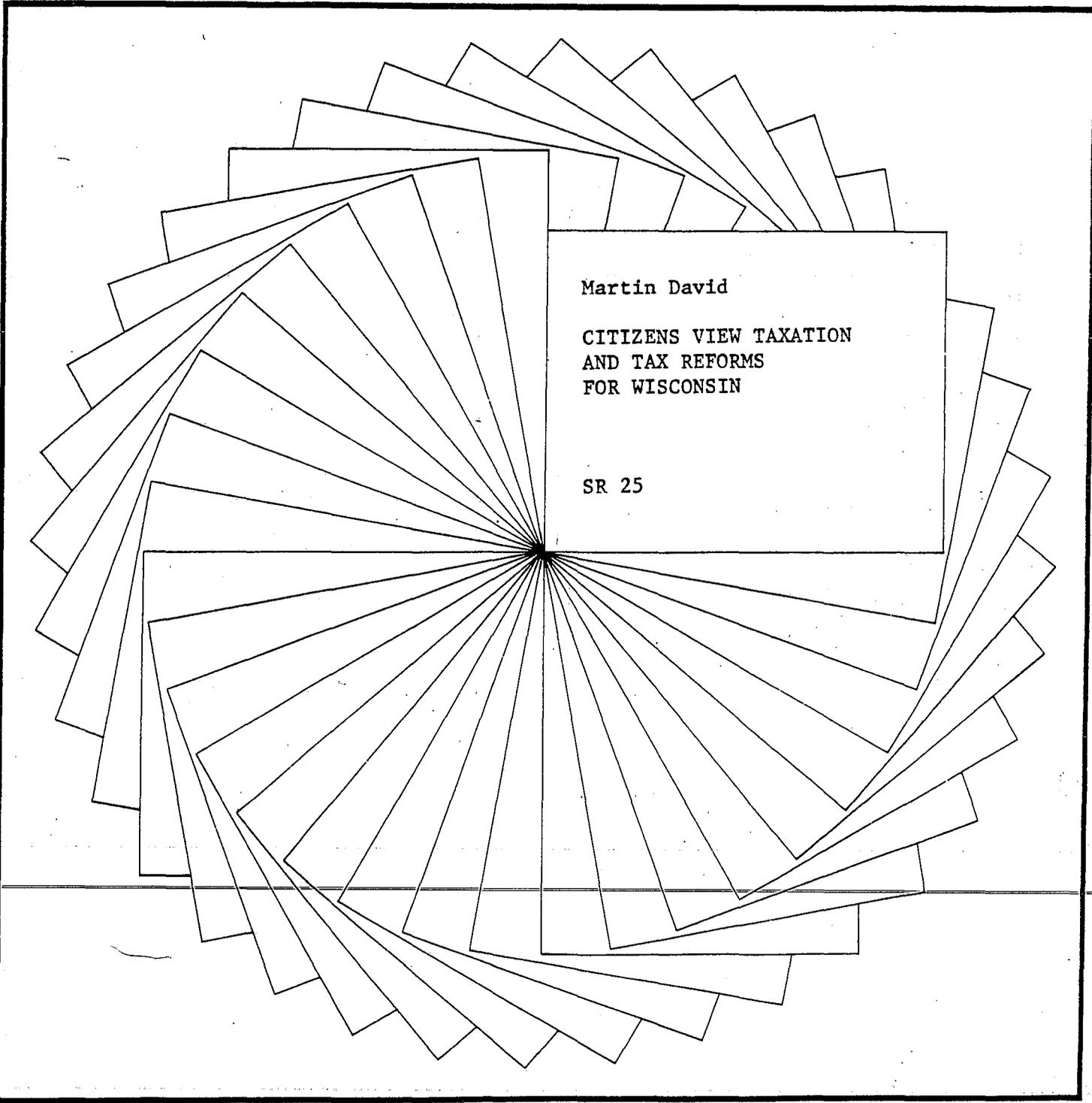




Institute for Research on Poverty

Special Report Series



Martin David

CITIZENS VIEW TAXATION
AND TAX REFORMS
FOR WISCONSIN

SR 25

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VIEW TAXATION AND
TAX REFORMS
FOR WISCONSIN.

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FREQUENTLY USED TERMS

Few: Less than 17% of pertinent respondents.

Minority: 17 - 33%

Substantial minority: 34 - 49%

Majority: 50 - 66%

Substantial majority: 67 - 100%

All respondents: 1016 persons interviewed.

Respondents with definite answers: Persons replying "do not know" or for whom the question was not asked or not pertinent are excluded.

Tables exclude persons for whom the relevant questions were not ascertained, generally well under 0.5% of all respondents.

Informed respondents: Fewer than three "don't know" responses to 16 questions on tax structure and some indication of involvement with personal tax matters.

SUMMARY

The following four points summarize the most important results of the citizen interview survey.

1. Desired Policy, Approved by a Majority of Citizens

Adjust the income tax for inflation. 68% favor and 15% oppose changes in the tax law to make income taxes depend on purchasing power.

Make income taxes progressive with increasing rates on increasing incomes. 69% favor and 26% oppose rates that rise with income. A third of Wisconsin citizens feel that the income tax favors the wealthy more than others, because the wealthy are in a position to use loopholes and shelters.

Increase the share of sales taxes in total revenues collected, if necessary. If pressed, 57% would raise the sales tax in preference to property or income taxes, while 30% are opposed. Slightly less than half the people favor reductions in property taxes (47%); fewer would decrease income taxes (41%).

2. Policy Change That Receives Substantial Support Characterized by Some Strong Opposition or Opinion that Varies According to Specifics of the Proposal

Reexamine exemptions from the property tax. Only 14% objected to all the proposals suggested for having nonprofit institutions pay for municipal services. About 44% would support a requirement that churches pay for such services; such payments seemed more reasonable for hospitals (51%) and fraternal orders (71%).

Utilize user charges. Among the three kinds of services to be offered at increased charge (recreation, sanitation, and motor vehicles), none was endorsed

by a majority. Increased user charges for recreation were favored by 43%. Great interest was expressed in changes that reach out-of-state users of Wisconsin's public facilities.

Review assessment and appeal procedures for the property tax. Although 46% of owners are unable to recall their actual property assessments, about 60% call the level "about right" and almost half agree that assessments in their community are done "fairly and accurately." Note, however, that nearly a third of owners who thought their assessments were high have appealed or feel that their assessment deserves an appeal.

Increase the benefit from the homestead credit according to family size. A bare majority (51%) supports this idea and some opposition exists (37%).

Relieve property taxes for the elderly in need. In direct questioning, few favored increasing homestead benefits as compared to those who desire the status quo but a plurality of 40% favors some type of property tax abatement for needy aged persons and the majority feels either tax abatement or increased spending programs are appropriate for this group.

Provide flexibility for property tax payment. One in seven homeowners feels the need for a monthly system of payment. The remaining homeowners appear satisfied with their present payment procedures.

3. Support for Existing Legislation and Programs

Do not decrease business's share of taxes. When tax increases for individuals are given as the consequence, 76% support and 16% oppose this view; 38% would, however, support reductions in taxes related to new jobs created by the ~~business.~~

Maintain cost controls and levy limits on governments within the State.

69% support and 21% oppose this view.

Maintain local services, rather than cutting property taxes and service levels. 69% support and 26% oppose this view.

Do not increase state aid payments to local governments if additional taxes are required at the State level. 57% support and 30% oppose this view.

Maintain the existing level of school aids, rather than increasing State income taxes. 64% support and 28% oppose this view.

(In neither instance were respondents asked about increased aid paid from present revenues; 30% would return a surplus in increased aids; 49% prefer a reduction in individual taxes.)

Citizens reject additional aids that come with loss of local flexibility.

4. Other Proposals

Tax simplification is important, but not overriding. 77 per cent of tax return preparers view simplifications as important. However, less than a third of preparers would yield a deduction in favor of a simplification in the filing process.

Property taxes are seen as the most important factor in tax-motivated out-migration for families with above average incomes.

Lower all taxes; eliminate a major tax source was a view held by only a small fraction of citizens. Less than 1% proposed eliminating a major tax source such as the sales or property tax, and only 4% proposed an indiscriminate downward adjustment of all taxes.

Only one in 20 was aware of any program undertaken by the State Legislature to reduce property taxes by shifting the burden to the State.

The citizens of Wisconsin reveal clear and consistent attitudes on taxation. Our analysis shows high information levels and few instances in which respondents contradict themselves in related questions on the same topic. Overall response to the survey supports the view that Wisconsin citizens are thoughtful and knowledgeable on tax matters.

1. INTRODUCTION

The federal structure of the U.S. government reserves powers to the state government, except where they are specifically assigned to the national government. Similarly in Wisconsin (and many other states) the state government reserves most powers to itself, unless they are specifically delegated to the lesser governments. In the field of taxation this has tended to mean that local governments are often limited in the type of tax levy that they may raise, and perhaps even in the amount of the levy that is permitted.¹ In Wisconsin the principal source of local government revenue is the property tax levied on real property and some items of personal property (such as the inventories held by business enterprises).

In order to ameliorate the financial problems created by the limitation of sources of local government revenue and to stimulate the provision of public services that are judged to be in the interests of the higher governments, a complex system of intergovernmental grants and formulae has evolved, sharing out revenue collected by the higher government to the lesser governments. For this reason an important policy choice exists as to which level of government shall collect the revenue to finance expenditures by the local (lesser) governments.

A basic choice must be made as to which level of government is to be responsible for particular types of services, or on what basis the responsibilities are to be shared among the levels of government. Conceptually such a choice

¹H.F. Ladd, "State limitations on local taxing and spending powers," National Tax Journal, 31 (1978), 1-18, 397-398.

will be influenced by such matters as economies of scale in the supply of services, the heterogeneity of the needs of the population in different beographical areas, and the ability to pay for financing the services.

These structural features of federal government in the United States were affected by the substantial inflation over the last ten years. Prices doubled in the ten years from 1968 to 1978. As a consequence taxes with progressive rate structures extracted increasing proportions of constant real incomes. To some extent this was ameliorated at the federal level by aggressive increases in the transfer of income to the poor, reductions in income income taxation, and substantial increases (and later indexing) of payments made through the old-age insurance system. These social security payments created an increasing burden on the wage earner, who has been expected to contribute large portions of a larger share of his earnings to the social insurance system since 1964. Inflation increased the cost of government services because of the increased cost of salaries for the civil service. In addition, aggressive demands for pension rights from civil servants, increasing regulations to improve safety, environmental quality, and health care, and demands from the federal government for increased reporting on the use of its grant funds all caused the cost of government per family to increase substantially. Many people are skeptical that the increased cost has produced additional service of value.

The inflation, coupled with dislocations in the economy due to the rising cost of energy and the imbalance in the U.S. balance of payments, led to a ~~situation in which land and real estate have become a preferred form of~~ investment for the American public.

The three trends together--inflation, increased government, and rising land prices--have reallocated the burden of taxation. Many individuals were upset by the increased taxation of real property that resulted. Others were startled to discover that amendment of the income tax laws has led to a situation in which some wealthy persons can shelter a substantial amount of their income against taxation. Discontent with the level, balance, and form of specific taxes led to movements and publicity on "taxpayers' revolts".² None has received so much publicity as the astonishing passage of Proposition 13 on the California ballot in early summer of 1978. This proposition stipulated a maximum level of property taxation and a maximum level of increase in property taxation in future years for governments in the state of California. The passage of this referendum required substantial cuts in government budgets and services across the state.

One attitude that fueled the passage of Proposition 13 was a view that government had become less efficient or more wasteful. A second attitude (which probably heightened opposition to government activity) was a growing distrust of government, particularly government that was not locally controlled.³

²J. Neufeld, "Tax rate referenda and the property taxpayers' revolt," National Tax Journal, 30 (1977), 441-456.

³Several organizations have been monitoring public trust in government in the United States. The Center for Political Studies, Institute for Social Research, University of Michigan, shows a steady decline in public confidence since the late 1950s in questions primarily at the national government. H. Watts

By 1978 then, inflation had created a policy problem for most state and local tax structures. The problem was both to decrease reliance on rapidly growing property taxes and to eliminate increases in constant levels of real income. Citizens expressed an attitude that taxes required "basic reform."⁴ This attitude was probably intensified by increased surpluses at the state level of government. The surpluses provided obvious evidence that some defects existed in the tax structure, even though most taxpayers were not aware that the tax structure, even though most taxpayers were not aware that the surpluses often represented a single "lump sum" that could only change tax structure for a year or two and could not serve as the basis for a permanent change in the flow of revenue.

Many of these economic and attitudinal trends characterized the state of Wisconsin. However, two important differences between Wisconsin and most other states should be noted. First, the state legislature had reduced the proportion of local government that was financed by property taxation by increa-

and L.A. Free, State of the Nation III (Lexington, Mass.: Lexington Books, 1978), p. 30 ask specifically about the lesser governments of the United States system:

	Trust and Confidence (composite scores)		
	<u>1972</u>	<u>1974</u>	<u>1976</u>
State government	60	64	61
Local government	57	61	57
Federal government (domestic issues)	61	52	50

The conclusion is that only the trust and confidence in the national government clearly deteriorated during this period. Also it appears that local government is generally less favored than state government.

⁴The interpretation of the words "tax reform" by the public displays a remarkable degree of altruism and social concern as opposed to a tax-minimizing

sing and revising revenue-sharing and grant-in-aid programs; the share of property taxes in the total state and local revenue picture had dropped substantially between 1968 and 1978.⁶ Secondly, the state had monitored its revenues carefully, so that surpluses did not accumulate until the 1977-1979 budget period, when it became clear that a combination of great economic strength in Wisconsin industry and unanticipated declines in welfare payments had produced unplanned revenue. The fiscal picture that characterized California was not like that in Wisconsin.

orientation. H & R Block, The American Public and The Income Tax System (Princeton, N.J.: Roper, 1978), 2, Q6, report:

When you hear the words "tax reform" which of these things does it mean to you?

	Income Group (\$1000's)			
	Under 7	7-15	15-25	25+
a. That the income tax system would be revised to make it fairer to everyone--the poor, the rich, and the middle class.	41%	46%	48%	51%
b. That the income tax forms would be simplified and made easier to fill out.	12	11	8	6
	Income Group (\$1000's)			
	Under 7	7-15	15-25	25+
c. That the income tax system would be revised to make it fairer to people like you.	13	13	14	9
d. That the income tax system would be tightened up so that tax loopholes that work to the advantage of some people would be eliminated.	22	26	34	34
e. That your personal taxes would probably go down.	5	6	5	4

(footnote 5 continued)

f. That your personal taxes would probably go up.	2	4	6	6
Other	1	2	2	3
Don't Know	14	7	4	3
N	374	648	606	358

(Responses total more than 100% as respondents were permitted to pick several categories.)

⁶Net property taxes declined as a share of state and local collections from 1951 to 1978:

<u>1951</u>	<u>1961</u>	<u>1966</u>	<u>1971</u>	<u>1977</u>	<u>1978</u>
48%	51%	40%	52%	32%	31%

Source: Wisconsin Tax Reform Commission Final Report (Madison, Wis., 1979), p. 13.

2. ISSUES IN TAX REFORM

The Tax Reform Commission of the State of Wisconsin undertook a study of citizens' attitudes towards the tax system and towards options for changes in the tax structure in an effort to understand peoples' perceptions of tax burdens and their reactions to the direction of recent legislative actions.

The Commission did not undertake the study to win a popularity contest. Rather, their purpose was to determine the preferences of responsible citizens reacting to feasible alterations of the system. Such alterations are not simple gifts that leave everyone with lower taxes and no change in services. Citizen preferences are of interest in tax reform because there are many issues about which legitimate differences of informed judgment exist. On such issues, weighing citizen opinion is vital to structuring a reform package. Consideration of citizen views will increase the extent of public participation in the government system.

Major issues on which citizens of the State were interviewed are grouped under four headings--balance, fairness, incentives, and simplification related to the tax system. Each of these issues is presented in detail in the remainder of this section. The strengths and weaknesses of the data and problems of interpretation are discussed in Chapter 3. Chapters 4-9 present findings. The issues are presented in the same order that they are introduced in this chapter. The issues have been labelled A through N to enable the reader to find material in succeeding chapters.

2.1 Balance in the Tax System as a Whole

Many questions that have come before the Commission entail a judgment on the balance among sources of revenue that finance the government. The notion of balance is critical because it is difficult to assess accurately the impact on well-being. It is equally difficult to measure the incentive effects that follow from different mixes of tax sources. Data in the attitude survey bear on five issues of balance:

- A. Use of tax financing versus user charges (for services such as sewerage and recreation)
- B. Tax collection by the state for local expenditure versus local taxation
- C. Taxation of residents versus individuals residing in other states
- D. Tax collections from individuals versus tax collections from businesses in the State
- E. Taxation of income and sales versus taxation of wealth (such as real property and inheritances).

Clearly each of these issues pertains to a different dimension of the tax system. A given policy may affect the balance along several dimensions at the same time. For example, reduction of property taxes on businesses is likely to simultaneously shift the balances under issues C, D, and E.

A. User Charges versus Tax Financing

Increased resort to user charges represents a limited alternative for the financing of government in Wisconsin. The Advisory Commission on Intergovernmental Relations (ACIR) shows that nationally 17% of state and local financing comes from such charges. Wisconsin raises about the same percentage from user fees. Advantages of such charges is that they limit use of publically provided

services and raise public consciousness of their cost. Disadvantages are that charges may exclude the impoverished; they may also be impractical or illegal to collect (for instance, a state cannot impose tolls on the federal interstate highway system).

B. State Tax Collection for Local Expenditure

The level and formulas for State aid payments have been a recurring issue in State tax policy. Aids and sharing of taxes collected at the State level have been intensively examined by a number of commissions, including the Tarr Task Force and the Wallace Commission. The question is difficult, not so much because there is a lack of agreement on the efficiency of state tax collections as compared to local collections, but because of the problems of tailoring the distribution of revenues collected to the needs and desires of local governments. The major alternatives for return of revenues, from local taxes piggybacked on the state tax to foundation-support programs of intergovernmental aid, connote a broad range of ways in which a balance can be achieved. Agreement on the proper level of state tax collections on behalf of local governments will depend on the mechanisms chosen for the return of revenues.

C. Taxation of Residents Versus Nonresidents

Imposition of taxes on businesses that sell to out-of-state customers and sales taxes on transients are the principal means by which a part of State tax burdens can be shifted to nonresidents.

D. Taxation of Individuals Versus Businesses

The largesse of the legislature in reducing taxes on the machinery and inventories of businesses and farms has been prominently publicized

in the press. As revenues have continued to increase, the individuals in the State have financed a larger share of government services.

E. Taxation of Income and Sales Versus Wealth

This dimension of tax balance is complex. Property taxation is the cornerstone of local finance and property is the direct beneficiary of many local public services. Taxation of wealth has been espoused by some as a safety valve to prevent undue concentration of economic power in the hands of a few.

Alternative views point to the fact that full value property tax rates are high in this State. Property does not necessarily produce cash sufficient to pay taxes. Residential property is largely held by persons with limited net wealth, many of whom have limited incomes.

2.2 Equity or Fairness Issues

Fairness is the marshalling slogan for many would-be tax reformers. In the tax changes desired by Wisconsin citizens, fairness has the highest priority. At the same time, it is an ambiguous idea. Some feel that it implies less taxation of the wealthy; others feel the reverse. Four major issues appear to be involved in debates of tax equity and fairness:

- F. Progression of tax rates with level of ability to pay
- G. Measures of ability to pay--broadening or refining the accounting measures used to assess ability
- H. Equivalency adjustments for different demographic groups
- I. Fairness in times of changing price levels--indexing taxes

F. Tax Rate Progression

Progression in the tax system pertains both to the combination of taxes levied on individuals and businesses and their ultimate impact (incidence). Concern over progression occurs frequently in connection with the setting of income tax rates, less often in the discussions of property tax circuit-breakers (devices to exempt the poor from property taxation), and almost not at all with respect to taxes levied on businesses. Yet each has implications for the overall structure of tax burdens on the people of the State.

G. Measures of Ability to Pay

How do we measure the taxable capacity of individuals and corporate entities? The definition of taxable income, the types of property subject to taxation, the exemption of food from the sales tax base, all involve measurement questions. For example, the food exemption is an attempt to recognize that a larger fraction of a low-income family's budget must be spent on necessities and nutrition than is the fraction spent by families with a high budget and more ability to pay taxes.

H. Equivalency Adjustments for Demographic Groups

Those questions that pertain to making appropriate adjustments to the tax base to account for the needs of particular taxpayers are included in this dimension. Such adjustments enter significantly into the determination of, the tax base with respect not only to income, but also to the size of the homestead credit, and the exemption of food in the sales tax.

I. Indexing Taxes

As prices have risen, many persons with a fixed capacity to buy goods,

a fixed real income, have been called upon to pay more taxes. This issue addresses the question of how important it is to automatically adjust the tax system to recognize that more dollars may not imply more ability to pay in a time of rising prices.

2.3 Incentives Created by the Tax System

Architects of the tax structure may purposely distort taxation to achieve particular responses from individuals or businesses. The tax investment credit is an example. Unintended incentives may also occur. Tax differentials between Wisconsin taxes and those in neighboring states may cause migration of business and individuals across state lines.

J. Migration of talent, enterprise, wealth

K. Controls on local government expenditures

While the last issue appears to be of a different type, it differs from the other incentive questions only in the fact that the lesser governments of the State are the agents subject to incentive effects, rather than individuals or businesses.

2.4 Simplification of Taxation and Tax Compliance

L. Problems raised by compliance with tax laws

M. Adequacy of tax appeal procedures

Compliance with tax laws imposes a burden on the public that does not appear in accounting of the costs of government activity. Tax structures

must achieve a sound compromise between the fairness of precise measures of ability to pay and the burden of compliance costs that such precision may entail. A less precise system may entail much lower compliance cost.

Another aspect of compliance cost is that taxes which are not associated with cash flow (inheritance, property taxes) may impose an unusual burden on some families or businesses that have monetary problems of converting assets into cash. Under these circumstances, large lump sum tax payments may result in burdens that were not intended by the framers of the tax structure.

For these reasons issue L includes problems raised by compliance with the tax law.

A companion issue is that of taxpayers' access to review of contested assessments and their ability to obtain their day in court.

3. THE DATA BASE

3.1 THE VALUE AND LIMITATIONS OF ATTITUDE SURVEYS ON FISCAL MATTERS

The results of almost every poll make immediate press headlines, and they are generally dismissed almost as quickly. This is because the value and quality of an attitude study are poorly understood and the limitations of attitude measurement are not appreciated.

The quality of a scientific survey depends first on its capacity to elicit answers from a representative sample of the population. In the tax attitude survey reported here the representative sample was obtained by randomly dialing telephone numbers throughout the State of Wisconsin. Because it is not possible to determine precisely how many telephones are actually being used in residences, it is not possible to say exactly how many of the individuals selected for study were contacted. A minimum of 76% and a maximum of 80% replied and gave interviews. (See Appendix.) As 95% of Wisconsin households have telephones this method of sampling reaches nearly all households. However, it is clear that the lowest income stratum of the state is probably not included as they cannot afford telephone service. Persons who do not live in the state for more than six months of each year were excluded from the sample, and no attempt was made to interview those temporary residents who spend summer holidays in resort areas.

Relatively complete contacts with a representative sample of the population are an essential condition for quality in survey data, but they are not sufficient to produce information of lasting value. Questioning must be conducted in a way that does not prejudice and bias answers. One technique to

reduce bias is to present balanced positive and negative alternatives in each question. A second is to ask related questions about the same area and combine the answers in a way that neutralizes biases from individual questions. A third technique is to ask respondents to express their attitudes in their own words, without any leading questions; such questioning is referred to as open-ended. The answers to open-ended questions must be analyzed after the data have been collected to assess what was revealed by the respondents. All three types of devices to reduce bias were incorporated into the present attitude study. Users can be confident that the material has some depth and is not the result of a leading approach to the respondent.

Even when a good line of questioning is used, response to an attitude study can differ markedly from the results of a vote on the same issue. Several factors are involved. The attitude study elicits latent opinions, hunches, and feelings that may not have been based on careful screening of available information and may represent no more than the respondent's interest in seeing that the interview is quickly terminated. In contrast, a vote on an issue has been inspired by some positive motivation (or the voter would never have gone to the polls) and probably was preceded by an airing of issues and opinions through which voters' views of a problem were aroused and changed. These differences make it important to assess the extent to which the direction of responses is altered by excluding persons who are poorly informed, who do not appear to give consistent answers, or who give other evidence that the issues in question are unimportant. An attempt has been made to remove opinions expressed by poorly informed persons in the analyses that follow.

3.2 Technical Issues

The average citizen has no knowledge of technical questions such as "Sub' chapter S corporations." Thus answers to questions with a high degree of technical content are suspect, for they are not likely to be based on an informed judgment. Subsequent arousal of interest in the issue by a press campaign could markedly change the apparent response.

Because technical issues are not matters of common knowledge it is unrealistic to expect the attitude survey to assist directly in resolving such questions. The attitudes expressed can offer indirect assistance to policymakers. Respondents can be asked to reveal their frustration, their general aspirations, and their interest in a particular area of policy. Frustrations evidenced may give knowledgeable policymakers clues as to which technical parameters should be altered. General aspirations will offer some sense of direction for the general character of changes in policy. And evidence of the level of interest expressed by respondents will give clues to the support that policy changes can receive in future votes.

3.3 Quality of the data

Most respondents to the survey indicated strong interest in tax problems, and good general knowledge of the material about which they were asked. The strong interest is revealed in several ways:

- (1) A high rate of response from the persons selected
- (2) Substantial background knowledge of State fiscal affairs
- (3) A generally low rate of dodging questions
- (4) Involvement by respondents in their own tax affairs.

The response to the survey was high relative to other kinds of surveys conducted on matters with substantial economic content: 76-80% of sampled individuals responded. (See Appendix.) In general, a response rate of 80% is considered high for studies involving complex economic questions. The sample response is closer to the upper end of the range if one believes that numbers where no one was contacted are actually out of service or nonresidential. They may, of course, have been in households where the family was on extended vacation during 15 July - 10 September interviewing period.

The response represents all persons 18 and over in the State and includes 50.7% women and 49.3% men.

The level of information of respondents was tested through a number of questions that required some familiarity with government structure, recently enacted tax programs, and the response of businesses to conditions in the State. Most respondents showed no hesitancy about answering such questions. Less than 8% dodged more than one of the four general questions on public economic affairs, as shown in Table 3.1.

Table 3.1

Information Levels of Wisconsin Adults on Matters
on Matters of Government and Economic Conditions, Summer, 1978

Number of questions on which respondents had no opinion, or responded "don't know"	Frequency	Cumulative Frequency
A. Government and Economic Conditions		
0	59.2%	69.2%
1	22.7	91.8
2	6.6	98.4
3	1.6	100.0
4	<u>0.0</u>	100.0
Total	100.0	
Mean	0.406	
B. Taxes		
0	27.0	27.0
1	27.5	54.5
2	21.2	75.7
3	9.5	85.2
4	6.7	92.0
5	2.9	94.8
6	1.7	96.5
7-11	3.5	100.0
12-16	<u>0.0</u>	100.0
Total	100.0	
Mean	1.78	

NOTES: The 4 questions reviewed under A are:

4. Which level of government do you feel is using your tax dollars most efficiently?

41. When the State of Wisconsin collects more money than it has budgeted to spend would you prefer that this money be used to supply better State services, returned to help local governments reduce property taxes, or that the money be paid directly to the taxpayer or what?

47. How do you think Wisconsin's overall tax climate for business and industry now compares with most other states?

48. Taxes in Wisconsin could also be changed by reducing the share of taxes paid by business or industry and increasing the amount paid by individuals. Would you strongly approve, approve, disapprove, or strongly disapprove?

The 16 questions reviewed under B are: Q13, 13A, 14, 14A, 15, 15A, 16, 17, 19, 20, 31, 43, 45, 51. Each answer of "Don't know" contributes one to the count above. An answer of "No" to 31 also contributes one to the count; a response of "don't know" to 14A and 15A was counted twice because answers were analyzed both for who and why the income tax selectivity affects individuals.

The rate at which respondents ducked questions on tax matters and replied "don't know" was not unusually high. An analysis of questions related primarily to income tax indicates that most of the "don't know" answers were given by 15% of the respondents, who answered "don't know" to at least three questions. The distribution is shown in Table 3.1. One suspects that the question-dodgers are neither actively involved in their own tax affairs nor interested in taxation as a social or political question.

A positive way to assess knowledge of the respondents on tax matters is to ascertain the indications that they are actively involved in their own tax affairs. About one fourth of respondents gave no indication of personal knowledge of their own tax situation or concern about tax management in answer to four questions (Q.6, 11, 12A, 23). Cross-tabulation of such positive indications of tax awareness against the level of "don't know" responses on income tax questions reveals a group of about one tenth of the sample who appear to have little interest in the material in the survey and knowledge of taxation. In later analysis this group will be segregated and labelled uninformed respondents. (See Table 3.2.)

Answers to the survey show a high degree of consistency from question to question. Four sets of questions were studied to detect apparent inconsistencies. Nearly half of the respondents offered completely consistent responses. Only 24% evidenced more than one inconsistency.

Summary. A small group are ill-prepared to answer questions relating to taxation and do not appear interested in tax policy. The vast majority of respondents gave remarkably consistent answers, evidenced great interest in the study and showed familiarity with background information related to matters of tax policy. The combination justifies considerable confidence that the results of the survey analysis have some stability and will not be significantly altered by happenstance.

Table 3.2

Degree of Involvement in Personal Tax
Problems Among Respondents

Respondent's involve- ment with personal tax problems ^a	Number of questions on which respondents had no opinions** (from Table 3.2)			Row Total
	0-2	3-4	5-16	
		<i>Uninformed</i>		
0	13.5%	5.6%	4.9%	24.0%
1	25.3	6.3	2.4	34.0
2	24.6	3.6	.8	29.1
3	12.2	0.7	0.0	13.0
Column Total	75.7	16.3	8.0	100.0

^aFour questions were investigated: Q6, 11, 12A, 23. Each of the following was counted as one indication of involvement in personal tax problems:

- a. Preparing one's own income tax return
- b. Practicing some or a good deal of tax management
- c. Seeking tax management advice
- d. Knowledge of the assessed value of one's own home

4. UNDERLYING ORIENTATIONS TO QUESTIONS ON TAX STRUCTURE

The preceding discussion established that some people are not informed or interested in tax matters. Those who are interested may still have vastly different orientations as the frame of reference within which questions about taxation are answered. For some people taxation is the price of civilization; they respond to questions with a concern for modification of a revenue system that will continue to yield the financing for the current level of public services. Others may not share this frame of reference. Certain people are concerned primarily with minimizing their own tax burden. Others do not accept the level of government services that are made available and link their replies to a strategy for reducing the scale of government.

4.1 Tax Minimization

About one fifth of respondents seem to have viewed the interview as an invitation to emphasize those features of the tax structure that would reduce their personal liability for services being rendered by government. Five instances were selected in which respondents were offered a choice between a program that would clearly benefit themselves and a program that would primarily benefit others. Although just under half of the respondents supported two or more positions that would not minimize their own taxes, 20% opted for the position that would minimize their tax burden in all five cases. These individuals are likely to be "tax minimizers."

It is important to note, before studying the answers to individual questions, that a substantial majority of respondents do not minimize their share of taxes. They may not understand their own self-interest or they may consciously choose to answer the interview with some sense of social responsibility, despite an implied cost to themselves. Both interpretations are possible, but the latter seems more likely.

4.2 Reduction of Government

Attitudes towards the appropriate size of government strongly color some responses to the survey. Persons who feel that government is too large, or is making poor use of resources, are more likely to offer a categorical indictment of all taxes as being too high, or to volunteer the response that all taxes should be cut.

The clearest insight into the thinking of Wisconsin citizens on reduced spending comes from answers to two questions.

The first referred to local taxation: Q44, "To what extent do you approve or disapprove of reducing property taxes by cutting local services?"

A second question about State services addressed the disposition of the State surplus; it offered respondents the opportunity to opt for increased services. Answers to both questions are shown in Table 4.1.

Several features of the table should be noted:

- The majority support the current level of local public services.
- One quarter of respondents support a cut in local services.

~~• Those favoring the existing level of public services are also more~~
likely to support enhancement in services at the State level than those who wish to cut local services.

Table 4.1

Attitudes Towards Level of Local Services and Allocations of the State Surplus

Q.44. To what extent do you approve or disapprove of reducing property taxes by cutting local services?		Q.41. When the State of Wisconsin collects more tax money than it has budgeted to spend would you prefer that this money be:				
		1. Used to supply better state services?	2. Returned to help local governments reduce property taxes?	3. Repaid directly to the taxpayer?	4. Other?	5. Don't Know
Total						
Strongly approve	3.0	} 1.8%	} 8.1%	} 13.4%	} 2.4%	} .2%
Approve	22.9					
Row percentage	100%	7%	31%	52%	9%	1%
Depends	5.4	} 1.0	} 3.3	} 5.1	} 1.1	} 1.8
Don't know	6.9					
Row percentage	100	8	17	41	9	15
Disapprove	53.2	} 7.8	} 19.1	} 30.8	} 3.5	} .7
Strongly disapprove	8.6					
Row percentage	100	13	31	50	8	1
Column Total	100.0	10.6	30.6	49.3	6.9	2.7

Tabulation of the answers to these specific questions relating to expenditures suggests little imbalance in the level of local services being offered in relation to tax levels.

Most of those who favor service cuts to lower property taxes supported their willingness to cut services with specific suggestions (19.2% of the population as a whole). Table 4.2 shows which services were mentioned. Cuts in education, welfare, and garbage collection were the most frequently mentioned. Many volunteered generic prescriptions to cut expenditures.

The last question on tax matters (Q54) invited the respondent to share his or her ideas on tax reform with the Commission. One eighth of the respondents suggested reductions in spending. A third of these suggestions were to cut specific programs. The remaining suggestions were to cut waste or unnecessary programs (not specifically defined). These volunteered answers indicate that a small group strongly believes that government is too big or is not handling its resources wisely.

Combining these various evidences of interest in reduced spending, we can identify respondents interested in less government. Persons who expressed a desire to cut particular services or programs or who cited inefficiency are identified; they will later be referred to as service economizers.

In addition to the suggestion that expenditures be cut, 4% of respondents volunteered that all taxes should be cut in answer to Q54. This is a more emotional response that does not tie clearly to the concept of public services in the way that many of the suggestions to cut expenditures did. The same type of response was elicited from nearly 7% of the population in answer to the open-ended question on state tax structure that was asked about the middle of the interview (Q35, 35A). Persons who generally suggested reductions in all taxes

Table 4.2

Types of Service Economies Desired by Respondents Wishing
To Cut Property Taxes by Cutting Services

Q44A. Which Local Services Should Be Cut?	
Percentage of Respondents	
18.6%	Roads-Transportation
4.4	Street maintenance
5.3	Snow plowing, salting, street cleaning
1.1	City bus service
7.6	Road construction
.2	Other roads
20.6	Sanitation
13.7	Garbage collection (cut garbage men)
.4	Sewerage in small towns
6.5	Sanitation
	Other sanitation
14.7	Human Services
14.3	Welfare
.4	Other human services
7.6	Security
5.5	Police protection
1.7	Fire services
.4	Other security
19.8	Education
14.7	K-12 Education (cut teacher aides)
1.7	Libraries, museums
2.3	School bus service
1.1	Other education
6.3	Recreation
1.7	Parks
2.5	Recreation programs
1.7	Tree maintenance
.4	Other recreation
37.1	General Cuts
7.8	Cuts in personnel
5.7	Cut in administrative personnel, cut overhead
2.5	Percentage cut of all services
7.6	Cut out waste
13.5	Other general cuts
124.7	Total ^a
195	Number of respondents ^b

^a Responses add to more than 100% because some respondents cited two or more areas for service cuts.

^b Respondents who gave definite areas for saving expenditures in response to question 44A.

were not included in the group of service economizers, as they did not appear to have a clear idea of the consequences of their response.

In writing about the Proposition 13 vote in California, William Schneider (Politics Today, September, 1978) indicated that many of the people who supported the vote anticipated no change in service levels. To the extent that such thinking is prevalent in Wisconsin, it appeared to us to be wise to segregate it from a more thoughtful and rational approach to economy in government.

To summarize, neither specific questions nor volunteered answers give evidence of a sizable group who actively desire reductions in both taxes and service levels. The group that does is probably no larger than 20-25% of the population; it is strongly counterbalanced by others who disapprove of expenditure reductions or favor increased service levels.

5. BALANCE IN THE TAX STRUCTURE

In Chapter 2 a number of issues were identified as tax reform questions. This chapter deals with issues A-E, pertaining to questions of balance among the various sources of revenue for state funding of state and local government services.

5.1 Issue A--User Fees Versus Tax Finance for Government Services

The population was given the opportunity to comment on user charges in six questions. Citizens were directly asked to indicate their support for user charges in three areas--recreation, sanitation services, and road use (Q37-39). In addition, they were asked to indicate what other areas might be suitable for user charges or for higher user charges than those currently levied (Q40). A few respondents volunteered a need for increased user charges in open-ended questions. Respondents were asked:

Q35. We have been talking about property and individual State income taxes. Would you like to see a change in any of the other types of taxes collected by the State? If YES, 35A What changes do you have in mind?

The following replies were volunteered:

Tax road use with toll roads	1.1%
Raise user charges	1.1
Lower user charges	.2

These responses appear inconsequential, but they were not prompted by any prior discussion of the topic and represent 6% of all the responses to this open-ended question. The dominance of proposals to increase charges over reductions should be considered more significant than the percentages might suggest.

Among the three kinds of services for which fees might be increased, none was endorsed by a majority, although increased user charges for recreation were favored by 43% (See Table 5.1). Respondents identified as service economizers were more likely to prefer increased user charges. (The difference is indicated by the weighted average of positions taken as shown in the last two rows of Table 5.1.) A majority of the service economizers taking a position favor increased user charges for recreation.

Looking at all the questions together about one third of the respondents indicated support for increased user charges in more than one area (see Table 5.2).

The open-ended question--

Q40 What other governmental services--if any--do you feel should be financed with user charges or higher user charges than now?

seems to have been answered in a different frame of reference than the three specific questions just discussed. Most respondents referred not only to the type of service provided but also to the type of user involved (see Table 5.3.). The most frequent response suggested user charges for truckers or for nonresidents making use of roads, or specifically suggested that Wisconsin initiate tollroads. (There is much grumbling about the fact that Wisconsin residents pay tolls in other states, while use of the interstate system in Wisconsin is free.) Two thirds of those offering a definite response to this question opposed any increase in user charges.

Attitudes towards user charges are not closely related to other attitudes on tax structure. No relationship was found between the count of favorable responses to user charges and the pattern of change desired for the state's major taxes, the extension of the property tax base by reducing exemptions, or the level of government that the respondent believed to be most efficiently using funds.

Table 5.1

Sentiment Towards User Charges

Opinion	Q37. Favor increased user charges for recreation?	Q38. Favor user fees for sanitation--garbage and street sweeping?	Q39. Favor additional license and fuel taxes to cover costs associated with using trucks and automobiles?
Strongly favor	9.2%	4.6%	3.6%
Favor	34.0	33.3	18.5
Depends	4.5	1.8	2.5
Oppose	40.5	49.1	57.2
Strongly oppose	7.4	4.4	12.8
Don't know	3.2	6.1	4.7
Not ascertained	0.8	0.7	0.7
Total	100.0	100.0	100.0
Average Attitude ^a	{ indifferent (-.03)	{ mildly opposed (-.17)	{ opposed (-.60)
All respondents			
Service economizers only	{ positive (+.17)	{ indifferent (-.01)	{ somewhat opposed (-.25)

Note: The questions are given in full in the Appendix.

^aPersons taking a position were scored +2 for a position of "strongly favor" to -2 for a position of "strongly opposed". The number shown is the weighted average of these scores.

Table 5.2

Indications of Sentiment Favoring
Increased User Charges

Count of favorable responses to questions on user charges ^a	Frequency	Cumulative Frequency
5	0.0%	0.0%
4	0.2	0.2
3	10.7	10.9
2	19.2	30.1
1	34.3	64.4
0	35.6	100.0
Total	100.0	-
Mean	1.06	

^aThe five questions reviewed in this count are Q35A, 37, 38, 39, and 40.

Table 5.3

Sentiment Concerning Higher User Fees

Q40. What other government services should be financed with user charges or higher user charges than now?	Percentage of respondents with definite answers
Charge for use of roads:	
Truckers (or adopt tollroads)	16%
Out-of-state road users	3
Charge for recreation:	
General	4
Out-of-state users	3
Charge for education, including higher education	3
Charge for other services	5
Charge particular groups for services:	
Nonresidents	1
Other groups	2
Miscellaneous; increase excise taxes	1
None; do not increase user charges	67
Total ^a	105

^a Adds to more than 100% because some persons gave several responses. 479 persons responded definitely to question 40.

It appears that there is some support for increased user charges, particularly those charges that will reach out-of-state users of public services.

5.2 Issue B--Collection of Taxes by the State to Fund Local Expenditure

Four questions probed the State's role in collecting taxes for expenditure by local units of government, including school boards (Q43, 43A, 45, 45A). The first asked citizens' opinions on reducing property taxes by increasing State taxes. Opposition to this approach is nearly twice as strong as support. The proportions hold when the question is made more specific:

Q45. The State could increase aid to local schools as a way of reducing property taxes, but this would mean an increase in state income taxes. Would you strongly approve of this, approve, disapprove, or strongly disapprove?

Those who expressed attitudes favorable to greater State collections of revenue for local expenditure were tested on the strength of that attitude (see Table 5.4). Slightly over half of those who supported increased Statewide collections withdrew their support if the increased state aid were to reduce local control over how money is spent. As a result only 13.2% of the population support increased State collections with increased State control over local government operations. A parallel question (45A) asked about school aids revealed that only 10.3% of the population would support increased State aid if it were to imply less freedom in initiating special programs for which local people expressed a need.

When the population is divided into groups according to general orientation to tax questions some interesting differences appear.

Table 5.4

Views on Increased State Collection
of Taxes for Local Expenditure

Q43. Reduce property taxes and increase State income taxes?	Q45. Increase school aid and increase income taxes?		Row
	Approve	Disapprove	Total
Approve	17.6%	15.9%	33.5%
Disapprove	12.4	54.1	66.5
Column total	30.0	70.0	100.0

Note: The questions are given in full in the Appendix.

Persons responding "Depends," "Don't know" or for whom an answer was not ascertained are excluded; this group is 17.6% of all respondents.

The service economizers are more supportive of State-wide collections for local expenditures on both questions; they may feel that they are likely to benefit disproportionately from state aid mechanisms (see Table 5.5).

Taken together these questions indicate little support for increased State aid to local governments that must be paid for by State tax increases. Respondents are interested in preserving local control of local activities and sharply reduce their support for State aid when conditions are attached.

5.3 Issue C--Tax Residents Versus Nonresidents

Two kinds of evidence on taxation of nonresidents are available from the survey. Responses to the open-ended questions Q35A, 40, 54, already mentioned, elicited some concern, at a low level, that nonresidents can use Wisconsin public facilities without a quid pro quo. Not more than 1% of the respondents, however, expressed this attitude in answer to any one question.

A specific question about taxing nonresidents was structured around a change in the sales tax. Respondents were asked:

Q36. Wisconsin does not charge a sales tax on food purchased in a grocery store. If it did, more taxes could be collected from out-of-state visitors. The taxes paid by residents would be returned through tax credits at income tax time. Would you strongly favor, favor, oppose, or strongly oppose this idea?

Respondents opposed this plan by a ratio of nearly two to one. It may be that they did not clearly understand the question, as it was long and involved a complex tax mechanism, the tax credit. Nonetheless, there is some evidence that interest in this plan depends slightly on the respondent's primary objective in desiring tax reforms (see Table 5.6). Those who look for simplicity were most opposed while those who would like to see taxation indexed to the purchasing power of the dollar were most sympathetic. Persons who were looking for increased

Table 5.5

Attitudes Towards State Collection of Taxes for Local Expenditure,
by General Orientation Towards Tax Questions

Question	Informed		Uninformed
	No Service Cuts	Service Economizers	
Q43. Reduce property taxes and increase State taxes?			
Strongly approve	1.8%	3.3%	2.8%
Approve	28.5	31.1	13.8
Depends	1.9	1.6	1.6
Disapprove	50.0	42.1	40.2
Strongly disapprove	10.6	13.0	1.6
Don't know	7.2	9.0	40.2
Total	100.0	100.0	100.0
Q45. Increase school aid and State income tax?			
Strongly approve	1.2	7.3	2.0
Approve	25.5	28.6	14.6
Depends	1.5	.9	3.5
Disapprove	55.2	29.3	46.9
Strongly disapprove	12.0	20.6	4.7
Don't know	3.0	3.3	28.3
Total	100.0	100.0	100.0
Proportion of respondents	66.3	23.4	10.3

Note: These general orientations are described in the text, chapters 3-4.

Table 5.6

Attitude Towards Taxation of Nonresidents Via the Sales Tax,
By Respondent's Priorities for Tax Reform

Q36. Tax groceries sold to nonresidents?	Q20. Priorities for change in tax structure ^a			
	Fairness	Indexing	Simplicity	Total ^b
Strongly agree	5.0%	5.4%	1.0%	4.8%
Agree	27.1	32.1	15.6	27.4
Depends	1.9	2.3	2.6	2.8
Disagree	48.0	37.5	42.2	44.6
Strongly disagree	15.1	20.7	34.4	17.9
Don't know	1.8	1.9	4.2	2.5
Column total	100.0	100.0	100.0	100.0
Weighted attitude ^c	-.42	-.37	-.97	-.45

^aThe question is given in full in the Appendix.

^bTotal includes those who took no position on priorities, "Depends, don't know", as well as those shown in other columns.

^cPersons taking a position were scored +2 for a position of "strongly favor" to -2 for a position of "strongly opposed". The number shown is the weighted average of these scores.

fairness in a reformed tax structure gave an intermediate degree of support to the idea.

5.4 Issue D--Tax Collections from Individuals Versus Tax Collections from Businesses

Respondents were asked three direct questions concerning taxation of business (Q48, 48A, 49) and were given an opportunity to air their views on changes in tax structure in areas other than the income and property taxes in Q35A and Q54. The latter questions were open-ended. About a third of the sample responded to both. Although unprompted views on changes in tax structure favor reduction in business taxes, few people felt this to be an important priority for change. In a list of ten rather specific concerns for structural changes in the tax structure raised by question 35A, this issue ranked seventh (see also Table 9.3).

	Percentage of <u>all</u> respondents	
	Q35A	Q54
Lower taxes on business	1.5%	1.3%
Raise taxes on business	0.3	0.8
Total responses	36.9	39.2

In answers to a specific question (Q48), respondents opposed, by five to one, increases in taxes on individuals as a substitute for reductions in business taxation. To test the issue further, those opposed to reductions in taxes were asked whether they would feel the same way if a reduction in business taxes were to imply new jobs. About 40% of the respondents opposed reductions in business taxes under those circumstances. (The details on both Q48 and Q48A are reported in Table 5.7). However, when a similar question was put to everyone, the majority was opposed. The question was phrased:

Table 5.7

Views on Reducing Business Taxes in Wisconsin

		Q48A. Relieve business taxes if new jobs are created?				
Q48. Tax families, relieve business?	Total	Still disapproves	Depends	Would change mind	Don't know	
Strongly approve	2.3%					
Approve	13.6					
Depends	1.4	} 76.9	37.3	8.0	24.9	
Disapprove	49.6					
Strongly disapprove	25.9					
Don't know	6.1					
Not ascertained	1.2					
Total	100.0				6.8	

Note: The questions are given in full in the Appendix.

Q49. Do you believe that business should or should not get reduced taxes for the new jobs they create?

Thirty-eight percent favored such reductions while 47% were opposed.

The principal conclusion from these findings is that Wisconsin citizens oppose reduction in taxes on business. Many do not have clear ideas on how taxes influence employment and take different positions on tax reduction, depending on how the employment-related question is asked. This suggests that the issue of a job-related tax credit is probably one where obtaining a favorable majority depends on educating citizens to the outcome of such a tax measure.

5.5 Issue E--Tax on Wealth Versus Tax on Current Income and Sales

The principal taxes on wealth are the property tax and the inheritance tax. Unfortunately, the survey of attitudes did not include a general question on the inheritance tax, so that the only views expressed are those volunteered in response to question 35. Nevertheless it may help to indicate how prevalent is concern for inheritance taxation by reviewing the answers to that question. Inheritance taxation was the fourth-ranking issue cited; 2.7% of all respondents opted for reduced levels of taxation on bequests. Thus inheritance taxation is a more important concern for change than business taxes, though it is far less pressing than adjustments to the sales tax, excise taxes, and taxes on vehicles and fuel, areas where 20.0% of respondents expressed concern. (Discussion of income and property taxes was specifically discouraged by the wording of Q35.)

More definite information exists on the trade-off between property taxes and other tax sources. Respondents were asked to indicate their priority for raising one of the three tax sources--property, sales, or income taxes. They were also asked to give priorities for lowering one

of those three taxes. The results are displayed in Table 5.8. A majority (56.4%) would raise sales taxes, if required to do so. None of the three tax sources commanded a majority as the first priority for tax reduction.

A substantial minority favor reduction of the property tax, and that percentage is significantly larger than the group who favor reductions in the income tax.

What is most interesting about these two questions, however, is the patterns that are suggested for changing the balance of taxation. One of three patterns includes 68.4% of all respondents:

- | | |
|--|------|
| 1. Lower property taxes and raise sales taxes | 27.9 |
| 2. Lower income taxes and raise sales taxes | 27.5 |
| 3. Lower property taxes and raise income taxes | 13.1 |

It is clear from Table 5.8 that a substantial minority feel that taxation of property is too burdensome. This is confirmed by looking at the pattern of choices for the three groups of respondents that were defined according to their general orientation to tax questions. The principal difference among the groups is that informed service economizers are more inclined to opt for property tax reduction while other informed respondents are more inclined to opt for income tax reduction (see Table 5.9).

The information reviewed indicates some preference for reducing the share of taxation that falls on wealth. It also indicates that other concerns in changing tax structure carry sufficient weight with the population that no radical adjustment in wealth taxation is likely to receive majority support.

Table 5.8

Distribution of Respondents by Priorities for
Changing Wisconsin's Major Tax Sources

Q51. Priorities for raising one tax source					
Q50. Priorities for lowering one tax source	Property tax	Sales tax	Income tax	Don't know	Row Total
Property tax	0.2%	27.9%	13.1%	5.1%	47.2%
Sales tax	1.0	0.4	6.0	1.2	8.6
Income tax	5.3	27.5%	1.9	6.1	41.5
Don't know	0.1	0.6	0.2	1.7	2.7
Column Total	6.6	56.4	21.2	14.1	100.0

Note: The questions are given in full in the Appendix.

Table 5,9

Pattern of Priorities for Changes in the Tax Structure,
by General Orientation of Respondents to Tax Questions

Pattern	Informed		Uninformed
	No Service Cuts	Service Economizers	
Lower property tax; raise sales tax	29.0%	32.5%	10.8%
Lower income tax; raise sales tax	30.5	24.4	15.4
Lower property tax; raise income tax	13.4	13.5	9.6
Other	27.0	29.7	64.2
Total	100.0	100.0	100.0

5.6 Interrelationships Among Tax Attitudes on Questions of Balance in the Tax Structure

The issues discussed above are related to one another in subtle ways. It is quite possible that citizens fail to appreciate those interrelationships and therefore offer inconsistent responses. It is also possible that a number recognize interdependencies and offer opinions that represent a structured program for tax reform in Wisconsin. In this section obvious inconsistencies are reported, and positive associations between attitudes, taken two at a time, are discussed. Five variables discussed earlier in this chapter are covered:

- a. The count of responses favoring increases in user fees
- b. Q43 Reduce property taxes and raise State level taxes?
- c. Q48 Tax families and relieve industry?
- d. Q36 Tax groceries sold to nonresidents?
- e. Pattern of priorities for raising and lowering taxes.

These findings pertain to tables that were constructed excluding the uninformed respondents.

Support for user fees is positively correlated with variables b, c, and d. The strongest relationship characterized user fees and sales taxation on groceries. Those who support sales tax on groceries for nonresidents also gave multiple favorable responses to increased user charges, and conversely. The relationship between the pattern of tax change desired and user charges is less clear, although those favoring property tax reductions and sales tax increases gave more support to user charges than other groups.

Those who approve of state tax collections for local expenditure also favor tax relief for business, and sales tax increases for nonresidents.

The correlation between the first pair is the stronger. Support for

State tax collections for local expenditure is not always consistent with the pattern of tax changes chosen later in the interview. Twenty-three percent disapproved of increased State collections, yet supported a substitution of sales or income taxes for property taxes. It is perhaps too strong to call this combination an inconsistency, because the questions referring to priorities for changes in taxes left the respondent with no choice but to declare that he or she would be willing to raise a tax. On the other hand, disapproval of additional State taxes to reduce property taxes may be based on the rational view that State taxes must not rise under any circumstances. What is clear from Table 5.10, where these findings are reported, is that those who wish to substitute other taxes for the property tax are more favorable to State collections than those who see the first priority as reducing income taxes to increase sales taxes.

Support for tax relief for industry was less correlated to variable d than to a and b. The correlation between reducing industrial taxation and taxation of groceries sold to nonresidents was mildly positive. Examination of the relationship between the pattern of tax change desired and support for tax relief for business revealed large differences among the answers that are not easily explained. Persons desiring property tax reduction were more favorable to tax relief for industry. Those least favorable towards business tax reduction were those who wished to substitute sales for income taxes.

The pattern of tax change desired also relates to significant differences in support for taxing groceries sold to nonresidents. Those favoring property tax increases and sales tax increases were less negative to the proposal than other groups.

Table 5.10

Attitude towards Increased State Tax Collections for Sharing With
Local Governments, by Pattern of Priorities for Changes in the Tax
Structure (Informed Respondents Only)

Q43. Reduce property taxes and raise State taxes?	Pattern			
	Lower property tax; raise sales tax	Lower income tax; raise sales tax	Lower property tax; raise income tax	Other
Strongly approve	3.2%	0.9%	3.4%	1.8%
Approve	31.1	24.5	42.3	25.7
Depends	2.0	0.9	3.4	1.8
Disapprove	48.7	52.3	35.9	48.4
Strongly disapprove	9.8	14.5	4.7	12.4
Don't know	5.3	6.7	10.4	9.8
Total	100.0	100.0	100.0	100.0
% of respondents	26.8	25.9	12.0	24.7

While none of the correlations is dramatic, the existence of some relationship is a sign that there are compromise positions that a majority will support. Moreover, the correlations involving user fees are plausible on logical grounds; and the findings for other variables are not wild and arbitrary.

6. EQUITY AND FAIRNESS ISSUES IN TAX REFORM

6.1 Issue F--Progression of Tax Rates by Ability to Pay

A substantial majority of Wisconsin citizens support the concept of a progressive tax structure, while a minority feel that a uniform flat rate across all income groups is preferable. The heavy emphasis on progression is also closely tied to the priorities that citizens place on any change in the tax system. Two fifths of all respondents gave priority to making the tax system fairer and opted for progression of tax rates. (See Table 6.1.)

Progression in rates was chosen by a substantial majority of citizens in all income classes under the \$40,000 level, and 47 percent of those with \$40,000 or more opted for progression in rates.

6.2 Issue G--Measures of Ability to Pay, Views on Broadening the Tax Base

Five questions dealt directly with broadening of the tax base as an option for tax reform (Q16, 17, 28A, 28B, 28C). Three pertained to reducing the amount of property tax exemption accorded not-for-profit organizations. The remaining two gave specific instances in which the income tax base could be broadened. All are discussed here as evidence of the public's attitude towards proposals for broadening the tax base.

Table 6.2 summarizes citizen opinion on reducing the scope of exemptions under the property tax. A majority felt that two of the ~~three types of organizations should be required to make some payment~~ in lieu of property taxes to cover costs of municipal services. To

Table 6.1

Distribution of Respondents by Priorities for Tax Changes
and Preference for Tax Progression in Wisconsin

Q20. Tax change with the highest priority					
Q18. Progressive of flat tax for Wisconsin?	Fairness	Indexing	Simplification	Depends, don't know	Row Total
Single rate	16.9%	5.9%	2.7%	0.3%	25.8%
Higher incomes pay a higher rate	41.6	20.5	4.7	1.7	68.4
Don't know	3.1	1.4	0.4	0.9	5.7
Column Total	61.6	27.7	7.8	2.9	100.0

Note: The questions are given in full in the Appendix.

Table 6.2

Distribution of Wisconsin Citizens' Opinions on
Reducing Property Tax Exemptions (Requiring Some Payments)

A. Basic Questions

	Q28A. Should churches pay for municipal services?	Q28C. Should hospitals pay for municipal services?	Q28B. Should fraternal organizations pay for municipal services?
Should	43.9%	50.5%	71.3%
Depends	3.5	3.4	1.5
Should not	49.1	40.7	23.3
Don't know, not ascertained	3.5	5.4	3.9
	<hr style="width: 10%; margin: auto;"/> 100.0	<hr style="width: 10%; margin: auto;"/> 100.0	<hr style="width: 10%; margin: auto;"/> 100.0

B. Number of Favorable Responses Given

Number	% of Respondents
0	14.5%
1	30.9
2	29.1
3	23.5
Total	100.0%
Average number	1.66

Note: The questions are given in full in the Appendix.

summarize the information in these three questions, we counted the number of times each respondent favored an in-lieu payment. The average count was 1.66. Persons favoring cuts in property taxes and increases in income taxes opted more heavily for such in-lieu payments, while those who favored reductions in the income tax and increases in the sales tax were less favorable to broadening the property tax base through in-lieu payments. (See Table 6.3.)

The balance of answers to questions on the property tax exemption indicates substantial support for reduction in the favored treatment that not-for-profit organizations now enjoy. At the same time citizens are selective; they would narrowly oppose in-lieu payments for churches, but they favor such payments for fraternal organizations and hospitals. It appears that review of the present treatment is an important item for the agenda of tax reform in Wisconsin.

Broadening the base of the income tax is opposed by a large majority of citizens, at least in the two areas mentioned in questions 16 and 17. Citizens strongly oppose the inclusion of fringe benefits in taxable income. They heavily prefer a tax base that permits standard and itemized deductions to one that taxes the State adjusted gross income at a lower rate. (See Table 6.4.)

Four interpretations can be given to this finding:

1. Literally, taxpayers oppose broadening the tax base because of informed knowledge of the consequences.
2. Taxpayers view other kinds of changes as much higher priority for reform and are unwilling to elect to broaden the tax base if it imperils other changes in the system.

Table 6.3

Differences in Support for Reducing
Property Tax Exemptions

	Mean number of responses favorable to 28A, B, or C per interview
All respondents	1.66
Informed respondents	
No service cuts	1.64
Service economizers	1.74
Pattern of tax change desired	
Lower property taxes; raise sales taxes	1.66
Lower income taxes; raise sales taxes	1.52
Lower property taxes; raise income taxes	1.82

Table 6.4

Distribution of Wisconsin Citizens' Support for
Income Tax Base-Broadening

Q16. Include fringe benefits in taxable income?	Q17. Prefer AGI ^a to taxable income as a base?				Row Total
	AGI base (like Michigan)	Taxable income base (like Wisconsin)	No preference, depends	Don't know	
Should	7.7%	13.1%	0.5%	4.2%	25.6%
Depends	0.4	0.2	0.4	0.7	1.7
Should not	18.2	36.2	3.3	7.9	65.6
Don't know	1.2	3.0	0.2	2.7	7.2
Column total	27.5	52.6	4.4	15.4	100.0

The questions are given in full in the Appendix.

^aMichigan's income tax forms do not use standard or itemized deductions against income, but instead base taxes on Adjusted Gross Income (AGI).

3. Significant deviations from the federal tax forms pose taxpayer costs which most do not feel is warranted.
4. Taxpayers do not understand that broadening the tax base would assure them lower rates and that the median taxpayer would probably not experience any change in taxes paid.

The first interpretation must be given some weight: elimination of itemized deductions and inclusion of fringe benefits does imply a redistribution of tax burdens among families in the same income bracket. (The U.S. Treasury, in simulating its proposals for a comprehensive income tax, discovered that only about 10% of taxpayers had less than 5% change in tax liability; of course, taxation of fringe benefits is a far less radical program than the one they proposed in Blueprints for Tax Reform.) The second interpretation is plausible, and supported by the fact that many more persons expressed concern about rate progression than about loopholes in open-ended questioning (see Table 6.6 below). The third suggests that broadening the tax base is less important to "simplifiers." It is likely, though, that the fourth interpretation, lack of understanding of the consequences of broadening the tax base must be given considerable credence.

As Table 6.5 illustrates, support for broadening the tax base does not follow a consistent pattern in relation to income. Higher-income groups show a declining pattern of support as income increases; this is consistent with higher-income advantages from both tax-free fringe benefits and itemized deductions. However, lower-income persons, who might be thought to receive more benefit from a program that will disproportionately increase the tax base of the wealthy, show less than average support for broadening the tax base. The implication is that low-to-middle income persons do not fully understand the

Table 6.5

Responses Supporting Broadening the Base of
the Income Tax, by Income Class and General
Orientation to Tax Questions

A. Income Class

1977 Family Income	Percentage of respondents	Mean number of base- broadening responses per interview ^a
Less than \$6000	11.1%	.61
\$6000 - \$8999	12.3	.54
\$9000 - \$11,999	14.2	.51
\$12,000 - \$14,999	11.9	.62
\$15,000 - \$17,999	11.7	.65
\$18,000 - \$20,999	12.2	.63
\$21,000 - \$24,999	10.1	.47
\$25,000 - \$39,999	7.2	.38
\$40,000 or more	4.1	.35
Not ascertained	5.2	--
Total	100.0	.55

B. Orientation to tax questions

Informed respondents		
No service cuts	66.1	.52
Service economizers	23.4	.65
Uninformed respondents	10.5	.41
Total	100.0	.55

^aEach favorable response to Q16, 17, or an answer or "loophole closing" to Q54 is counted to arrive at this number.

consequences of the reforms proposed in the questions. In further confirmation of this interpretation uniformed respondents show significantly less interest in broadening the tax base than do informed respondents.

Responses to specific questions make clear that the public is not demanding change in the tax base. It seems equally clear, from the repeated references to "fairness" in the tax system and the concern with the distribution of burdens among income groups, that the average citizen will welcome some intelligent leadership from experts in tax matters.

6.3 Views of Fairness Revealed in Open-Ended Questioning

At the close of the interview respondents were asked to bring their special concerns to the attention of the Tax Reform Commission. The most prevalent concern, reducing spending, was mentioned by 12.8% of the respondents. (these answers have already been discussed in Chapter 4). Next came fairness in the tax system--10% of the respondents referred to it. The most frequently mentioned reasons had to do with the distribution of tax burden by income level; next was concern for older people and families with children; but many responses were so idiosyncratic that they could not be summarized. (Details are shown in Table 6.6) Mention of fairness is inversely related to the income level of the respondent; 11.6% of respondents with less than \$9000 of income referred to fairness, while 8.1% of those with incomes over \$17,999 did so.

6.4 Issues H--Fairness Toward Particular Demographic Groups

~~Two questions about the property tax problems of aged persons (Q29, 30)~~
and one question concerning a family size differential in the homestead tax credit formula (Q34) raised this issue.

Citizen's Concerns for Equity
and Fairness in Tax Reform

Type of Concern (Q54)	Percentage of Respondents ^a	
Distribution of taxes by income level	3.4%	
Make system progressive		2.1%
Eliminate loopholes for wealthy		0.9
Help low-income groups		0.4
Distribution of taxes by personal characteristics	3.0	
Help older people		2.5
Help families with children		.5
Distribution of taxes by shelter, home ownership	0.7	
Increase equity for renters		0.6
Improve property tax assessment		0.1
Other ideas not including any common theme for more than 0.5 respondents	2.9	
	10.0	

^aPersons responding "don't know" to Q54 are excluded from the base.

Responses to the homestead credit question can be unambiguously interpreted as a signal that citizens believe family size to be important for the level of property tax liability for low-income families: 51% favored a family size factor in the homestead credit formula. (Previous questioning had informed respondents that this was a program limited to lower-income families, and that benefits were modest.)

Only 43.9% of informed service economizers favored a family size factor in the homestead credit. However, there were enough "don't know" answers to this question that those opposed were also a minority, 47.7%. Other informed citizens also supported the family size factor: 55.4% were favorable and 34.9% opposed.

Responses to the questions on property tax equity for the aged were far more complex. Two thirds of respondents felt that property taxes are a problem for older people:

Q29. Occasionally you will hear about older people who are having trouble paying property taxes on their homes out of a retirement income. Do you feel this happens a lot, to some degree, or quite rarely?

A lot	67.8%
To some degree	20.9
Rarely	6.2
Don't know	4.5
Not ascertained	0.6
Total	100.0

Respondents were then asked what could be done about this problem. The question was biased towards encouraging responses that did not involve government:

Q30. When it does happen, do you think these older people should move to a less expensive house, take out a mortgage, or what?

Table 6.7 indicates that with this lead, a quarter of the respondents

Table 6.7

Distribution of Views on Appropriate Remedies for Older People
Having Difficulty Meeting Property Tax Payments

Responses to Q30	Percentage of respondents with one or more valid views ^a
Initiative outside government	24.1%
Older people should move to less expensive housing, retirement home	20.0
Older people should take out a mortgage	3.8
Families should help older people; let them move in	0.3
Exemption from tax liabilities	40.7
There should be a tax exemption	26.5
Social Security beneficiaries should receive tax break	7.6
Elderly should not have to pay school tax	3.4
Homestead credit should be expanded	1.8
Tax aid should be given; tax according to ability; provide welfare assistance	1.4
Place a ceiling on the property tax, the mill rate, or lower property taxes (for everyone)	14.4
Assistance from the government	13.4
Government should help (general)	12.6
Social Security benefits should increase	0.7
Government should build housing	0.1
Vague answers, not clearly solutions	10.8
They should have some kind of help; make it easier for them to pay	4.7
They should protest, not pay taxes	0.8
They should be allowed to stay in their homes	5.3
Other	4.7
Total ^b	108.5

^aRespondents replying "don't know, not ascertained" were excluded; those groups are 18.7% of the sample.

^bResponses add to more than 100% because some persons volunteered two responses.

suggested initiatives that should come from the older people or their families. By contrast, over two thirds of the respondents resisted the leading answer in the question and volunteered some action by government to remedy the problem. The most common type of government program mentioned was some form of tax abatement or exemption for older people. About one in seven felt the solution was to limit the property tax generally; a slightly smaller group felt expenditure programs by government were called for.

Several features of these answers were noteworthy. A number of persons endorsed expansion of the homestead credit (although this topic had not yet been discussed in the interview) and others endorsed the same principle for relief though they did not name the program, for a total of 3.2% of the respondents. About as many felt that the route for reducing property tax liabilities was to exempt the aged from school taxes. The number of vague answers and "don't know" responses also indicates that people do not have clearly organized concepts of equity against which they can formulate a satisfactory solution to this problem.

The feeling is clear that some program of tax abatement should be available to those who are on fixed and limited incomes. The option to move is not strongly endorsed (20% in favor and 5% against). The variety of answers given to the question indicates public awareness that there are different ways to solve the problem; there would probably be majority support for a program that directly addresses the perceived needs of older people.

Both questions make it clear that Wisconsin citizens support differences in ~~taxation for different population groups who are perceived to have different~~ needs and ability to pay. The answers indicate that Wisconsin could amend its tax system to go further in recognizing such differences.

6.5 The Homestead Credit Program

Much of the foregoing discussion has direct bearing on the homestead tax credit program. Public perceptions of the program are certainly complex and include, in different combinations, the views that the program is primarily a device to aid poor people, that it recognizes the inequity of excessive property tax payments for low-income persons, and that it is primarily a program of property tax abatement for deserving groups. Peter Fisher and Monroe Rosner both point out, in their exhaustive studies of the homestead tax credit, that the benefits go disproportionately to the lower-income family with wealth as opposed to the poorest.¹ Moreover, farmers get large benefits, as they have near the maximum of eligible tax payments and can easily have low incomes, because of a bad year and difficulty of setting a cash value on income in kind consumed on the farm.

Nearly two thirds of Wisconsin citizens are aware of the homestead tax credit program. Those who favor expanding eligibility for the program are counterbalanced by a nearly equal number who feel the program is already too large. Those who would like to see the level of benefits raised are almost twice the number who would like to see benefits lowered. However, a plurality of the population thinks that the program's eligibility criteria are right, and a substantial majority approves the benefit level. (See Table 6.8.) Note that only one third of the population speaks for the status quo on both questions, while a net proportion of 8.8% favor some kind of expansion.

¹ ~~Peter Fisher, "Circuit-breaker property tax relief programs: An analysis~~
of their rationale and design" (unpublished Ph.D. dissertation, University of Wisconsin-Madison; M.H. Rosner, "The burden of the property tax on housing. Working paper prepared for the Tax Reform Commission (Madison, Wis.: Department of Revenue).

Table 6.8

Citizens' Opinions on Changes in the Homestead
Tax Credit Program

Q32. Number of families eligible for homestead tax credit should be						
Q33. Average Benefit Levels are:	Greater	Same	Fewer	Depends	Don't Know	Row Total
Too low	7.0%	6.1%	1.3%	0.6%	1.6%	16.6%
About right	10.3	31.3	9.1	2.2	6.3	59.1
Too high	1.1	1.5	4.0	0.2	0.5	7.3
Depends	0.5	0.3	1.4	0.6	0.7	3.5
Don't know	0.9	2.2	1.7	0.7	8.0	13.5
Column Total	19.9	41.4	17.5	4.1	17.1	100.0

- | | |
|--|-------------|
| 1. Favor program expansion (upper left box) | 23.4% |
| 2. Favor program reduction (lower right box) | <u>14.6</u> |
| 1-2 | 8.8% |

The questions are given in full in the Appendix.

It is hard to reconcile these views that speak for the status quo on the homestead credit program with the evidence in Table 6.7 discussed above. One possible interpretation is that citizens generally are tolerant of the view that the aged are entitled to special tax privileges. A second interpretation is that some citizens have already been made aware of the extent to which homestead tax credits go to persons with substantial property wealth, and they would like to see the eligibility for the program better targeted before expanding the level of benefits dramatically.

The informed service economizers are less favorable to increasing eligibility for the program than other informed citizens. However, they are equally favorable to an expansion of benefits within the present eligibility standards.

Wisdom demands that we consider both the direct questions on the homestead tax credit and the indirect question on how to assist the aged to make their property tax payments before reaching a judgment about the changes that are appropriate to the homestead credit program. The combination of questions suggests that there will be support for an expansion of the benefit levels, particularly in a program in which eligibility is better targeted to those in need.

6.6 Issue I--Indexing, Fairness in Relation to the Changing Real Purchasing Power of the Dollar

Two thirds of Wisconsin citizens support a system for changing the income tax to make liability depend on real purchasing power. In this case, the differences among respondents by orientation towards tax questions are striking. The service economizers support indexing most strongly and the uninformed least strongly (see Table 6.9).

Table 6.9

Support for Indexing the Income Tax, by
General Orientation Towards Tax Questions

Q19. Favor indexing income tax?	Informed		Uninformed	All Respon- dents
	No Service Cuts	Service Economizers		
Strongly favor	17.4%	28.5%	4.2%	18.6%
Favor	52.6	46.6	44.5	50.4
Depends	1.4	2.8	1.5	1.7
Oppose	13.3	14.2	9.2	13.1
Strongly oppose	2.7	1.0	.8	2.1
Don't know	12.6	6.9	39.6	14.1
Total	100.0%	100.0%	100.0%	100.0%
Weighted position	+79	+94	+70	+82

Note: The question is given in full in the Appendix.

At every income level, indexing is the top priority for tax change for about a quarter of respondents; and nearly 40% of respondents whose top priority is fairness also support indexing. (See Table 6.10.) There is no question that provisions to decouple increases in income taxes from increases in nominal income that represent declines in real purchasing power are supported by an informed majority of Wisconsin citizens.

Table 6.10
Percentage of Citizens Favoring Indexing
by Income Class
(Informed Respondents Only)

Income Class	Percentage Favorable to Indexing
Less than \$6000	65%
6,000 - 8,999	67
9,000 - 11,999	71
12,000 - 14,999	73
15,000 - 17,999	83
18,000 - 20,999	64
21,000 - 24,999	80
25,000 - 39,999	74
40,000 and over	74
Average	72%

7. INCENTIVES CREATED BY THE TAX STRUCTURE

7.1 Issue J--Migration of Talent, Enterprise

Four questions asked respondents to declare their views on the effect of the tax system on location decisions. The first, a rather general question, asked:

Q48. How do you think Wisconsin's overall tax climate for business and industry compares with most other states?

Many felt unable to answer this question. Of those with opinions, about twice as many felt the tax climate was worse as those who felt that it was better. Among informed respondents, the service economizers were substantially more negative in their views of tax climate. (See Table 7.1.) This finding seems quite consistent with what we already know about this group of people, who strongly desire property tax reduction. The same group also were more inclined to believe, in the answer to the first three questions in the interview, that taxes were high relative to services received. Attitudes towards the tax climate do not appreciably influence respondents' positions on tax abatement for industry.

The remaining questions on migration dealt with individual decisions to move out of the state for tax reasons. The first asked about a general opinion:

Q52. Some people say that families are leaving Wisconsin because of high taxes here. Others disagree. How important do you feel this problem is?

Very important	29.2%
Important	37.4
Unimportant	21.0
Very unimportant	6.9

Don't know	4.3
Not ascertained	<u>1.2</u>
Total	100.0%

Table 7.1

Attitudes Towards Tax Climate for Business, by General
Orientation Towards Tax Questions

Q47. How do you think Wisconsin's overall tax climate for business and industry now compares with most other states?	Informed		Uninformed	Row Total
	No Service Cuts	Service Economizers		
Much better	2.9%	0.7%	0.0%	2.1%
Better	16.5	11.6	9.4	14.6
Same	31.0	21.8	16.9	27.4
Worse	24.6	40.2	22.0	28.0
Much worse	5.0	9.2	7.1	6.2
Don't know	<u>19.9</u>	<u>16.6</u>	<u>44.5</u>	<u>21.6</u>
Total	100.0%	100.0%	100.0%	100.0%
Weighted attitude ^a	-0.15	-0.55	---	---
	"about the same"	"worse"		

^aSee explanation in Table 5.1.

Far more people felt able to respond to this question, than to the question on tax climate, because it is closer to the realm of daily experience. A second question then asked whether the respondent had any friends or relatives who left the State because of high taxes. Here the general orientation of the respondents towards tax questions makes a substantial difference. Service economizers were more ready to attribute moves to tax reasons than other informed respondents.

Among those who said that they knew of people who had left for tax reasons, the property tax was given as the primary reason. Inheritance taxes and corporate and business taxes were mentioned least frequently. Inheritance taxes are a greater concern for higher-income respondents, and sales tax for the lower-income respondents. (See Table 7.2.)

It is hard to evaluate these questions on attitudes towards tax-induced migration, as a move by one family is likely to be reported by a large number of friends and relatives, contributing to a "double-counting" of tax-induced moves. Thus the frequency of tax-induced moves reported bears no meaningful relationship to statistics on out-migration. The principal attitudes that are of interest are:

- 1) The highest income class does not report significantly more tax-induced moves than middle income classes.
- 2) The highest income class does not complain more about income taxation than the middle income class.

All told, these data provide no case for altering the tax system because it induces migration. The fact that those who feel the tax climate is bad do not wish to alter taxation for business, and the fact that the rich do not report significantly more tax irritants for their friends are both

Table 7.2

Tax-Induced Migration Out-of-State, by General Orientation Towards Tax Questions, and Respondent's^a Income Class

A. Orientation Toward Tax Questions

Q52. Have any of your friends and relatives left Wisconsin primarily because of high taxes?	Informed		Uninformed	Row Total
	No Service Cuts	Service Economizers		
Yes	20.7%	29.5%	18.1%	22.5%
No	<u>79.3</u>	<u>70.5</u>	<u>81.9</u>	<u>77.5</u>
Total	100.0%	100.0%	100.0%	100.0%

B. Respondents' Income Class (1977 Family Income)

% of Respondents	1977 Family Income			Row Total
	Under \$9000	\$9,000-17,999	\$18,000 and over	
% of respondents with a friend or relative who moved out of state for tax reasons	14%	24%	24%	22%
Tax that movers complained about				
Property tax	78	70	55	66
Income tax	30	44	40	40
Sales tax	5	4	1	3
Corporate or business taxes	2	1	2	2
Inheritance taxes	0	2	4	2
Taxes are generally too high	19	9	12	12
Other	5	3	1	2
Total ^b	139	133	116	126
Percent of respondents	3.2	91.	8.2	20.5

^aFor respondents with friends and relatives who moved for tax reasons only.

^bResponses add to more than 100% as some respondents mentioned several taxes.

important negative findings. (Remember that the sample cannot reflect views of the extremely rich, who are a miniscule fraction of the population.)

7.2 Issue K--Controls on Local Government Expenditures

Wisconsin adults are emphatically in favor of cost controls and levy limits as devices to curb local government spending. The attitude is widely held, and there is little difference between the persons who would like to see local property taxes cut even if it would mean reductions in services and those who did not favor service cuts. (See Table 7.3.)

The views expressed are not altogether consistent with citizen's views on the branch of government that is spending their tax dollars most efficiently. Half of the sample said they felt that local government was doing the most efficient job (see Table 7.4.)--a considerably higher proportion than the 35 percent measured by the Gallup organization for the United States as a whole in late June, 1978. At the same time, those who felt local government was most efficient were as supportive of levy limits and cost controls imposed by the State as were those who felt the State government was most efficient. This does not appear to be an altogether rational view, for it implies that local government can remain efficient only as long as control is maintained by a higher and less efficient government operation. Perhaps the explanation is that voters feel that local government should be subject to a system of checks and balances, or that local government should not be encouraged to raise large expenditures by the fractional local levy that would be required.

Table 7.3

Attitude Towards Expenditure Controls, by Attitude Towards
Reducing Local Services to Cut Property Taxes

Q46. Levy limits and cost controls a good idea?	Q44. Reduce local services and cut property taxes?		Row Total ^a
	Approve	Disapprove	
Very good	18%	8%	12.2%
Good	57	59	57.0
Depends	1	0	2.8
Bad	17	20	17.6
Very bad	3	4	3.4
Don't know	4	4	7.0
Percentage of respondents	25.9%	61.7%	100.0%

^a The row total includes those responding "depends" or "don't know" to Q44, not shown separately.

Note: The questions are given in full in the Appendix.

Table 7.4

Attitude Towards Expenditure Controls, by
Attitude on the Most Efficient Level of Government

Q46. Levy limits and cost controls a good idea?	Q4. Which level of government do you feel is using your tax dollars most efficiently?						Row Total
	Federal	State	Local	None	Don't Know		
Very good	8%	14%	14%	10%	8%	12.2%	
Good	58	60	61	55	42	57.2	
Depends	1	1	4	6	0	2.8	
Bad	24	18	16	19	19	16.5	
Very Bad	4	5	3	4	3	3.4	
Don't know	<u>6</u>	<u>3</u>	<u>3</u>	<u>7</u>	<u>28</u>	<u>7.0</u>	
Column total	100%	100%	100%	100%	100%	100.0%	
Percentage of respondents	9.0%	18.6%	49.7%	9.8%	12.9%	100.0%	
Gallup poll (June, 1978)	22	23	35		20	100	

8. SIMPLIFICATION AND ADMINISTRATION

8.1 Problems Raised by Compliance With the Tax Laws--Income Tax

Compliance with the tax law involves three aspects: (a) how involved are respondents in their own tax return preparation? (b) How do involved taxpayers evaluate the problems associated with tax return preparation? And, (c) how willing are taxpayers to balance other things that they desire in the tax structure against a procedure that involves substantial simplification? At the beginning of the questionnaire, these questions were asked specifically about the income tax.

Half of the respondents arranged to have someone else prepare their return. This proportion is higher than would be expected if the work of tax filing were delegated to one partner in a married couple. 71.4% of adults interviewed were married; at most, 35% of respondents could escape preparing a return by delegating the work to a spouse. Among those respondents who were involved in preparing their own returns, slightly over a third received assistance from someone else. The arrangements for preparing tax returns are thus distributed in the following way:

Respondent involved in return preparation

26.7% Prepared the return all by himself
16.6 Respondent worked with someone to prepare the return

Respondent not involved in return preparation

50.6 Someone else filed
6.1 Filed no return for 1977
100.0% Total

All respondents who received some assistance in preparing their return were asked whether professional help was hired. About half of all respondents did so--that is, 71% of those who reported that they received help with their returns acknowledged that the help was professional, rather than a friend or relative.

Those who prepared or participated in the filing of their returns were asked to evaluate the difficulty of filing. They were also asked:

10. How important do you feel it is to simplify the preparation of Wisconsin's income tax forms?

The distribution of answers to these two questions is shown in Table 8.1. Although three quarters of those asked felt simplification was important, nearly half of that group thought it was easy to complete the return. The service economizers felt that it was more difficult to complete the return than other informed respondents, but did not place any greater weight on simplifying them.

To establish whether respondents were willing to make any adjustments in the income tax formula to achieve simplification, those involved in preparing their own returns were asked:

Q10B. Would you favor making the return more simple even if it means losing some of the deductions you might claim?

This idea was opposed by a two-to-one margin, but the response was highly correlated to the respondent's view of the difficulty of preparing the return (see Table 8.2). A minority of persons who favored simplification of the return also had specific suggestions, the most common being to improve the clarity of instructions or simplify forms (the details are shown in Table 8.3).

~~Few people proposed a piggyback tax (2%) or federal joint returns (4%).~~

Table 8.1

Views on the Preparation of Income Tax Returns

Q10. How important do you feel it is to simplify the preparation of Wisconsin's income tax forms?	Q9. Would you say it is very difficult, difficult, rather easy or very easy to complete the Wisconsin income tax form?				Row Total ^a
	Very Difficult	Difficult	Very Easy	Easy	
Very important	4 %	19 %	8 %	1 %	32.2%
Important	2	14	25	2	45.1%
Unimportant	-	1	15	2	18.0%
Very unimportant	-	-	2	1	3.3%
Column Total ^a	6.1%	33.6%	50.4%	7.4%	100.0%

^aIncludes "don't know" answers (not shown separately). Answers based on the 43.5% of all respondents who were involved in preparing their own returns.

Table 8.2

Attitudes Towards Simplification of the Tax Structure: Percentage^a
Favoring a Simple Form Over Deductions

A. By Perceived Difficulty of Preparing Returns

	Very Difficult	Difficult	Easy	Very Easy	Total
	30%	44%	15%	14%	28%

B. By Priorities for Change in the Tax Structure

	Simplification	Fairness	Indexing	Total
	62	28	22	28
% of respondents	2%	22%	9%	34%

Note: The questions are given in full in the Appendix.

^aAnswers based on the 43.5% of all respondents who were involved in preparing their own returns.

Table 8.3

Suggestions for Simplifying Preparation of Income Tax Forms
(Respondents involved in preparing their own return)

	Percent of those favoring simplification	
Personal assistance	1%	
Suggestions related to forms	54	
Fewer, shorter forms		23
Simplify explanations		15
Make form compatible to Federal form		7
Reorganize order		5
Keep form identical year-to-year		2
Use more tables		2
Structural changes	9	
Allow joint return as on Federal form		4
Eliminate deductions		2
Allow more deductions		0
Make tax a proportion of Federal tax		2
Give examples, other	3	
No specific suggestion, Don't know	44	
Total	106%*	
Percent of respondents	33.4%	

*Total adds to more than 100% because some respondents mentioned more than one procedure for simplification.

Many respondents had no specific suggestions on how preparation of returns could be simplified.

The attitudes towards simplification are well summarized by the section in 8.2 that compares the willingness of respondents to give up deductions in order to simplify with their stated priority for reform in the income tax. Little support for simplification comes from those whose priority is to make the tax fairer or those who desire to have the income tax indexed to the price level. However, the majority of those who feel simplification is an important priority are willing to make sacrifices to achieve that simplification.

8.2 Problems Raised by Compliance With the Property Tax

The 70% of respondents who own their own homes were asked to describe how they made payment for property taxes due. The following pattern emerged:

<u>Number of payments</u>	<u>Percentage of owners</u>
1	24.2%
2	25.2
3 - 10	2.3
Monthly--mortgage escrow	24.2
New owners who haven't made payments yet	2.3
Other	<u>1.3</u>
Total	100.0%

It is surprising that so many elect to pay in one installment when the option to pay in two is available to all taxpayers. Further questioning revealed that only one in seven (of those who were not

already paying on a monthly basis because payment was included in their mortgages) would prefer a monthly payment scheme. It appears that despite grumbling, the large payments associated with annual or semiannual property tax liabilities do not cause a substantial number of persons difficulties.

A second aspect of property tax compliance is that the payment required may be based on an incorrect assessment. Such a situation is not only inequitable, but it also places the burden on the owner to demonstrate that the assessment is incorrect. Respondents were asked whether they knew their property tax assessments and what they knew about the appeal process. Nearly half of owners do not know the amount for which their property is assessed. This did not preclude the uninformed from complaining (at about the same rate as informed owners) that their property was assessed at too high a level in comparison to other assessments in the neighborhood.

About a fifth of owners believed assessments were too high, compared to 5% who felt theirs were too low. Out of the former group an appreciable proportion had appealed for a lower assessment (see Table 8.4); a large group, 10% of all homeowners, had not appealed yet felt their assessments were too high. About a third of this group did not know how to make an appeal. Of those who knew how to make an appeal, the majority felt that it was useless to appeal.

Among those who had actually appealed their assessments, more than half felt they did not get a fair hearing. Taken together these comments, albeit from a relatively small group, are a serious indictment of the review process and its accessibility to the average citizen.

Despite the dissatisfaction of a minority nearly half of all respondents would support the statement:

Q26. Property tax assessment in your community is done fairly and accurately.

Table 8.4

Attitude Towards Level of Assessment and
Appeal of Assessment
(Homeowners)

Q24. Assessment high, low?*	Has Appealed Assessment in Past	Has Never Appealed; Current Assessment Deserves Appeal	Other	Row Total
High	6%	10%	8%	24%
About right	8	3	49	60
Low	0	0	4	5
Don't know	<u>1</u>	<u>1</u>	<u>9</u>	<u>11</u>
Column total	14	15	70	100

Note: The question is given in full in the Appendix.

As evidence of the consistency of views expressed by respondents, it should be noted that only a small fraction of those who felt their own assessment was too high agreed with this general view (see Table 8.5).

When opinions on the quality of assessment were classified according to the type of municipality in which the respondent lives, residents of villages appeared most satisfied with the assessment process, residents of cities least satisfied. This confirms the view expressed by town officials that town assessors are doing an adequate job, and flies in the face of evidence presented to Wisconsin Tax Reform Commission by Richard Meadows. The failure of residents of towns to appreciate the poorer quality of assessment that occurs in their jurisdiction is a measure of the educational task required to substantially improve assessment practice in the State.

In closing discussions about the property tax, respondents were asked whether there were other aspects of the tax that were a problem for themselves and their families, and 37.8% of homeowners offered opinions. The most frequent response, given by 13% of homeowners, was that property taxes were too high. Another 6% declared that schools should not be financed by property taxes, or that the cost was too high for service actually received. The variety of other answers is shown in Table 8.6.

8.3 Conclusions

The evidence collected from respondents points to the assessment appeal process as an area of tax administration that requires review and reform. ~~Interest in other administrative problems is not strong. Respondents do not~~ understand the problem posed by poor assessment practices in the State. By and large they are unwilling to see the tax structure altered in the name of simplification alone.

Table 8.5

Distribution of Attitudes Towards Assessment Practices,
by Level of Assessment on Owned Home
(Homeowners)

Q26. Assessment in your community fair and accurate?	Q24. Assessment high, low?			Row Total
	High	About right	Low	
Strongly agree	0%	5%	12%	4
Agree	24	55	41	45
Depends	0	2	9	2
Disagree	51	23	26	30
Strongly disagree	20	7	9	10
Don't Know	11	8	2	9
Total	100	100	100	100
% of homeowners	24	60	5	100

Table 8.6

Problems with Property Tax
(Homeowners)

Q27. In addition to everything we've talked about, what other aspects of the property tax are a real problem for you and your family?		Percentage of all homeowners ^a
Payment problems		5%
Assessment problems		6
Cost of service:		11
School cost shouldn't be financed by the property tax; school cost is too high for service received		6
Few services received in relation to taxes paid; inefficient or uncontrolled spending		3
Elderly shouldn't have to pay school taxes; elderly should pay less		1
Property taxes are too high		13
Taxes are too high generally		2
Other		6
No problem; don't know		61
Total ^a		104

^aThe percentage adds to more than 100 because some persons gave several reasons.

9. VIEWS OF THE INCOME TAX; MISCELLANY

9.1 Equity of the Wisconsin Income Tax

Respondents were asked to make three judgments on the equity of State income tax. They were asked:

Q14. Do you feel that the State income tax hurts certain groups of people more than others?

Q15. Do you feel that the income tax favors certain groups of people more than others?

Only 10 percent of all respondents replied no to both questions, while 45% responded yes to both questions. The concerns people expressed are indicated in Table 9.1. The dominance of the view that the income tax assists upper-income groups is startling, although the reasons given--greater access to tax shelters and loopholes--are not. The reverse of this reasoning is an important factor in why people feel the tax is unfair to low- and middle-income groups, those groups are seen as unable to make use of loopholes. The dominant complaint for low income groups was that tax rates are unfair. This is a reasonable view when one remembers that many in this group will claim a homestead credit and will not only be required to pay income tax but will experience a reduction in the credit for each dollar of additional income received. This combination can drive the Wisconsin marginal tax rate close to 20%.

Table 9.2 reports on another aspect of citizen views of the equity of the income tax. People were asked to compare the Wisconsin income tax and the federal income tax. About equal numbers judged each tax the fairer.

The view that the Wisconsin tax is fairer hinged heavily on

the satisfaction that citizens feel with the services received and the control

Table 9.2

Comparison of the U.S. and Wisconsin Income Taxes
(Respondents expressing an opinion on the taxes)

		U.S. tax is fairer: 30% ^a			Wisconsin tax is fairer: 31.4% ^a			(7) Difference (6)-(3)
Total	Reason given	(1) Positive to U.S. tax	(2) Negative to WI tax	(3) Total	(4) Positive to WI tax	(5) Negative to U.S. tax	(6) Total	
Q13 Which income tax is more fair--the Federal tax or the State tax?								
Q13A Why do you think the Federal (State) income tax is fairer?								
<u>General</u>								
	Better government services	13%	5%	18%	35%	5%	41%	+23
	More control over government; more efficient expenditures	1	3	4	15	16	30	+26
	Rates are lower for fairer tax, (a) general	3	23	27	11	6	17	-10
	Rates are more progressive	4	1	4	1	3	3	- 1
<u>Personal</u>								
	More refunds from fairer tax; higher taxes for less fair tax	14	7	21	3	6	8	-13
	My rate is lower for fairer tax	4	4	8	9	0	10	+ 2
	Easier to fill out fairer return	3	0	3	2	0	2	- 1
	More deductions on fairer return	11	5	16	6	1	6	-10
	More exemptions on fairer return	2	4	6	0	-	0	- 4
	Other	-	-	9	-	-	6	- 3
	Total (positive responses)	55	52	107	81	36	117	
	Don't know why N.A.	-	-	19	-	-	9	-10

^a Proportion of the entire sample.

exercised over expenditures. Few persons dwelled on differences in the definition of taxable income; specifically, differences in capital gains and tax treatment of municipal bonds were mentioned by less than 1% of the sample.

9.2 Changes in Structure Desired

Table 9.3 reports the changes in tax structure that respondents mentioned after both property and income taxes had been discussed in detail. They were asked to focus attention on other elements in the tax structure. Results of this question have already been discussed in connection with business taxation and wealth taxation in Chapter 5.

Table 9.3

Changes Desired in Tax Structure, Other Than
Property and Income Taxes

Q35. We have been talking about property taxes and individual State income taxes. Would you like to see a change in any of the other types of taxes collected in the State?

39.1% Yes

38.7% No

Percentage of
positive
respondents^a

Q35A. What changes do you have in mind?

Changes in sales and excise taxes	35.6%	
Lower sales tax		9.5%
Eliminate sales tax		8.2
Eliminate sales tax on specific items (clothes, cars, etc.)		10.8
Raise sales tax		3.3
Lower alcohol, tobacco taxes		1.0
Raise alcohol, tobacco taxes		1.4
Raise tax on luxuries, make sales tax progressive		1.4
Changes in vehicle, fuel taxes	14.9	
Lower gasoline taxes		6.8
Increase gasoline tax/divert gas tax to mass transit		1.0
Higher vehicle registration fees--by weight, value, or gas consumption		3.0
Lower vehicle and fuel taxes		2.2
Vehicle and fuel taxes--other		2.8
Changes in income tax--general	9.6	
Increase progression		5.4
Raise income tax		.7
Lower income tax		3.5
Change inheritance taxes	8.7	
Eliminate tax		3.1
Change, lower inheritance tax, gift tax; probate reform		5.6
Change property taxes	7.4	
Lower school taxes		3.0
Lower property tax		1.9
Other		2.5
Change user fees	6.6	
Raise user fees		3.1
Lower user fees		.7
Tax road use with toll roads		2.8
Change business taxes	4.9	
Raise		4.0
Lower		.9
Reduce capital gains taxes	1.4	
General answers	9.9	
Cut all taxes		8.1
Too many kinds of tax		1.8
Other	18.5	
Total	118.2	

^aThe base of the percentage is yes answers to Q35, excluding "don't know" to Q35A. The percentage adds to more than 100 because some persons gave several reasons.

10. REGRESSION ANALYSIS OF ATTITUDES TOWARDS INCREASED TAX SHARING

How consistent were respondents' views? On many questions of tax policy, the views expressed by the "uninformed" were significantly different from the remainder of the sample. It would be inappropriate to give much weight to such views in policy formulation, but the issue of consistency among the views of informed respondents is an important one, and we examine it here.

Four sets of questions were identified in which an inconsistency could be identified with a particular pattern of response. The extent of inconsistencies is reported in Table 10.1. On average just under one inconsistency appeared in each interview, but two thirds of the respondents reported one or no inconsistencies. Limiting the analysis of responses to informed persons who demonstrate fewer than two inconsistencies requires discarding nearly 40% of the respondents (28% for inconsistencies and 10% for being uninformed).¹

The population subgroup identified as knowledgeable and consistent reports significantly different attitudes from the remaining persons. Table 10.2 indicates differences between the identified subgroup and the remaining sample for several types of attitude measurements. The attitude scales A and B measure disposition towards the role of the state government in financing expenditures by the local government. The area under question does not correlate clearly with the self-interest of well-defined demographic groups; a change in the level of shared taxes (collected by the state and paid to localities) or grants-in-aid

¹It is not possible for the uninformed persons to appear as inconsistent as the informed persons, because they responded "Don't know" to questions used in developing the inconsistency scale.

Table 10.1

Consistency of Responses on Tax Structure

Number of Inconsistent Responses	Type of Respondent		Total
	Informed	Uninformed	
0	33% ^a	8%	41%
1	29 ^a	2	30
2	16	1	16
3, 4	<u>12</u>	<u>--</u>	<u>12</u>
Total	90%	10%	100%

Note: Inconsistency is measured by the following responses:

- a) The respondent gives priority for change in tax structure to one that would shift financing from a tax source considered more burdensome to one that is considered less burdensome.
- b) Respondent indicates that he is opposed to increased state financing and reduction in property taxation, but endorses that priority in response to questions concerning which taxes should be changed.
- c) Respondent indicates that the assessment level on his owned home is not correct but also gives the opinion that assessment in his municipality is fair and honest.
- d) Respondent is opposed to increased income taxes combined with increased school aids and favors reduced property taxes and income tax increases.

It is logically possible for the above patterns to represent a well-reasoned position, but unlikely. Hence "consistency" must be thought of as a crude device for sifting out the more coherent responses, while incorrectly excluding some individuals with well-reasoned positions.

^aSample subgroup identified as knowledgeable and consistent.

Table 10.2

Attitude Differences between Consistent, Knowledgeable Respondents and Uninformed or Inconsistent Respondents

Attitude	Scale Value	Consistent, Knowledgeable	Inconsistent or Uninformed	All Respondents
A. Reduce property taxes, increase grants to school districts, and increase state income tax				
Strongly approve ++		4%	1%	3%
Approve +		32	14	25
Depends 0		2	2	2
Disapprove -		46	58	51
Strongly disapprove --		12	16	13
Don't know, NA		<u>5</u> 100	<u>9</u> 100	<u>7</u> 100
B. Reduce property taxes, increase state taxes				
Strongly approve ++		3%	1%	2%
Approve +		34	17	28
Depends 0		2	2	2
Disapprove -		41	58	47
Strongly disapprove --		11	9	10
Don't know, NA		<u>10</u> 100	<u>13</u> 100	<u>11</u> 100

*Less than 0.5 percent.

^aAttitude position is shown first using ++, + -- to abbreviate for categories shown under A. above. Differentiation of non-negative responses is obtained by discriminating between those respondents who gave specific examples of services that could be cut and those who did not.

^bPriority indicates that respondents preferred indexation to fairness and simplification as objectives for reform.

(table continued)

Table 10.2 (continued)

Attitude Differences between Consistent, Knowledgeable Respondents and Uninformed or Inconsistent Respondents

Attitude	Scale Value	Consistent, Knowledgeable	Inconsistent or Uninformed	All Respondents
(SCALE4)				
C. Approve of property tax cuts and cuts in local services ^a				
++, Specific services mentioned	5	3%	2%	3%
++,	10	*	*	*
+, Specific services mentioned	15	15	9	13
+	20	9	12	10
0, Specific services mentioned	25	4	2	4
0	30	2	2	2
-	40	51	56	53
--	50	10	7	9
Don't know, NA	—	$\frac{6}{100}$	$\frac{10}{100}$	$\frac{7}{100}$
Mean SCALE4		34.0	34.0	
Standard deviation		(12.1)	(11.8)	
(TYINDEX)				
D. Favor indexing of income tax ^b				
++, Priority	5	11%	7%	10%
++	10	11	6	9
+, Priority	15	13	19	15
+	20	36	34	35
0	25	1	3	2
-	30	13	13	13
--	40	2	3	2
Don't Know, NA	—	$\frac{13}{100}$	$\frac{17}{100}$	$\frac{14}{100}$
(TYPROG)				
E. Favor income tax progression for Wisconsin				
Flat rate	1	24%	28%	26%
Progressive rate	2	25	28	27
Progressive rate and priority for fairness	3	45	36	42
Don't know	—	$\frac{4}{100}$	$\frac{8}{100}$	$\frac{6}{100}$

*Less than 0.5-percent.

^aAttitude position is shown first using ++, + -- to abbreviate for categories shown under A. above. Differentiation of non-negative responses is obtained by discriminating between those respondents who gave specific examples of services that could be cut and those who did not.

^bPriority indicates that respondents preferred indexation to fairness and simplification as objectives for reform.

may benefit both high- and low-income persons, both owners and renters, and so forth. (These are examples of trade-offs in the tax structure discussed earlier.) The attitude scale C measures the political disequilibrium perceived by the individual. The next attitude (D) pertains to the indexing of tax brackets and exemptions used in the income tax; a favorable position is in the self-interest of middle-income persons in particular, although it may not be perceived in that fashion. The last attitude (E) reflects opinion on tax progression and is clearly a scale on which self-interest positions are defined for both low- and high-income taxpayers.

The results in Table 10.2 indicate wide disparities in the views of the knowledgeable and consistent group and the remaining population on the first two scales. Knowledgeable respondents give fewer unresponsive answers (Don't know) and express more positive attitudes. For the remaining scales no great differences in the distribution of definite answers exist, although the knowledgeable group gives fewer unresponsive answers.

The knowledgeable and consistent group should demonstrate more meaningful responses than the remaining population, who may be characterized as less interested, less motivated to involve themselves in questions of taxation, and more likely to have views that will be susceptible to manipulation by friends, the press, or organizations. With this in mind attitudes reported in Table 10.2 were studied through multiple regression on population characteristics.

The first two attitude scales lend themselves well to such analysis, because the questions are closely related. The first directs attention of the respondent to a specific tax focus and a specific

expenditure impact of the change in balance of state and local finance. The second attitude is more general and refers to recent history and approval of change that has already been incorporated into the tax structure. The intensity of positions expressed on both questions was probed through the use of two additional questions designed to determine whether a favorable attitude would be altered by negative consequences. It was thus possible to construct a scale based on four questions, using the redundancy in the questions and probes to reinforce the scale reading and adding the responses to reduce the impact of measurement error.² This is SCALE3.

Less depth of questioning was available to investigate the other attitudinal areas, but in each case information from at least two questions was combined to form a scale for analysis.

Parallel analysis was carried out on each of the four attitudinal scales: SCALE3, pertaining to the balance of state funding versus local funding; SCALE4, pertaining to disequilibrium in the level of taxes and services; TYINDEX, the attitude towards indexing the income tax; and TYPROG, the attitude towards progression in the income tax. Analyses were replicated for the knowledgeable and consistent taxpayers and the remaining sample.

The income level of the respondent was allowed to have a different effect for owners of homes than for renters, as special tax provisions are advantageous to homeowners, who are generally more aware of the property taxes that they pay. Higher-income owners should prefer higher property taxation to higher income taxation as a matter of self-interest.

²Separate analyses of the two major questions and their probes revealed completely parallel results, so that aggregation to the scale presented is

Conceptually it also appeared likely that the disequilibrium felt in the level of services received from local government is a determinant of attitudes towards state-financed local expenditures, but that the converse would not be true.

A number of demographic variables were investigated to determine their correlations with the scale variables. Sex and education of the respondent showed significant zero-order correlations; marital status, age, the presence of children in the household, and employment in a managerial or professional self-employed capacity did not. Thus the multiple regression model in Table 10.3 was estimated. Three findings stand out among the knowledgeable and consistent respondents:

1. Women favor state financing to a lesser degree than men.
2. Persons with more education tend to favor state financing to a greater extent than do persons with less education.
3. The predicted differences in the income response of homeowners and renters is present, with high-income homeowners less willing to see state financing and reductions in property taxes than low-income homeowners. No significant difference in attitudes of renters could be ascribed to income level.

One can argue that the last of these findings is an artifact of the political disequilibrium in which higher-income persons find them-

appropriate.

SCALE 3 is defined as follows:

1. The categories shown for A. and B. in Table 6 were assigned values from 10 (++) to 50 (--). NA's were excluded.
2. Responses to probes of position (++) or (+) were added to A. and B. as

Table 10.3

Regression Analysis of Attitude Towards Substituting
State Financing for Local Property Taxation-SCALE3

Explanatory Variable	Coefficient (t-ratio)	Coefficient (t-ratio)	Mean (standard deviation)
Sex of respondent (Male = 1; Female = 2)	6.11 (3.42)	5.40 (3.03)	1.487 (.5003)
Education of respondent ^a	-.191 (2.29)	-.198 (2.40)	26.11 (11.03)
Income class of renters (in \$1000's)	-.144 (1.04)	-.111 (0.79)	4.052 (7.582)
Income class of homeowners (in \$1000's)	+.195 (2.07)	.232 (2.29)	11.52 (11.63)
Scale 4--Attitude towards cuts in property taxes and local services	-- --	.232 (3.21)	33.98 (12.16)
Constant	70.47	63.48	76.24 (20.13)
\bar{R}^2	.044	.062	
F	6.81	7.61	
N	505	505	

^aEducational achievement is coded as follows:

- 00 None;
- 01-08 Elementary schooling only (highest grade level completed);
- 11 Ninth grade; 12 Tenth grade; 13 Eleventh grade;
- 21 High school graduate;
- 31 1 year college; 32 2 years college; 33 3 years college;
- 41 College graduate;
- 51 Post-graduate training; 52 MS or equivalent; 53 MD or equivalent;
- 61 Ph.D.

selves. They pay high taxes and do not value public services to the extent of their loss of disposable income. To test for this latter effect, the expressed desire to cut both services and taxes (SCALE4) was also included in the model. Each of the foregoing effects was maintained, and in addition the expressed attitude towards the scope of government significantly increased R^2 and operates in the expected direction.

While the multiple regression findings are not startling and leave a great deal that is not explained, they indicate some stability and logic in the relationships between expressed attitudes and characteristics of knowledgeable and consistent respondents. The same model applied to the uninformed or inconsistent group exhibits no statistical relationships between the attitudes on state financing and respondent characteristics.

Investigation of the two attitudes pertaining to the income tax revealed no relationships to demographic characteristics, save a negative correlation between age and sentiment in favor of progression. Relationships between the measures of attitudes about the income tax and the scales already studied were also lacking, as can be seen by the correlations in Table 10.4.

follows:

- 2 Affirmed positive attitude
 - 4 Depends on additional considerations
 - 5 Don't know, not ascertained
 - 6 Denied positive attitude
3. The two scales A. and B. were summed.

Table 10.4
 Correlation of Attitude Scales and Selected
 Demographic Variables

	SCALE4	TYPROG	TYINDEX	Age	Sex	Education	Income	
							Owners	Renters
A. Knowledgeable and Consistent Respondents, N = 435 ^a								
SCALE3	.156	-.076	-.007	.037	.149	-.101	+.101	-.129
SCALE4		-.046	.004	-.019	.136*	-.005	-.041	-.050
TYPROG			.026	-.106	.012	-.036	-.067	.034
TYINDEX				.030	.071	-.066	.023	-.062
B. Inconsistent or Uninformed, N = 258								
SCALE3	.003	-.041	.009	.037	-.049	.021	.132	-.061
SCALE4		-.002	-.058	.044	.041	-.165	-.202	-.128
TYPROG			-.043	.001	-.047	-.001	-.017	-.072
TYINDEX				.044	-.083	.005	-.017	-.034

^a Except for correlations of SCALE3 and SCALE4 to variables used in Table 10.3 where N = 505.

* Highly significant with $t = 2.6$

Appendix

SAMPLING REPORT FOR THE SURVEY OF CITIZEN ATTITUDES TOWARD TAXES

Charles Palit

Population of interest

The population of interest for this study consisted of all noninstitutionalized Wisconsin residents in the summer of 1978.

Methodology

Data were collected using telephone interviews with respondents in a cross-section sample of Wisconsin housing units with telephones. Respondents were selected from the sample housing units using a controlled selection procedure designed to balance the respondents by age and sex.

Sample Design for the Statewide Telephone Housing Unit Cross-Sectional Sample

To select this sample, we used a variant of a random-digit dialing scheme that reduced the number of nonworking telephone numbers selected. The sample essentially followed a multi-stage, disproportionate, stratified model.

For the first stage, a proportionate, stratified, random sample of blocks of 100 telephone numbers was selected from the universe of all possible telephone numbers. Central office codes (or exchange prefixes) were used as strata.¹ These sample blocks or clusters were then screened to determine whether or not

¹A telephone number consists of a three-digit area code designation, a three-digit central office code, and a four-digit number.

they contained any telephone numbers actually in use. Various procedures were used in this initial screening process: screening telephone directories, contact with telephone company personnel, and calls on a sample of three numbers from each block of numbers.

Results from this initial screening operation made it possible to divide the sample of blocks of numbers into two groups: (1) a group of sample blocks known to contain or have a high likelihood of containing working telephone numbers, and (2) the remaining sample of blocks, judged to have a relatively small chance of yielding working telephone numbers.

The master sample was assembled by taking all the "good" (high-yield) sample blocks of numbers and one sixth (selected at random) of the "bad" (low yield) blocks. For any given statewide survey, only a portion/subsample of the master sample is used. Once a number is used, it is discarded forever. One additional change was made to the master sample to incorporate the new information obtained from the field processing of subsamples of the master sample. This change was the creation of an additional group of blocks of numbers which we shall refer to as the "new good" group.

The "new good" group are those blocks of numbers, originally retained in the sample in the "bad" group, which at some subsequent survey yield a working telephone number. This could happen either because the initial screening was in error or because the telephone company controlling that central office code had recently begun to issue telephone numbers in that block to subscribers.

In summary, the master sample was divided into three groups (or intermediate strata): (1) a good group, (2) a new good group, and (3) a bad group. The good group fell into the sample with probability 1/1000, while

the new good group and the bad group were selected into the sample with probability $1/6000$.

As in any other statewide phone survey, this sample was selected from the Wisconsin Survey Research Laboratory's master sample without replacement. This minimizes the chance that the same household will fall into two independent surveys conducted by the Laboratory. In general and in this study, the subsampling rate is the same for the good and the bad groups. The new good group is subsampled at three times the rate used for the other two groups and survey results from this sample must be weighted. The relative weights were: good group 1, new good group 2, bad group 6.

Coverage Rates

For our purpose, we define the coverage rate as the percentage of the total population for which the sample results can speak authoritatively without relying on any assumptions. This definition takes into account both nonresponses and faults in the frame used to select the sample (i.e., the failure to cover housing units without phones). The estimated coverage rate for this sample is 76%, which is the estimated coverage rate for the entire state adult population, including persons in institutions and other group quarters. For this study, the sample was drawn primarily from persons residing in housing units (in general no attempt was made to sample persons in institutions). The estimated coverage rate for adults residing in Wisconsin housing units is, of course, higher than 76%.

The Statewide Telephone Sample

A total of 3232 phone numbers were generated for this state sample of housing units with telephones. Completed interviews were obtained from one

in 3.18 of these numbers--a good "hit" rate for a random-digit dialing sample. The total number of completed interviews was 1016. A total of 338 phone numbers might have yielded an interview, but did not. Sixty-nine of these numbers were never answered (i.e., the number, when dialed, produced a normal ringing tone but was never answered even though up to ten or more calls were made). Refusals accounted for 232 of the 338 numbers. The unweighted response rate is 75%.

Table A1 shows a breakdown of these response results by "good", "bad", and "new good" categories. The response rate for the "bad" stratum in this table is 55%. It is worth noting that 8 of the 9 nonresponse numbers in this stratum are from phones which are "never answered", we think it very likely that many of these numbers are not, in fact, attached to phones.

When these results are weighted to take into account the differential sampling rates used in the strata (good, bad, etc.), the weighted response rate is 74%. This drop is primarily the result of the low 55% response rate in the "bad" stratum. Since this is a conservative estimate of the stratum response rate, the actual, overall, weighted response rate for the study is probably higher. By way of further illustrating the conservativeness of this weighted response rate, we point out that over one fourth (27%) of the 26% nonresponse is accounted for by "never answered" numbers. Most of the remaining nonresponses (62%) are refusals. If all of the "never answered" phones were ineligible (this is probably not the case), then the response rate would move up approximately 5 points to 80%. In short, the true value for the weighted response rate could be anywhere between 74% and 80%. Additional details on the weighted response results are shown in Table A2. Care should be used in interpreting these numbers. For example, the 8606 "assigned" numbers constitute the number of phone

Table A1

STATEWIDE TELEPHONE UNWEIGHTED RESPONSE RESULTS

Stratum	Assign	Non- sample	Possible	Completed	Non- response	% Response Rate
Good	1,826	713	1113	838	275	75
Bad	992	972	20	11	9	55
New Good	414	193	221	167	54	76
Total	3,232	1,878	1,354	1,016	338	75

Table A2

STATEWIDE TELEPHONE WEIGHTED RESPONSE RESULTS

Stratum	Assign	Non- sample	Possible	Completed	Non- response	% Response Rate
Good	1,826	713	1,113	838	275	75
Bad	5,952	5,832	120	66	54	55
New Good	828	386	442	334	108	76
Total	8,606	6,931	1,675	1,238	437	74

numbers which would be necessary to yield a sample of 1238 completed interviews, if an equal-probability, random-digit dial sample had been used.

The number of completed interviews is 1016; this is the number of records which should be in the data set for this sample.

Because the probability of respondent selection is inversely proportional to the number of adult residents at a telephone address, data were weighted by that number in all tabulations, in addition to the weight given for stratum.

Citizen Attitudes Toward Taxes: Questionnaire

Before we begin, I want to assure you that all of the information you give us is confidential, and that none of it will be released in any way that would permit identification of you or your family. We don't even want to know your name. Your participation, of course, is voluntary.

1. We'll begin by asking about taxes and government services. First: considering the services that people in your community receive from local government, would you say that property taxes are very high, high, about right, low, or very low?

/Very high/ /High/ /Right/ /Low/ /Very low/ /Depends/ /Don't know/

2. Considering services provided by the state government, do you feel that the sales tax is very high, high, about right, low, or very low?

/Very high/ /High/ /Right/ /Low/ /Very low/ /Depends/ /Don't know/

3. Again considering services provided by the state, are Wisconsin's personal income taxes very high, high, about right, low, or very low?

/Very high/ /High/ /Right/ /Low/ /Very low/ /Depends/ /Don't know/

4. Which level of government do you feel is using your tax dollars most efficiently...the federal, state, or local governments?

/Federal/ /State/ /Local/ /None/ /Don't know/

5. Within your local government, what part is using your tax dollars most efficiently...your county government, your school board, or your local community government?

/County/ /School/ /Local/ /None/ /Don't know/

6. Turning to how you and your family pay your taxes...did you prepare and file your last state income tax return all by yourself, did you work with someone on it, or did someone else do the entire return?

/All by self/ /With someone/ /Someone else/ /Filed no return/
(TO Q 9) (TO Q 7) (TO Q 8)

- 6a. Why didn't you file a Wisconsin tax return for 1977? _____

(SKIP TO QUESTION 11, PAGE 3)

Interviewer: _____ Int. No.: _____

Date: _____ Time Started: _____

'WITH SOMEONE' TO Q 6

7. Did you pay someone to help make out your last Wisconsin income tax return?

/Yes/

/No/
(TO Q 9)



7a. About how much were you charged for help in preparing your last return?

\$ _____
(TO Q 9)

/Don't know/
(TO Q 9)

"SOMEONE ELSE" TO Q 6

8. Did you pay someone to make out your last Wisconsin income tax return?

/Yes/

/No/
(TO Q 11)



8a. About how much were you charged for preparing your last return?

\$ _____
(TO Q 11)

/Don't know/
(TO Q 11)

SELF OR WITH SOMEONE

9. Would you say it is very difficult, difficult, rather easy, or very easy to complete the Wisconsin income tax form?

/Very difficult/

/Difficult/

/Easy/

/Very easy/

/Don't know/

10. How important do you feel it is to simplify the preparation of Wisconsin's income tax forms...is this very important, important, unimportant, or very unimportant?

/Very important/

/Important/

/Unimportant/
(TO Q 11)

/Very unimportant/
(TO Q 11)

/Don't know/
(TO Q 11)



10a. What specific suggestions do you have for making the Wisconsin tax form easier to fill out?

/None/, or _____

10b. Would you favor making the form more simple even if it means losing some of the deductions you might claim?

/Yes/

/Depends/

/No/

/Don't know/

16. Some say that the income tax would be fairer if the money employers pay for such things as medical insurance and life insurance were included as taxable income for each employee. Others disagree. Do you think this money should or should not be counted as income earned by the worker?

/Should/ /Should not/ /Depends/ /Don't know/

17. Michigan's income tax forms do not use standard or itemized deductions against income. Instead their gross income is taxed. Taxpayers with large amounts of itemized deductions would pay more, others would pay less. Which way do you prefer...Michigan's or Wisconsin's?

/Michigan/ /Wisconsin/ /No preference/ /Depends/ /Don't know/

18. Some people favor a single rate of tax on all income. Others prefer a system in which people with higher incomes pay a higher rate of tax. Which do you prefer for Wisconsin?

/Single rate/ /Higher incomes pay higher rates/ /Don't know/

19. In recent years, inflation has pushed a lot of people into higher income tax brackets without increasing their purchasing power. Do you strongly favor, favor, oppose, or strongly oppose changes in the law to make income taxes depend on purchasing power?

/Strongly favor/ /Favor/ /Oppose/ /Strongly oppose/ /Depends/ /Don't know/

20. Which type of tax change should have highest priority...making taxes simpler, making taxes more fair, or making taxes depend on purchasing power?

/Simpler/ /Fair/ /Depend on purchasing power/ /Depends/ /Don't know/

21. Turning to the property tax...do you either own or are you buying your home, are you renting, or what?

/Own/ /Buying/ /Rent/ Other (SPECIFY): _____
(SKIP TO QUESTION 28, PAGE 6)

21a. Did you pay your 1977 property taxes as part of the mortgage payment?

/Yes/ /No/
(TO Q 21d)

21b. Did you pay your 1977 property taxes in one payment, in two installments, or what?

/One paym't/ /Two installments/ Other: _____

26. To what extent do you agree or disagree with this statement: "Property tax assessment in your community is done fairly and accurately." Do you strongly agree, agree, disagree, or strongly disagree?

/Strongly/ /Agree/ /Disagree/ /Strongly/ /Depends/ /Don't know/
/agree/ /disagree/

27. In addition to everything we've talked about, what other aspects of the property tax are a real problem for you and your family?

/Nothing/, or _____

ALL RESPONDENTS

28. The state makes payments on its tax-exempt property to local governments for services like fire and police protection. For each of the following types of tax-exempt properties, please tell me if you feel each should or should not be required to make such payments.

A. Churches? /Should/ /Should not/ /Depends/ /Don't know/

B. Fraternal organizations...lodges like the Elks, Moose, and so on?

/Should/ /Should not/ /Depends/ /Don't know/

C. Hospitals? /Should/ /Should not/ /Depends/ /Don't know/

29. Occasionally you will hear about older people who are having trouble paying property taxes on their homes out of a retirement income. Do you feel this happens a lot, to some degree, or quite rarely?

/Lot/ /Some degree/ /Rarely/ /Don't know/

30. When it does happen, do you think these older people should move to a less expensive house, take out a mortgage, or what?

/Less/ /Mortgage/ Other: _____ /Don't/
/expensive/ /know/

31. Wisconsin has a homestead credit program. This program allows families currently with total incomes of \$9,300 or less to get a refund of a part of their property taxes, or rent paid. Have you heard anything about this program?

/Yes/ /No/ /Don't know/

37. Some people feel that Wisconsin should make more use of "user" charges. This would reduce the taxes now paid by all residents of Wisconsin. Others disagree. Would you strongly favor, favor, oppose, or strongly oppose increased user fees for recreation--for park permits, fishing licenses, boat licenses, etc.?

/Strongly/ /Favor/ /Oppose/ /Strongly/ /Depends/ /Don't know/
/ favor / / oppose /

38. Would you strongly favor, favor, oppose, or strongly oppose user fees for sanitation--for garbage and street sweeping?

/Strongly/ /Favor/ /Oppose/ /Strongly/ /Depends/ /Don't know/
/ favor / / oppose /

39. Would you strongly favor, favor, oppose, or strongly oppose additional license and fuel taxes to cover the costs associated with using trucks and automobiles?

/Strongly/ /Favor/ /Oppose/ /Strongly/ /Depends/ /Don't know/
/ favor / / oppose /

40. What other governmental services--if any--do you feel should be financed with user charges or higher user charges than now?

/None/ /Don't know/, or _____

41. When the State of Wisconsin collects more tax money than it has budgeted to spend, would you prefer that this money be used to supply better state services, returned to help local governments reduce property taxes, or that the money be repaid directly to the taxpayer, or what?

/Services/ /Returned/ /Repaid/ /Don't/ Other: _____
/locally/ /directly/ /know/ (SPECIFY)

42. The Wisconsin Legislature has made an effort to reduce property taxes by shifting some of this tax burden from the local level to the state. Are you familiar with any of the things the state has done in this regard?

/Yes/ /Depends/ /No/ /Don't know/
↓ ↓ (TO Q 43) (TO Q 43)

42a. What do you remember being done by the state? _____

54. As I indicated before the interview started, this survey is sponsored by the State's Tax Reform Commission. In addition to what you've told me, what other ideas about state and local taxes--if any--would you like the commission to consider?

None, or _____

55. Only a few background questions remain...first, what is your present age?

_____ (AGE)

56. What is the highest grade of school or year of college you finished?

_____ (GRADE OF SCHOOL), OR _____ (YEAR OF COLLEGE)
(TO Q 57)



56a. What is the highest college degree--if any--you earned?

None, or _____ (DEGREE)

57. How many children under 18 years of age live there? _____ (#)

58. Including yourself, how many persons 18 or older live there? _____ (#)

59. How many years have you lived in Wisconsin? All life, or _____ (# YEARS)

60. What is the name of the city, village, or town or township in which you now live?

_____, _____, _____
(CITY) (VILLAGE) (TOWN OR TOWNSHIP)

61. How many years have you lived in this place? All life, or _____ (# YEARS)

62. In what county do you live? _____ (COUNTY)

63. What is your occupation?

Not employed /, or _____ (JOB TITLE)
(TO Q 64)

63a. Do you work for someone else as an employee, are you self-employed, or what?

Employee / Self-employed / Other (SPECIFY): _____

64. Are you married, separated, widowed, divorced, or have you never married?

Married / Separated / Widowed / Divorced / Never married /
(TO Q 65) (TO Q 65) (TO Q 65) (TO Q 65) (TO Q 65)

64a. What is your spouse's occupation?

Not employed /, or _____ (JOB TITLE)
(TO Q 64c)

64b. Does (he/she) work for someone else as an employee, is (he/she) self-employed, or what?

Employee / Self-employed / Other (SPECIFY): _____

64c. About what percentage of your total 1977 family income was provided by your spouse?

_____ (%)

65. In 1977, was your total family income less than \$6,000; between 6 to \$9,000; 9 to \$12,000; 12 to \$15,000; 15 to \$18,000; 18 to \$21,000; 21 to \$25,000; 25 to \$40,000; or over \$40,000?

Less than / \$6,000- / \$9,000- / \$12,000- / \$15,000- /
\$6,000 / \$8,999 / \$11,999 / \$14,999 / \$17,999 /

\$18,000- / \$21,000- / \$25,000- / \$40,000 or /
\$20,999 / \$24,999 / \$39,999 / over /

***** TERMINATE *****

Time Interview Ended: _____

Sex of Respondent: Male / Female

COMMENTS: _____

