

To: Interested Parties

From: The Winston Group

Re: Key Findings from New Survey for S Corporation Association

This document is a brief summary of findings from a national survey for the S Corporation Association, conducted June 30-July 3 of 1,000 registered voters.

Outlook on Business Environment

From the research, the electorate underestimates the level of taxes entities are paying, including the wealthy and corporations.

	The Rate The Electorate Believes Entities Are Paying	The Maximum Rate the Electorate Believes Entities Should Be Paying
Public corporations	18.74%	24.18%
Wealthy individuals	19.21%	29.38%
Individually and family-owned businesses	21.40%	17.32%
Small businesses	21.53%	16.77%

- In terms of what the electorate thinks entities are paying, they believe wealthy individuals pay 19.21%; that small business pay 21.53%; that public corporations pay 18.74%; and individually and family-owned businesses pay 21.4%.
- However in terms of what voters think they should be paying, the wealthy should be paying 29.38%; small business should be paying 16.77%; public corporations should be paying 24.18%; and individually and family-owned businesses should be paying 17.32%.
- Of the four entities on the list, voters thought corporations and wealthy should be paying more, albeit still considerably lesser rates than they actually pay, and that small businesses and individually/family owned should be paying less. Views about the wealthy reflect some level of belief that corporations and wealthy individuals are not paying their fair share of taxes (53-25 believe-do not believe).
- The electorate also clearly believes that the level of taxes on businesses makes it difficult for average Americans to start their own businesses (63-19 believe-do not believe) with the same outlook on government regulations making it difficult to start a businesses (62-21).
- By 2:1, voters do not believe that the federal government understands the needs and challenges of individual and family owned businesses (28-55).

Impact of Tax Increase Proposals

- Two-thirds of the electorate believes if companies have to pay more in taxes, costs will be passed on to consumers in higher prices (65-20 believe-do not believe). Relevant to current concerns about inflation, voters believe that raising business taxes will increase prices (63%) rather than decrease (9%) or have no impact (11%).

- There is belief that if a business has to pay more in taxes, it will not be able to raise wages for its employees (47-33).

Outlook on Tax Proposals

- Voters overwhelmingly agree it is unfair to tax the same business net income twice (79-8 agree-disagree).
- There is some belief in the concept that corporations and the wealthy are not paying their fair share (53-25). There is some belief across party even among Republicans (47-34) and independents (46-26), not just Democrats (64-17). However it is important to note that the electorate significantly underestimates what entities and high income individuals are currently paying in taxes.
- There is not a solid base of support for many of the tax increases being proposed. In the survey we asked voters about specific tax proposals. The proposal with the most support was raising the corporate tax rate from 21% to 28% (51-34 favor-oppose). There was also openness to increasing the capital gains rate from 23.8% to 43.4% on gains over \$1 million (44-36), and also eliminating the 20% qualified business income deduction for individually and family business owners making more than \$200,000 (41-35). These proposals were well short of a majority of support. There was slight opposition to raising the top tax rate to 39.6% (40-43).

Favor-Oppose	Initial	Knowing it would apply to individually and family owned businesses and farms
Raising the top individual tax rate from 37% to 39.6%	40-43	34-48
Eliminate the 20% qualified business income deduction for individual and family business owners making more than \$200,000 (\$400,000 if filing jointly)	41-35	39-36
Increasing the capital gains rate from 23.8% to 43.4% on gains of over \$1 million	44-36	37-45

- After hearing that these proposals would apply to individually and family-owned businesses and farms, support decreased for the three relevant proposals. Raising taxes on the top rate went from -3 favor-oppose initially to -14; eliminating the qualified business deduction went from +6 to +3; increasing the capital gains rate went from +8 to -8.

Views About Generational Wealth

- In terms of attitudes about the rich being able to pass on wealth to children, two-thirds of voters believe they should be able to pass it on (65%) versus only being able to pass on a limited amount (24%).
- Similarly, voters believe that if you own a business that you should be able to pass on your business to your children without the children having to pay a tax on the appreciated value of the company until they sell it (66%) rather than the children having to pay tax on the appreciated value of the company before they sell it (20%).

- Voters overall did not think it would be fair that the children and heirs of a business owner would have to borrow \$2 million to pay the federal and state capital gains taxes to keep the business, valued at \$5 million, left to them (26-60 fair-not fair).
- Voters opposed the idea of estates being subject to two layers of tax, the 43.4% capital gains tax on the estate's appreciated assets and then the 40% estate tax for the remainder of the estate (25-59 favor-oppose).
- As to the impact of adding the capital gains tax on businesses whose value increased over time, in addition to the current estate tax, over 50% believed that this would result in family business owners being forced to sell their businesses rather than pass them on to their children (57-21).

Conclusion

- Across party, there is a solid level of belief that we need to do everything we can to help businesses and individuals get back on their feet so they can get Americans back to work to keep the economy moving in the right direction (63-17 believe-do not believe). Seven in ten Republicans believe this (69-15) as well as 60% of independents (60-15) and 60% of Democrats (60-21).