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
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?
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)