

**Date:** January 15, 2008  
**To:** Friends of Democracy Corps and Greenberg Quinlan Rosner  
**From:** Stan Greenberg, James Carville and Kristi Fuksa

**BRING IT ON**  
**Winning the Debate on Taxes and the Economy**

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With the rising urgency about the economy, President Bush and the Republicans candidates are in near lock step calling for tax cuts, and above all, making President Bush's tax cuts permanent. You can almost hear the relief that the subject has turned to taxes again. But they are wrong. Republicans no longer have any advantage on taxes and even more than on national security, when Democrats engage and define the choice, they truly dominate and shift the 2008 vote even further. Rather than being on the defensive on taxes, Democrats should take the offensive. Democrats can make gains by demanding permanent tax cuts for a burdened middle class and by attacking a tax system rigged to ensure the wealthiest and corporations pay very little.

Voters are increasingly angry about an economy in which they have serious trouble keeping up with costs of basic goods, yet the wealthy and big corporations live in boom times because they have powerful lobbyists fixing the game and winning them tax breaks. That is the context in which voters are demanding tax relief, lower health care costs, lower gas costs and new energy solutions and American jobs.

In our survey conducted in mid-December in the battleground, the most competitive 65 congressional districts – 25 held by Democrats and 40 by Republicans<sup>1</sup> – Republicans have no starting advantage on taxes, despite the Republican-leaning sample. Moreover, the Democrats establish a large advantage when they show their tax-cutting priorities, focused on the middle class and reversing inequality by requiring the wealthiest to pay taxes too. Voters rally to this approach on tax cuts whether it is on short-term issues like the Alternative Minimum Tax or major long-term tax reform. At the end of the survey, the Democratic candidate not only increased their vote margin in Republican districts, they gained trust on handling taxes.

As we shall see in this survey, this battleground electorate wants bold changes to the tax system to help the middle class financially and to make sure the top end pays. To be frank, we have seen few areas – from health care to Iraq – where the Democrats' argument and policy so dominate those of the Republicans – defeating them consistently by 15 to 20 points or more.

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<sup>1</sup> Democracy Corps battleground survey of 1,527 likely voters conducted December 10-13, 2007.

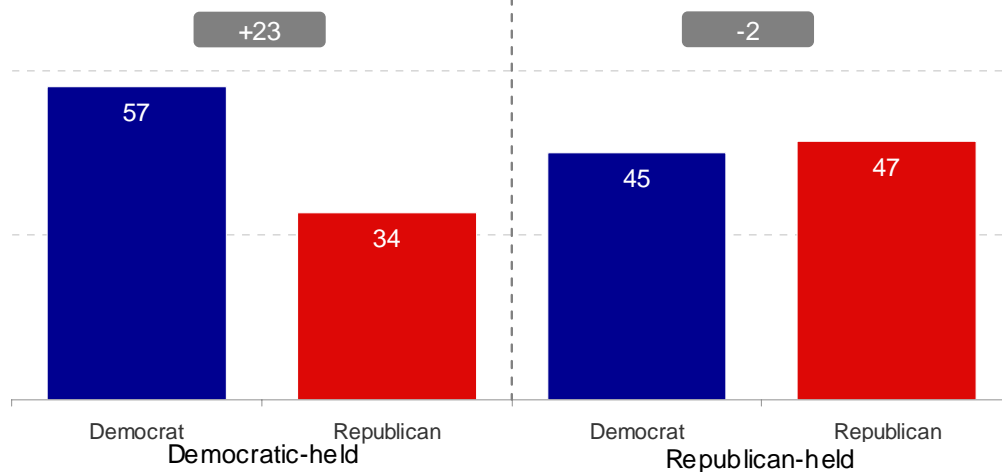
Arguments that Democratic policies raise taxes, endanger the economy or hurt America's ability to compete in the global economy are just not convincing – in the face of Democrats making bold changes to the tax system to help the middle class.

### Gaining votes on the tax issue

The political environment continues to be very favorable for Democratic incumbents who have consolidated their position in the so-called competitive districts. The same is not true for Republican incumbents. Even after expanding the battlefield to include more hard-to-reach Republican districts, Democrats maintain a strong 8-point lead in the named congressional vote across all districts – 50 to 42 percent. They are increasingly safe in their districts where they hold a 23-point edge over Republicans – true in the most and least competitive tiers of Democratic seats. On the other hand, Democrats are running even with the named incumbent Republicans (45 to 47 percent), even though we expanded the battleground from 35 to 40 Republican seats. Democrats are ahead (47 to 44 percent) in the most competitive Republican seats.

#### Congressional Vote

*Thinking about the election for Congress in 2008, if the election for U.S. Congress were held today, would you be voting for the Democratic candidate or the Republican candidate\*?*

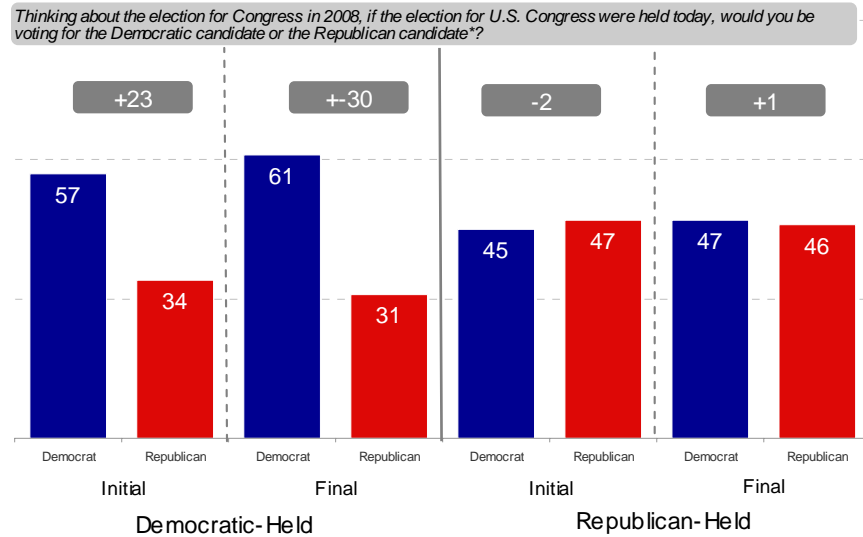


*\*Note: Actual names of incumbents inserted, and a generic candidate was inserted for the opposing party*

But Democrats can win over even more votes on the tax issue. At the end of the survey, after a balanced debate on taxes, in the Democratic districts, the named incumbents gained a net 7 points, including a net 6-point gain by the Democratic freshmen (from +23 to +29 points); in Republican districts, the Democratic challenger gained a net 3 points. Both swing voters and

independents shifted towards the Democrats throughout the survey. That Democrats make gains when the country debates taxes is the opposite of what you would expect.

### Improvement in battleground districts after tax debate

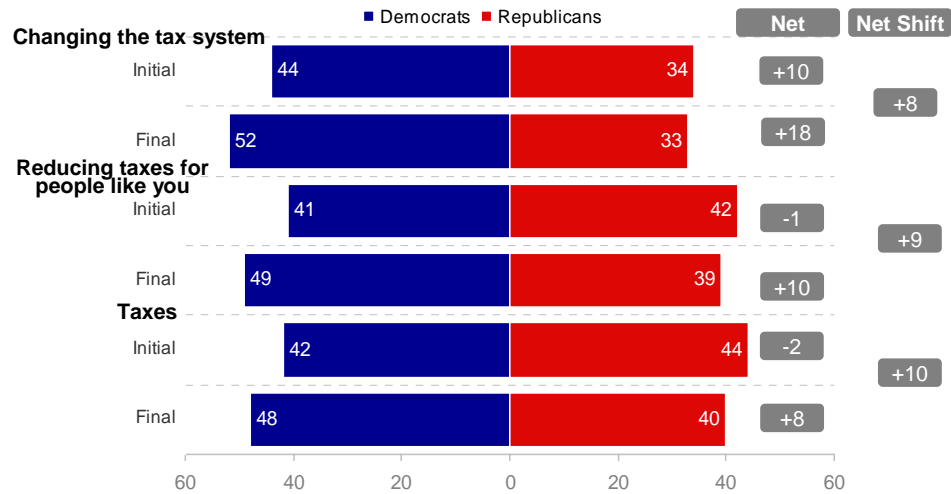


*Note: Actual names of incumbents inserted, and a generic candidate was inserted for the opposing party*

This debate also strengthens Democrats' overall positioning on the tax issue. Over the course of the survey, the Democrats increased their advantage on which party would do a better job on taxes, from +4 to +13 points in Democratic-held districts and from -5 to +4 points in Republican ones. This same trend was evident on which party would do a better job at "changing the tax system" and "reducing taxes for people like you."

## Democrats position strengthens on taxes

*Now I am going to ask you something different. I am going to read a list of issues and I want you to tell me whether, overall, you think the Democrats or the Republicans would do a better job with this issue.*

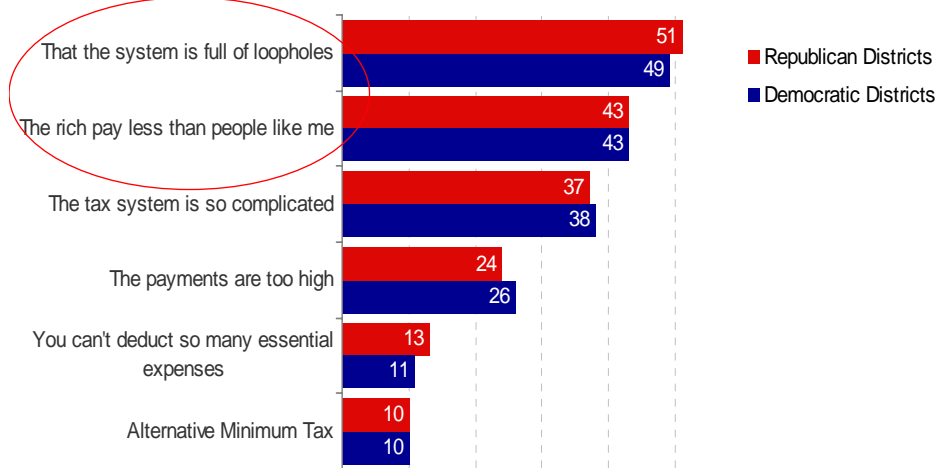


## Framing the tax debate

Democrats make gains when they are clear about their priorities, critique and choice: producing policies that help the middle class and reversing Bush’s current policies where the wealthy and corporations do not pay their share. Voters are not just looking for lower taxes. They want the current imbalance – inequality or unfairness – to be addressed. This is a loop-hole ridden and complicated system that allows the rich to pay less than people like themselves.

## What bothers people about the federal income tax

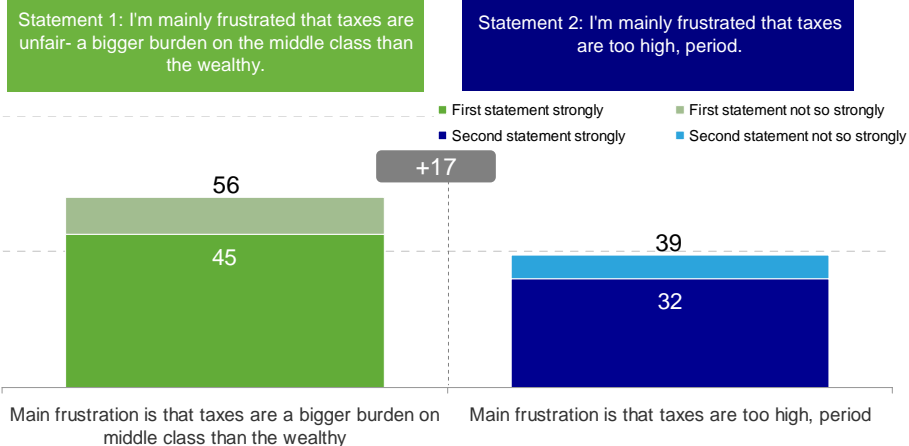
Now thinking about the federal income tax, which TWO of the following bothers you the most?



A majority of voters in the battleground districts, 52-47 percent, say in voting for president taxes are a big issue (43 percent say this strongly). That is why understanding what is the grievance is so important. Voters hate a tax system that is “unfair,” defined as a system that allows the wealthy to pay so little, while the middle class is burdened. In fact, the larger issue with taxes for the majority (56 percent) is that they are a bigger burden on the middle class than the wealthy, not that taxes are simply too high. This is true in particular for independent voters (62 percent).

## Main frustration: taxes are a bigger burden on middle class

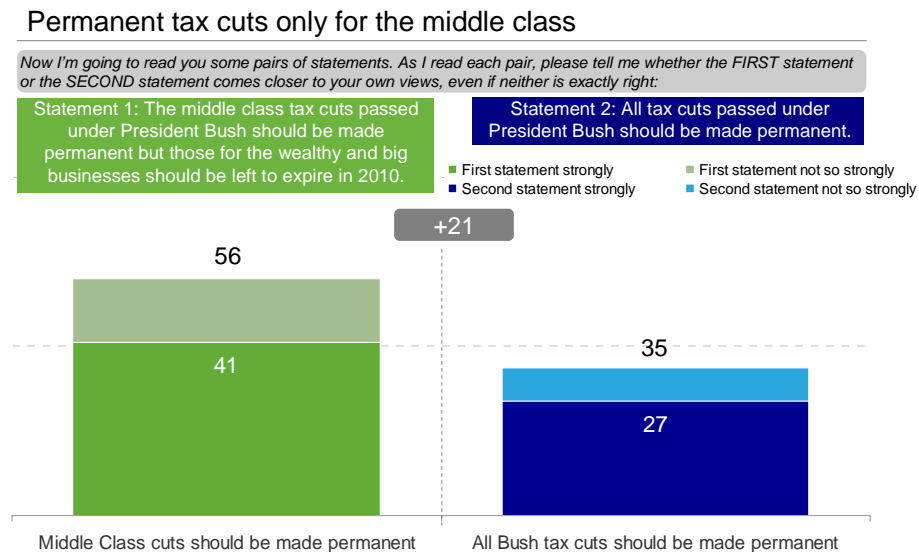
Now I'm going to read you some pairs of statements. As I read each pair, please tell me whether the FIRST statement or the SECOND statement comes closer to your own views, even if neither is exactly right:



The two taxes that bother people the most are local property taxes and the federal income tax. In Democratic-held districts 54 percent say that local property taxes are the biggest burden and 48 percent cite the federal income tax. The Republican-held districts choose the same taxes though in reversing the rank order: federal income tax (50 percent) followed by the local property tax (44 percent). Voters view property tax as a tax on the middle class. When it comes to the federal income tax, they are more likely to cite that the system is full of loopholes and the rich pay less than average Americans than that federal taxes are too high.

**Staking out a clear position on Bush tax cuts: permanent tax cuts only for the middle class**

The Republicans are intent on starting the debate with “making the Bush tax cuts permanent.” That is the best starting point for Democrats too. A majority of 55 percent (46 percent “strongly”) agree that Bush’s tax cuts have not been worth it because they only help the wealthy and they do not benefit the middle or lower classes. The Republican counter argument that the tax cuts were a good thing because they have helped strengthen the economy and allowed Americans to keep more of their own money wins the assent of only 40 percent, trailing by 15 points. This sentiment against the Bush tax cuts prevails in both the Democratic and the Republican-held districts. When Democrats make the distinction that the cuts for the middle class will be made permanent but the cuts for the wealthy and big businesses will expire, by a 21-point margin (56 to 35 percent), voters side with them.



Even though the battleground is made up of many more Republican districts, the Republican tax cut proposals lead many fewer voters to support them. Their proposal to make Bush’s tax cuts permanent only makes 37 percent much or somewhat more likely to support the

Republican candidate. This number is significantly lower than every single Democratic proposal on taxes by about 15 points. In particular, the Democratic proposal to repeal all of Bush's cuts for the wealthy before they expire but keep those helping working families with incomes below \$200,000 garners 53 percent more likely to vote for the Democratic candidate. Among those who shift throughout the survey to view the Democrats as the better party to handle taxes, the Democratic proposal is even more popular than the Republican (60 percent versus 21 percent).

A proposal to expand middle tax cuts by regularly adjusting the \$1,000 child tax credit so it keeps up with the pace of inflation and cost of living is also very popular in both Democratic and Republican-held districts – 58 and 52 percent total more likely, respectively.

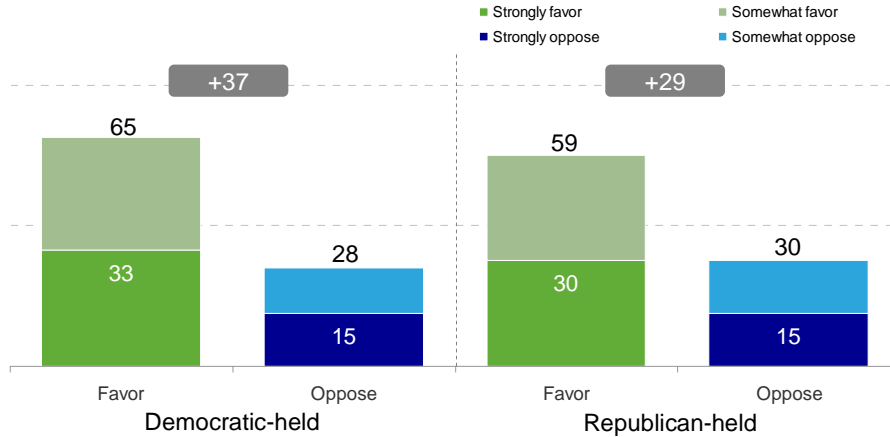
### **Toward bold tax reform**

Over 60 percent of voters in these districts favored the House bill that included a solution that taxed hedge fund managers. They persisted in that support even when Republicans claimed the plan would hurt the economy. The Senate version that blocked the AMT without any effort to fund it was less popular. In both the Democratic and Republican-held districts, paying for the AMT by taxing hedge fund managers was the preferred method over the Senate compromise to simply increase the deficit to avoid raising taxes. The Democrats would have gained had they engaged in a battle with the Republicans and the president who were standing in the way of middle class tax relief to protect hedge fund managers.

A bolder long term tax reform that changes the tax system to help the middle class financially and make sure the top end pays – one modeled after the proposal of Congressman Charles Rangel – won broad support. In Democratic-held districts, 65 percent favored the Rangel plan but even 59 percent in the Republican-held districts. The appeal of the Rangel plan based on an open-ended follow-up question, was due mostly to the additional taxes on wealthy earners (23 percent) followed by the efforts to close the loop holes (19 percent). Voters strongly want a tax system that is more balanced for the middle class, not the wealthy.

## Strong support for bolder long term tax reform

*As you may know, the Democrats in Congress proposed a major reform of our federal taxes, cutting taxes for 90 million middle class and working families. It abolishes the Alternative Minimum Tax, expands the number of families eligible for the child tax credit and increases the standard deduction for average taxpayers. It cuts corporate taxes from 35 to 30 percent to make America more competitive. To reduce taxes for the middle class, the bill adds a tax surcharge of 4 percent for individuals earning over \$150,000 and families over \$200,000 and closes loop holes for hedge fund managers. Do you favor or oppose this comprehensive tax reform?*



In reaction to the plan, we simulated the debate: Republicans insist Democrats will roll back Bush's tax cuts and raise taxes on millions of small businesses and investors, which would devastate our economy and hinder America's ability to compete in the global economy. Democrats by contrast focus on expanding tax cuts for the middle class who have seen their incomes stagnated while incomes of CEOs and the very rich have skyrocketed and let those for the rich expire. Democrats comfortably win this debate for big tax reform, particularly in Republican-held districts by 20 points.

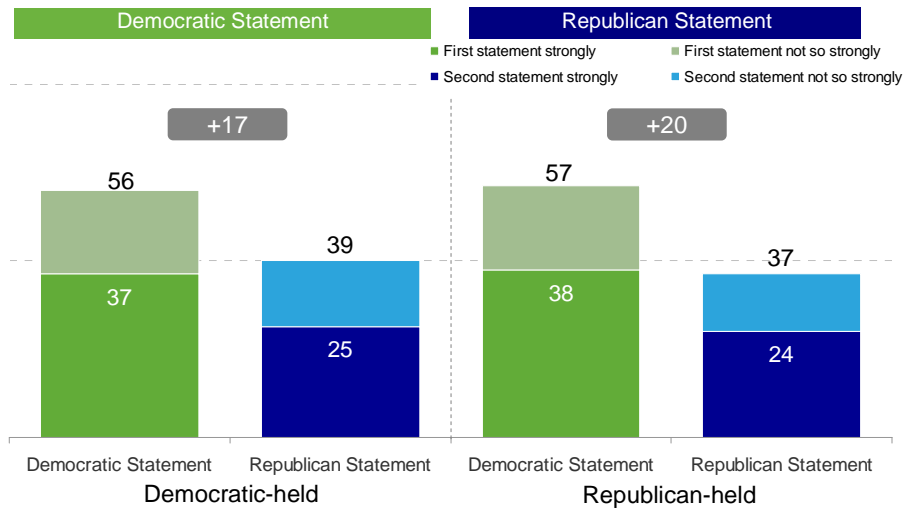
## Democratic and Republican Debate about Rangel tax plan

Now let me read you some statements about this Democratic comprehensive tax reform proposal. After I read them, please tell me whether you agree more with the first statement or the second statement, even if neither is exactly right.

- The Democratic candidate says, we need a complete overhaul of our tax system to get permanent tax relief for the middle class - 90 million Americans will be helped by raising the standard deduction, helping families with children and abolishing the Alternative Minimum Tax. Over many years, middle class incomes have stagnated while incomes of CEOs and the very rich have skyrocketed. Raising their taxes to pay for broad middle class relief without raising the deficit is the right goal.*
- The Republican candidate says, the Democratic tax reform plan is the mother of all tax hikes. We should stop a Democratic plan that would roll back Bush's tax cuts and raise taxes on millions of small businesses and investors which would devastate our economy and hinder America's ability to compete in the global economy. Democrats want to raise taxes to pay for their pet projects but we must keep taxes low so that individuals and America can prosper.*

## Even Republican-held districts support Rangel tax proposal

Now let me read you some statements about this Democratic comprehensive tax reform proposal. After I read them, please tell me whether you agree more with the first statement or the second statement, even if neither is exactly right.



The data never quite speaks for itself, but this data comes pretty close. Democrats should prioritize changing the middle class tax burden and engage the Republicans at every opportunity. There are few issues in which they enjoy a stronger advantage – taxes are an issue that, based on this survey, can build confidence in Democrats and shifts votes, even in Republican territory. This is exactly where Democrats should be fighting in 2008.