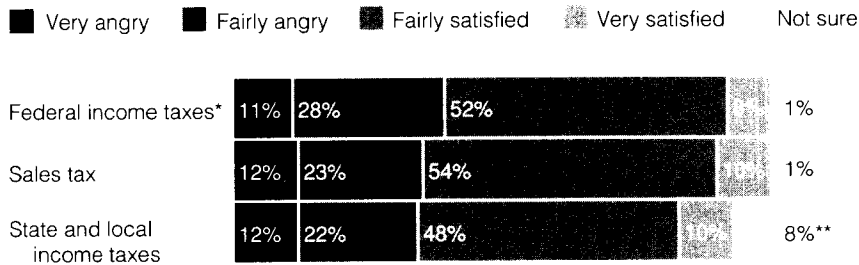
Out of every dollar...government collects, think...is wasted



Source: Survey by ABC News/Washington Post, September 7-11, 1990.

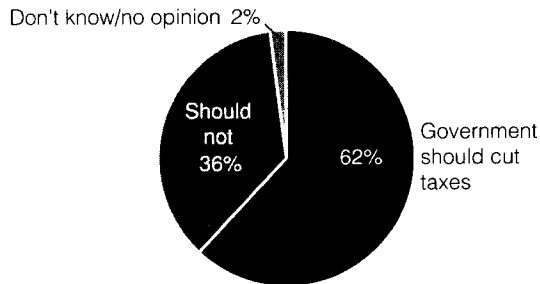
Solid majorities say that the federal government should cut taxes, but the public is skeptical about the motivations of tax cut proponents and the impact of a cut on the economy.

Question: **Are you very angry about the amount of (federal income taxes/sales tax/state and local income taxes) you or your family paid last year, or fairly angry, or fairly satisfied, or very satisfied?**



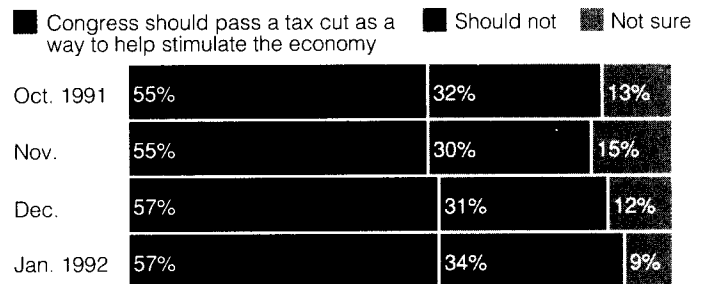
Note: * = Sample of respondents who filed a federal income tax return last year. **Includes 7% who said they didn't pay local or state income taxes.
Source: Survey by the *Los Angeles Times*, April 6-9, 1991.

Question: **Do you think the federal government should cut taxes or not?**



Source: Survey by ABC News/*Washington Post*, October 24-29, 1991.

Question: **Do you think Congress should or should not pass a tax cut as a way to help stimulate the U.S. economy?**



Note: Sample = registered voters.
Source: Survey by NBC News/*Wall Street Journal*, January 17-21, 1992.

Question: **As you may know, politicians in Washington are discussing a tax cut for the middle class. Do you think they are sincere in this or do you think this is an election year gimmick?**

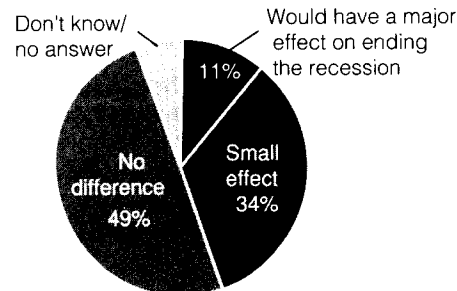
Tax cut for the middle class discussed by politicians in Washington is...



Source: Survey by Yankelovich Clancy Shulman for *Time* and CNN, October 23, 1991.

Question: **Would a tax cut of about \$400 or \$500 for middle class people have a major effect on ending the recession, a small effect on ending the recession, or won't it make much difference?**

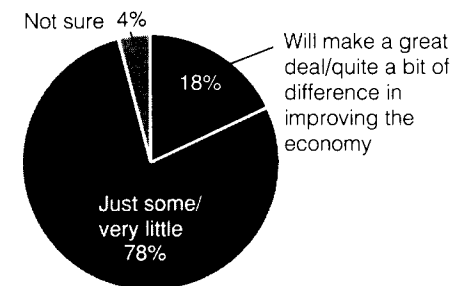
A tax cut of \$400-500 for the middle class...



Source: Survey by CBS News/*New York Times*, January 22-25, 1992.

Question: **If Congress does pass a tax cut this year, how much of a difference do you think it will make in improving the economy...?**

If Congress does pass a tax cut this year...

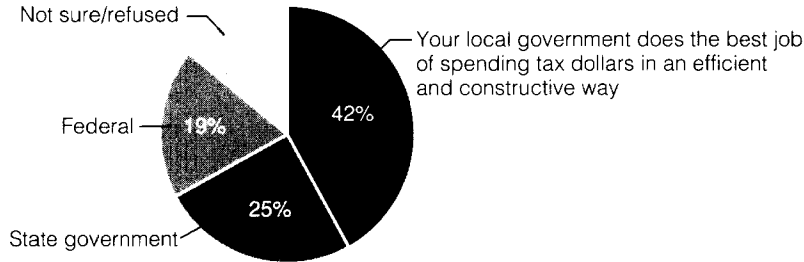


Note: Sample = registered voters.
Source: Survey by NBC News/*Wall Street Journal*, January 17-21, 1992.

State Tax Experiences: CA, NJ ...

Public anger over state government taxation seems in many instances to surpass anger over federal taxes.

Question: In general, who do you think does the best job of spending tax dollars in an efficient and constructive way ...?

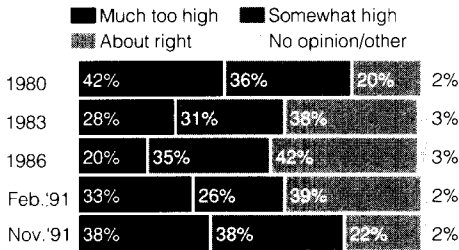


Source: Survey by the Los Angeles Times, April 6-9, 1991.

Question: On the whole, do you feel that the level of state and local taxes that the average citizen like yourself pays is much too high, somewhat high, or about right?

California residents

Level of state and local taxes...

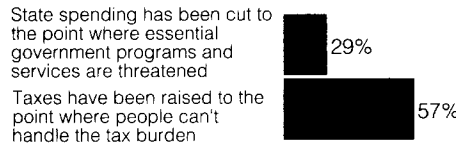


Source: Survey by the Field Institute, latest that of November 20-25, 1991.

Question: In your view, what is the greater danger for California right now ...?

California residents

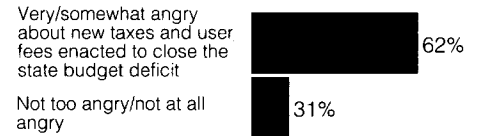
Greater danger for California right now...



Source: Survey by the Los Angeles Times, December 7-10, 1991.

Question: How do you feel about the taxes and user fees enacted in Sacramento this year to close the state budget deficit? Are you very angry, somewhat angry, not too angry, or not angry at all about those new taxes and user fees?

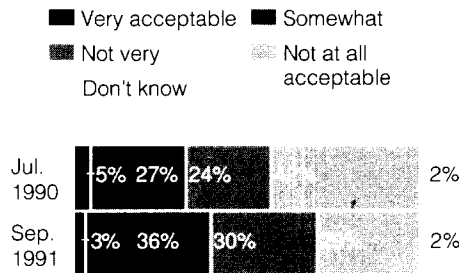
California residents



Question: How acceptable to you is the increase and expansion of the state sales tax ...?

New Jersey residents

Increase and expansion of the state sales tax is...

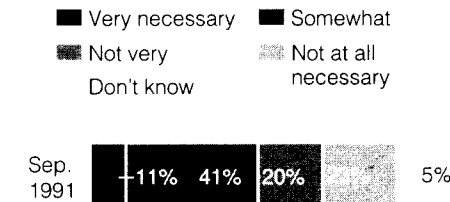


Source: Survey by the Star-Ledger/Eagleton Poll, latest that of September 11-19, 1991.

Question: Do you think the increase and expansion of the state sales tax in order to balance the state budget was ...?

New Jersey residents

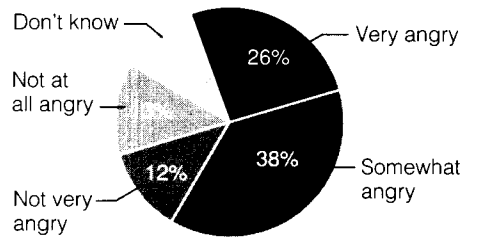
Increase and expansion of the state sales tax in order to balance the state budget was...



Question: Do you remember how you felt when you first heard about the tax package that was passed in July 1990. Were you ...?

New Jersey residents

When first heard about the tax package that was passed in July 1990, were you...



Note: Of respondents who said they were very or somewhat angry about the tax package twenty-nine percent said they felt that way because they "Don't want to pay more taxes".

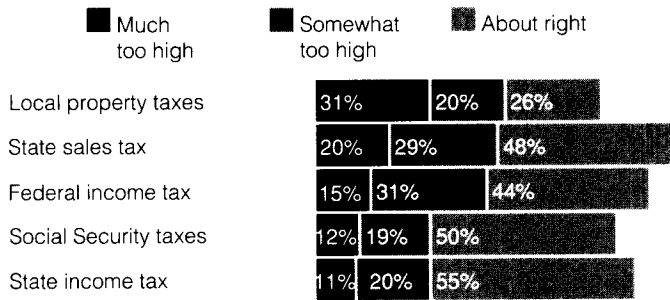
Source: Survey by the Star-Ledger/Eagleton Poll, latest that of September 11-19, 1991.

IL, KY, CT, MD

Public opinion data from many states suggest that for large numbers of taxpayers, the level of taxes is unacceptably high.

Question: I'm going to read you a list of federal and state taxes. If you don't pay a tax please tell me, and we can go to the next item. Do you think what you pay is too high, too low, or about right for ...?

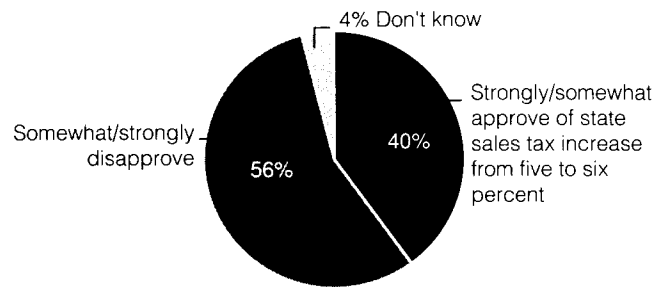
Illinois residents



Source: Survey by the Center for Governmental Studies, Northern Illinois University, September 19-October 14, 1991.

Question: As you may know, some changes were made in Kentucky taxes during the 1990 legislative session. For example, the state sales tax was increased from five to six percent. Do you approve or disapprove of this increase?

Kentucky residents

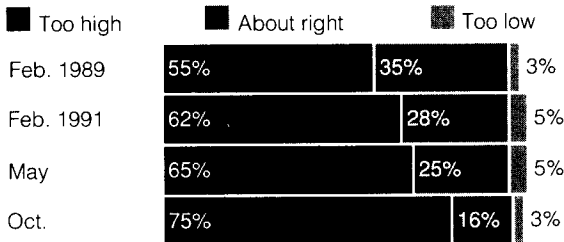


Source: Survey by the Survey Research Center, University of Kentucky, November 19-December 5, 1991.

Question: Right now, do you think the level of state taxes in Connecticut is too high, too low, or just about right?

Connecticut residents

Level of state taxes in Connecticut is...

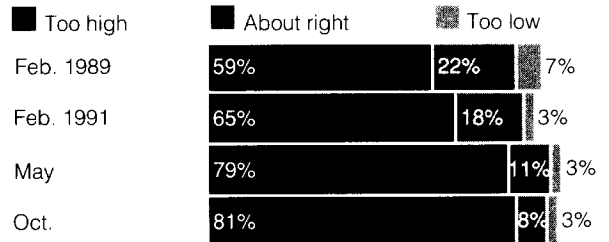


Source: Surveys by the Institute for Social Inquiry, University of Connecticut, latest that of October 15-22, 1991.

Question: How about the level of state spending, is that too high, too low, or just about right?

Connecticut residents

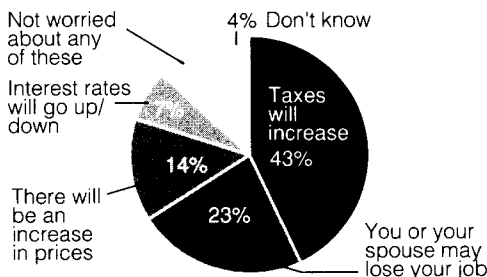
Level of state spending is...



Question: In terms of your own personal economic situation, which of the following concerns you most?

Registered voters in Maryland

Concerns you most in terms of your own personal economic situation



Question: I'm going to read to you some statements concerning taxes and spending in Maryland. For each, please tell me if you strongly agree, agree, disagree, or strongly disagree.

Registered voters in Maryland

In general, the value of the services I receive from government is less than the taxes I pay



All things considered, state taxes are really not too high considering the services the government provides the citizens of Maryland

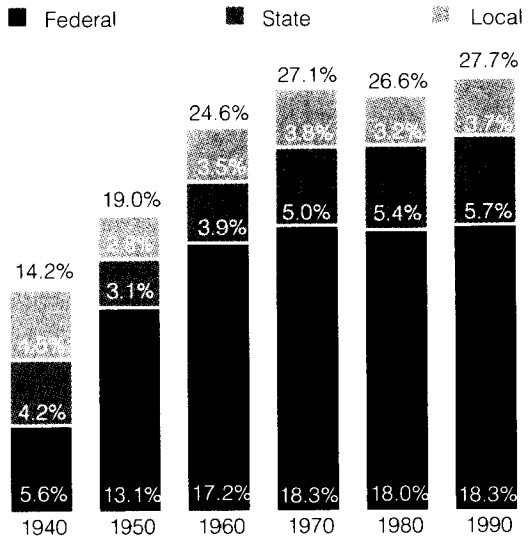


Source: Survey by the Schaefer Center for Public Policy, University of Baltimore, December 11-18, 1991.

THE DEMOGRAPHICS OF TAXES

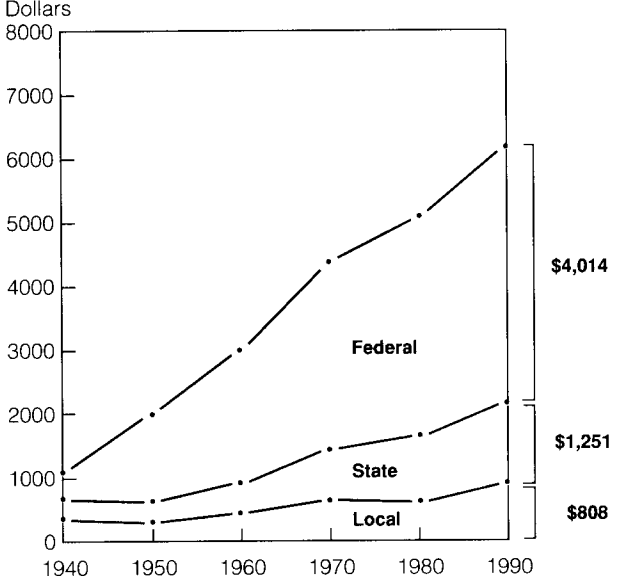
Taxes are taking an ever larger bite out of the U.S. economy. They now total more than \$6,000 a year for every man, woman, and child in the country, and the average person must devote over 35 percent of their paid labor to meeting them. These are all-time highs.

Taxes collected as a percentage of gross national product



Source: Editor's calculations from data supplied by the U.S. Bureau of the Census, the Tax Foundation (Washington, D.C.), and the U.S. Bureau of Economic Analysis.

Taxes collected per capita in constant 1990 dollars



Source: Editor's calculations from data supplied by the U.S. Bureau of the Census, the Tax Foundation, State Policy Research, Inc. (Alexandria, VA), and the U.S. Bureau of Economic Analysis.

"Tax Freedom Day"

1929	February 9
1940	March 8
1950	April 3
1960	April 17
1970	April 28
1975	April 28
1976	May 1
1977	May 3
1978	May 3
1979	May 3
1980	May 1
1981	May 4
1982	May 3
1983	April 30
1984	April 28
1985	May 1
1986	May 1
1987	May 4
1988	May 3
1989	May 4
1990	May 5
1991	May 8

Note: "Tax Freedom Day" represents the date on which the average person would finish paying federal, state, and local taxes if all earnings since January 1 were turned over to the governments to fulfill annual tax obligations.
Source: The Tax Foundation.

Effect of selected taxes on median income

1990 Median household income...

Before taxes	\$	29,943
- Government transfers		28,779
- Social Security taxes		26,693
- Federal income taxes		24,713
- State income taxes		23,947

Source: The U.S. Bureau of the Census.

Of late, taxes have increased fastest at the state and local level. Exploding public employment has made it hard to keep budgets under control. Having used the strong revenues of the 1980s for new spending and federal government mandates, states are now passing record tax increases.

State taxing and spending growth in recent years

All-time highest tax increases on the state level

Top five years	Amount of total increase
1992	\$ 16.2 billion
1991	10.3
1984	10.1
1988	6.0
1980	4.9

Number of states increasing taxes over the last three years

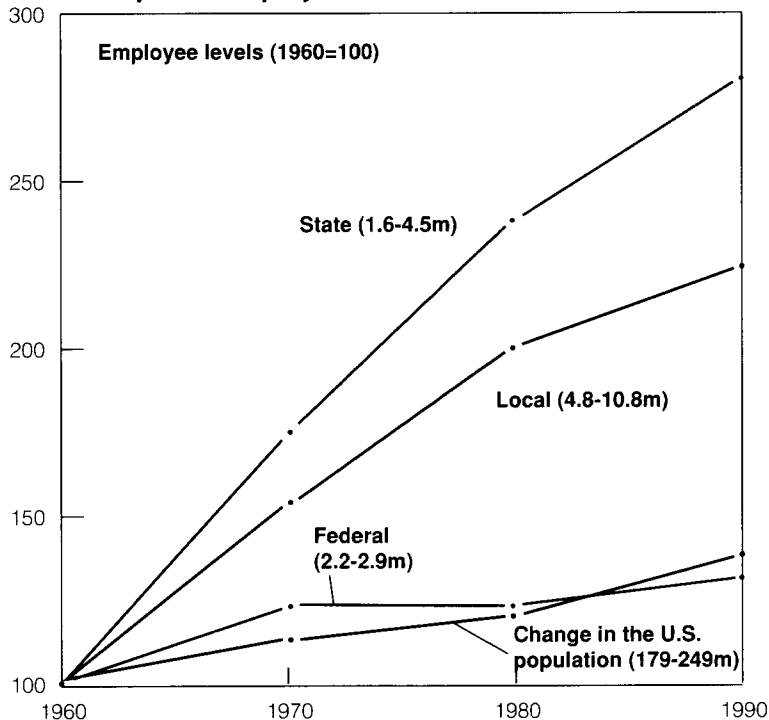
1992	31
1991	26
1990	30

Growth of state budgets 1981-1991

Total increase of state general funds	Total increase after inflation	Change in U.S. pop.
+118%	+22%	+10%

Source: The National Association of State Budget Officers, the Tax Foundation, the National Conference of State Legislatures, and the U.S. Bureau of the Census.

Growth of public employment



Note: Federal employees refers to civilian workers only. The distribution of combined federal, state, and local government payrolls using October 1990 data is as follows: **Education 39%, Social welfare (refers to welfare, health, housing, and public transit employees) 16%, Public safety 10%, National defense 8%, Environment (refers to environment, solid waste, and utilities) 7%, Government administration 6%, Postal service 6%, Transportation 4%.**
Source: The U.S. Bureau of the Census.

Severity of combined state and local tax load

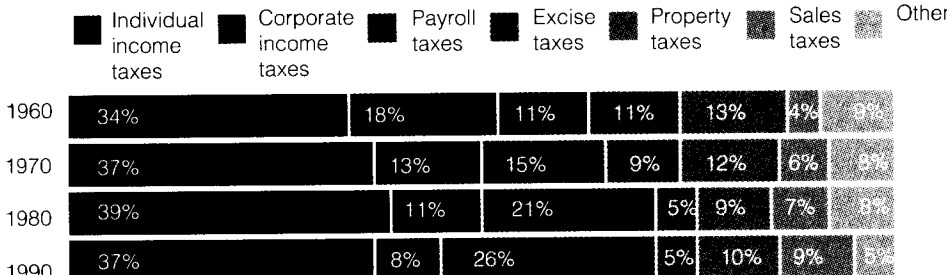
Rank	State	Percentage of personal income	Rank	State	Amount per capita
1	AK	19.62%	1	AK	\$4,069
2	NY	15.54	2	NY	3,267
3	WY	14.57	3	CT	2,647
4	MN	14.02	4	HI	2,596
5	HI	14.00	5	NJ	2,527
6	WI	12.77	6	MN	2,463
7	NM	12.75	7	MA	2,359
8	MT	12.64	8	MD	2,305
9	AZ	12.53	9	CA	2,220
10	WA	12.30	10	WY	2,209
11	OR	12.24	11	WA	2,123
				U.S.	2,016
12	WV	12.22	12	IL	2,102
13	UT	12.21	13	WI	2,090
14	ME	12.21	14	MI	2,068
15	VT	12.21	15	DE	2,056
16	MI	11.88	16	RI	2,037
17	IA	11.88	17	VT	2,012
18	LA	11.64	18	ME	1,974
	U.S.	11.52			
19	NE	11.43	19	OR	1,934
20	CA	11.41	20	NE	1,928
21	RI	11.40	21	CO	1,925
22	SC	11.38	22	AZ	1,921
23	ID	11.31	23	VA	1,896
24	GA	11.29	24	IA	1,881
25	ND	11.20	25	PA	1,859
26	MD	11.18	26	KS	1,847
27	NC	11.12	27	OH	1,813
28	KS	11.04	28	NE	1,803
29	OH	11.01	29	GA	1,801
30	DE	11.01	30	MT	1,795
31	CT	11.00	31	FL	1,746
32	IL	10.95	32	NH	1,693
33	CO	10.89	33	NM	1,690
34	OK	10.85	34	NC	1,675
35	NE	10.83	35	TX	1,662
36	MA	10.82	36	IN	1,631
37	KY	10.76	37	UT	1,582
38	PA	10.62	38	OK	1,575
39	NJ	10.62	39	ND	1,569
40	TX	10.58	40	WV	1,562
41	MS	10.58	41	SC	1,562
42	SD	10.29	42	LA	1,562
43	IN	10.25	43	ID	1,561
44	VA	10.16	44	MI	1,552
45	FL	10.10	45	KY	1,496
46	AK	9.64	46	SD	1,447
47	AL	9.56	47	TN	1,399
48	MI	9.45	48	AL	1,328
49	TN	9.40	49	AK	1,273
50	NH	8.37	50	MI	1,264

Note: 1990 data. Heavy energy extraction fees drive Alaska and Wyoming up in the rankings, and taxes on tourists similarly inflate the figures for Hawaii.

Source: U.S. Bureau of the Census, State Policy Research, Inc.

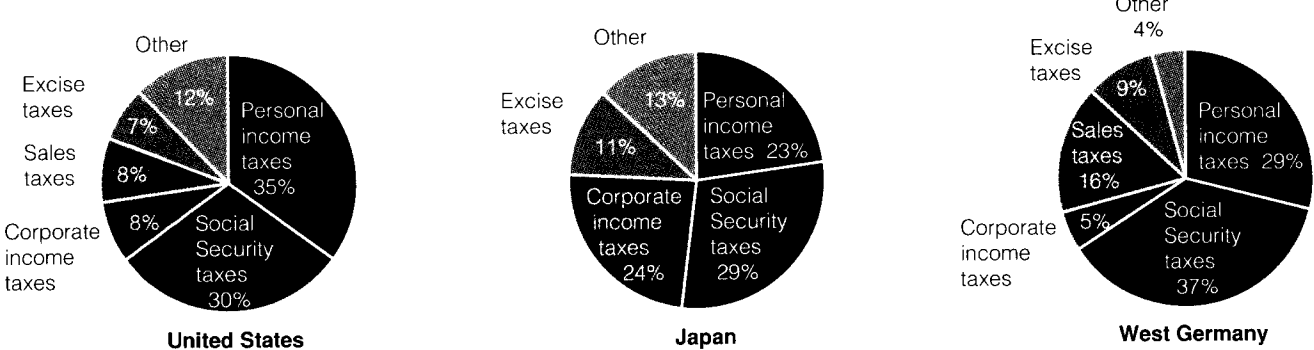
Payroll taxes (collected in the name of Social Security and Medicare but spent for other purposes as well) have mushroomed as a share of all taxation. Sales taxes have also increased rapidly, though the United States is still somewhat unusual in its tendency to tax income rather than consumption.

Percentage of all government tax revenue brought in by various levies



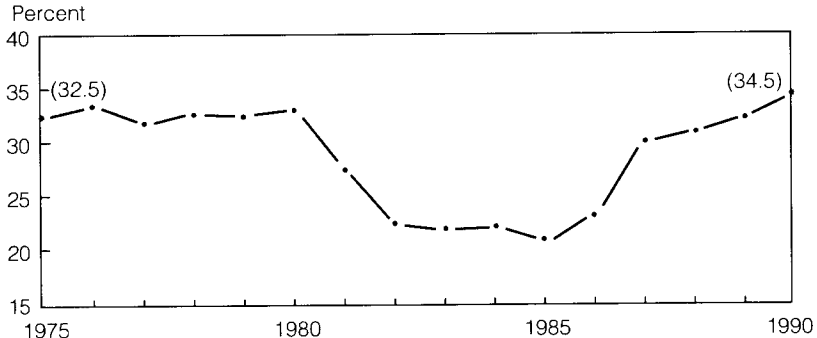
Note: Payroll taxes include those for Social Security and unemployment compensation. Excise taxes cover fuel, utilities, alcohol, and tobacco.
Source: Editor's calculations from data supplied by the U.S. Bureau of the Census and the Tax Foundation.

Tax sources for the United States, Japan, and West Germany



Note: 1988 data. "Other" includes property taxes.
Source: The Organization for Economic Cooperation and Development.

Corporate federal income tax liabilities as a percentage of profits



Source: The Congressional Budget Office.

The "forgotten middle class" was not forgotten when individual income tax rates were reduced in the 1980s. The heftiest surviving tax "breaks" are also aimed at the middle class—specifically their pensions, health plans, homes, and inheritances. The IRS may be getting friendlier, judging by its audit practices.

Changes in federal income tax load on a middle income family of four

	With a gross income equivalent to \$35,000 in 1988			With a gross income equivalent to \$50,000 in 1988		
	1970	1980	1990	1970	1980	1990
Effective tax rate (Tax liability as a percentage of gross income)	12.4	13.6	9.7	15.0	18.7	13.3
Marginal tax rate (Percent of next dollar of earnings that would be taxed away)	22.6	28.0	15.0	25.6	37.0	28.0

Biggest tax "breaks" in the federal income tax

"Break"	Cost in FY 1993
Exclusion of employer pension contributions	\$ 51.2 billion
Exclusion of employee health insurance contributions	43.1
Deductibility of home mortgage interest	42.9
Treatment of capital gains basis at death	28.1
Accelerated depreciation	26.5
Deductibility of state and local general taxes	23.8
Exclusion of retirees' Social Security benefits	19.4
Deductibility of charitable contributions	18.0
Deferral of capital gains on home sales	13.9
Deductibility of state and local property taxes	12.6
Exclusion of interest on state and local tax-free bonds	11.7

Note: Median income of married couples with children in 1988 was \$38,164. Figures above assume married couple with two dependents and one spouse working, with standard deductions.
Source: The U.S. Department of the Treasury.

Source: The U.S. Office of Management and Budget.

Profile of 1988 federal income tax returns

Total filed: 109.8 million **Average adjusted gross income:** \$28,206

	Individuals reporting	Average amount
Salaries and wages	85%	\$ 25,114
Interest received	63	2,623
Dividends received	21	3,409
Self-employment income or loss	12	+9,037
Rents or royalties received	9	-76
Itemized deductions	29	12,223
Medical/dental	4	3,759
State and local taxes paid	28	3,846
Interest paid	27	5,935
Charitable and political contributions	26	1,739
Tax credit for child care	8	423
Income tax due	79	4,784

Source: The U.S. Internal Revenue Service.

Percentage of all individual income tax returns audited by the IRS

1970	2.2%
1975	2.3
1980	2.0
1985	1.3
1990	.8
Income...	
Under \$25,000	.5%
\$25,000-50,000	.7
\$50,000-100,000	1.1
\$100,000+	4.7
Self-employed	
Receipts under \$25,000	1.4
\$25,000-100,000	1.9
\$100,000+	3.4

Source: The U.S. Internal Revenue Service.