FISCAL RESEARCH CENTER

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April 2005, Number 105

What Georgians are Thinking about Taxes III

The Fiscal Research Center sponsored telephone surveys of Georgians in the spring of 2003 and the fall of 2004 to take the pulse of public opinion on a variety of fiscal issues. This policy brief is the third in a series that summarizes some of the attitudes of Georgians on a select number of fiscal issues in both 2003 and 2004.

Overview of the Survey

The surveys asked a number of questions about specific revenue and expenditure issues. They also asked questions regarding perceived tax burdens on a typical Georgia family as well as tax fairness. The questions of interest for this brief were only asked on the 2004 survey. The first question asked the respondent to estimate the amount of income tax a typical Georgia family paid. The second asked what a typical Georgia family paid annually in state sales tax. The results of the survey indicate that Georgian's estimates of what the typical family pays in state sales and income tax are quite far off the mark. First, over 20 percent of respondents volunteered that they didn't know what amount was paid for either tax rather than pick from a group of five possible ranges. Second, the estimates for sales and income taxes for those choosing some level of tax in the survey are overstated. Overall, the survey results point to a general lack of knowledge about actual tax burdens on the population.

Results

Georgians gave a wide range of answers when asked what they felt the typical Georgia family paid annually in state sales and income tax. However the most common response was that they didn't know. These results were not associated with income or education.[1] However they did vary by the order of the answers as read by the surveyor.

The results of the survey suggest that Georgians do not know the sales and income tax burden on the average family. The primary evidence supporting this is that roughly 22 percent of respondents volunteered that they didn't know what the typical Georgia family paid in sales tax or income tax. This was the most common response even though it was not offered as a choice in the survey.

Additional evidence of respondents lack of knowledge is garnered through the surveyors attempt to control for potential framing bias. Framing bias occurs when the form or order of the question or answers influence the response rate in a survey. To control for possible framing bias, the sample was split in half. For each question one group of respondents was read the answer ranges from highest to lowest, descending order. The other half was read the answer ranges from lowest to highest, ascending order. When asked in ascending order roughly 18 percent of people believed

the typical family paid less than $1,000 annually in sales tax. (The actual level of sales tax paid by the median household is approximately $1,300 based on a median income for a family of four of $60,000.) When asked in descending order only 9 percent believed the typical family paid less than $1,000 in sales tax annually.[2]

This pattern is reversed for higher ranges of sales tax. Only 12 percent of respondents believed the typical Georgian family paid more than $3,000 in sales tax when asked in ascending order, while 21 percent believed that to be the case when asked in descending order. There was no statistically significant difference in the percentage who volunteered that they didn't know what the typical family paid in annual state sales tax based on the order of the answer ranges. The above evidence suggests that respondents do not know the actual range of sales tax paid.

The differences in income tax responses depending on the order of the ranges presented were not as dramatic as those for the sales tax. The actual income tax liability for a family of four with $60,000 of income is approximately $2,300. People were more likely to choose lower levels of income tax when the lower number ranges were mentioned first and more likely to pick higher values when higher ranges were mentioned first. Again there was no difference in the number of people who volunteered that they didn't know what the typical family paid in income tax.

When the split samples are aggregated the distribution of answers is fairly uniform with a low variance across ranges. In addition this distribution seems to be about the same for both sales and income tax. For only two ranges were the percentages statistically different for the amount respondents selected for sales tax paid by the typical family compared to the amount of income tax paid by the typical family. However the actual income tax burden on the typical family is nearly twice that of the sales tax. The graph below illustrates the similarity in response ranges for sales tax and income tax. Responses for the two ranges with asterisks are statistically different from each other.

The confusion in response to these questions regarding actual taxes paid may be attributed to several factors. First respondents may have very different views of what is a "typical" family. Second there could be confusion over the rate of state sales tax. If respondents assumed that what the pay in total sales tax all goes to the state that could explain some of the inflated numbers. (The state sales tax rate is 4 percent.) A similar problem could exist with income tax. Perhaps some of the respondents are lumping together state and federal income taxes.

Even taking these alternative explanations into account, there is still great uncertainty as to the tax burden in Georgia. This result is supported by the effect the order of the answer ranges had on the responses, as well as by the comparison of distributions of people who choose a response range. Thus it would appear that most respondents have little actual knowledge of the sales and income tax burdens in Georgia.

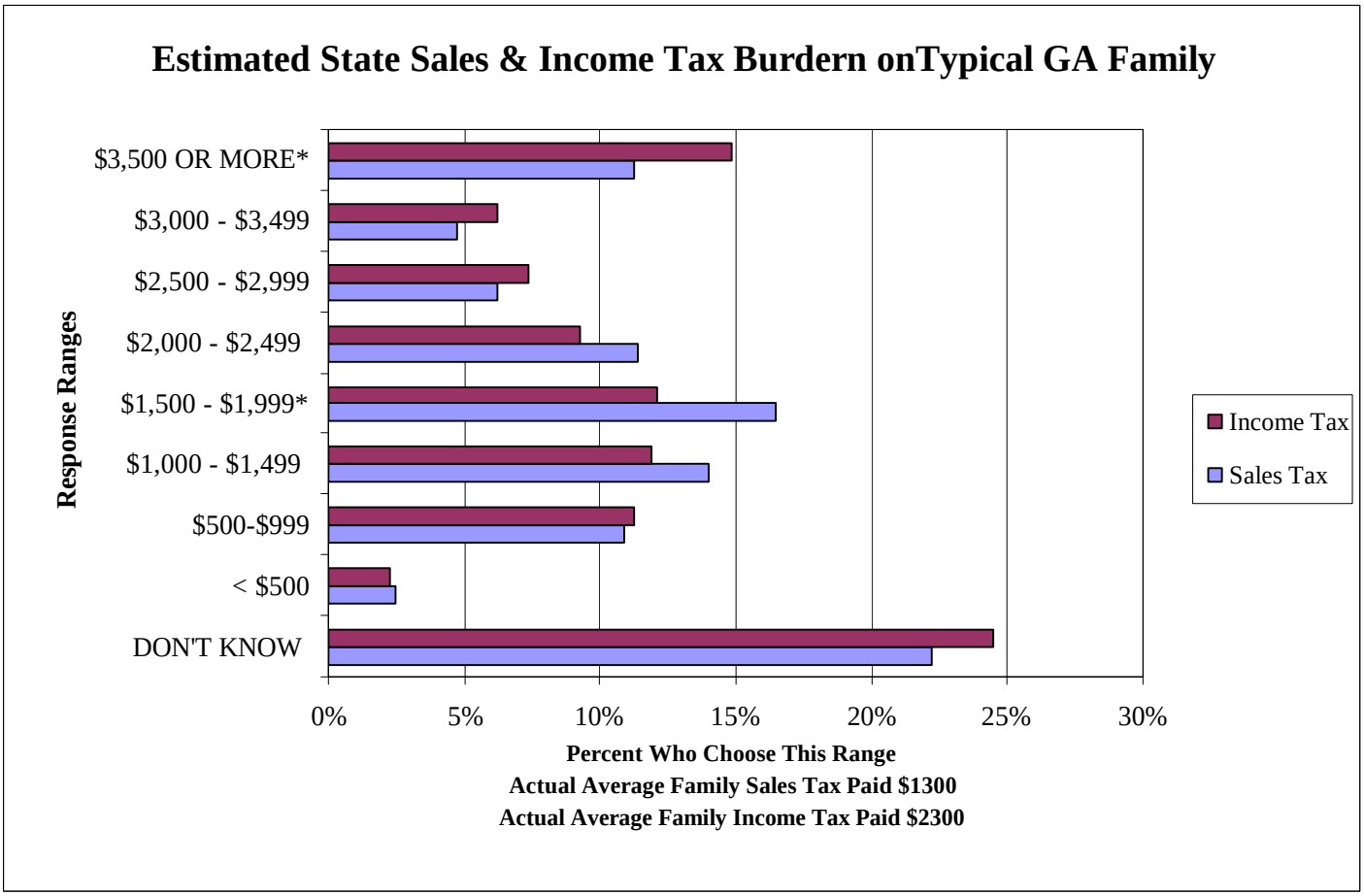
NOTES

1 Data was collected on respondents' income and education level. There were no statistically significant differences in responses at the 95 percent level for any of the different income groups or education attainment levels.

2 All reported percentages are statistically significantly different from each other at the 95 percent level.

ABOUT THE AUTHORS

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Estimated State Sales & Income Tax Burdern onTypical GA Family
$3,500 OR MORE*
$3,000 - $3,499
$2,500 - $2,999
$2,000 - $2,499
$1,500 - $1,999*
$1,000 - $1,499
$500-$999
< $500
DON'T KNOW
Response Ranges
0%
5%
10%
15%
20%
25%
30%
Income Tax
Sales Tax
Percent Who Choose This Range
Actual Average Family Sales Tax Paid $1300
Actual Average Family Income Tax Paid $2300

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