

TAX CUTS: THE LOWER THE INCOMES, THE BETTER IT LOOKS

Is Ronald Reagan a rich man's President? Yes, say his critics, arguing that his tax cut program benefits and is supported only by upper-income Americans. Low-income and even average-income Americans, the critics claim, are bitter that tax breaks are going to the rich.

The trouble is that these critics, champions of the people, never bothered to consult poor and middle-income Americans before speaking for them. Had they done so, they would have discovered that grass-roots America better understands and appreciates the Reagan tax policy than do the upper-crust, insular critics. This is revealed by the results of a new nationwide Sindlinger and Company, Inc., poll, commissioned by The Heritage Foundation. Those who charge that Ronald Reagan's tax cut philosophy draws its support mainly from rich and upper-income Americans could not have it more wrong.

Poor and middle-income Americans, according to the poll, most strongly support indexing the tax tables and keeping the July tax cut. Upper-income groups, by contrast, weakly favor--the richest actually oppose by a significant margin--the scheduled tax reduction.

It it were up to the wealthy, the poll shows, the July ten percent tax cut would be eliminated entirely. Of those earning over \$50,000, 57.3 percent want to scrap the third stage of the tax cut, while only 32.8 percent want to keep it. Those earning less than \$15,000 a year, on the other hand, are for keeping the tax cut on schedule by a whopping 64.1 percent. Among the total population, 54.9 percent want taxes cut on schedule.

Why does the tax cut appeal so much to average- and lower-income Americans, but not to the affluent? The answer: average Americans told the Sindlinger pollsters that they fear that eliminating the tax cut will hurt the economic recovery and reduce the chances for long-term economic growth.

A 46.1 percent plurality of all Americans believe that eliminating the tax cut will hurt the economy (only 18.7 percent think that it would help--the rest have no opinion or believe that it would make no difference). But those earning below \$15,000 a year agree by a 52.7 percent majority that eliminating the tax cut would damage the economy. Once again, it is upper-income Americans who break the consensus. Of Americans making more than \$50,000 a year, 44.2 percent actually believe that eliminating the July 1 tax cut would benefit the economy.

Average- and lower-income Americans also show much stronger support than the affluent for the inflation-indexing of tax brackets, scheduled

to take effect in 1985. Though upper-income groups back tax indexing more strongly than they do the July tax cut, their support is far below that among lower-income groups. The population as a whole supports indexing by a 54.2 percent. But support from those with incomes of \$15,000 and below is an impressive 64.8 percent. Those earning \$50,000 and above do support indexing by 50.9 percent, but this is still less enthusiasm than is expressed by lower-income groups.

Support for indexing, like the tax cut, seems to be rooted in the positive effects it is expected to have on economic growth. And again, it is the wealthy, not the poor, who are the most skeptical. While 55.7 of those earning \$15,000 or less believe that eliminating indexing would hurt the economy, only a 37.8 percent plurality of \$50,000 and above incomes agree.

The verdict from grass-roots America is that the Reagan economic strategy is far from being a rich man's program. The poll reveals that indexing and the July cut are supported most vigorously by lower-income Americans. And middle- and low-income people, not the rich, have the greatest confidence in the central thesis of Reaganomics--the power of tax cuts to spur recovery and sustain long-term economic growth. The rich, on the other hand, have the least faith in the tax aspect of Reaganomics. If anything, Reaganomics is a boon for the little guy--and the little guy seems to know it. Those who charge that Ronald Reagan's constituency is the board room and the country club must now admit that they have been dead wrong.

Poll Results

Income Level	\$0-\$15,000	\$15-\$29,999	\$30-\$49,999	\$50,000+	Total
Keep tax cut on schedule	64.1	61.5	40.5*	32.8*	54.9
Eliminating tax cut will hurt the economy	52.7	53.3	38.8 ^P	20.9*	46.1 ^P
Retain indexing	64.8	54.5	49.0 ^P	50.9	54.2
Eliminating indexing will hurt the economy	55.7	40.9 ^P	34.4 ^P	37.8 ^P	42.3 ^P

Source: Nationwide poll conducted March 31-April 27, 1983, for The Heritage Foundation by Sindlinger and Company, Inc.

Note:

* = minority opinion

p = plurality

Those expressing "no opinion" amount to less than 5 percent on the tax cut questions, but approximately 20 percent for the questions on indexing. Among those actually expressing an opinion, therefore, support for indexing is even higher than the figures given in the table.

For further information:

Thomas M. Humbert, "Tax Indexing: At Last A Break For the Little Guy," Heritage Foundation Background #255, March 22, 1983.

Thomas M. Humbert, "Seven Reasons for Saving the Tax Cut," Heritage Foundation Background #260, April 12, 1983.

The Inflation Tax: The Case for Indexing Federal and State Income Taxes, Advisory Commission on Intergovernmental Relations, January 1980.