

Taxing the Increasingly Wealthy, Discussion 1

Paper 1: Holzblatt et al. (HL) “Should Wealth Be Taxed?”

Paper 2: Bourne (B) “Inequality, Taxes, and the Very Rich”

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Issues Surrounding Taxing the Wealthy

- ① How much wealth is out there? HL, B
 - Data measurement problem: who, what, how is missing?
 - Question about quality of imputation
- ② What statutory rates should be paid on it? HL, B
 - Tax apportionment and normative policy question
 - Depends on mechanical and behavioral responses
- ③ What effective rates are paid on it? HL, B
 - Avoidance and evasion behavior
 - Norms and institutions

① How much wealth is out there?

- Data sources: strengths and weaknesses
 - IRS Public Use File HL, B
 - Survey of Consumer Finances HL
 - Forbes list HL
 - IRS linked estate tax / income tax data B
- Imputation methods, representativeness
 - TPC Microsimulation Model HL
 - Sample weights and near-universe of (reported) wealth B
- Is there a “ground truth”? What is un/misreported? HL
 - The Big Four?
 - JPMorgan, BofA, HSBC, etc? (Artavanis et al. 2016)
 - Picassos in basements?

② What statutory rates should be paid on wealth?

- Asset classes and portfolio composition determine rates
- Policy debate: Warren versus Booker
 - Warren: inequality problem and social programs
 - Booker: “cumbersome, tried by others, hard to evaluate”
- Academic debate: what tax instrument most effective? HL
 - Estate, capital gains, property taxes: existing wealth taxes B
 - “Direct” wealth tax:
 - Efficiency cost? B
 - Implementation uncertainties? HL
 - Allows to tax unrealized capital gains?

③ What effective rates are paid on wealth?

- Avoidance & evasion: from Sweden (0.1) to Switzerland (43)
- What determines elasticity? Proximate factors
 - ① Research design: DiD vs bunching, static vs dynamic HL
 - ② Tax competition and migration HL
 - ③ Evasion tolerance and exemptions/deductions/breaks B
- Ultimate factors driving elasticity:
 - ① Norms: attitudes of leaders and tax payers
 - ② Institutions: state capacity (Besley & Persson 2009)
 - ③ Government efficiency (Alesina et al. 2018)