

# Tax Exposure and Political Preferences\*

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## Abstract

How do people form preferences over tax policy proposals? This paper introduces the concept of *tax exposure* to explain the determinants of tax preferences. Moving beyond traditional models that link attitudes to taxation in a linear fashion to income or wealth, we argue that preferences are often discontinuous or nonlinear around tax thresholds. Furthermore, tax preferences are shaped by both contextual factors, such as the prevailing tax environment and its implications for personal exposure to tax changes, and the partisan context, which informs expectations about the trajectory of future taxation. We test these arguments using three complementary datasets: a conjoint experiment in the United Kingdom (2021), a survey of U.S. tax preferences in the context of the 2018 Trump tax bill, and a cross-national dataset covering 30 countries from 1985 to 2017. Our findings demonstrate the critical role of tax exposure in structuring individual and contextual variation in tax policy preferences.

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# Introduction

Taxes are complex. Political economy models of taxation, however, are rather simple. Since the foundational work of Meltzer and Richard (1981) political scientists have been drawn to a basic model of the politics of redistributive taxation which assumes that everybody pays the same flat rate of tax and receives absolute benefits of a uniform size. This set-up means that the fiscal system is progressive and produces a wide array of expectations that have created great debate in political economy: Do people with above average income prefer taxes to be as low as possible (Rueda and Stegmueller, 2019)? Does the median voter want higher redistribution when inequality is high (Kenworthy and Pontusson, 2005)? Do democracies—with their relatively poor median voters—produce higher taxation (Boix, 2003; Ansell and Samuels, 2014)?

The Meltzer-Richard model is analytically tractable but is a poor reflection of how existing tax systems work. In vanishingly few countries is the income tax actually flat—the main places where it has been introduced are in post-Communist states (Baturu and Gray, 2009). Instead, tax-payers in advanced industrial countries typically face a progressive income tax schedule where marginal tax rates rise with the taxpayer’s income. Politicians can adjust these taxes in ways that differentially benefit low-, middle-, or high-earners. And while most income tax systems are nominally progressive—having higher marginal rates for higher earners—reforms can make them more or less progressive by targeting different parts of the income distribution (Barnes, 2015). Finally, most tax systems have some form of ‘horizontal inequity’, meaning that people with the same income may face different income tax burdens depending on other characteristics, such as whether they own property or what other taxes they pay (Mares and Queralt, 2015).

Taxpayers know this. They are often quite exercised about changes to the top marginal rate of income, or at the bottom end, about the introduction or removal of ‘standard deductions’ or exemptions on the first several thousands of dollar earnings (Ambrose and Valentin, 2024). The deductibility of other taxes or of mortgage interest is another hot-button issue (Jacobs, 2021). Accordingly, debates in the media about taxation focus on these policy changes rather than on Meltzer-Richard like aggregate levels of redistribution. But in political economy most of our empirical analysis, largely for data availability reasons, uses very blunt measures of tax preferences—typically questions about attitudes towards the overall size of government or about redistributing money from ‘those with high incomes’ to ‘those with low incomes’ to use the language from a well-known survey question (Guillaud, 2013; Rueda and Stegmueller, 2019; Bobzien, 2020). However, in recent years more specific survey questions, and more accurate data on income and wealth, has become available, allowing us to address more refined questions about fiscal preferences.

In this paper, we develop the concept of ‘tax exposure’ in order to explain how people form attitudes towards taxes. Whereas the commonly used concept of ‘risk exposure’ implies that people form social

policy preferences based on their expectations about benefiting in the future from social protection (see e.g., Iversen and Soskice, 2001; Moene and Wallerstein, 2001; Rehm, 2011), ‘tax exposure’ relates to individuals’ expectations about the likely tax environment they will face and the costs they might incur from changes in taxation.

Tax exposure depends on three key components. The first two relate to individuals’ current exposure to taxes. For example, individuals’ current income or wealth, as well as the level at which tax bands are set, determine their level of *direct exposure* to higher marginal tax rates. In particular, we expect individuals to have sharply defined preferences at points in the tax schedule where marginal rates change. Secondly, tax preferences depend on current national and regional *contextual exposure*; that is, the prevailing level of taxation that individuals face. We expect individuals to be less supportive of increased tax rates the higher the prevailing taxation of income or property is. Finally, we expect individuals also to think about how taxes might affect them in the future. We refer to this as *prospective exposure*; what are the likely future trajectories of taxes, and how might that depend on partisan control of government?

After theoretically developing our argument about tax exposure, we conduct three separate empirical studies. We begin by examining highly specific *direct* tax preferences, analyzing the results of a conjoint experiment on preferred tax rates on different income tax brackets from a new representative survey of England and Wales. The results show that people are strongly in favor of low marginal tax rates and highly opposed to high marginal tax rates on the tax bracket in which their income falls.

We then turn to examining how variation in the local *context* affects tax preferences using the 2018 Cooperative Congressional Election Study (CCES) conducted in the United States. This survey includes questions about the Trump tax bill, which limited the deductibility of mortgages above \$500,000 and of state and local taxes. Hence, individuals were differentially affected by the bill depending on where they lived, due to differences in property prices and in prevailing state and local tax rates. These questions allow us to tease out the varied tax exposure of respondents with different levels of income and wealth, depending on their zip-code of residence. We merge the CCES data with information on local house prices and property tax rates to examine the importance of the geographical context in shaping tax exposure and preferences. We find that homeowners in places with high house prices or high property taxes are unsupportive of removing the mortgage interest and state and local tax deductions.

We conclude with an extensive analysis of several waves of the International Social Survey Program (ISSP) which covers thirty countries at intervals between 1985 and 2017. These surveys ask a series of questions about taxes on different income groups—thus we can examine how individuals feel about taxing ‘the rich’ rather than those on middle or low incomes. Using the ISSP’s income data we break the pool of survey respondents into income deciles and examine the correspondence between an individual’s place in

the income distribution and their attitude towards taxing different parts of the distribution. We show that self-interest is an important driver of whom people want to pay higher or lower taxes. But we also show that these preferences depend on national *contexts* and *prospective* expectations about how any tax change may play out given the national political environment. In particular, we find that wealthy individuals are more concerned about the rich paying higher taxes where left-wing parties are in government or marginal tax rates on the rich are already high.

## Tax Exposure

For good and for ill, political economy theories of attitudes to taxation are in thrall to the elegance of the Meltzer-Richard model of redistribution (Meltzer and Richard, 1981). The model is elegant because with a simple setup it explains a lot: Richer people want lower taxation, higher inequality should push up demand for redistribution, a wealthier pivotal ‘voter’ (or selectorate in an authoritarian country, De Mesquita et al., 2005) cause lower redistribution, and so forth. The reason the model is so fertile in terms of its predictions—and so adaptable for later scholars (e.g. Persson and Tabellini, 2002)—is because it assumes a proportional tax system and a flat absolute universal transfer. In such a setup, everyone with higher than mean income wants zero redistribution and everyone with less than mean income wants positive redistribution (the model avoids below-mean individuals wanting ‘complete’ redistribution by adding an ‘efficiency cost’ of redistribution).

But of course taxation is not usually proportional to income—very few countries have truly flat income tax systems. For that matter benefits are not necessarily universal either. Alterations to either assumption change the progressivity of the tax-and-transfer system. At the same time, it is important to note that the Meltzer-Richard model is in fact a progressive fiscal system in that poorer people pay in less than they receive (and vice versa for the rich) due to the flat-rate benefit. But real-world income tax systems are usually progressive in the sense that the average tax rate paid increases with income. Of course other parts of the tax system might be regressive—consumption taxes are typically viewed as fiscally regressive since wealthier people are assumed to consume a smaller proportion of their income. People are aware of this: when they say the rich should pay more in taxes, they do not generally mean that they themselves should pay more too—even though an increase in a flat tax rate would, in fact, mean that the rich pay ‘more’ in taxes.

The political economy literature has in part kept to the flat-rate world of the Meltzer-Richard model because introducing progressivity means introducing extra parameters to an elegant model. Even a simple quadratic model of income taxation means two parameters—one for the linear rate and one for the quadratic term. Accordingly, such models can quickly fall into the standard problems of multi-dimensional politics

where deriving a median voter’s preferred set of policies is difficult. Nonetheless, although it may be hard to establish optimal *aggregate* policy outcomes in such models, deriving the preferences of *individuals* is somewhat simpler. A number of papers including De Donder and Hindriks (2003), Ansell (2007), Beramendi and Rehm (2016), and Cansunar (2021) develop models of preferences over tax progressivity, which show that lower-income individuals desire more progressive taxation and that the group of people who prefer more progressive taxation rises as inequality does.

A growing empirical literature has examined these theoretical claims about the support for tax progressivity. Ballard-Rosa, Martin and Scheve (2017), using a conjoint experiment that randomly varies tax rates on income brackets in the US, find that the American public has progressive tax preferences on average. Barnes (2015) finds that individual tax preferences indicate that while higher tax levels are generally disliked, greater tax progressivity is a popular policy. Stiers et al. (2022) ask respondents to enter the marginal tax rate they think should apply to the incomes of the ‘rich’ and ‘poor’, finding that income and ideology shape views about the progressivity of the tax system, albeit conditional on political sophistication.

Still, real-world tax reforms are usually more specific than simply more or less progressive taxation defined by a progressivity parameter. Tax reforms tend to hit specific groups, perhaps defined by income, perhaps defined by some other economic characteristic such as wealth, or a demographic characteristic defined by family structure or age. Developing theories that only alter a single tax rate or progressivity parameter may mean missing a good deal of variation in both empirical tax incidence and in how people form preferences. Therefore, rather than beginning from a standard political economy framework with people distinguished only by income, voting on a single tax parameter, we develop the concept of *tax exposure*—an individual-level expectation of higher or lower taxes that mirrors the way political economists think of risk exposure (Rehm, 2009; Rehm, Hacker and Schlesinger, 2012).

Our concept of tax exposure centers on a given individual’s assessment of what any particular tax reform means for them materially. We thus abstract away from concerns about tax fairness (Lü and Scheve, 2016; Cavaillé, 2023), group identity (Shayo, 2009), or altruism (Rueda and Stegmueller, 2019). Unlike the Meltzer-Richard model (or articles that extend this to progressivity, such as Beramendi and Rehm, 2016), we do not assume that people derive their preferences from a full assessment of both taxes and spending. Our model then is rather simpler: if people expect to pay more in taxes they will oppose a reform. But how do they form such expectations?

Our analysis follows in the tradition of recent work that takes seriously the context in which decisions over tax policy are made. Berens and Gelepithis (2019) show that welfare spending mainly targeted the poor decreases support for tax progressivity, while in systems where welfare states mostly provide social insurance for those in the middle and high-income groups, progressive taxation has higher popularity. Beramendi and

Rehm (2016) links the tax system’s progressivity to preferences over redistribution, showing evidence that the impact of income on preferences over redistributive policies is higher in systems with high tax progressivity. Barnes, Blumenau and Lauderdale (2022) ask respondents to make choices over a range of spending areas *and* the level of taxation needed to fund them, thereby making tax preferences essentially conditional on some preferred composition of public spending decisions. Roosma, Van Oorschot and Gelissen (2016) examine the contextual effect of country-level tax burden, tax visibility and tax progressivity on how individuals cluster into six groups defined by their income tax preferences. Finally, López García, Berens and Maydom (2024) examine tax preferences in migrant-sending countries based on both relative state capacity and the degree of exclusion of migrants from benefits in their host countries. In sum, a great deal of recent work argues that tax contexts matter. In this paper, we try to clarify more precisely how they might do so, within a single analytical framework.

In our view tax exposure expectations come from three sources. First, we begin with individual-level characteristics and the structure of the tax schedule, which together shape *direct tax exposure*. In particular, we argue that we should think of income not simply as a single continuous variable but rather as split into different groups, only some of whom are likely to face higher taxes. To provide an example, many tax reforms cut in at a certain income threshold, and when politicians reform taxes they typically do so by altering tax bands around those thresholds or moving the thresholds themselves. We expect individuals on either side of a threshold to respond differently to potential tax reforms. Tax exposure is often *discontinuous* in this fashion. Hence, in an ideal analysis, we would know people’s taxable income and the relevant tax bands for a policy and derive their preferences from that. When we move to cross-national data, or where survey questions are less precise about policies, such a set-up is unlikely to be possible. However, even in this case, we think it makes sense to examine tax preferences by splitting the survey into different income groups in order to establish whether attitudes to taxation display these kinds of discontinuities more generally.

Looking at income groups means thinking about the ‘vertical’ incidence of taxation. In a number of cases, the ‘horizontal’ incidence also matter; for example, where people within income groups are differentially affected by tax reforms that take into account family size. Both vertical and horizontal incidence ought to matter for tax exposure expectations.

Second, tax exposure expectations come from the existing tax context in which an individual lives, producing *contextual tax exposure*. This relates to where they live and how that geography affects the taxes they have to pay. The simplest way to think about this is to examine individuals of the same income who live in jurisdictions with differing prevailing tax rates. We could do this accurately within one country where state or regional income taxation varies substantially or more loosely by looking at attitudes towards tax progressivity across different countries with varying income tax rates.

Another consideration is that where individuals live determines the degree to which they benefit from tax deductions. In many countries individuals can deduct mortgage interest costs or property taxes from their income taxes. Here, the prevailing tax context is dependent on both property ownership and the legal structure of deductions—what types of properties may have interest deducted and whether there is an upper limit on those deductions. Furthermore, in countries with federal sub-units, individuals may be able to deduct local or regional taxes from their federal taxes. In both cases, prevailing property prices or local taxes will shape people’s expected tax exposure.

Third, tax exposure expectations come from potential future tax contexts; that is, their *prospective tax exposure*. Such future contexts can depend on a broad variety of economic and political factors. For example, if the economy is entering recession, respondents might rationally expect greater public spending and temporary stimulative tax cuts, followed by later tax rises to pay for them. Demographics may also shape tax expectations—the rapidly aging population of most advanced industrial countries portends rising taxes if pensions or health policy remains constant. Similarly, international events—from security threats that necessitate greater defense spending, trade wars that may produce reciprocal tariffs, to the threats of climate change that may require adjustment or mitigation—should shift individuals’ expectations about the path of long-run taxation.

While the list of potential future impacts on prospective tax exposure is endless, some contexts are easier both for individuals to anticipate and for us to hypothesize about in terms of their likely impact on near-term tax changes. In particular, individuals will have expectations about the likely path of taxation, depending on which political party controls government. Where left parties are in power, wealthier individuals are likely to expect taxes on their incomes to rise (at least relative to taxes on the incomes of poorer individuals). By contrast, when right parties are in power, richer respondents may express preferences over taxation safe in the knowledge that taxes are unlikely to be raised on them.

In sum, an individual’s tax exposure takes into account their personal material circumstances, the geographic context in which they are being taxed, and their expectations on how governments might alter tax policy. Bringing these conditions together we examine the following hypotheses, which we test in the following sections:

**Hypothesis One: Direct Tax Exposure** There is a non-linear or discontinuous effect of income on income tax preferences, which is steepest around tax thresholds.

**Hypothesis Two: Contextual Tax Exposure** Individuals who are more exposed to higher local tax burdens, such as homeowners in localities with higher property taxes, are less supportive of further tax

increases and more protective of existing tax advantages.

**Hypothesis Three: Prospective Tax Exposure** Where they expect future taxes to increase, due to partisan control of government or changes in the economy, higher-income individuals are less supportive of more progressive taxation.

## Study 1: A Conjoint Experiment on Direct Tax Exposure

We begin by examining Hypothesis One, which expects tax thresholds to structure tax preferences in a nonlinear fashion. One disadvantage of existing cross-national questions about tax preferences is that they have to be rather blunt—usually they ask simply about reducing ‘gaps between the rich and the poor’ (see e.g., Guillaud, 2013; Beramendi and Rehm, 2016; Bobzien, 2020). Occasionally, they refer to different income groups, but typically cannot define them in terms of currency nor with reference to actual policies that are being proposed (Barnes, 2015).

In our first study, by contrast, we are able to examine whether specific tax policies alter preferences of individuals on either side of specific income thresholds in the tax code. We are thus able to investigate whether individuals who would be direct winners or losers from changes to tax policies exhibit support or opposition to such proposals.

To test our argument, we developed a survey that included a conjoint experiment designed to reveal the respondents’ preferred marginal tax rates on various income brackets. The survey was conducted by YouGov in May and June 2021, using their nationally representative online panel, and included 3186 adults living England and Wales (additional information on the survey can be found in Supplementary Appendix A).

YouGov collects information on the personal incomes of its panel (asking them to update their income information if they have not given it for three months), and it codes income into fourteen groups, moving by £5,000 intervals from 0 to £50,000, by £10,000 intervals from £50,000 to £70,000 and then two final categories of £70,000 to £100,000 and above £100,000. These categories allow us to match respondents closely to the structure of the UK income tax system, where incomes up to £12,500 are untaxed, those from £12,500 to £50,000 are taxed at the ‘basic’ rate of 20%, and those above £50,000 are taxed at the ‘higher’ rate of 40%. Those individuals who earn over £100,000 lose their tax-free allowance gradually, thus paying a higher effective marginal rate, and those with incomes above £150,000 pay the ‘additional rate’ resulting in a marginal tax rate of 45% (since the time of the experiment, this threshold has been lowered to £125,000). However, we have very few respondents (only 31) in this category. In our analysis, we therefore look at three income groups: those with personal incomes under £15,000 (similar to the untaxed group); those with

personal incomes between £15,000 and £50,000, corresponding to the group who pay the basic rate; and those with incomes over £50,000, corresponding to those paying the higher (or additional) rate.

The conjoint experiment follows Ballard-Rosa, Martin and Scheve (2017) in presenting respondents with a forced choice between two income tax schedules. Table 1 shows the dimensions and values used in the conjoint. For each tax plan pair that a respondent sees, the tax rates for each income level are randomly assigned. There are four levels of income in the conjoint, corresponding to the untaxed, basic, higher, and additional rates of tax prevalent in the UK. To ensure respondents recognized that they were seeing marginal tax rates, and not average tax rates, we informed them that “[a]ll tax rates refer to marginal rates; all individuals only pay that rate on the portion of their income that falls into that income category.” Like Ballard-Rosa, Martin and Scheve (2017) we do not force the randomised tax schedule to be progressive. However, unlike that paper we do set the possible tax rates per category such that progressive tax schedules are more common than regressive ones (for example, the higher and additional rates have a minimum of 20%, whereas incomes below £12,500 have a maximum tax rate of 20%). Each respondent repeats the forced choice five times, providing just under 16,000 observed choices.

The left panel of Figure 1 provides estimates of income tax progressivity preferences across the sample as a whole. The figure shows that the UK public, as a whole, has progressive tax preferences. The existing tax-free status of income below £12,500 is preferred to 10% or 20% tax rates. A ‘basic’ rate of 10% is marginally preferred to the actual ‘basic’ rate of 20%, and a 30% rate is unfavored. For the ‘higher’ rate tax bracket, the most popular choice is 30% but the existing rate of 40% is similarly ranked. Finally, for the ‘additional’ rate tax bracket, respondents favor higher rates of taxation than currently prevail—choosing 50% and 60%, as opposed to the existing rate of 45%.

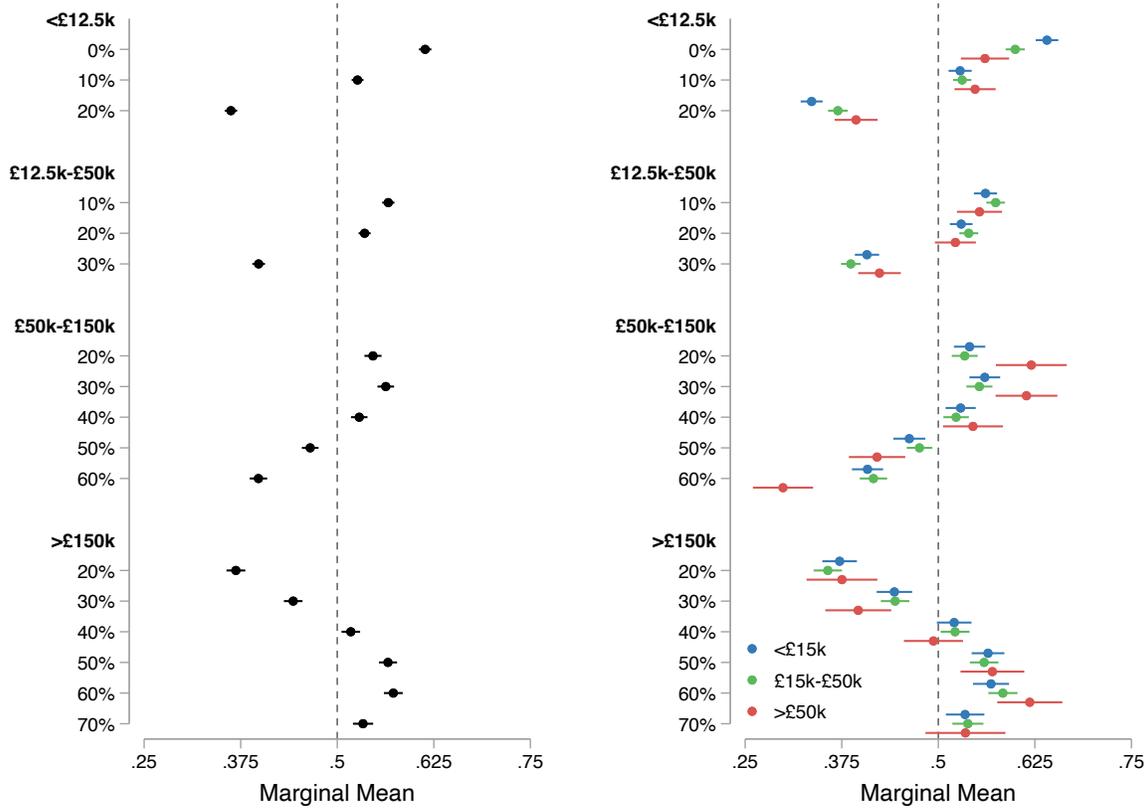
Our theoretical interest is not only in average views on progressivity but the degree to which people respond strongly to particular tax thresholds, dependent on their own income. The right panel of Figure 1 breaks responses out into three income groups—those earning under £15,000; those earning between £15,000 and £50,000; and those earning over £50,000, which as noted above correspond to the zero rate, basic rate and higher rate of income taxation.

Considering preferences over tax rates on the lowest income bracket, we see sharp differences between

Table 1: Income Categories and Tax Rates in Income Tax Conjoint Experiment.

<b>Income category</b>	<b>Possible tax rates</b>
Income up to £12,500	%0, %10,%20
£12,500 to £50,000	%10, %20, %30
£50,001 to £150,000	%20, %30, %40, %50, %60
Income over £150,000	%20, %30, %40, %50, %60, %70

Figure 1: Income Tax Schedule Preferences in the UK



*Note:* The left panel shows average marginal means for all respondents (AMCEs are shown in Supplementary Appendix Figure A1). The right panel shows marginal means by income group of respondents. In both panels, the y-axes represent marginal income tax rates for the income categories featured in the conjoint experiment. Supplementary Appendix Figure A2 shows that the results are robust to excluding the first and last rounds of the conjoint.

low-income and high-income respondents in terms of the 0% tax rate and the 20% rate. Indeed, high-income respondents are indifferent between the lowest tax bracket being set at 0% or 10%. By contrast, those who currently do not pay income tax are most strongly supportive of keeping the current zero rate and most opposed to the 20% rate proposal.

When we move to the basic rate of taxation (£12,500 to £50,000) we see more similarity in responses across the three income groups. However, we do still see, as expected, that the middle-income group, who faces this rate on their marginal earnings, are slightly less favorable towards the highest (30%) tax rate on this income than the other groups.

With regard to the higher rate of income taxation (£50,000 to £150,000), here we see, as expected, that the high-income group has very distinct preferences from the other two groups, being much less supportive

of 50% and 60% rates and much more supportive of 20% and 30% rates (which would mean a real-world tax cut for them). By contrast, low and middle-income groups, neither of whom face this tax rate, have extremely similar preferences to one another.

Finally, when we turn to the additional rate on incomes above £150,000, the groups' preferences largely merge with one another. This is also as expected, as all three income groups are unexposed to taxes on incomes above £150,000 (since, as noted, there are very few respondents with income above £150,000 in the survey).

In sum, the conjoint experiment provides strong supportive evidence for Hypothesis One and our argument that people respond discontinuously to tax thresholds. Importantly, we find not only that lower-income people like high rates of taxation on the incomes of the rich, but also that richer individuals are less concerned about low (or zero) tax rates on very low incomes. Moreover, middle-income individuals are distinctly less supportive of higher tax rates on their income than are the other two groups. Preferences match direct tax exposure rather sharply when it comes to the British tax system.

## Study 2: Contextual Tax Exposure and the Trump Tax Bill

We now turn to contextual tax exposure; that is, the interaction of local geography and tax deductions, which allows us to test Hypothesis Two. American taxpayers, when they pay their annual federal income tax, have long been used to deducting from their taxable income both mortgage interest payments on their main residential property and state and local taxes (the latter is often also tied to property values). This means that attitudes towards federal taxation policy are conditioned by local property values, which increase the benefits of both the mortgage interest deduction and local property tax deduction, and by state-level income taxes.

How does this local variation in tax exposure affect attitudes towards the preservation of these tax deductions? We explore these questions using the 2018 CCES with more than 45,000 respondents from the United States. This survey offers an array of questions over specific tax policies introduced or proposed by the first Trump administration. The Trump tax bill of 2017, which first affected taxable incomes in fiscal year 2018, made a number of important changes to the personal federal income tax. Perhaps most notably, it altered tax brackets and the deductibility of various items. In the former case, it lowered the marginal tax rate in most tax brackets, including lowering the top personal income tax rate from 39.6% to 37%.

However, the tax cuts were in part offset by the removal of a number of tax deductions, which had *de facto* reduced federal income taxes for many middle and upper-middle income earners. In particular, two major deductions were targeted: i) the home mortgage interest deduction and ii) the state and local taxes

deduction. The former was reduced from mortgage debt of \$1 million to \$750,000 and removed from most home equity loans. In the latter case, deductions of state and local taxes were capped at \$10,000. In their place a larger standard deduction was introduced (doubled to around \$25,000). In general, those people who owned houses in expensive states and localities were the main losers—expensive houses were doubly hit through limits on mortgage interest deduction and the deductibility of local property taxes. Similarly impacted were people who lived in states with high state or local income taxation. Typically, places with expensive housing are the same as those with higher subnational income taxation so these negative impacts reinforced one another.

As dependent variables, we use a series of preferences over tax policies asked by the CCES, which focused on these particularly salient shifts to federal income tax deductions. Each question begins with the prompt “Congress considered many changes in tax law over the past two years. Do you support or oppose each of the following?” We examine two particular follow-up prompts. First: “Reduce the mortgage interest deduction. Allow people to deduct the interest on no more than \$500,000 of mortgage debt. The previous limit was \$1 million” (note that while the House bill had this \$500,000 limit, the limit was raised to \$750,000 in the final tax bill passed after reconciliation; hence, the CCES question does not reflect accurately the final tax bill). Substantively, support for the cap implies support for reducing the federal subsidy for interest payments on mortgage balances above \$500,000. This has three implications. First, renters are not directly affected. Second, homeowners with mortgage balances below the threshold are largely unaffected. Third, homeowners with mortgage balances above the threshold would be net losers under this policy.

The second follow-up prompt was: “Limit the amount of state and local taxes that can be deducted to \$10,000 (previously there was no limit).” Substantively, support for this cap implies support for reducing the federal subsidy for state and local tax payments above \$10,000. There are two implications. First, taxpayers whose combined state and local income or sales taxes plus property taxes are lower than \$10,000 are largely unaffected. Second, individuals with payments above \$10,000 would be net losers under this policy, a group more likely to be property owners in high-tax localities. For both dependent variables, we use a binary outcome measure that takes the value of one if the respondent supports the mentioned change in tax law.

How can we connect our theory about tax exposure to these policy proposals? For Hypothesis Two we expect local context to drive behavior. In particular, homeowners in expensive locations should be least supportive of limiting the deduction of mortgage interest. This is because these are the people who are most directly affected by the proposal. Living in places with expensive housing should also reduce support for limiting state and local tax deductions since property taxes rise with house prices and are either paid directly by homeowners or indirectly—as part of their rent—by renters. Finally, the level of local and state taxes ought to drive behaviour. In places with higher subnational taxes, there should be less support for

limiting their deduction.

As independent variables we use two key measures of individual material resources: wealth and average house prices in the respondent’s zip-code. As a measure of wealth, we use a binary indicator for whether the respondent is a homeowner. For house prices, we leverage the fact that CCES gives information on respondents’ zip codes of residence. This allows us to calculate average house prices at the zip-code level for 2018, using estimates of typical home values from the real estate prediction website Zillow. Their ZHVI index provides the typical value in a five digit zip code of houses between the 35th and 65th percentile of cost (seasonally adjusted).

In the regressions, we also include the respondent’s age; education, household income, gender, and a 4-point Trump approval score increasing in disapproving Trump (in Supplementary Appendix B, we replicate the analysis using an ideology measure instead of Trump approval; specifically, a five-point self-placement scale ranging from “very liberal” to “very conservative.”). For ease of interpretation all estimations use linear probability models. Depending on the specification, we employ sample weights, state fixed effects, county fixed effects, and standard errors clustered by states.

## **Mortgage Interest Tax Deduction**

We begin by examining respondents’ attitudes to the change in mortgage interest tax deductions. The results in Table 2 indicate that higher house prices in the respondents’ local zip-code are negatively associated, especially among homeowners, with support for capping mortgage interest tax deductibility at \$500,000. Models 1, 4 and 7 examine the direct relationship between local house prices and support for the policy, whereas Models 2 and 3, 5 and 6, and 8 and 9 include the interaction of local house prices and whether the respondent is a homeowner. In Models 1, 4 and 7 we find a negative effect of estimated house prices on preferences for mortgage interest tax deductibility limitations. When we interact homeownership with estimated house prices in the other models, we find that homeowners whose estimated house prices are higher are more likely to respond negatively to a policy that aims to cap mortgage interest tax deductibility.

Importantly, these results are robust to sample weights (Models 3, 6, and 9), state-level dummies (Models 4-6) and county-level dummies (Models 7-9). The latter models suggest that our results are not being driven by opposition to Trump and his tax policies in wealthier states or counties, but that zip-codes with higher house prices relative to their broader location are the locus of opposition to the policy.

Figure 2, drawn from Model 5, provides a graphical representation of these patterns. The predicted relationship between estimated zip-code level house prices and support for capping mortgage deductibility for homeowners and non-homeowners reveals that a doubling of house prices from \$500,000 to \$1,000,000 is

Table 2: Support for Capping Mortgage Tax Deductibility at \$500,000

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
House Prices	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.00** (0.00)	-0.00 (0.00)	-0.01** (0.00)	-0.00 (0.00)	-0.00 (0.00)
Homeowner	-0.00 (0.01)	0.03*** (0.01)	0.01 (0.01)	-0.00 (0.01)	0.02** (0.01)	0.01 (0.01)	-0.00 (0.01)	0.02* (0.01)	0.01 (0.01)
Homeowner X Prices		-0.01*** (0.00)	-0.01*** (0.00)		-0.01*** (0.00)	-0.01*** (0.00)		-0.01*** (0.00)	-0.01** (0.00)
HH Income	-0.00*** (0.00)	-0.00*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.00*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
Age	0.00 (0.00)	0.00 (0.00)	0.00** (0.00)	0.00 (0.00)	0.00 (0.00)	0.00** (0.00)	0.00** (0.00)	0.00** (0.00)	0.00*** (0.00)
Trump Approval	0.05*** (0.00)								
Female	0.03*** (0.01)	0.03*** (0.01)	0.03** (0.01)	0.03*** (0.00)	0.03*** (0.00)	0.03** (0.01)	0.03*** (0.01)	0.03*** (0.01)	0.03*** (0.01)
Children	0.03*** (0.00)	0.03*** (0.01)	0.03** (0.01)	0.03*** (0.01)	0.03*** (0.01)	0.03** (0.01)	0.03*** (0.01)	0.03*** (0.01)	0.03** (0.01)
High School	-0.01 (0.01)	-0.01 (0.01)	-0.03 (0.02)	-0.01 (0.01)	-0.02 (0.01)	-0.03 (0.02)	-0.02 (0.02)	-0.02 (0.02)	-0.04* (0.02)
Some College	-0.03** (0.01)	-0.04** (0.01)	-0.03 (0.01)	-0.03** (0.01)	-0.03** (0.01)	-0.03 (0.01)	-0.04** (0.02)	-0.05** (0.02)	-0.05* (0.02)
2-year Degree	-0.03* (0.01)	-0.03* (0.01)	-0.04* (0.02)	-0.03* (0.01)	-0.03* (0.01)	-0.04* (0.02)	-0.04* (0.02)	-0.04* (0.02)	-0.05* (0.02)
4-year Degree	-0.04** (0.01)	-0.04** (0.01)	-0.03* (0.02)	-0.04** (0.01)	-0.04** (0.01)	-0.04* (0.02)	-0.05** (0.02)	-0.05** (0.02)	-0.06** (0.02)
Postgrad	-0.03* (0.01)	-0.03* (0.01)	-0.03 (0.02)	-0.04* (0.01)	-0.04* (0.01)	-0.04 (0.02)	-0.05* (0.02)	-0.05* (0.02)	-0.04 (0.02)
Constant	0.63*** (0.02)	0.61*** (0.02)	0.61*** (0.03)	0.63*** (0.02)	0.62*** (0.02)	0.62*** (0.03)	0.63*** (0.02)	0.61*** (0.02)	0.62*** (0.03)
<i>N</i>	27617	27617	27617	27617	27617	27617	27572	27572	27572
Weights	No	No	Yes	No	No	Yes	No	No	Yes
State Dummies	No	No	No	Yes	Yes	Yes	No	No	No
County Dummies	No	No	No	No	No	No	Yes	Yes	Yes

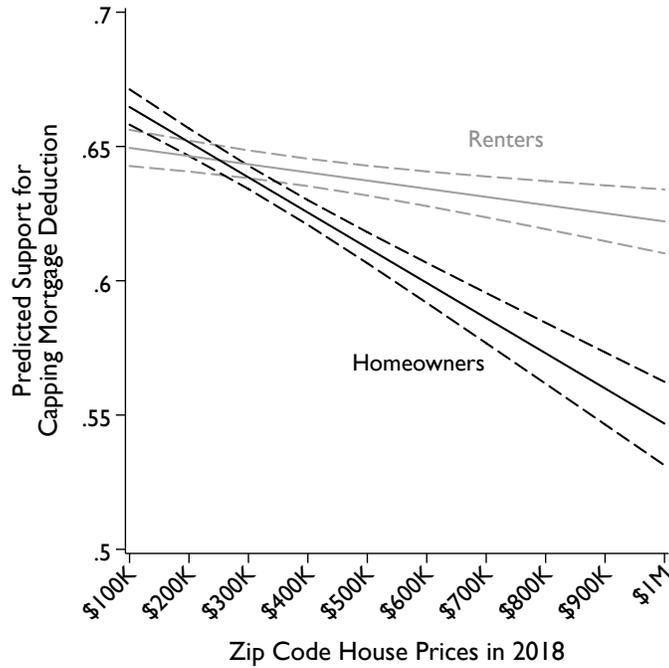
\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ . Standard errors in parentheses.

associated with a decrease of 7 percentage points in support for cutting mortgage deductibility, but with a decrease of just 1 percentage point for renters. While there are no significant differences in preferences for homeowners and renters where predicted house prices are very low, these two groups' preferences diverge significantly when we look at those respondents who live in places with expensive houses, precisely those people directly affected by the policy.

## State and Local Tax Deductions

We now turn to investigating the effect of local tax policies on support for the part of the Trump tax bill that limited state and local tax deductions to \$10,000. For this analysis, we use data on local taxes obtained from the American Community Survey. This data set contains average property taxes paid per owner-occupied home and average effective property tax rates across counties in the United States between 2010 and 2014.

Figure 2: Local House Prices and Support for Capping Mortgage Deductibility



Our main measure of the property tax burden on individuals is *county average tax paid*. This measure captures average annual real estate tax payments per owner-occupied home in the respondent’s county. We enter the variable both on its own and as an interaction with individual homeownership.

Table 3 investigates the effect of *county average tax paid* on support for capping state and local tax deductibility at \$10,000. We find that neither average county taxes nor homeownership have a direct relationship with support for local tax deductibility; however, these variables’ interaction effect is significant and negative. Figure 3 shows this relationship more clearly. In counties where the burden of average real estate tax is low, homeowners and renters have similar predicted support for eliminating the state and local tax deduction. In high-burden counties, however, homeowners are much less likely to support the removal of the deduction. For example, in places where the average real estate tax is around \$10,000 per year, homeowners are predicted to support this policy with 35% probability, whereas renters’ support is around 48% (in Supplementary Appendix Table B3, we show that the results are robust to alternative measures of the tax burden). These results support our second hypothesis that the local tax environment shapes individuals’ tax exposure and preferences.

Table 3: Support for Capping State and Local Tax Deductibility: County Average Payments

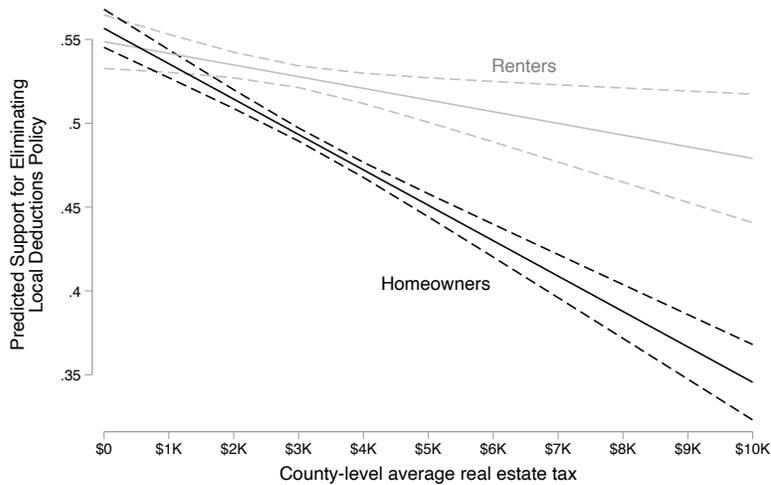
	(1)	(2)	(3)	(4)	(5)	(6)
County av. tax paid	-0.004 (0.002)	-0.006 (0.003)	-0.007* (0.003)	-0.006 (0.003)		
Homeowner	0.010 (0.010)	-0.003 (0.015)	0.008 (0.010)	-0.006 (0.015)	0.007 (0.009)	-0.003 (0.012)
Homeowner X County av. tax paid	-0.014*** (0.003)	-0.010* (0.004)	-0.014*** (0.003)	-0.010* (0.004)	-0.014*** (0.003)	-0.010** (0.003)
HH Income	-0.007*** (0.001)	-0.008*** (0.001)	-0.007*** (0.001)	-0.007*** (0.001)	-0.007*** (0.001)	-0.008*** (0.001)
Age	-0.001*** (0.000)	-0.001* (0.000)	-0.001*** (0.000)	-0.001* (0.000)	-0.001*** (0.000)	-0.001** (0.000)
Trump Approval	0.077*** (0.002)	0.075*** (0.003)	0.076*** (0.002)	0.073*** (0.003)	0.077*** (0.002)	0.075*** (0.002)
Female	0.021*** (0.005)	0.019** (0.006)	0.020*** (0.005)	0.018** (0.006)	0.021*** (0.005)	0.019** (0.006)
Children	0.018** (0.006)	0.013 (0.009)	0.017* (0.006)	0.012 (0.010)	0.016** (0.005)	0.013 (0.007)
High School	0.004 (0.014)	0.006 (0.022)	0.002 (0.014)	0.004 (0.022)	-0.002 (0.013)	0.005 (0.017)
Some College	-0.028* (0.013)	-0.021 (0.021)	-0.026* (0.013)	-0.019 (0.020)	-0.029* (0.013)	-0.016 (0.017)
2-year Degree	-0.026 (0.016)	-0.020 (0.020)	-0.024 (0.016)	-0.018 (0.020)	-0.029* (0.014)	-0.020 (0.018)
4-year Degree	-0.055*** (0.014)	-0.054* (0.021)	-0.053*** (0.015)	-0.053* (0.021)	-0.056*** (0.013)	-0.051** (0.017)
Postgrad	-0.082*** (0.015)	-0.084** (0.025)	-0.079*** (0.015)	-0.083** (0.024)	-0.081*** (0.014)	-0.080*** (0.018)
Constant	0.560*** (0.016)	0.553*** (0.020)	0.533*** (0.016)	0.567*** (0.020)	0.553*** (0.015)	0.536*** (0.019)
<i>N</i>	51814	51814	51814	51814	51814	51814
Weights	No	Yes	No	Yes	No	Yes
State Dummies	No	No	Yes	Yes	No	No
County Dummies	No	No	No	No	Yes	Yes

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ . Standard errors in parentheses.

### Study 3: Tax Preferences in 30 Affluent Democracies

In our final study, we examine cross-national evidence drawn from the ISSP. In a number of waves this survey asked a series of questions about taxes on different income groups. The advantage of the survey for our purposes is that it allows us, in a cross-national setting, to move beyond simple questions of ‘more’ of ‘less’ progressive taxation to preferences about taxing particular groups in what might be a non-linear fashion. Accordingly, we are able to break out the analysis by different income groups and by targeted tax preferences, enabling us to address Hypothesis One. Since the ISSP data includes thirty countries and covers the period 1985 to 2017 we are also able to exploit the wide variation in country-tax levels and the partisan context in which tax preferences are formed, allowing us to test Hypothesis Two and Three.

Figure 3: Average County Real Estate Taxes and Support for Capping State and Local Tax Deduction



## Data and Methods

To examine the hypotheses, we use survey data from the Role of Government (III-V) and Social Inequality (I-II) modules of the ISSP coupled with macro-level contextual data. Our data set includes respondents aged 18 or above and covers the following 30 countries: Australia, Austria, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

To measure tax preferences, we use a set of questions that asks “Generally, how would you describe taxes in [COUNTRY] today? (We mean all taxes together, including [wage deductions], [income tax], [taxes on goods and services] and all the rest.) Are taxes too high or low for people with high, middle, and low incomes?” Although these questions allow us to distinguish between support for taxing different parts of the income distribution, one inevitable drawback of the cross-national nature of the data is that the questions do not directly specify the income groups in question, which is likely to cause us to underestimate discontinuities in tax preferences. In particular, this may be an issue for ‘taxing middle incomes’, as research consistently shows that many individuals at both the bottom and top of the income distribution think of themselves as being middle income. It is less of a problem for ‘taxing high incomes’, however, because only the rich think of themselves as high-income (Hvidberg, Kreiner and Stantcheva, 2020; Cansunar, 2021).

Inspired by measures of net support for government spending (Soroka and Wlezien, 2010), we use answers to these questions to estimate the net support for taxing people with low, middle, and high incomes. The variables are coded as ‘-1’ if a respondent believes the taxation of a group is too high, ‘0’ if she thinks it is

a about right, and ‘1’ if she thinks it is too low. Accordingly, when we average over many respondents, we obtain estimates of the share of respondents who support higher taxes minus the share who support lower taxes; that is, estimates of net support for taxing people with different levels of income. Negative values reflect support for tax cuts and positive values support for tax increases.

Our main explanatory variable, income, is measured in country-year specific deciles based on equivalized household income. To create the variable, we first rank respondents according to their equivalized household income, which is calculated by dividing household income, measured in categories, by the square root of the number of household members. We then assign each respondent a value equal to the position in the survey’s income distribution of the midpoint of their income category. For instance, if six percent of respondents were in the bottom income category in a country-year, these respondents would be assigned a value of three. Finally, we use this variable to place respondents in the appropriate income decile (some surveys did not ask about the number of household members or asked only about personal income; in these cases, we rank respondents based on unequivalized household or personal income).

To test Hypothesis Two and Three, we need measures of top income tax rates and government partisanship. We measure top income tax rates as the top statutory income tax rate imposed by central and sub-central governments, using a combination of data from the OECD, Eurostat, the World Tax Database, Piketty, Saez and Stantcheva (2014), and national statistics agencies. Government partisanship is measured as the number of parliamentary seats held by left and right parties in government as a percentage of the total number of parliamentary seats held by the government (Armingeon et al., 2020).

In addition to the main variables of interest, our empirical models include a range of individual and contextual-level controls. As individual-level covariates, we include gender, age, a measure of educational attainment (below secondary, secondary, post-secondary), the employment status of respondents (employed, unemployed, not in the labor force, retired, or student), and two dummy variables for whether a respondent is a member of a union and/or is a public employee.

As contextual-level covariates, we include measures of the unemployment rate, real GDP growth, and the share of total pre-tax income received by the top ten percent, using data from AMECO, OECD, and the World Inequality Database. These variables account for the possibility that support for progressive taxation may be tied to the risk of unemployment, economic crises, and economic inequality (Rehm, 2009; Barnes, 2015; Limberg, 2019; Rueda and Stegmueller, 2019). In Supplementary Appendix Tables C2 and C3, we add further macro-level controls for social spending and political polarization, but these do not impact our results.

To directly model the hierarchical structure of the data, we use multilevel models. Research on multilevel modelling emphasizes that in order to obtain unbiased standard errors one must include random effects for

all relevant levels (Schmidt-Catran and Fairbrother, 2016). In our case, since respondents are nested within country-years nested within countries and years, this means that we need to account for clustering at the country-year, year, and country levels. But because our data set includes too few years to include random effects for years (we have data for fourteen years), we follow the recommendations of Schmidt-Catran and Fairbrother (2016) and include random effects for country-years and countries and fixed effects for years. Finally, following the recommendations of Enders and Tofghi (2007), we center all individual-level covariates by their country-year means, which similarly to our income variable, ensures that their effects are estimated solely from within country-year variation.

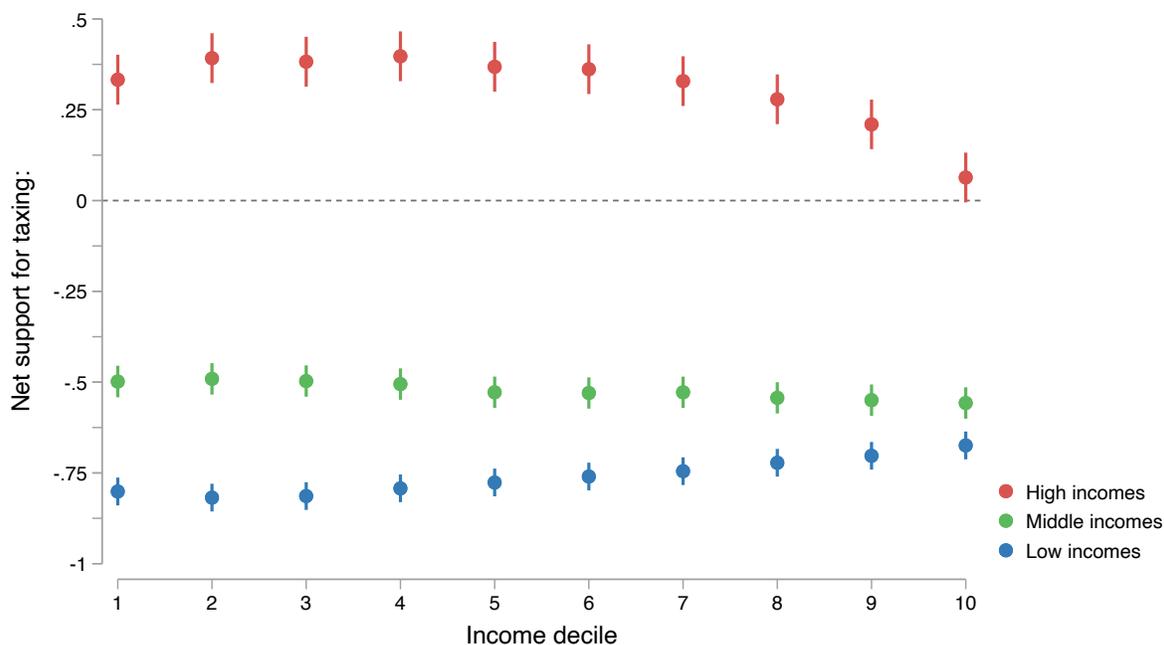
Some ISSP surveys do not include questions about union membership and employment sector (private or public), and between six and eight percent of respondents have not answered the questions about preferred tax rates. In order to avoid omitting full country-year observations when adding these covariates, and to minimize the bias that can arise as a result of non-random patterns of missingness (see King et al., 2001), we multiple impute (by chained equations) missing values on individual-level variables. We follow the recommendations of White, Royston and Wood (2011) and include *all* variables in the imputation model that are included in our analysis models as well as additional predictors of tax preferences. This includes interactions between income and all individual and contextual-level variables, which is achieved by performing the imputation separately by income group. Not doing so would bias the cross-level interactions that test Hypotheses Two and Three toward zero. White, Royston and Wood (2011) further recommend setting the number of imputations,  $m$ , equal to the percentage of missing cases. With 27 percent of missing cases, the public employee dummy is the variable with the highest degree of missingness in our main models; we prefer to error on the side of caution and set  $m = 50$ .

## Results

Figure 4 displays the direct effect of income (deciles) on net support for taxing people with high, middle, and low incomes. The figure shows that people prefer to increase taxes on high incomes and decrease taxes on low and middle incomes, with strongest support for lowering the tax burden of low-income individuals. Consistent with Hypothesis One, we also see variation across income deciles in net support for taxing different parts of the income distribution. Net support for taxing high incomes is almost constant across the bottom seven deciles, after which it declines in a non-linear fashion. In the top income decile, net support is statistically indistinguishable from zero. At the same time, the rich are not more supportive of cutting middle-class taxes than other deciles, and they are actually the group that expresses the weakest support for lowering the tax burden of the poor. It is therefore not the case that the rich are generally more opposed to taxes: their

preferences depend on who the tax targets.

Figure 4: Net Support for Taxing High, Middle, and Low Incomes



*Note:* N = 90,275. The results are based on the estimates in Supplementary Appendix Table C1 (models 1, 3, and 5)

Whereas net support for taxing high incomes decreases non-linearly with income, net support for taxing middle incomes varies little across income deciles. The lack of variation in net support for taxing middle incomes across income groups may be a result of misperceptions about individuals' placement in the income distribution. As discussed, research shows that both low and high-income individuals tend to believe that they belong closer to the middle of the income distribution than is actually the case (Cansunar, 2021; Hvidberg, Kreiner and Stantcheva, 2020), which biases any discontinuities in tax preferences. As we saw in Study 1, when we use more specific questions about taxes on specific groups, tax preferences are indeed discontinuous around tax thresholds.

Support for lowering taxes on low incomes is strongest among individuals in the bottom three deciles, after which support for tax cuts weakens close to linearly with higher income. That net support for taxing low incomes plateaus at the bottom of the income distribution, rather than decreases non-linearly as predicted by our argument, may partly be explained by a floor effect, since net support is close to the boundary (negative one). Indeed, while more than eighty percent of respondents support lower tax rates for low-income individuals, only two percent prefer higher tax rates. Again, as we saw in Study 1, preferences over low-income taxation also exhibit a non-linear pattern when using more specific questions.

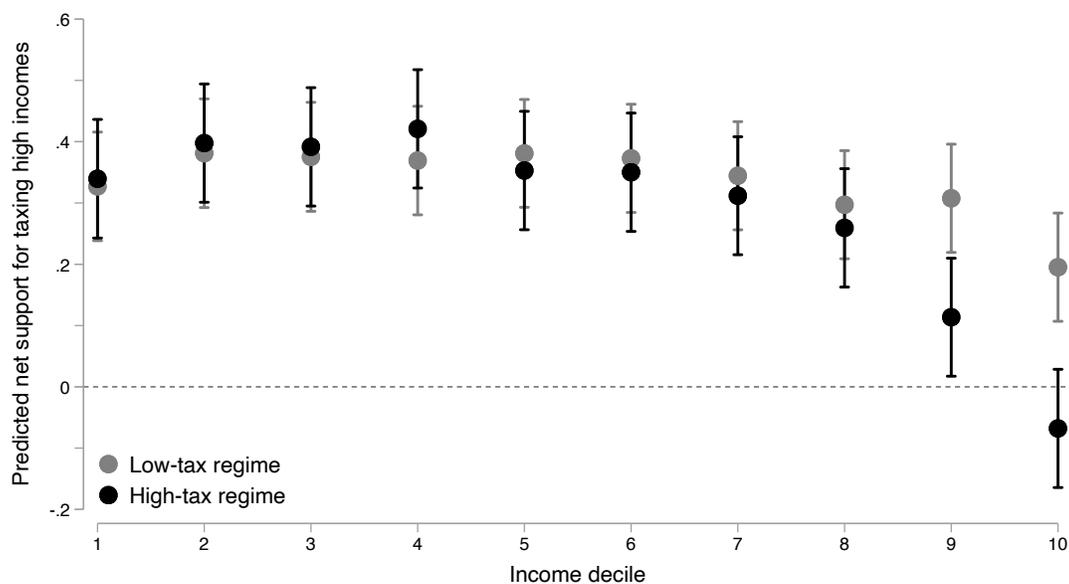
## Conditional Effects of Top Income Tax Rates

To examine Hypothesis Two and Three, we next interact the income deciles with the top income tax rate and government partisanship. To ensure that any potential effects are not driven by unmodeled interactions with other macro variables, we also interact the income deciles with the macro-level covariates included in the models. Again, we calculate predicted levels of net support by income decile, and by tax regime and the partisan context.

Figure 5 shows predicted net support for taxing people with high incomes for top statutory income tax rates equal to 33 and 60 percent, which are the 10th and 90th percentiles of the distribution of tax rates in our sample of countries and years. The figure shows that while the prevailing top tax rate does not affect the preferences of the bottom eighty percent of the income distribution, the top two deciles are much less supportive of higher taxes on high incomes when the top tax rate is high. The top decile goes from expressing support for higher taxes on the rich when top tax rates are low to supporting the status quo tax level when tax rates are high. This is a considerable difference in preferences, equivalent to about 0.33 standard deviations, and it is consistent with Hypothesis Two and the argument that the rich are less supportive of paying more in taxes when their tax burden is already high.

In Supplementary Appendix Figure C1, we examine whether this pattern is specific to support for taxing high incomes, as implied by our argument, or whether the rich are generally more opposed to higher taxes

Figure 5: Net Support for Taxing High Incomes, Conditional on the Top Statutory Income Tax Rate



Note: N = 90,275. The results are based on the estimates in Supplementary Appendix Table C1 (model 2)

when their own tax rate is high. Regarding support for taxes on low-income groups, we find the opposite pattern to that observed for high-income taxes: while the preferences of lower- and middle-income individuals remain largely unaffected by prevailing tax rates, high-income individuals are less supportive of tax cuts for low-income groups in high-tax regimes. When it comes to taxing middle incomes, we see little difference between tax regimes. Taken together, these findings suggest that the rich do not simply oppose all taxes when they face a high rate themselves. Instead, the results corroborate Hypothesis Two—that the rich consider their personal tax exposure when forming preferences over changes to the tax code.

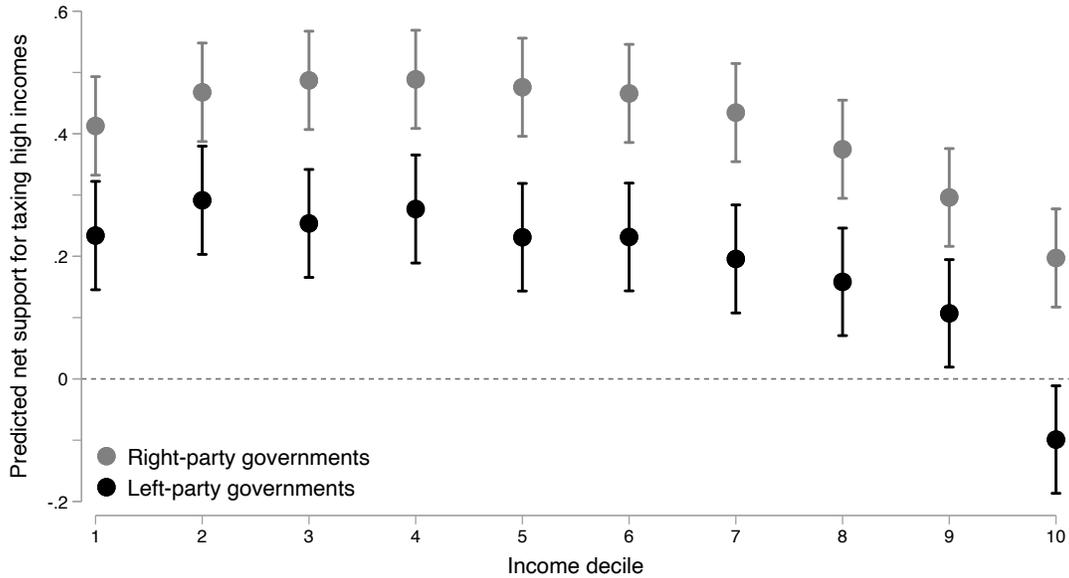
### **Conditional Effects of Government Partisanship**

Turning to our examination of Hypothesis Three, we show in Figure 6 predicted net support for taxing high incomes for different partisan contexts. The figure shows that the top income decile responds most strongly to who is in government; the character of their support is even different. When right parties are in government, the rich are slightly supportive of higher taxes on high-income individuals. By contrast, they support cutting their taxes when left parties are in government. This difference in preferences is substantial and corresponds to roughly 0.37 standard deviations, and it is consistent with Hypothesis Three. Thus, when left parties are in government, and the rich face a greater tax exposure, the rich express strong resistance to higher taxes on their own income. When right parties are in government, in contrast, the rich are less concerned about paying higher taxes. They may even exploit the opportunity to express support for paying higher taxes in order to reap the social rewards of appearing altruistic; yet, since right parties are protagonists of upper-class interests, and rarely increase the tax burden of the rich, such talk is cheap. The lower income groups, on the other hand, have good reasons to be more supportive of taxing the rich during right-party rule: they may be concerned that right-parties are going to lower taxes on the rich, and thereby decrease funding of the welfare state that supports their livelihood, and they therefore express greater resistance toward such policies when right parties are in power.

To test whether this pattern reflects a general tendency to oppose taxation under left-party rule, we examine preferences over taxes on low- and middle-income earners in Supplementary Appendix Figure C2. The analysis shows no partisan conditioning for taxes on low-income individuals, which indicates that the conditional effect of partisanship we observe in Figure 6 captures how the rich respond to changes in their personal tax exposure, rather than some general effect of how tax preferences are shaped by the partisanship of the government.

Yet, for middle-income taxes—as with high-income taxes—support is lower under left-party governments, especially among high-income individuals. However, the effect size for the top decile is only about two-thirds as large as that for taxes on high-income individuals. The similarity in responses to taxes on high- and

Figure 6: Net Support for Taxing High Incomes, Conditional on Partisanship of the Government



Note: N = 90,275. The results are based on the estimates in Supplementary Appendix Table C1 (model 2)

middle-income earners depending on the partisan context may be explained by two related factors. First, some high-income individuals may misclassify themselves as middle-income, and therefore oppose taxes on this group during left-party rule. Second, some may be uncertain about whether they will be targeted by reforms that raise taxes on middle-income earners, and thus express opposition as a precaution. In both cases, the marginal cost of taxation remains higher for the rich, making them more responsive to perceived exposure. At the same time, since we do not directly measure respondents' expectations, we cannot definitively identify the mechanisms behind these patterns. As such, the results should be interpreted with caution.

## Conclusion

A key political debate in recent decades has revolved around tax policy proposals from parties across the ideological spectrum, aiming to reshape fiscal institutions' size and structure. Most of the work that studies the political causes and consequences of taxation focuses on the tax revenues' size. However, it is the magnitude and direction of net transfers between income-groups—in other words, the structure of the tax policies—that intensify class conflict. Nevertheless, political economists have had very little to say about different groups' preferences over the fiscal system structure. This article has presented a novel contribution that addresses this gap. We argued that, in contrast to simple models of taxation used in the political economy literature, and similarly basic survey items used to elicit empirical support for these theoretical

predictions, tax reforms tend to hit specific groups in various ways. Individuals’ support for tax reforms depends on whether they expect to be winners or losers from policy changes. If people expect to pay more in taxes, they will oppose tax policy proposals.

Building on a concept of “tax exposure”, we argued that individuals’ preferences over concise tax policies, rather than vague formulations that often refer to “kitchen-sink” policies that aim to reduce inequalities between the rich and the poor, are better indicators of their actual preferences over specific tax policy proposals. For example, although some high-income individuals express support for redistribution in surveys, this does not mean they will support tax reforms that increase their personal tax burden. This finding aligns with recent work showing that support for redistribution in principle does not necessarily imply support for specific policies that aim to curb inequality (Margalit and Raviv, 2024).

We tested our argument using three different data sets. First, we conducted an original conjoint experiment in the UK, showing that preferences over tax rates correspond very closely to tax bracket thresholds. Second, we examined preferences over actual tax policies using the 2018 CCES conducted in the United States. We showed that homeowners in places with high house prices or high local taxes are against removing tax deductions. Finally, relying on ISSP data, we found that individuals’ preferences over tax policies depend on both those taxes’ expected effects on their disposable income and expectations on how any policy change may play out given the national politics. In particular, we found that high-income individuals are much less supportive about raising taxes on the rich where left-wing parties are in government, and existing tax rates are already high.

The paper offers important insights into how individuals evaluate the likely consequences of tax policy proposals. We have argued that voters who would bear tangible tax burdens under proposed reforms are more likely to understand the policy’s implications and, recognizing themselves as net losers, are inclined to oppose such reforms. These responses may conflict with more abstract commitments to redistributive fairness. Accordingly, scholars and public opinion researchers should be cautious about inferring support for specific tax policies from vague survey questions about “reducing the gap between rich and poor.” Instead, survey items should reflect the concrete fiscal tradeoffs individuals face in their everyday economic environments.

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