



Widespread misperceptions about state's income, sales, and gasoline tax rates

Most want to use any recurring surplus for spending increases in combination with tax cuts



The second in a series of six reports from the 2019 Louisiana Survey, a project of the Reilly Center for Media & Public Affairs

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Reilly Center for Media & Public Affairs

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About the Louisiana Survey

The *2019 Louisiana Survey* is the eighteenth in an annual series sponsored by the Reilly Center for Media & Public Affairs at Louisiana State University's Manship School of Mass Communication.

The mission of the *Louisiana Survey* is to establish benchmarks as well as to capture change in residents' assessments of state government services. The survey is further dedicated to tracking public opinion on the contemporary policy issues that face the state. Each iteration of the *Louisiana Survey* contains core items designed to serve as barometers of public sentiment, including assessments of whether the state is heading in the right direction or wrong direction, perceptions about the most important problems facing the state, as well as evaluations of public revenue sources and spending priorities.

In the *2019 Louisiana Survey*, this core is supplemented by measures of support for compromise; support for increases in teacher pay, the minimum wage, and the gasoline tax; approval of major recent policy developments such as criminal justice reform and Medicaid expansion; and attitudes toward a number of social issues such as gun policy, marijuana legalization, and sports gambling.

As part of an effort to ensure that the *Louisiana Survey* fulfills its public service mission, the research team solicited input about topics for the survey from members of the government and policy community across the political spectrum. Additionally, the research team drew upon expertise in public policy and polling from Louisiana State University faculty. These advisors provided invaluable insight into the design of the questionnaire and in identifying the contemporary policy questions that could most benefit from an understanding of the public's views. While we are indebted to them for their time and contributions, they bear no responsibility for final decisions on the questionnaire, analysis, and interpretation presented in this report or any mistakes therein.

We especially thank the Reilly Family Foundation for their generous support and vision in helping to create the Louisiana Survey.

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Summary

This is the second of six reports from the *2019 Louisiana Survey*, a project of the Reilly Center for Media & Public Affairs at Louisiana State University's Manship School of Mass Communication. This report includes results from questions asking Louisiana residents about state fiscal issues. These results include:

- Substantial numbers of state residents *incorrectly* believe that Louisiana has increased its tax rates on individual and household incomes in recent years – 46 percent say these tax rates are higher than they were four years ago, and 32 percent say they are higher than one year ago.
- Sixty percent of Louisiana residents *correctly* say that the state sales tax rate is higher than four years ago. However, 40 percent *incorrectly* believe that the state sales tax rate is higher than one year ago.
- Today, 49 percent think the state's sales tax is too high, up from 32 percent in early 2016. Likewise, the share of people who say the state's income tax is too high is 15 percentage points higher than in 2016 (40 percent versus 25 percent).
- Approximately two-thirds (65 percent) prefer a mixed approach of increased spending and tax reductions if it looks like tax revenue will exceed the amount needed for the state to pay for current expenditures. Nearly one-fourth (23 percent) favor solely increasing spending. Just eight percent only want tax cuts. Taken together, 88 percent of state residents want some degree of spending increases and 73 percent want some degree of tax reduction if there are recurring revenues in excess of current expenditures.
- Two-thirds (67 percent) of Louisiana residents support a five cent per gallon increase to the state's gasoline tax, but only 46 percent back a 20 cent per gallon increase.
- Louisianans split nearly evenly between those who believe the combined state and federal gasoline tax is less than it actually is (31 percent), those who believe the tax is more than it actually is (34 percent), and those who do not know enough to guess (35 percent). The average response among those who offered a guess was 79 cents per gallon, more than twice the actual rate of 38.5 cents per gallon.

State Finance

Many residents incorrectly believe state income tax rates have increased in recent years

Louisiana lawmakers raised the state's sales tax rate in 2016. Then, in 2019, lawmakers rolled back a portion of this increase, leaving the rate higher than it had been in 2015 but slightly lower than it was from 2016 to 2018. In contrast, lawmakers made no changes to the state's personal income tax rates during this period. Although the amount of state income tax people pay may fluctuate from one year to the next because of shifts in their income or changes to the federal income tax code, the state personal income tax rates have not changed in recent years. Yet, substantial numbers of state residents believe that Louisiana has increased its tax rates on individual and household incomes in recent years. We randomly assigned a portion of participants to a question asking whether these tax rates are higher, lower, or about the same as what they were four years ago. We asked the remaining participants a similar question about how these tax rates compare to one year ago.

Nearly half of participants (46 percent) *incorrectly* believe the state's individual and household income tax rates are higher than they were four years ago. In contrast, only 34 percent correctly answered that these tax rates are about the same as they were four years ago.

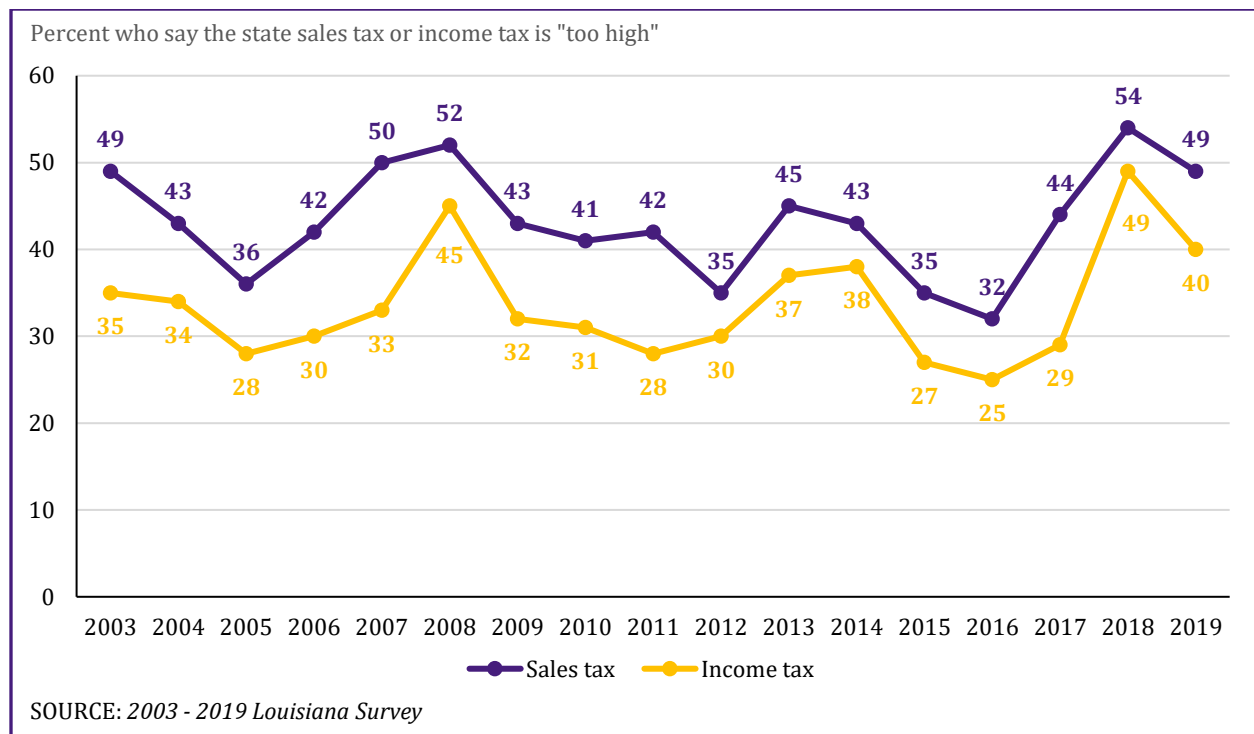
Fewer Louisiana residents are mistaken about how state tax rates on individual and household incomes compare to one year ago, but a noticeable portion (32 percent) still believe they increased during this period.

Louisianans' perceptions of state tax rates are most accurate when considering how the sales tax compares to four years ago. Sixty percent of Louisiana residents *correctly* say that the state sales tax is higher than four years ago. However, 40 percent *incorrectly* believe that the state sales tax rate is higher than one year ago.

These misperceptions may play a role in the recent spike in anti-tax attitudes in Louisiana. The percentage of Louisiana residents who say the state income tax is too high and the percentage who say the state sales tax is too high both rose steadily from 2016 to 2018 (figure 1). Both of these percentages fell in the past year, but they remain significantly higher than in 2016. Today, 49 percent think the state's sales tax is too high, up from 32 percent in early 2016. Likewise, the share of people who say the state's income tax is too high is 15 percentage points higher than in 2016 (40 percent versus 25 percent).

People who believe these tax rates have increased in recent years are more likely to say that taxes are too high. For example, 62 percent of participants who incorrectly believe state individual and household income tax rates are higher today than one year or four years ago also say that the tax is too high. This percentage drops to 27 percent among those who do not believe the state's individual and household income tax rates have increased. However, these data do not reveal whether opinions about tax policy are rooted in misperceptions about recent history or people simply mold their views of the facts to conform to their opinions.

Figure 1: Evaluating whether state sales and income taxes are “too high,” 2003-2019



Most support using recurring excess revenue for spending increases in combination with tax cuts

We asked participants what they think the state should do if it looks like taxes will bring in more money than the state needs to pay for current budgeted expenditures. Specifically, we asked whether the state should reduce taxes to only what is needed for current spending levels, increase spending, or do a combination of both.

Approximately two-thirds (65 percent) prefer a mixed approach of increased spending and tax reductions. Nearly one-fourth (23 percent) favor solely increasing spending. Just eight percent only want tax cuts. Taken

together, 88 percent of state residents want some degree of spending increases and 73 percent want some degree of tax reduction if there are recurring revenues in excess of current expenditures.

When prompted with a follow up, participants who want a combination of both spending increases and tax reductions tend to support focusing mostly on tax reductions. In fact, about half of state residents (48 percent) prefer a combined approach that focuses more on tax reduction than spending increases. Just 13 percent want a combined approach that focuses more on spending increases than tax reduction. In other words, 56 percent prefer focusing only or mostly on tax reduction, while 36 percent prefer focusing only or mostly on spending increases.

Support for gas tax increase depends on amount

We randomly assigned one group of participants to a question asking the respondent supported or opposed a five-cent per gallon increase to the state's gasoline tax and another group to a question asking about a 20 cent per gallon increase. Two-thirds (67 percent) of participants in the former group support a five cent per gallon increase, but only 46 percent of the latter group back a 20 cent per gallon increase.

Widespread misperceptions about gasoline tax, but correction does not boost support for hike

We also asked participants to name the current combined federal and state tax on gasoline. Participants split nearly evenly between those who believe the tax is less than it actually is (31 percent), those who believe the tax is more than it actually is (34 percent), and those who do not know enough to guess (35 percent). The average response among participants who offered a guess was 79 cents per gallon, more than twice the actual rate of 38.5 cents per gallon.

To determine if these misperceptions of the current state and federal gasoline tax

contribute to respondents opinions regarding a tax increase, we randomly selected a group of participants to whom we told the existing tax rate. Specifically, we told these participants, "Currently, the combined state and federal tax on gasoline in Louisiana is about thirty-eight and a half cents per gallon," before asking them whether they support or oppose an increase to the state gas tax.

The effect of this information on opinions about raising the tax is mixed. Telling people the actual tax rate *decreases* support for a five cent per gallon tax increase, which drops from 67 percent to 61 percent. However, there is no statistically significant effect on support for a 20 cent per gallon increase.

Furthermore, the effect of informing people about the current tax rate is asymmetric. On one hand, providing information about the actual gasoline tax rate to people who think it is higher than it is – in other words, telling them they are actually paying less than they think – does not change opinions about an increase. On the other hand, telling the actual gasoline tax rate to people who think it is lower than what it is – in other words, telling them they are currently paying more than they think – depresses support. Support drops 13 percentage points when these individuals learn the actual tax rate.

Survey Methodology

The analysis in this report is based on telephone interviews conducted among a statewide sample of 917 adults (18 years of age or older) living in Louisiana. The survey was conducted by interviewers at Louisiana State University's Public Policy Research Lab. The sample includes 385 respondents interviewed via landline telephone and 532 respondents interviewed on a cellphone, including 365 who do not have a landline telephone. Interviews for this survey were conducted from February 7 to March 15, 2019.

Approximately three-fourths of the sample (76 percent) was stratified across parishes proportional to their adult population to ensure geographic representation across the state. The remaining 24 percent of the sample was drawn statewide. For both the parish and statewide samples, the design of the landline samples ensures representation of both listed and unlisted numbers by use of random digit dialing. Similarly, the cell phone samples are randomly drawn from known, available phone number banks dedicated to wireless service. Both samples, landline and cellphone, were provided by Marketing Systems Group.

The combined landline and cell phone sample is weighted using an iterative procedure that matches race, education, household income, gender, and age to known profiles for the adult population of Louisiana found in the Census Bureau's American Community Survey 2017 one-year estimates. Weighting cannot eliminate every source of nonresponse bias. However, proper administration of random sampling combined with accepted weighting techniques has a strong record of yielding unbiased results.

The sample has an overall margin of error of +/- 4.6 percentage points. The margin of error includes adjustment due to the weighting procedure. The design effect due to weighting is 1.4 percentage points; that is, the margin of error is 1.4 percentage points larger than it would be for a simple random sample of this size without weighting.

In addition to sampling error, as accounted for through the margin of error, readers should recognize that question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of opinion polls. As often as possible, the *Louisiana Survey* follows the wording of relevant questions repeatedly used by reputable public opinion research institutions and projects, such as the Pew Research Center, Gallup Inc., and the American National Election Studies.

The *2019 Louisiana Survey* has a response rate of six percent. This response rate is the percentage of eligible residential households or personal cell phones in the sample for which an interview is completed. The rate is calculated using the American Association for Public Opinion Research's method for Response Rate 3 as published in their Standard Definitions. Response rates for telephones have been on decline for several decades and frequently fall in the single digits even among the very best survey research organizations.

Louisiana State University's Public Policy Research Lab, a division of the Reilly Center for Media & Public Affairs, designed the survey questionnaire and sampling strategy, computed the survey weights, and conducted all statistical analysis.

Question Wording and Toplines

Unless otherwise indicated, results are for the total sample. Not all respondents were asked each question, and questions asked to a subset of respondents are labelled accordingly. For these questions, percentages are only for those respondents who were asked the particular question. Percentages may not sum to 100 due to rounding.

Q1a. [PARTICIPANTS RANDOMLY ASSIGNED EITHER TO VERSION A OR TO VERSION B.]

Thinking about state income taxes on individuals and households, would you say these income tax rates are higher, lower, or about the same as what they were four years ago?

Higher	46
Lower	13
About the same	34
Don't know/Refused [VOL.]	7

Q1b. [PARTICIPANTS RANDOMLY ASSIGNED EITHER TO VERSION A OR TO VERSION B.]

Thinking about state income taxes on individuals and households, would you say these income tax rates are higher, lower, or about the same as what they were one year ago?

Higher	32
Lower	10
About the same	46
Don't know/Refused [VOL.]	12

Q2.

Would you say that state income taxes on individuals and households are too high, too low, or just about right?

Too high	40
Too low	12
Just about right	42
Don't know/Refused [VOL.]	6

Q3a. [PARTICIPANTS ASKED VERSION A IF ALSO ASKED Q1a.]

Thinking about the state sales tax, would you say the state sales tax rate is higher, lower, or about the same as what it was four years ago?

Higher	60
Lower	2
About the same	35
Don't know/Refused [VOL.]	2

Q3b. [PARTICIPANTS ASKED VERSION B IF ALSO ASKED Q1b.]

Thinking about the state sales tax, would you say the state sales tax rate is higher, lower, or about the same as what it was one year ago?

Higher	40
Lower	3
About the same	50
Don't know/Refused [VOL.]	7

Q4.

Would you say that the state sales tax is are too high, too low, or just about right?

Too high.....	49
Too low	4
Just about right	45
Don't know/Refused [VOL.]	3

Q5. [ORDER OF FIRST TWO OPTIONS RANDOMIZED.]

Looking ahead to the state budget for next year, what should state government do if it looks like taxes will bring in more money than the state needs to pay for the costs of the things it currently does? Should they reduce taxes to only what is needed for current spending levels? Or, should they increase spending on the things state government does, such as funding for education, health care, roads and other services? Or, should they do a combination of both?

Reduce taxes	8
Increase spending.....	23
Combination of both.....	65
Don't know/Refused [VOL.]	3

Q6. [ASK ONLY TO PARTICIPANTS WHO ANSWERED "Combination of both" TO Q5. ORDER OF OPTIONS RANDOMIZED.]

If both reducing taxes and increasing spending are being considered should the focus be mostly on reducing taxes or mostly on increasing spending?

Mostly on reducing taxes.....	74
Mostly on increasing spending	20
Don't know/Refused [VOL.]	6

DERIVED. Q5 & Q6 COMBINED.

Reduce taxes	8
Increase spending.....	23
Combination, mostly reducing taxes	48
Combination, mostly increasing spending. 13	
Combination, Q6 Don't know/Ref. [VOL.]... 4	
Q5 Don't know/Refused [VOL.]	3

Q7.

Based on your best guess, what is the combined federal and state tax on gasoline that people pay in Louisiana per gallon? [IF RESPONDENT SAYS 'don't know,' PROBE ONCE: Just your best guess is fine.]?

VERBATIM RESPONSE RECORDED

Q8a. [PARTICIPANTS RANDOMLY ASSIGNED TO VERSION A, B, C OR D.]

Do you support or oppose increasing the state tax on gasoline by 5 cents per gallon if the money is dedicated to improving highways, bridges, and other infrastructure?

Support	67
Oppose.....	30
Don't know/Refused [VOL.]	3

Q8b. [PARTICIPANTS RANDOMLY ASSIGNED TO VERSION A, B, C OR D.]

Do you support or oppose increasing the state tax on gasoline by 20 cents per gallon if the money is dedicated to improving highways, bridges, and other infrastructure?

Support	46
Oppose.....	51
Don't know/Refused [VOL.]	2

Q8c. [PARTICIPANTS RANDOMLY ASSIGNED TO VERSION A, B, C OR D.]

Currently, the combined state and federal tax on gasoline in Louisiana is about thirty-eight and a half cents per gallon. Do you support or oppose increasing the state tax on gasoline by 5 cents per gallon if the money is dedicated to improving highways, bridges, and other infrastructure?

Support	61
Oppose.....	38
Don't know/Refused [VOL.]	1

Q8d. [PARTICIPANTS RANDOMLY ASSIGNED TO VERSION A, B, C OR D.]

Currently, the combined state and federal tax on gasoline in Louisiana is about thirty-eight and a half cents per gallon. Do you support or oppose increasing the state tax on gasoline by 20 cents per gallon if the money is dedicated to improving highways, bridges, and other infrastructure?

Support	48
Oppose.....	50
Don't know/Refused [VOL.]	2