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Face It: You (Probably) Got a Tax Cut

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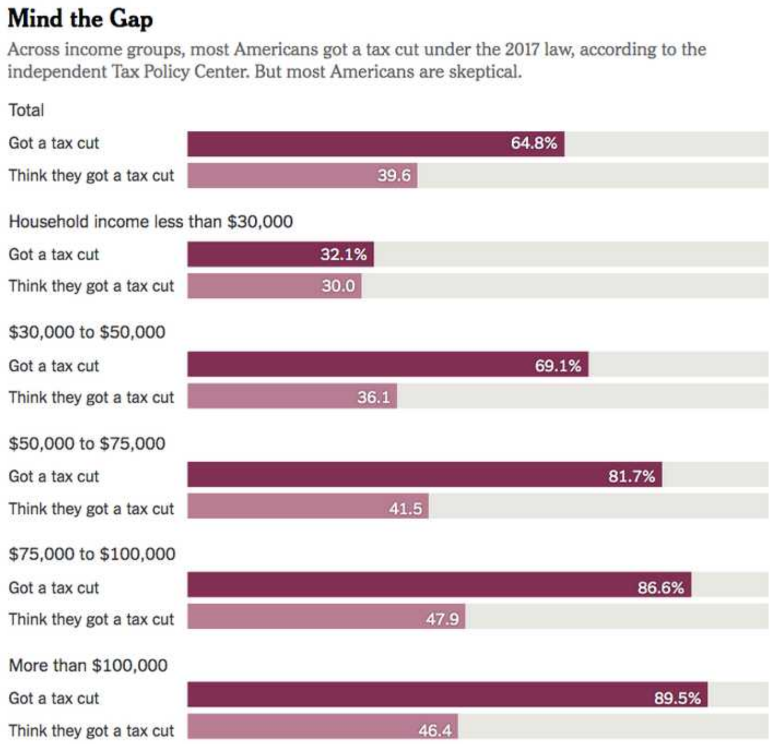
If you're an American taxpayer, you probably got a tax cut last year. And there's a good chance you don't believe it.

Ever since President Trump signed the Republican-sponsored tax bill in December 2017, independent analyses have consistently found that a large majority of Americans would owe less because of the law. Preliminary data based on tax filings has shown the same.

Yet as the first tax filing season under the new law wrapped up on Monday, taxpayers are skeptical. A survey conducted in early April for The New York Times by the online research platform SurveyMonkey found that just 40 percent of Americans believed they had received a tax cut under the law. Just 20 percent were certain they had done so. That's consistent with previous polls finding that most Americans felt they hadn't gotten a tax cut, and that a large minority thought their taxes had risen — though not even one in 10 households actually got a tax increase.

To a large degree, the gap between perception and reality on the tax cuts appears to flow from a sustained — and misleading — effort by liberal opponents of the law to brand it as a broad middle-class tax increase.

That effort began in the fall of 2017, when Republicans prepared to introduce legislation that models by the independent Tax Policy Center predicted could raise taxes on nearly a third of middle-class taxpayers . It continued through Mr. Trump's signing of the law, even though the group's models showed that the revised bill would raise taxes on relatively few in the middle class in the 2018 tax year.



Notes: Households with a change of less than $10 are counted as having no change. Fewer than 2 percent of low-income households got a tax increase (most saw no change). | Sources: Tax Policy Center and SurveyMonkey

After the law went into effect, Democrats played down those estimates and instead highlighted projections that most Americans' taxes are set to increase in 2026, after the individual tax cuts in the law are scheduled to expire.

The messaging stuck. In December 2017, polling for The Times by SurveyMonkey showed that nearly two-thirds of Americans — and three-quarters of Democrats — did not believe they would get a tax cut from the new law. In this month's poll, three-quarters of Democrats again said they did not think they got a tax cut from the law, and the overall share of Americans who said they had benefited rose only slightly from the 2017 expectations.

In convincing people that they would not benefit, "the Democrats did a very good job," said Howard Gleckman, a senior fellow at the Tax Policy Center. "They were able to put that into the public perception, and the reality has been unable to break that perception."

Tax Cuts by the Numbers

Experts are divided on whether the tax law was a good idea. But there is little disagreement on this core point: Most people got a tax cut.

The Tax Policy Center estimates that 65 percent of people paid less under the law and that just 6 percent paid more. (The rest saw little change to their taxes.)

Other analyses reached similar conclusions. The Joint Committee on Taxation — Congress's nonpartisan team of tax analysts — found that every income group would see a tax cut on average. So did the Institute on Taxation and Economic Policy, a left-leaning think tank that was sharply critical of the law. In fact, that group went even further: In a December 2017 analysis, it found that every income group in every state would pay less on average under the law in 2019.

So far, tax season seems to be playing out more or less as the experts predicted. H&R Block, the tax-preparation giant, said last week that two-thirds of returning customers had paid less tax this year than last (excluding people who owed no tax in either year). Taxes were down, on average, in every state.

“The vast majority of people did get a tax cut,” said Nathan Rigney, an analyst at H&R Block’s Tax Institute. That’s been clear all along, he added, “just now we have real data to back that up.”

Why Don’t People Believe It?

The tax savings were relatively small for many families, however. The middle fifth of earners got about a $780 tax cut last year on average, according to the Tax Policy Center.

Most Americans would probably welcome a $780 windfall. But in contrast to 2001, when President George W. Bush’s Treasury Department mailed rebate checks to taxpayers, last year’s tax cuts showed up mostly in the form of lower withholding from workers’ paychecks. A few extra dollars in a biweekly paycheck proved easy to miss. Moreover, as taxpayers filed their returns, many found they were due smaller refunds than in the past, which may have further skewed perceptions of the law.

“Most people didn’t recognize the increase in take-home pay, or at least didn’t attribute it to the tax cut,” Mr. Rigney said. Some of them might realize it now that they’re filing their taxes, he said, but “it’s little consolation to discover that you received a couple thousand dollars during the year but you already spent it.”

High earners did far better under the law. The top 20 percent of earners received more than 60 percent of the total tax savings, according to the Tax Policy Center; the top 1 percent received nearly 17 percent of the total benefit, and got an average tax cut of more than $30,000. And that’s not even factoring in the law’s huge cut to corporate taxes, which disproportionately benefit the wealthy households that own the most stock.

Surveys consistently show that what bothers Americans most about the tax system is not that they pay too much but that they think corporations and the wealthy pay too little, said Vanessa Williamson, a political scientist at the Brookings Institution who studies public attitudes toward taxation. The tax law only sharpened those concerns.

And there are other reasons that people might oppose the law, even if they personally benefited. It added hundreds of billions of dollars to the federal deficit — contrary to repeated assertions by Republicans that the cuts would pay for themselves — and could lead to budget cuts down the road. Most of the provisions that benefit individuals are set to expire in a few years, while the corporate cuts are permanent. And there has been little sign so far of the promised lift in business investment.

“People aren’t taking out their pay stubs and Excel spreadsheets and making their determination,” Ms. Williamson said. “Instead they’re making a broader statement about whether the government is doing a good job.”

What About SALT?

One of the most discussed provisions of the tax law was its $10,000 cap on deductions for state and local taxes, the so-called SALT deduction. The cap drew loud protests from politicians in high-cost, high-tax states — and Democratic strongholds — like New York, New Jersey and California.

The SALT cap definitely had a bigger effect in those states. But that doesn’t mean most of their residents saw a tax increase.

For one thing, the two-thirds of Americans who took the standard deduction in previous years weren't taking the SALT deduction, or any other itemized deduction. And most households earning less than $75,000 — as about two-thirds of households in New York State do — were comfortably under the $10,000 cap.

Paradoxically, many higher-income households weren't getting the SALT deduction, either. That's because the alternative minimum tax effectively wiped out many deductions, including SALT, for couples earning more than about $250,000 a year. The tax law significantly defanged the A.M.T., meaning most of those households ended up getting a bit of a tax cut.

The SALT cap did hurt families who earned enough to pay a lot of state and local tax but not enough to be affected by the A.M.T. (Other factors, like how people earned their money, also make a difference.) A Treasury Department audit estimated that 11 million taxpayers fell into that category.

But just because people were bitten by the SALT cap doesn't mean they were net losers under the law. The law doubled the child tax credit, for example, and made it available to more taxpayers. It also cut marginal tax rates and changed the treatment of some business income.

"A lot of people who are very angry about the SALT were not thinking about it in the context of the stuff that actually benefited them," Mr. Gleckman said.

"You can construct specific examples of situations" where people paid more, he added, "but they are very specific and overall pretty unusual."

About the survey: The data in this article came from an online survey of 9,716 adults conducted by the polling firm SurveyMonkey from April 1 to April 7. The company selected respondents at random from the nearly three million people who take surveys on its platform each day. Responses were weighted to match the demographic profile of the population of the United States. The survey has a modeled error estimate (similar to a margin of error in a standard telephone poll) of plus or minus 1.5 percentage points, so differences of less than that amount are statistically insignificant.