

A decorative graphic is present on the page. It features a large, thin, yellow arc that starts near the top right and curves down towards the bottom right. A horizontal line and a vertical line intersect at the bottom right end of this arc, with a small yellow square at the intersection point. Another small yellow square is located at the bottom right corner of a green rectangular area in the top left corner of the page.

Tennessee Tax Reform for Long-Term Care: An AARP Survey

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**Data Collected by Woelfel Research, Inc.
Report Prepared by Joanne Binette**

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Acknowledgements

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Tennessee Tax Reform for Long-Term Care Survey

Background

Like many other states, Tennessee is currently experiencing budget shortfalls and is facing problems funding needed programs and services in the state, specifically long-term care for the elderly and disabled. In an attempt to increase revenue to help pay for these programs and services the legislature is considering some proposals to restructure the state tax system. Currently, Tennessee relies heavily on sales tax. It represents more than half of the total state revenue and over sixty percent of the state general fund revenue. This revenue has been decreasing due to a weak economy, Internet sales, and interstate shopping. Tennessee also has an income tax; however, it is *not* a broad-based income tax and applies only to dividend and interest income. This income tax is largely paid by retired persons living on fixed incomes and contributes less than three percent to the state's revenue.

The Tennessee legislature is considering a major overhaul of the current tax system that would lower the sales tax rate; eliminate the tax on dividend and interest income; and replace the current system with a broad-based, low-rate tax on personal income as a way to raise revenue. This revenue could be used to expand the availability of home and community-based long-term care services, giving Tennessee residents an alternative to nursing home care while also improving the quality of nursing home care for those who need it.

The AARP Tennessee Tax Reform for Long-Term Care Survey investigates the degree of support for restructuring Tennessee's current tax system, focusing especially on using enhanced revenues to help improve and expand long-term care services in the state. Specifically, the survey explores Tennessee members'

- Support for a sales tax increase
- Support for a total tax reform that would eliminate the sales tax on groceries; clothing, and nonprescription drugs; lower the sales tax rate; eliminate taxes on interest and dividend income; and replace these with a broad-based low-rate tax on personal income
- Support for the total tax reform if it helped pay for legislation to improve the quality of nursing home care and increase the availability of home and community-based long-term care services
- Likelihood of voting for a candidate who supports the total tax reform in order to improve and expand long-term care services

Highlights

When asked about changes in the way Tennessee raises revenues:

- Seven in ten AARP members oppose a sales tax increase.
- More than half support the total tax reform that would eliminate the sales tax on groceries, clothing, and nonprescription drugs; lower the sales tax rate; eliminate the tax on interest and dividend income; and replace these with a broad-based low-rate tax on personal income.
- More than half still support this total tax reform after respondents are given a scenario that specifically illustrates a graduated income tax as part of the reform.

When asked about support for long-term care services and raising revenue for those services:

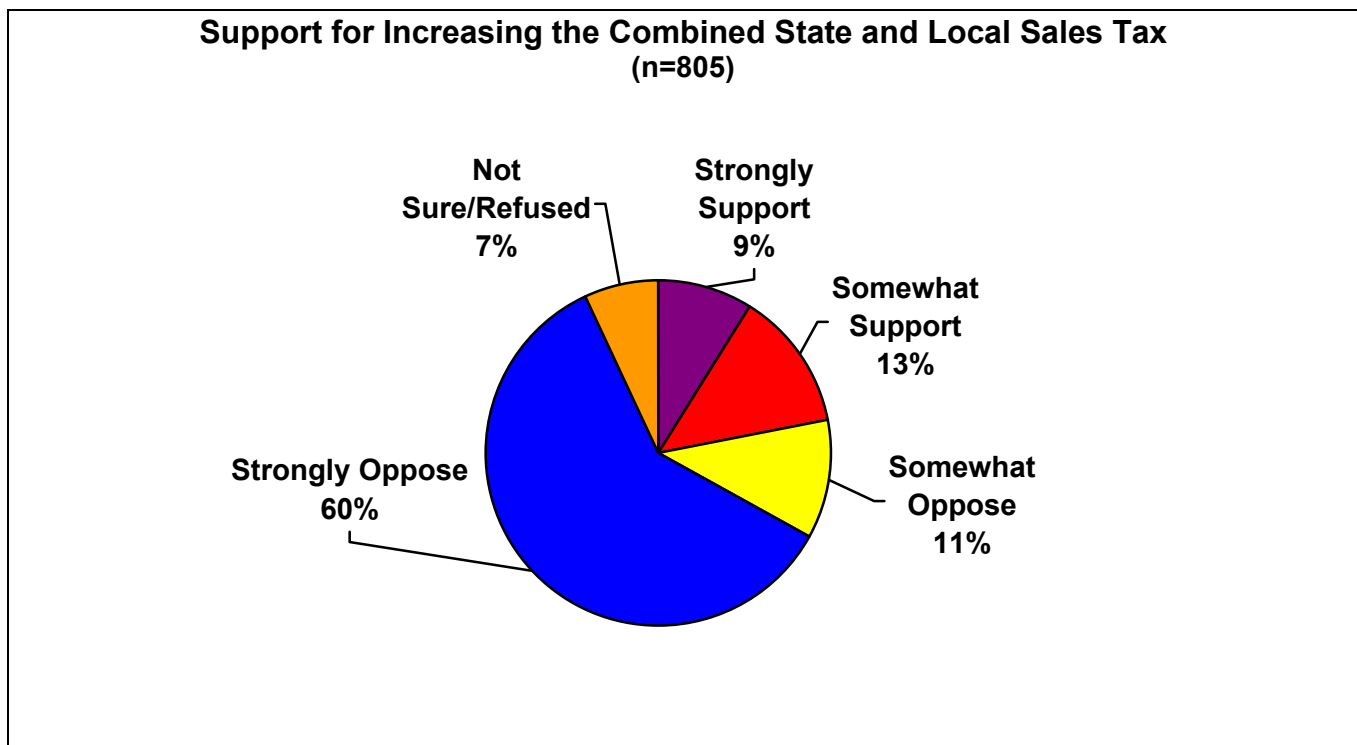
- Nearly nine in ten support legislation to improve the quality of nursing home care regardless of the total tax reform.
- More than four in five support increasing the availability of home and community-based long-term care services regardless of the total tax reform.
- Approximately two-thirds support the total tax reform if it helped pay for legislation to improve the quality of nursing home care and increase the availability of home and community-based long-term care services.
- Nearly half say they would be more likely to vote for a candidate who supported the total tax reform in order to improve the quality of nursing home care and increase the availability of home and community-based long-term care services.

Findings

Tennessee members strongly oppose a sales tax increase to restore lost revenue due to a weak economy, Internet sales, and interstate shopping.

More than seven in ten (71%) members strongly or somewhat oppose a sales tax increase while less than a quarter (22%) strongly or somewhat support this tax increase.

- Opposition is high among Tennessee members regardless of income.
- Members age 60-74 show a stronger opposition than members age 50-59 (63% vs. 56%).
- College graduates are more likely to oppose the sales tax increase than those without a college degree (66% vs. 57%).



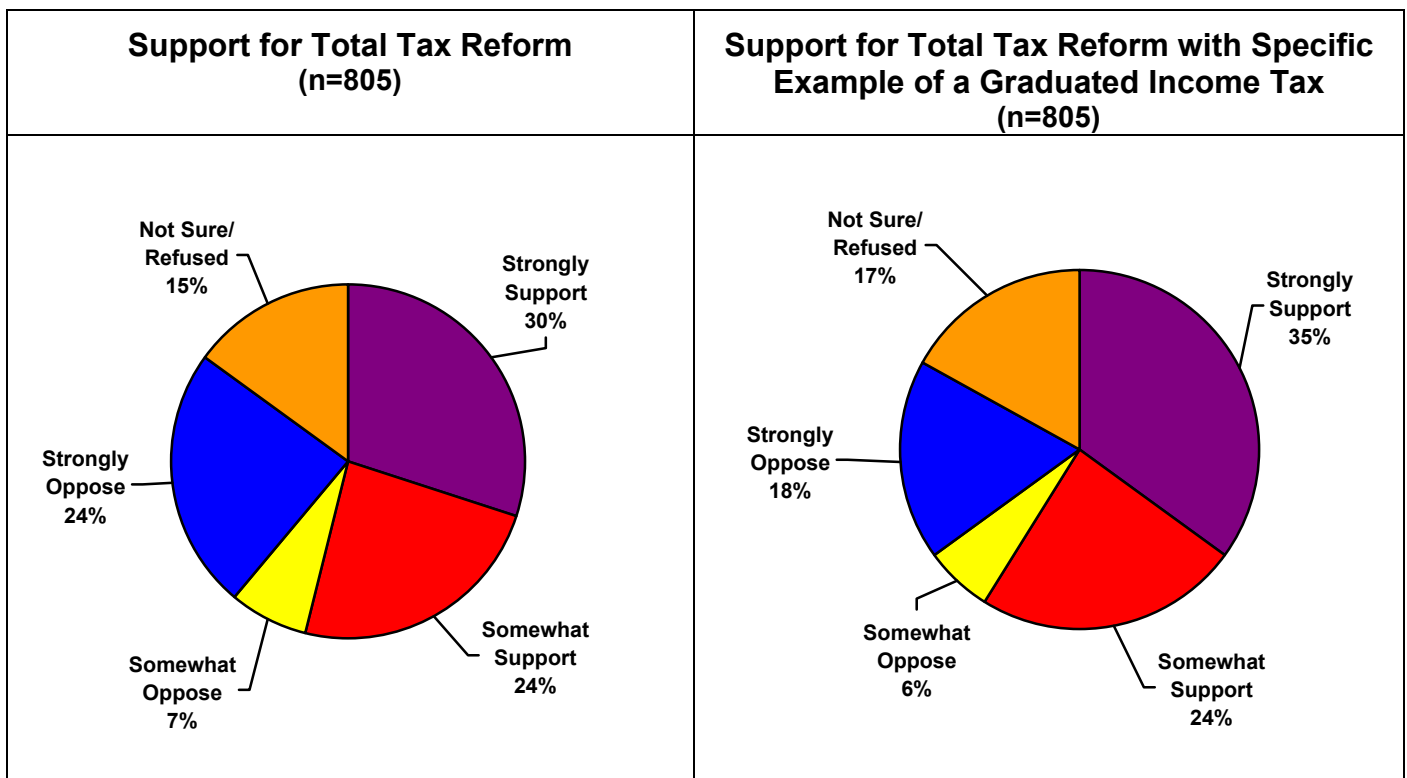
More than half of Tennessee members support total tax reform. Support remains relatively unchanged after members are given a specific example of how the tax reform affects individuals at various income levels.

More than half of members (54%) strongly or somewhat support the total tax reform that would eliminate the sales tax on groceries, clothing, and nonprescription drugs; lower the sales tax rate; eliminate the tax on interest and dividend income; and replace these with a broad-based low-rate tax on personal income. Nearly one-third (31%) strongly or somewhat oppose this reform and 15% are unsure.

- Members with incomes of more than \$20,000 a year show stronger support than members with less income (35% vs. 25%).
- College graduates show stronger support than those without a college degree (36% vs. 27%).

Support increases slightly after respondents are read a scenario that illustrates a family of four making \$40,000 or less would pay no state income tax and less in total taxes; a family of four making \$65,000 would pay about the same as they do now in total taxes; and a family of four making more than \$65,000 would pay more in total taxes. After hearing the scenario, 59% strongly or somewhat support the tax reform. Twenty-four percent strongly or somewhat oppose this reform and 17% are unsure.

- Although support increases slightly, it is interesting to note that members with incomes of \$20,000 or less still maintain a much lower level of support than those with higher incomes (29% vs. 42%).
- Members residing in Johnson City and Memphis show stronger support for the total tax reform than members in any other area of the state, 70% and 67% respectively.



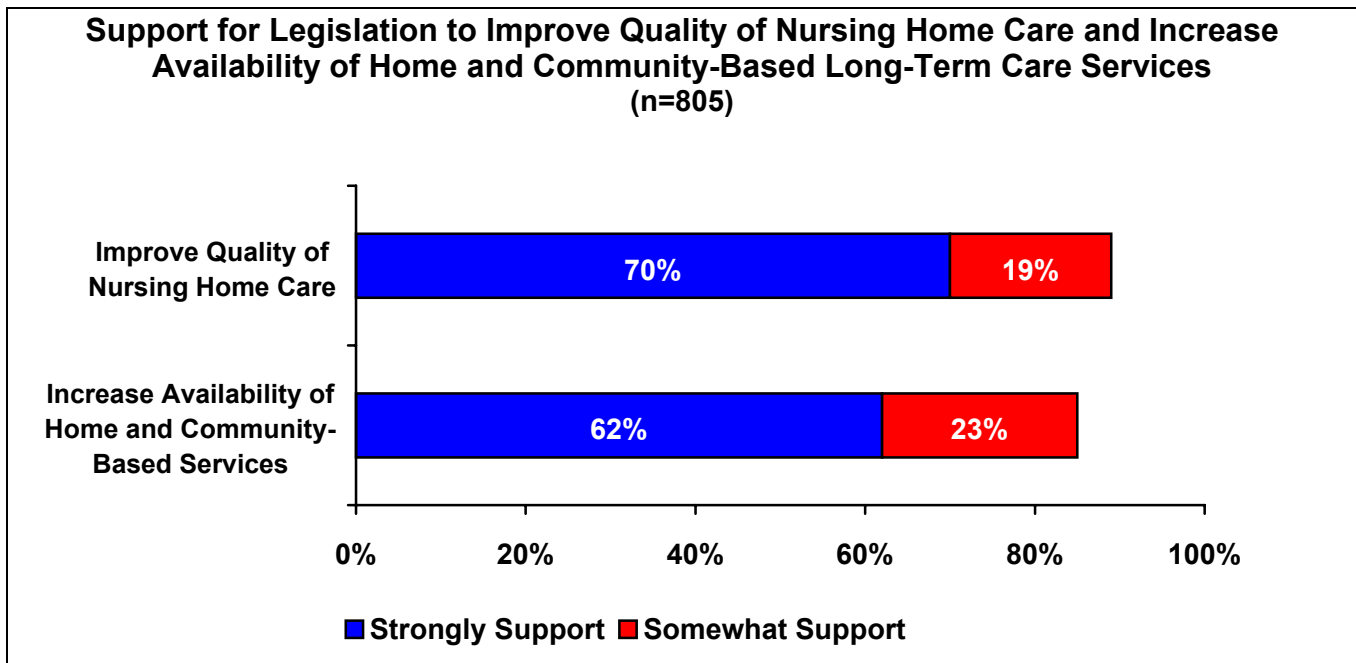
Tennessee members strongly support legislation to improve the quality of nursing home care and increasing the availability of home and community-based long-term care services.

Nearly nine in ten members (89%) strongly or somewhat support legislation to improve the quality of nursing home care.

- Support is higher among members age 50-59 than members age 75 and older (74% vs. 66%).
- Members with incomes of \$20,000 to \$40,000 show stronger support than members with incomes of more than \$65,000 (76% vs. 65%).
- Support is also higher among members with a high school education or less than those with a college degree (75% vs. 63%).

Almost as many members (85%) strongly or somewhat support increasing the availability of home and community-based long-term care services.

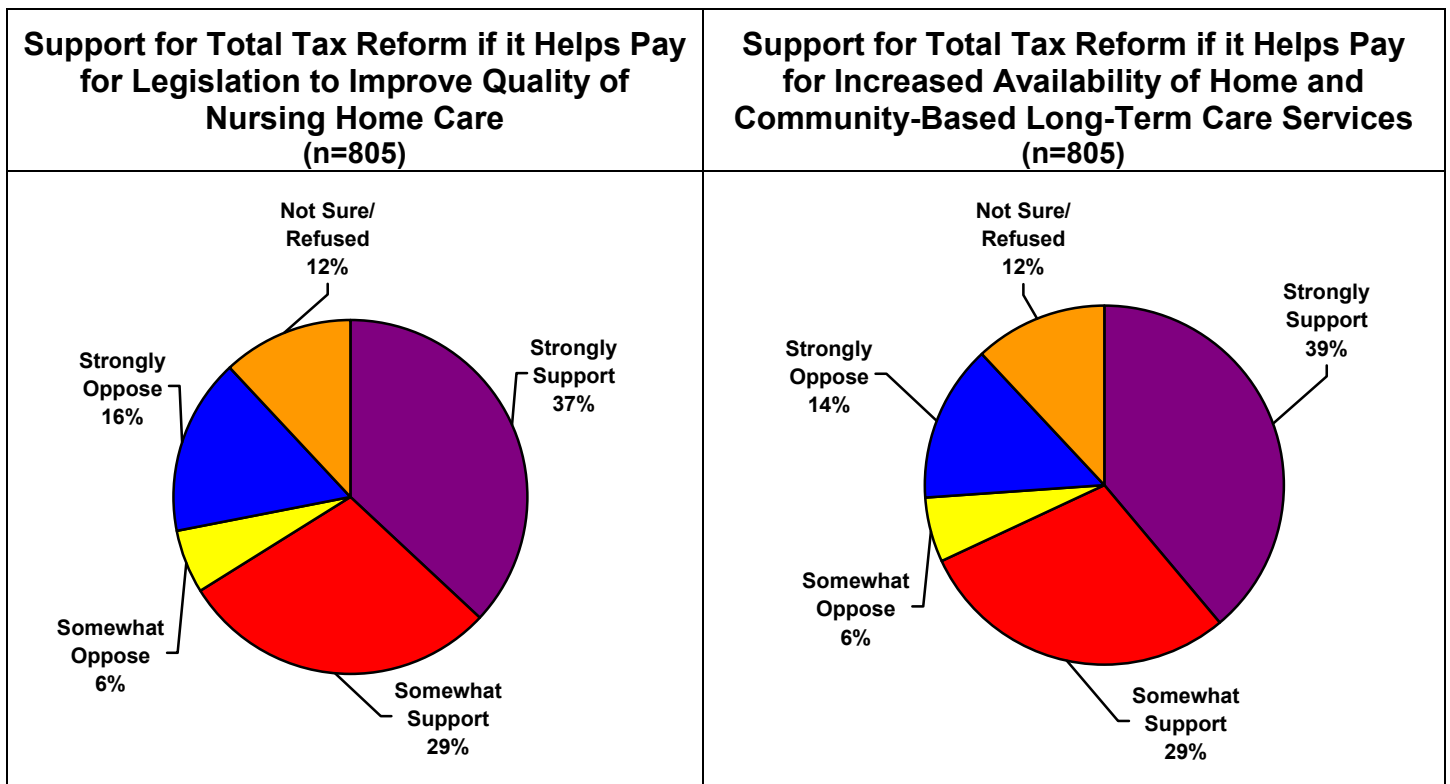
- Support is higher among members age 50-74 than members age 75 and older (65% vs. 55%).
- Members with incomes of \$20,000 to \$65,000 show stronger support than members earning more than \$65,000 (68% vs. 57%).



Support for total tax reform increases when it is specifically tied to helping improve the quality of nursing home care and increasing the availability of home and community-based long-term care services.

As noted earlier, when asked about the total tax reform *without* tying it to the improvement and expansion of long-term care services, 54% strongly or somewhat support the reform, and 59% strongly or somewhat support it after being given an example of the reform based on income. If the total tax reform helped pay for legislation that would improve the quality of nursing home care, two-thirds of members (66%) strongly or somewhat support the reform. Similarly, if the reform helped pay for the increased availability of home and community-based long-term care services, just over two-thirds (68%) strongly or somewhat support the reform.

- When the total tax reform is specifically tied to the improvement and expansion of long-term care services, there are almost no differences in support for this reform among demographic subgroups. One notable difference is that strong support for the reform, when tied to the quality of nursing home care, is more common among members age 50-59 than members age 60-74 (41% vs. 34%).
- Members residing in Jackson, McKenzie, and Memphis show stronger support for the total tax reform when tied to increasing the availability of home and community-based long-term care services than members in other areas of the state, 80%, 78%, and 74% respectively.

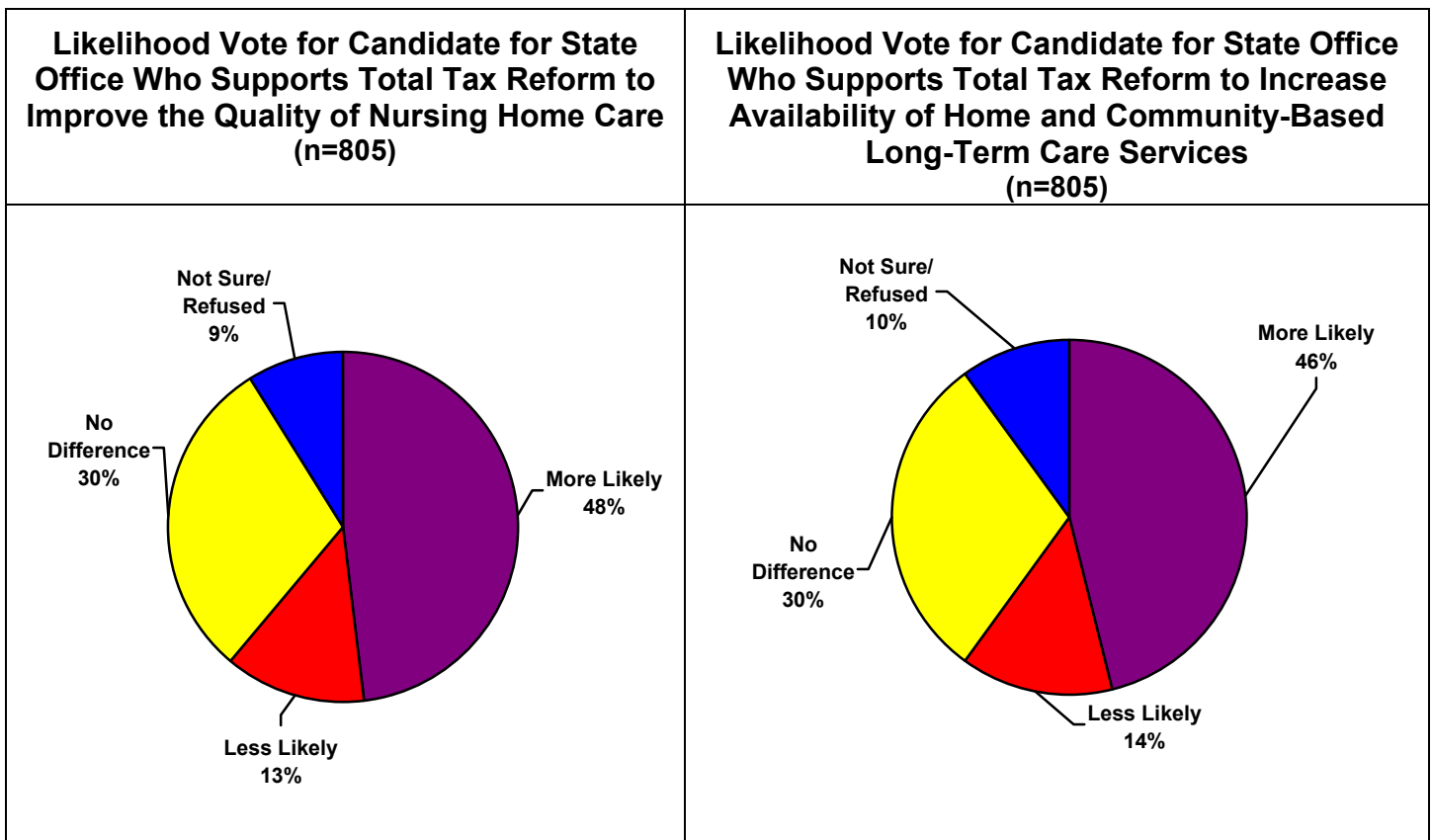


Almost half of Tennessee members would be more likely to vote for a candidate for state office who supports the total tax reform in order to improve and expand long-term care services.

More than three times as many members say they would be more likely to vote for a candidate who supports the total tax reform in order to improve and expand long-term care services than those who say they would be less likely to vote for a candidate supporting this reform. Forty-eight percent of members say they would be more likely to vote for a candidate who supports the total tax reform in order to improve the quality of nursing home care.

- Members age 50-59 and age 75 and older say they are more likely to vote for a candidate who supports the total tax reform in order to improve the quality of nursing home care compared to members age 60-74 (50% and 53% vs. 43%).

Forty-six percent of members say they would be more likely to vote for a candidate who supports the total tax reform in order to increase the availability of home and community-based long-term care services. There are no differences in support for this option among demographic subgroups.



Conclusions

When AARP members are asked to consider alternative approaches to raising revenues in Tennessee, they are opposed to a sales tax increase but are more supportive of a total tax reform that would lower the sales tax rate; eliminate the tax on dividend and interest income; and replace the current tax system with a broad-based low-rate tax on personal income. Support for the total tax reform remains fairly consistent after members are given an example of the reform that depicts the effect of a graduated income tax. Members strongly support improving the quality of nursing home care and increasing the availability of home and community-based long-term care services in the state. They are somewhat more likely to support the total tax reform when it is considered as a way to fund the improvement and expansion of these long-term care services. Nearly half of members say they will be more likely to vote for a candidate who supports the total tax reform in order to improve and expand long-term care services, less than a third say it would make no difference in how they vote, and only one in six say they would be less likely to vote for a candidate who supported this proposal.

Methodology

AARP commissioned Woelfel Research to conduct a telephone survey of AARP members in Tennessee. There are 587,884 AARP members in Tennessee that make up 36% percent of the 50 and older population in the state (AARP Insight Database, 2001). From a random sample of 6,303 members with known telephone numbers, 805 interviews were completed from December 13 - December 20, 2001, yielding an 18 percent response rate¹ and 90 percent cooperation rate. The survey has a sampling error of plus or minus 3.5 percent. This means that in 95 out of 100 samples of this size, the results obtained in the sample would fall in a range of ± 3.5 percentage points of what would have been obtained if every member in Tennessee had been surveyed. Survey responses were weighted to reflect the actual distribution of age of members, in Tennessee. Responses to all survey questions are in the attached annotated questionnaire.

For more information about this study, contact Joanne Binette, AARP Knowledge Management, (202) 434-6303.

¹ The response rate is Response Rate 3 and the cooperation rate is Cooperation Rate 3 from the following publication: The American Association for Public Opinion Research. 2000. Standard Definitions: Final Dispositions of Case Codes and Outcome Rates for Surveys. Ann Arbor, Michigan: AAPOR.

Annotated Questionnaire

Tennessee Tax Reform for Long-Term Care Survey December 2001

(Telephone, Member Sample, n = 805, Sampling Error = \pm 3.5 percent)
(Responses weighted by age.)
(Percentages may not add to 100 percent due to rounding.)

(ASK TO SPEAK WITH NAME LISTED IN SAMPLE FILE)

Hello, my name is _____. I'm calling on behalf of the American Association of Retired Persons (AARP) from **Woelfel**. We are conducting a survey with AARP members in Tennessee to find out about members' opinions on some important issues facing the state. Your views are important and we would greatly appreciate your participation.

This is not a sales call and you will not be asked to buy anything either now or later and your responses are kept entirely confidential. The survey should take only about 6 or 7 minutes to complete.

(IF ASKED "Where did you get my name?" SAY: "AARP provided a list of members for us to call.")

Tennessee is facing major problems funding needed programs and services. The state has made significant cuts in spending resulting in state park closures, and decreases in funds for education, health care, and long-term care for the elderly and the disabled. The state legislature is considering even more cuts. There are a number of proposals aimed at changing the way Tennessee raises revenue, including taxes. This brief survey is about the specific proposals being considered by the state legislature.

1. Currently the state of Tennessee relies heavily on sales taxes to fund state programs and services. The amount being raised through sales tax is going down because of the weak economy, Internet sales, and residents shopping in neighboring states with lower tax rates. To restore lost revenue, there is a proposal to increase the combined state and local sales tax from a maximum of 8.25% to a maximum of 9.75%.

Would you support or oppose the sales tax increase?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

- 9% Strongly Support
- 13% Somewhat Support
- 11% Somewhat Oppose
- 60% Strongly Oppose
- 8% Not sure (DO NOT READ)
- 1% Refused

The state legislature in Tennessee is considering a major overhaul of the tax system. This total tax reform proposal would eliminate the sales tax on groceries, clothing, and non-prescription drugs; lower the sales tax rate; and eliminate the tax on interest and dividend income from retirement savings such as mutual funds and investment trusts. The current tax system would be replaced with a broad-based, low-rate tax on personal income. The state would be required to refund excess taxes to taxpayers if the total tax reform produced more money than necessary to provide state services.

2a. Would you support or oppose this total tax reform proposal?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

30%	Strongly Support
24%	Somewhat Support
7%	Somewhat Oppose
24%	Strongly Oppose
15%	Not sure (DO NOT READ)
1%	Refused

2b. Now, I am going to give you an example of how the total tax reform would work. According to a range of private and government sources, under this total tax reform proposal, a family of four making \$40,000 or less could expect to pay no state income tax and less in total taxes, a family of four making \$65,000 could expect to pay about the same as they do now in total taxes, and a family of four making above \$65,000 could expect to pay more than they do now in total taxes. A retired couple making \$65,000 could expect to pay less than they do now in total taxes.

Would you support or oppose this total tax reform proposal?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

35%	Strongly Support
24%	Somewhat Support
6%	Somewhat Oppose
18%	Strongly Oppose
17%	Not sure (DO NOT READ)
1%	Refused

Now I would like to ask you a few questions on long-term care including the quality of nursing home care and home and community-based services for Tennessee residents. By long-term care I mean care provided over an extended period of time in a nursing home, at home, or in a community setting for people with physical or mental impairments that prevent them from functioning independently. Long-term care services include personal care services such as help with dressing and bathing, adult day care, relief for caregivers, meal deliveries, and transportation.

3a. Would you support or oppose legislation that improves the quality of nursing home care?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

70%	Strongly Support
19%	Somewhat Support
1%	Somewhat Oppose
3%	Strongly Oppose
6%	Not sure (DO NOT READ)
1%	Refused

3b. Would you support or oppose increasing the availability of home and community based long-term care services?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

62%	Strongly Support
23%	Somewhat Support
3%	Somewhat Oppose
3%	Strongly Oppose
8%	Not sure (DO NOT READ)
1%	Refused

4a. If it helped pay for legislation that would improve the quality of nursing home care, would you support or oppose the total tax reform proposal described earlier?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

37%	Strongly Support
29%	Somewhat Support
6%	Somewhat Oppose
16%	Strongly Oppose
12%	Not sure (DO NOT READ)
1%	Refused

- 4b. If it helped pay for the increased availability of home and community-based long-term care services, would you support or oppose the total tax reform proposal described earlier?

[IF SUPPORT/OPPOSE] Would that be strongly or somewhat?

39% Strongly Support
29% Somewhat Support
6% Somewhat Oppose
14% Strongly Oppose
12% Not sure (DO NOT READ)
1% Refused

5. Suppose that as part of his or her campaign to get elected, a candidate for state office in Tennessee supported the total tax reform proposal in order to increase the availability of home and community-based long-term care services.

Would this make you more likely to vote for the candidate, less likely, or wouldn't make any difference?

46% More likely to vote for the candidate
14% Less likely to vote for the candidate
30% Would make no difference in how you vote
10% Not sure (DO NOT READ)
1% Refused

6. Suppose that as part of his or her campaign to get elected, a candidate for state office in Tennessee supported the total tax reform proposal in order to improve the quality of nursing home care.

Would this make you more likely to vote for the candidate, less likely, or wouldn't make any difference?

48% More likely to vote for the candidate
13% Less likely to vote for the candidate
30% Would make no difference in how you vote
8% Not sure (DO NOT READ)
1% Refused

My last few questions are for classification purposes only.

1. What is your age as of your last birthday? (RECORD IN YEARS)

32% 50-59
43% 60-74
22% 75 or older
3% Refused

Mean Age: 68
Median Age: 66

2. Which of the following best describes your marital status?

67% Now married
3% Never married
10% Divorced/separated
1% Living with a partner but not married
19% Widowed
<.5% Don't know (DO NOT READ)
1% Refuse (DO NOT READ)

3. Which of the following best describes your highest level of education?

12% Some high school or less
26% High school graduate or equivalent
31% Some college or technical school beyond high school
16% College graduate
15% Post graduate or professional degree
<.5% Don't know (DO NOT READ)
<.5% Refuse (DO NOT READ)

4. Are you currently.... (READ LIST. RECORD ONE RESPONSE)

26% Employed full-time
8% Employed part-time
61% Retired and not working
2% Unemployed and looking for work
3% Don't know (DO NOT READ)
<.5% Refused (DO NOT READ)

5. Which of the following best represents your household income in the year 2000 before taxes?

- 8% Less than \$10,000
- 15% \$10,000 to \$20,000
- 15% \$20,001 to \$30,000
- 13% \$30,001 to \$40,000
- 9% \$40,001 to \$50,000
- 10% \$50,001 but less than \$65,000
- 14% \$65,000 or more
- 4% Don't know (DO NOT READ)
- 11% Refused (DO NOT READ)

6. Thinking about your state elections for Tennessee Governor and Legislators in the last ten years, which of the following best describes your voting behavior? Would you say you always vote, sometimes miss one, rarely vote, or never vote?

- 64% Always vote
- 24% Sometimes miss one
- 4% Rarely vote
- 6% Never vote
- 2% Don't know (DON'T READ)
- <.5% Refused (DON'T READ)

7. What is your 5-digit zip code?

RECORD _ _ _ _ _
Refused

8. Gender (**DO NOT ASK. RECORD FROM VOICE.**)

53% Male 47% Female

Thank you for your time and responses to this survey.

AARP
Knowledge Management
For more information, contact Joanne Binette at (202) 434-6303.