TAXONOMY OF WEALTH TAXATION LITERATURE: A STUDY OF IMPLEMENTATION, EFFECTS, RESPONSES AND REGULATORY POLICY CONTEXT

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Abstract

This paper presents a systematic review of wealth tax literature examining the challenges of wealth taxes for countries that have implemented and repealed them. We comprehensively analyzed 96 papers published in 14 reputable journals from 2000 to 2023. These papers are classified into three primary thematic areas: wealth tax implementation, effects of wealth tax (EWT), and taxpayer behavioral responses (BRT). We find that most countries that have implemented wealth taxes face challenges of accurate valuation of net worth (NW) and assets and high administrative costs (ADCs) due to the high ADCs associated with implementing and enforcing wealth taxes and double taxation. The implication of the results is to enhance understanding of the challenges influencing wealth tax implementation for researchers and policymakers and also bridge historical experiences into the present context, offering practical guidance for the United States of America (USA) states considering wealth tax adoption, thereby supporting their decision-making process.

Keywords: Taxonomy, Property Tax, Inheritance Tax, Estate Tax, Gift Tax

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1. INTRODUCTION

Washington has long had one of the United States of America's (USA's) most regressive state tax systems (Institute on Taxation & Economic Policy [ITEP], 2024). In recent years, legislators have made strides to address this perceived unfairness. On February 4, 2021, Senators Hunt, Conway, Das, Dhingra, Hasegawa, Keiser, Kuderer, Lovelett, Nguyen, Saldaña, Stanford, and Wilson proposed Senate Bill 5426, a wealth tax for Washington State[1]. In further pursuit of equity, in January 2023, Senator Noel Frame and Representative My-Linh Thai introduced Senate Bill 5486 and

[1] To address regressivity concerns, Washington state implemented two major tax reforms effective January 1, 2022. First, a 7% excise tax was imposed on long-term capital gains over $250,000, with the tax codified under a new chapter of Title 82 RCW per Section 19 of Engrossed Substitute Senate Bill 5096. Projected revenues of $500 million annually will fund education, with any remainder supporting school construction (Section 2 of ESSB 5096). Additionally, the working families tax credit established in RCW 82.08.0206 provides refundable sales and use tax credits up to $1200 for eligible low-income households, phasing out at higher incomes (Section 1(3)). The Department of Revenue manages tax credit distribution (Section 1(4)). These two measures aim to reduce the tax burden on low and middle-income families in Washington.

HB 1473 to build on those efforts further and promote tax equity. This proposed legislation would impose a one-percent property tax (PROP) on stocks, bonds, and other financial assets above $15 billion owned by Washington residents (Senate 5426 and HB 1473). The levies aim to generate revenue for funding education, housing, disability services, and supplementing the working families tax credit (WFTC) (Washington State House Democrats, 2023). The Bill remains under consideration and discussion in the state Senate. Passage faces political hurdles, but supporters believe the policy could raise $2.5 billion annually while mandating the wealthy pay their "fair share" to meet urgent budget needs (Washington State House Democrats, 2023).

The wealth-tax notion is not new. Some countries have implemented and repealed wealth taxes[2]. Moreover, four countries currently impose wealth taxes: Norway, Switzerland, Belgium, and Spain. Importantly, wealth taxes have achieved a spectacular political comeback as several proposals for new or renewed wealth taxes have recently been proposed. For instance, Germany is discussing a renewed wealth tax to replace the one it repealed in 1996 (Böcking, 2019). The COVID-19 pandemic also prompted the introduction of a wealth tax in Bolivia to generate revenue for pandemic-related costs (Laje & Faiola, 2021). In 2020, in the US presidential campaign, Senator Elizabeth Warren proposed an annual wealth tax of 2% of household wealth over $50 million; her proposal taxes the values of real estate, bonds, stocks, and retirement funds (Warren, n.d.). Her proposed plan entailed a 2% household wealth tax on amounts exceeding $50 million. For households with wealth exceeding $1 billion, Senator Warren's proposed tax rate would increase to 3% (Warren, 2019a).

The political debate on wealth taxes has garnered significant academic interest. A growing number of studies in the 21st century examine the political dynamics, discussions, and controversies related to wealth tax proposals and the theoretical concept of wealth taxes (Saez & Zucman, 2019). Prior literature on wealth taxes provides a robust foundation, focusing on implementation, policy proposals, economic impacts, political debates, and practical implications.

Saez and Zucman (2019) offer analytical insights into the inequality-reducing potential of wealth taxes, while others (Mankiw, 2000; Viard, 2019; Advani, Bangham, et al., 2021; Chamberlain, 2021; Guvenen et al., 2019; Brülhart et al., 2022) emphasize potential drawbacks, such as adverse effects on growth and investment. Additionally, several studies have utilized historical data to understand the historical development of wealth taxes (Saez & Zucman, 2022; Limberg & Seelkopf, 2021; Mofokeng, 2018).

This paper conducts a systematic review of the literature on wealth taxation, addressing the question:

RQ: How do taxpayers behave in response to various methods of wealth taxation?

It comparatively analyzes international wealth tax experiences and policies, comparing countries' experiences, policies, and outcomes after the implementation of wealth taxes (IMTes). First, we review and categorize 96 articles on wealth taxation from 14 journals into three focus areas: implementation, effects, and taxpayer behavior related to wealth tax. Second, we consider the practical challenges experienced by countries during the implementation process, including valuation difficulties in defining individual net wealth, administrative compliance costs, and the economic impact of different forms of wealth taxes (e.g., capital gain — CG, inheritance tax — IT, estate tax — ET, and gift tax — GT). Next, we explore what is known about taxpayers' responses to wealth taxes, including effects on natural behavior, financial choices aimed at reducing the burden of wealth tax, outright tax evasion and avoidance, and administrative and compliance costs.

This study has significant implications for policymakers and researchers. Firstly creating a wealth taxonomy and categorizing literature into three core areas — implementation, effects, and taxpayer behavior related to wealth tax — provides extensive knowledge and understanding. This bridges historical experiences into the present context, offering valuable guidance for states in the USA considering adopting wealth tax to avoid potential pitfalls. Secondly, it contributes to the growing body of tax research on wealth taxation, identifying research gaps, fostering interdisciplinary connections between economics and political science, and facilitating comparative analysis of international wealth tax experiences and policies. In line with prior literature on wealth tax, this systematic review enhances researchers' and policymakers' knowledge of the challenges influencing wealth taxation implementation.

The rest of the paper is structured as follows. Section 2 presents the overview, defining the understanding of wealth taxation and summarizing prior literature. Section 3 introduces the method behind a carefully crafted review of the research, offering a structured lens through which the literature can be understood. Section 4 presents the results and discussion. Section 5 concludes by summarizing the study.

2. LITERATURE REVIEW

Taxes are typically categorized as either progressive or regressive. Progressive taxes (PROGs) impose a more significant relative burden on the wealthier, while regressive taxes place a higher relative burden on the less affluent. An example of a regressive tax is the consumption tax, whereas taxes on income and assets are usually progressive. For instance, a PROG might be applied to individuals with net assets above a certain threshold. Someone with assets of €1 million might pay only on the portion exceeding €800,000 at a lower rate of 0.5%. In comparison, someone with €11 million in assets might pay a rate of 1.5% on the portion exceeding €10 million, in addition to the accumulated taxes at the lower level (Messere et al., 2003).

In contrast to an income tax, a wealth tax is a progressive annual levy on the total fair market value of an individual's assets minus the fair market

[2] France had a wealth tax from 1881 to 2017 when President Macron repealed it. Austria, Denmark, Germany, Finland, Iceland, Luxembourg, and Sweden had wealth taxes in the 1990s but repealed them by 2008. The Netherlands repealed their wealth tax in 2001 after having it for only five years. India had a wealth tax between 1957 and 2015 before repealing it for low revenues. Ireland had a wealth tax from 1975 to 1978 before repealing it (Saez & Zucman, 2019).

value of their liabilities (Yang, 2021). These assets include bank deposits, real estate, investments in insurance and pension plans, ownership of unincorporated businesses, financial securities, and private trusts (Saez & Zucman, 2019). Wealth taxes typically apply only to wealth above an exemption amount.

Only a handful of nations have implemented such taxes, and many countries have repealed and abandoned wealth taxation. Some Organisation for Economic Co-operation and Development (OECD) countries have tried annual wealth taxes but abandoned or reformed them due to tax evasion, capital flight, or administrative costs (ADCs) (Mofokeng, 2018; Perret, 2021).

As of 2017, only four OECD countries, France, Norway, Spain, and Switzerland, continued IMTes (OECD, 2018). In 2018, France repealed the solidarity tax on wealth and introduced the property wealth tax, focusing on high-value immovable property (Mofokeng, 2018). By 2020, only three countries had imposed an annual wealth tax on the OECD countries: Switzerland, Spain, and Norway (Perret, 2021) (see Table A.2 in Appendix).

In the Netherlands, a de facto wealth tax is embodied within their "Box 3" taxation system on income from savings and investments. Instead of taxing the actual returns or the total value of assets, the Dutch system levies a tax on a presumed income tax return contingent upon an individual's net assets. The structure implies that the higher the net assets, the higher the presumed income tax return, thus making the income tax functionally like a progressive wealth tax (Zoutman, 2018).

Annual wealth taxation has drawbacks that have led many developed countries to repeal such taxes (Richardson et al., 2003). Countries that have repealed taxes include:

- Japan: Japan experiences difficulty tracing cash, jewelry, bank deposits, and securities owned by taxpayers, whereas real property is more accessible for authorities to identify and tax (Tanabe, 1967).
- Germany: The German Federal Constitutional Court declared the wealth tax unconstitutional in 1995 due to concerns about the inconsistent and inequitable methods used for valuing assets (Chatalova & Evans, 2013).
- Finland: This tax was repealed in 2006 amid concerns about administrative challenges, capital flight, reduced investments by the wealthy, movement of assets abroad, reduction in investment capital, and reduction in demand for luxury goods and services (Henrekson & Du Rietz, 2014).
- Colombia: Concerns over double taxation led to the gradual phasing out of the wealth tax, which was repealed by the end of 2018 (Mofokeng, 2018).
- Luxembourg: The wealth tax was abolished in 2006, with concerns over double taxation and its potential negative implications on economic competitiveness (Hansson, 2008).
- Italy: Repealing the wealth tax in favor of the regional tax on productive activities (*imposta regionale sulle attività produttive* — IRAP), a tax on productive activities, was a strategic move to streamline the tax system. IRAP aligns with the value added by businesses in the production process, excluding certain costs like labor, thus promoting equity in tax distribution among regions (Lehner et al., 2000).
- Nicaragua: In 2015, the wealth tax was replaced with an estate and PROP to address problems related to taxpayers' undervaluation or non-declaration of assets (Mofokeng, 2018). This shift aimed to establish a more transparent, objective valuation metric for taxation purposes.

Annual wealth taxes have not been used in the USA. However, the federal government and many states impose estate and GTes, essentially one-time wealth taxes paid when wealth is transferred through a gift or bequest (Viard, 2019). In the USA, politicians at the federal and state levels are actively debating the merits and implications of further wealth taxes. At the federal level, when she released her plan to pay for Medicare for All in January 2019, Senator Elizabeth Warren proposed the ultra millionaire's tax for households with wealth exceeding $50 million to be subject to an annual tax of 2%; those above $1 billion in income would pay 3%. Later, she added an extra 6% tax rate (raised from the initial 3% rate in her earlier proposal) for households with wealth exceeding $1 billion.

USA polls found the most support, particularly among liberals and democrats (Budget & Policy Center). Saez and Zucman (2019) and Piketty (2014) argue that wealth taxes can reduce inequality, while opponents such as Mankiw (2000) highlight potential negative impacts on investment and growth, concerns that were evident in many countries that have repealed these taxes. Practical concerns have also been voiced, with Summers and Sarin (2019) assessing the feasibility and possible consequences of IMT and emphasizing challenges in revenue projections and practical implementation, as well as concerns voiced in other countries.

3. RESEARCH METHODOLOGY

3.1. Search preparation

The taxonomy was developed by searching for articles in 14 major area-specific journals (see Table A.1 in Appendix). The search, conducted with the keywords "wealth tax", "net worth", and "progressive tax", initially identified 126 articles for inclusion in the taxonomy. The search covered the date range from 2000 to 2023 to ensure the most recent and relevant research was included. The literature search was conducted using the following databases: Google Scholar, EconLit, JSTOR, ScienceDirect, and the National Bureau of Economic Research (NBER) database. These databases were chosen for their comprehensive coverage of economic and financial research.

3.2. Search process

The initial search yielded 126 articles. A rigorous two-stage screening process was employed to select the final set of articles for inclusion in the taxonomy. In the first stage, titles and abstracts were meticulously reviewed to determine their relevance to wealth taxation. Articles that did not focus on wealth taxation or did not meet the inclusion criteria were excluded.

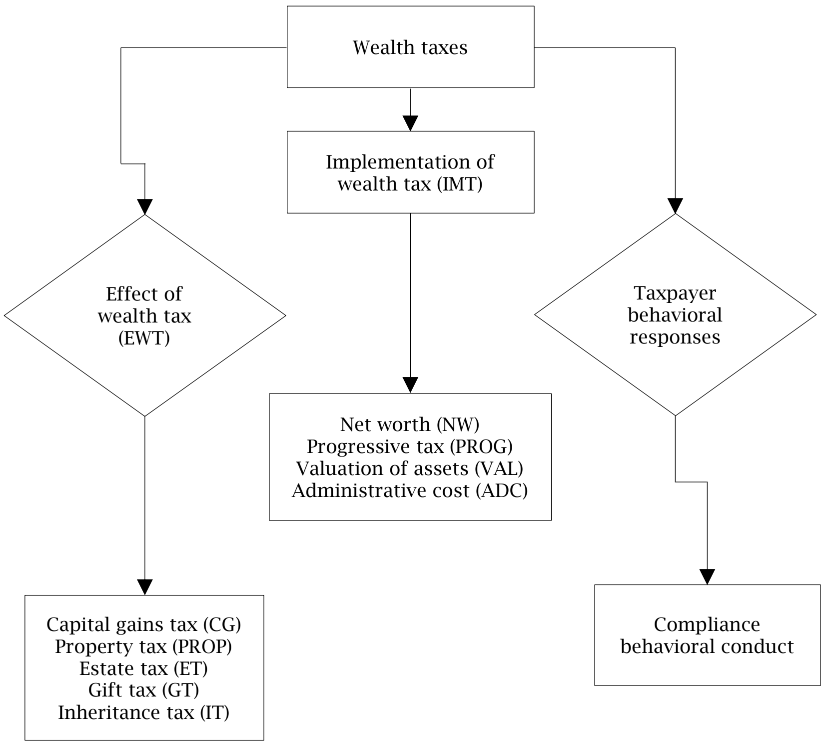
In the second stage, a full review was conducted to align with the three primary focuses that emerged during the initial reading: the IMT, its effects, and taxpayer behavioral responses (BRT).

Each focus area was then divided into two to five sub-concepts based on the specific aspects addressed in the articles. For example, 23 articles were excluded from the final set upon close examination as they needed to align with one of these three areas. Table A.2, Appendix, details the last set of articles.

3.3. Critical review

For each included article, relevant information was extracted, including the author(s), publication year, journal, research question(s), methodology, findings, and policy implications. The extracted data was then analyzed and synthesized based on the three primary focus areas and their respective sub-concepts. The relationships between the different focus areas were explored to gain insights into how taxpayers behave in response to various methods of wealth taxation. Cross-country comparisons were conducted to obtain a broader perspective on wealth taxation policies and their outcomes in different contexts. For these three category areas, we provide a table summarizing the papers, highlighting relevant issues, and suggesting future research.

Figure 1. Wealth tax process flow diagram



3.4. Implementation of wealth tax

In examining the multifaceted nature of the IMT, it becomes essential to break down the broader theme into its critical sub-components. Thus, we delve deeply into specific sub-themes such as NW, PROG, VAL, and ADCs. Each sub-theme offers invaluable insights into the intricacies and operational aspects of IMTes, shedding light on the challenges and considerations inherent in such fiscal measures.

In the literature analysis, the focus area received the most attention, with 31% of the examined papers (see Table A.1 in Appendix). Research focusing on implementation (see Table A.4 in Appendix) addresses concerns of all the sub-categories and confirms that this is valuable in wealth tax. The key considerations are given below.

IMT1. What is meant by net worth? NW is the foundation of wealth taxation and can be complicated by taxpayers' various financial instruments and wealth management strategies. Durán-Cabré et al. (2019) highlight strategies taxpayers use to reduce their declared NW, such as moving assets into non-taxable forms, transferring wealth into trusts, offshoring funds, or taking advantage of specific tax exemptions. These strategies can significantly impact the effectiveness of wealth taxes in achieving their goals of redistributing wealth and reducing inequality. Therefore, policymakers must carefully design and consistently evaluate wealth tax policies to address the complex interplay between tax policy, financial innovation, and taxpayer behavior.

IMT2. What are the main challenges associated with the valuation of assets? The VAL is a critical challenge in IMTes, as it directly affects the tax base and the system's fairness. Saez and Zucman (2016) point out that valuing illiquid assets, such as unique real estate or art, can be particularly difficult due to the lack of standardized valuations. Alstadsæter et al. (2019) highlight the complexity added by using trusts and other legal entities, which can obscure the actual value of assets. Country-specific issues, such as India's ancestral properties or Switzerland's decentralized tax codes, further complicate the valuation process (Johannesen & Zucman, 2014). These challenges often result in under-valuations and tax avoidance, as demonstrated by Shakow and Shuldiner (1998), Shakow (2016), and Daly et al. (2021).

IMT3. What are the effects of progressive tax? PROG wealth taxes are often seen as a tool for reducing economic inequality. Saez and Zucman (2019) support this view, arguing that PROG ensures that the wealthiest individuals contribute more in proportion to their wealth. However, critics such as Mankiw (2000), Piketty (2014), and Summers (2021) raise concerns that progressive wealth taxes may discourage investment, savings, and economic growth. Viard (2019) notes that a wealth tax would significantly increase progressivity but could reduce national savings and investment. Thus, while a wealth tax promises to address income disparities and ensure that those at the top contribute more, its potential implications on savings, investment, and the broader economic landscape must be considered. The balance between reducing inequality and fostering economic growth remains a delicate and debated issue in the discourse on wealth taxation.

IMT4. What are the main challenges associated with administrative costs? ADCs are a significant challenge in IMTes, as the effort and expense of tracking and valuing assets can sometimes exceed the revenue generated. Sandford et al. (1989) and the OECD's (2018) report highlight that high ADCs have been among the primary reasons for reforming or repealing wealth taxes in many jurisdictions. Edwards (2019), Davison (2019), and Rosalsky (2019) note that numerous European nations have abolished their wealth taxes due to issues related to administration and compliance.

3.5. Effects of wealth tax

One of the primary effects that often motivates the proposal of a wealth tax is the potential for wealth redistribution (Piketty, 2014; Saez & Zucman, 2019). This would entail reallocating wealth from the wealthiest segments of society to the less affluent, aiming to address and reduce economic inequality (Atkinson, 2015). Another significant effect of a wealth tax is its capacity to generate substantial revenue for the government (Scheve & Stasavage, 2016). The effects of wealth tax (EWT) review focuses on understanding its broader economic impact and distinct challenges. Consider research with a focus on CG, PROP, ET, GT, and IT (see Table A.3 in Appendix). Key considerations are:

EWT1. What is the EWT on capital gains tax? CG and wealth taxes are two distinct fiscal instruments targeting individual wealth. When both taxes coexist, concerns arise regarding double taxation, as assets could be taxed annually under a wealth tax and again when sold for a profit (Jakobsen et al., 2020). Moreover, these taxes can influence behavioral decisions about saving, investing, and selling assets (Saez & Zucman, 2019) and may encourage tax avoidance and evasion strategies (Alstadsæter et al., 2019). The case of Washington state's CG (Senate Bill 5096) illustrates the legal and economic complexities that can arise when introducing new taxes or reforming existing ones.

EWT2. How do PROP, ET, GT, and IT designs impact their concurrent implementations? ET, GT, and ITes intersect with wealth taxes to curb intergenerational wealth concentration, but their efficacy depends on the design and the broader fiscal context (Piketty et al., 2019; Sand, 2015; Littlewood, 2014; Henrekson & Waldenström, 2016). It is also worth noting that some countries have transitioned away from IT due to concerns ranging from fairness to administrative burdens. However, they might retain a wealth or PROP version.

3.6. Taxpayer behavioral responses

The BRT division is dedicated to understanding the reactions of taxpayers in the face of wealth taxation. As wealth tax policies evolve and become increasingly complex, it is crucial to anticipate and comprehend the varying responses of those affected. (see Table A.4 in Appendix). This focus area reviews the literature to reveal potential answers to these responses and subsequent compliance challenges. The primary considerations are:

BRT1. How will taxpayers respond to wealth tax? Wealth taxes can prompt relocation, especially among the affluent, eroding tax bases and revenues (Walczak, 2021; Jakobsen et al., 2020; Brülhart et al., 2016). The literature reveals that while certain affluent taxpayers might deploy intricate systems to minimize their tax liabilities, not all exploit the full extent of potential tax savings.

BRT2. How does implementing a wealth tax affect taxpayer behavior in terms of avoidance and evasion of taxes? Wealth taxes have spurred sophisticated avoidance and evasion tactics, such as asset shifting and offshore holdings (Alvaredo & Saez, 2009; Durán-Cabré et al., 2019; Perret, 2021; Alstadsæter et al., 2018). The concentration of offshore wealth emphasizes the pressing challenges to the effectiveness and fairness of wealth taxes.

BRT3. What is the strategy used for wealth transfer behavior? Gifting of assets is a common tax avoidance strategy influenced by tax design, awareness, and sociocultural factors (Stephens & Ward-Batts, 2004; Joulfaian, 2005; McGarry, 2000; Kopczuk, 2013). The dynamic interplay between gifting and taxation affects both the timing and magnitude of tax revenues, as heightened gifting in response to taxation could lead to diminished IT revenues upon death (Joulfaian & McGarry, 2004; McGarry, 2000; Poterba, 2002; Stephens & Ward-Batts, 2004; Kopczuk, 2013).

4. RESULTS AND DISCUSSION

The taxonomy of wealth tax reveals that IMTes is a complex process, with the key challenges being determining NW, VAL, PROG, and ADCs. Taxpayers employ strategies to reduce their declared NW, complicating the assessment of wealth tax liabilities. Valuing illiquid and unique assets poses difficulties due to the need for standardized valuations. Progressive wealth taxes can reduce inequality but may discourage investment and economic growth. The high costs of tracking and valuing assets can sometimes exceed the revenue generated by wealth taxes.

Wealth taxes can redistribute wealth and generate substantial revenue for governments. However, their effectiveness depends on their interaction with other tax policies, such as capital gains and wealth transfer taxes. The coexistence of wealth and CGes raises concerns about double taxation and can influence taxpayer behavior regarding saving, investing, and asset disposal. The case of

Washington State's CG illustrates the legal and economic complexities that can arise when introducing new taxes or reforming existing ones.

Wealth tax policies can trigger various behavioral responses from taxpayers, including relocation, asset realignment, and wealth transfer strategies. Affluent individuals may relocate to jurisdictions with lower or no wealth taxes, eroding tax bases and revenues. Taxpayers may employ sophisticated techniques to minimize their wealth tax liabilities, such as asset shifting and offshore holdings. Wealth transfers, such as gifting, are common tax avoidance strategies influenced by tax design, awareness, and socio-cultural factors.

5. CONCLUSION

The taxonomy of the wealth tax literature highlights the significant challenges associated with IMTes, including the difficulties in determining NW, the complexities of VAL, the potential trade-offs between equity and efficiency in PROG, and the high ADCs. Analyzing the economic EWTes reveals their potential to redistribute wealth and generate government revenue. It also underscores the importance of considering the interaction between wealth taxes and other tax policies. Furthermore, the examination of taxpayer behavioral responses sheds light on the various strategies employed by individuals to minimize their tax liabilities, such as relocation, asset realignment, and wealth transfer tactics.

The findings of this study have important implications for policymakers and researchers. This study offers valuable insights for countries contemplating introducing or reforming wealth taxes by identifying key challenges and considerations. Policymakers can draw upon the experiences and lessons learned from other nations to design more effective and equitable wealth tax policies that balance the goals of reducing inequality, fostering economic growth, and ensuring the sustainability of the tax system.

However, it is essential to acknowledge this review's limitations. First, the study focused on 14 journals and may not have captured all relevant studies published in other outlets or grey literature. Second, the categorization and synthesis of articles involved some degree of subjectivity, although efforts were made to ensure consistency and transparency throughout the review process.

Despite these limitations, this study contributes to the literature on wealth taxation. It provides a structured framework for understanding the key challenges, effects, and behavioral responses associated with wealth taxes and highlights several avenues for future research. These include investigating improved methods for NW determination and VAL, examining the long-term economic impacts of progressive wealth taxes, exploring strategies to mitigate adverse effects on savings and investment, analyzing the interplay between wealth taxes and other tax policies, studying taxpayer behavioral responses in greater depth, and investigating the role of international collaboration in preventing tax evasion.

Finally, this taxonomy is a foundation for future research and policy initiatives in wealth taxation. As countries grapple with issues of wealth inequality and the need for equitable and sustainable tax systems, the insights gained from this study can inform the design and evaluation of wealth tax policies. In conclusion, our comprehensive review of the wealth tax literature highlights its potential to address economic inequality and increase government revenues while highlighting the numerous challenges of potential double taxation, changes in investment behavior, and administrative burdens. We have also highlighted a complex matrix of taxpayer responses to wealth tax policies, including strategic relocation, asset realignment, and tax evasion practices. For future research, we recommend exploring these behaviors, improved VAL methods, the economic impact of progressive wealth taxes, and the potential for international tax cooperation. In conclusion, while a wealth tax holds great promise, its practical and equitable implementation requires nuanced understanding, ongoing research, and thoughtful policy design to navigate the complex wealth tax landscape.

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APPENDIX

Table A.1. Overview of articles reviewed on wealth taxation

Journals	*NW*	*PROG*	*VAL*	*Deduction and allowance*	*ADC*	*CG*	*PROP*	*ET*	*IT*	*GT*	*Total*
Journal of Applied Economics	5	1	1	1	3	3	2	2	3	3	24
Three Seas Economic Journal	1		1			1	1				4
Journal of Economic and Business	1										1
American Economic Journal	2	1			1			1			5
National Tax Journal	5	1	1			4		4	1	2	18
Tax Notes	1		1			1					3
Journal of the American Taxation Association	2		3			1					6
Brazilian Journal of Political Economics		1			1			1	1		4
Journal for Economics	1										1
Journal of Entrepreneur	1										1
Social Science Research Network	5	1		3	1	2		1	1		14
National Bureau of Economic Research	3					3		1	1		8
Open Research Online	1					1			1		3
Center for Public Finance Austrian Institute	1			1	1						3
Australian Institute of Economic Research	1										1
Total	**30**	**5**	**7**	**5**	**7**	**16**	**3**	**10**	**8**	**5**	**96**

Table A.2. Current net wealth tax in OECD countries

Country	*Tax rate*	*Amount applied*	*Applicable year*
Norway	O.7% muncipal and 0.15% national	Market VAL after deducting liabilities. The tax is levied on wealth values beyond NOK 1.5 million ($180,000) for single or unmarried taxpayers and over NOK 3 million ($360,000) for married pairs	2017
Spain	0.2%–3.5% range	Based on region	2015
Switzerland	0.05%–0.45% based on cantons and city	Total gross assets (at market price) minus liabilities	2015

Table A.3. Summary table of countries' comparison of wealth tax

Country	Reason for implementation	Implementation year	Status (if applicable)	Reason for repealing tax in years	Taxpayer	Type of tax system
Argentina	Administrative control	1951	1989	Public opposition	Individuals and corporations	Proportional
Austria		1954	1994			
Colombia	Horizontal equity	1935	1960	Double taxation	Individuals	Progressive
Denmark		1903	1997		Individuals	Progressive
Finland		1993/1993	2006		Individuals and corporations	Progressive for individuals and proportional for a corporation
France	Inequality reduction and administrative control	1982/reintroduced in 1989	1986/2017	Not efficient in reducing inequality	Individuals	Progressive
Germany	Horizontal equity	1952	1997	Practical difficulties	Individuals	Proportional
Ireland		1975	1978	Practical difficulties	Individuals	Progressive
Italy	Horizontal equity	1992/reintroduced in 2021	1997	Replaced with a tax on productive assets	Corporations	Proportional
Luxembourg	Horizontal equity	1934	2006	Double taxation	Individuals and corporations	Progressive for individual and public companies and proportional for private companies
Japan	Efficiency	1950	1953	Practical difficulties	Individuals	Progressive
Netherlands		1965	2001	Adverse economic activity	Individuals	Proportional
Sweden	Horizontal equity	1947	2007	Adverse economic activities	Individuals	Progressive
Norway		1911	Reduced in recent years		Individuals and corporations	Progressive for individuals and proportional for a corporation
Nicaragua	Horizontal equity	1939	1962	Practical difficulties	Individuals	Progressive
Spain		1977	2008		Individuals	Progressive
Switzerland			Imposed by cantons only		Individuals and corporations	Progressive for individuals and proportional for a corporation

Table A.4. Selected paper related to IMT focus area (Part 1)

Reference	Relevant research question	Purpose	Key result
Saez and Zucman (2019)	*IMT3*	To explore the impact of wealth tax on a progressive system.	The study suggests that a wealth tax has significant potential for revenue generation and wealth equalization in the USA. With household wealth reaching substantial levels and the richest owning a considerable portion of it, a wealth tax, if implemented with sufficiently high tax rates, can help deconcentrate wealth and reduce the growth advantage enjoyed by the wealthiest individuals.
Piketty (2014)	*IMT3*	To discuss the implications for optimal PROG on income, wealth, and consumption.	The findings indicate that capital-income ratios and capital shares tend to move together, influenced by factors such as real estate prices, institutional policies, and technological forces.
Summer (2021)	*IMT3*	To evaluate whether implementing a wealth tax is a viable alternative to reforming existing taxes on wealth.	The paper concludes that the existing taxes on wealth in the UK need reform due to their inefficiencies and unjustifiable features. It acknowledges that both the Mirrlees approach and the corporate income tax (CIT) approach offer viable directions for reform, with several common reforms that are necessary regardless of the chosen method. However, it argues that implementing a wealth tax is a complex alternative to these reforms.
Daly et al. (2021)	*IMT2*	To address valuation issues associated with wealth tax implementation.	The study suggests that the taxpayers likely to pay substantial valuation fees are small and that, in the aggregate, valuation costs could be contained to around 0.1% or less of total chargeable assets, even if they are substantial for some individual taxpayers.

Table A.4. Selected paper related to IMT focus area (Part 2)

Reference	*Relevant research question*	*Purpose*	*Key result*
Hemel (2019)	*IMT2*	To analyze and compare three different tax regimes: valuation, constitutional, and political uncertainty.	The study suggests that the alternatives of any of the three tax regimes are not mutually exclusive, and lawmakers can consider hybrid approaches or fallback provisions to address different uncertainties. Ultimately, there is no single "best" answer, but policymakers should consider the trade-offs and public support for each approach when designing a capital taxation system.
Burgherr (2021)	*IMT4*	To provide updated evidence based on the costs of administering a wealth tax.	The findings suggest that ADCs to taxpayers for a wealth tax could be significantly higher to estimate: a well-designed wealth tax generates costs to taxpayers of 0.1% of taxable wealth and costs to the tax authority of 0.05% of taxable wealth compared to income tax. In contrast, ADCs to the tax authority appear relatively lower.
Chamberlain (2021)	*IMT2, IMT4*	To investigate and analyze potential criteria for defining who should pay a wealth tax.	The finding suggests that an annual wealth tax would introduce considerable complexity into the tax system if IT were retained. While a high exempt threshold has distinct administrative and valuation advantages, it will considerably increase the possibilities for avoidance, as taxpayers can plan over the years to fragment wealth between members.
Perret (2021)	*IMT4*	To investigate the issues of economic effect and ADC and tax design.	The study suggests differences in the marginal tax rates on wealth taxes among countries. The lowest rates range from less than 0.2% to 1.5%, while the top rates range from 0.5% to 2.5%. The study also reveals significant diversity in offshore wealth holdings, with around 10% of the world's gross domestic product (GDP) being held offshore but varying amounts in different regions.
O'Donovan (2021)	*IMT1*	To provide an overview evidence base for policymakers considering implementing one-off wealth taxes.	The study suggests that a well-designed and well-executed one-off wealth tax, incorporating appropriate exit and entry charges, can limit incentives for fiscal expatriation.
de Rugy and Salmon (2020)	*IMT3*	To examine the distribution of wealth in the USA and the potential effects of implementing a progressive wealth tax.	The findings suggest that Saez and Zucman's estimates of the unequal distribution of wealth in the USA should be revised. The share of wealth for the top 1% is 9 to 13 percentage points lower than their estimates.
Schnellenbach (2012)	*IMT1*	To investigate the economic justification for implementing a wealth tax.	The study finds that the net wealth tax faces economic efficiency and equity challenges. It suggests that the net wealth tax is not widespread due to rational voters' perceptions of economic constraints or misconceptions about their tax liability.
Advani, Miller, et al. (2021)	*IMT1*	To examine the in-principal case for and against implementing a wealth tax.	The study highlights the need for a comprehensive base to limit tax avoidance and emphasizes the importance of avoiding exemptions that undermine horizontal equity. It also emphasizes the significance of considering ADCs and their impact on the threshold and rates of a wealth tax.

Table A.5. Selected papers related to the EWT focus area (Part 1)

Reference	*Relevant research question*	*Purpose*	*Key results*
Guvenen et al (2019)	*EWT1, EWT2*	To investigate whether the return on investment is equal across two tax systems are equivalent.	The findings suggest that taxing wealth may be a more desirable alternative to taxing capital income, as it can improve aggregate productivity, grow the economy, reduce consumption inequality, and improve welfare for large parts of the USA's population.
Piketty and Yang (2022)	*EWT1, EWT2*	To investigate reasons for taxing progressive IT within an ideal fiscal system.	The study suggests that Spain and France experience similar levels of tax base erosion. Even countries like Norway and Switzerland, which tax a significant portion of their populations, generate less revenue than a theoretical 1% tax on the top 1%.
Saez and Zucman (2019)	*EWT1, EWT2*	To examine the impact of wealth taxes on the PROG system.	The study suggests that a wealth tax has significant potential for revenue generation and wealth equalization in the USA. With household wealth reaching substantial levels and the richest owning a significant portion of it, a wealth tax, if implemented with sufficiently high tax rates, can help deconcentrate wealth and reduce the growth advantage enjoyed by the wealthiest individuals.

Table A.5. Selected papers related to the EWT focus area (Part 2)

Reference	*Relevant research question*	*Purpose*	*Key results*
Saez and Zucman (2022)	*EWT1, EWT2*	To examine the feasibility and desirability of taxing wealth.	This study outlines the basic design and enforcement characteristics necessary for a viable wealth tax in the current era.
Bø et al. (2019)	*EWT1, EWT2*	To examine the distributional effects of wealth taxation using various income concepts.	The study suggests that a wealth tax does represent a valuable redistributive supplement to income tax, and other income concepts generate far more favorable distributive effects. According to individual annual income, the adverse high tax burdens at low-income levels are eliminated when other income concepts are employed.
Advani, Bangham, et al. (2021)	*EWT1, EWT2*	To examine the revenue generation potential of annual and one-off wealth taxes.	The findings demonstrate that implementing a wealth tax can generate significant revenue, even at relatively modest tax rates. For instance, an annual wealth tax with a flat rate of 0.17% on wealth above £500,000 could generate £10 billion in revenue. When higher wealth thresholds are applied, higher tax rates would be required to generate a similar revenue amount. However, the aggregate ADCs would be lower due to fewer taxpayers.
Piketty (2014)	*EWT1*	To examine the factors contributing to rising wealth inequality.	The results suggest that rising inequality in labor earnings, changes in labor market rules, declining unions, and falling minimum wage contribute to income inequality but are not directly related to the r-g (rate of return on capital [r] and the rate of economic growth [g]) gap. Additionally, findings indicate that capital-income ratios and capital shares tend to move together, influenced by factors such as real estate prices, institutional policies, and technological forces.
Splinter (2019)	*EWT1, EWT2*	To examine the treatment of different income elements.	The results suggest a significant underestimation of the effective tax rates for top-income earners.
Summers (2021)	*EWT1*	To evaluate whether implementing a wealth tax is a viable alternative to reforming existing taxes on wealth.	The paper concludes that the existing taxes on wealth in the UK need reform due to their inefficiencies and unjustifiable features. It acknowledges that both the Mirrlees approach and the CIT approach offer viable directions for reform, with several common reforms that are necessary regardless of the chosen method. However, it argues that implementing a wealth tax is a complex alternative to these reforms.
Bach et al. (2018)	*EWT1*	To evaluate the revenue and distributional effects of a proposed capital levy in Germany.	This study focuses on assessing the revenue and distributional impacts of a capital levy as proposed by representatives of the Green Party in the German federal parliament, a plan designed to generate tax revenues of €100 billion over a decade and will analyze alternative scenarios with different tax bases and rates and examine the compliance and ADCs of the capital levy.
Drometer et al. (2018)	*EWT2*	To analyze the difficulties in measuring wealth and the effectiveness of different tax strategies.	This study suggests that the best way to measure wealth is through administrative and national account data. Secondly, the result indicates that the top 10% globally own an average of 87.8% of the total wealth. Japan shows an equal wealth distribution, and some countries have stopped annual wealth and inheritance taxation because of low tax revenue yield, high ADCs, and legal complications.
Morgan and Carvalho (2021)	*EWT2*	To evaluate the implementation and reform of wealth and ITes in Brazil.	The study suggests that wealth and ITes are technically and administratively feasible options for addressing wealth inequality in Brazil despite historical and global trends toward weakening inheritance taxation.
Yang (2021)	*EWT1*	This paper focuses on comparing Sanders and Warren's proposed wealth tax plans and estimating their effects on wealth as modeled by the Tax Foundation. Additionally, the paper will consider studies conducted by economists at the Centre on Budget and Policy Priorities (CBPP) to further understand the potential impacts of wealth tax implementations on wealth distribution inequality.	The study finds that wealth in the USA has become increasingly concentrated in the top 1% of households since the post-World War II period, with income distribution deteriorating since the 1970s, as shown by the increasing Gini coefficient. The level of income and wealth inequality in the USA is relatively high compared to the European Union (EU). While Senators Warren and Sanders propose a wealth tax to reduce inequality and increase tax revenues, practical challenges include estimating the NW of ultra-wealthy individuals and administrative complexities. Moreover, the tax foundation's model suggests a long-term negative impact on the USA economy from such a wealth tax, including potential shrinkage of the gross national product (GNP) under Sanders' and Warren's proposals. While the influence of a wealth tax on income and wealth distribution in European countries is not directly comparable to the USA, these countries generally exhibit a lower Gini coefficient. The study concludes that while a progressive wealth tax may help improve wealth distribution in the future, its accurate evaluation cannot be based solely on academic models and estimations.

Table A.5. Selected papers related to the EWT focus area (Part 3)

Reference	*Relevant research question*	*Purpose*	*Key results*
Sherdan (2022)	*EWT2*	To explore wealth taxation's essence, variations, and impact in a growing and wealthy society.	The study indicates that wealth tax, in its various forms, plays a significant role in addressing wealth distribution disparities within society. As a result, actual revenues from the tax were only about half of the anticipated amount, leading to the income tax reintroduction and a reduction in the tax rate to 0.80% in mid-1999.
Krenek and Schratzenstaller (2017)	*EWT2*	To demonstrate that a net wealth tax has substantial revenue potential in the 20 EU Member States.	The study indicates that a net wealth tax implemented in the 20 EU Member States, with a PROG schedule and generous basic allowances, has the potential to generate substantial revenues while affecting a relatively small percentage of households. The estimated revenues, approximately 1.5% of GDP on average, indicate that a net wealth tax can contribute significantly to addressing wealth inequality and funding public expenditures.
Prabhakar (2021)	*EWT1, EWT2*	To investigate public opinions and preferences regarding the taxation of wealth.	The results indicate that a wealth tax starting at £1 million was the most popular choice among the options presented in the study.
Edwards (2019)	*EWT2*	To examine different tax proposals on wealth tax and higher taxes on incomes, estates, capital gains, and corporations.	The study finds that the proposed tax increases, including an annual wealth tax, counter the international trend of declining tax rates on capital income and wealth. A consumption-based tax system is a better approach to taxing capital as it avoids distortions to saving and investment, promoting higher productivity and wage growth over the long run.
Smith et al. (2021)	*EWT1, EWT2*	To estimate the concentration and composition of wealth tax in the USA.	The study provides results from different approaches to estimating wealth concentration and composition. In the share-based process, the weight on dividends is around 0.9 for most wealth groups, indicating a strong link between dividends and C-corporation wealth. The regression-based approach yields more precise estimates, with dividend weights ranging from 0.94 to 0.98 as wealth distribution increases. Both approaches emphasize the importance of dividends when capitalizing flows to estimate C-corporation wealth.
Dray et al. (2023)	*EWT2*	To examine the relationship between the comprehensive wealth taxation system in the USA and its impact on long-run growth.	The study results indicate that counties with more enslaved property in 1860 were significantly poorer in 1870. The negative correlation between the share of the enslaved property and long-term development is substantial, with a 10%-point increase in the enslaved property share reducing the growth rate of property over the next 60 years by 5%. This suggests that the intensity of reliance on enslaved property also impacted long-term growth.
Schnellenbach (2012)	*EWT1*	To assess the economic efficiency and equity considerations associated with the net wealth tax.	The study finds that the net wealth tax faces economic efficiency and equity challenges. It suggests that the net wealth tax is not widespread due to rational voters' perceptions of economic constraints or misconceptions about their tax liability.

Table A.6. Selected papers related to the BRT to wealth tax focus area (Part 1)

Reference	*Relevant research question*	*Purpose*	*Key results*
Saez and Zucman (2019)	*BRT1*	To examine the impact of wealth taxes on the PROG system.	The study suggests that a wealth tax has significant potential for revenue generation and wealth equalization in the USA. With household wealth reaching substantial levels and the richest owning a significant portion of it, a wealth tax, if implemented with sufficiently high tax rates, can help deconcentrate wealth and reduce the growth advantage enjoyed by the wealthiest individuals.
Daly et al. (2021)	*BRT1*	To address the valuation issues associated with IMT.	The study suggests that the estimate that the taxpayers would likely pay substantial valuation fees is small, and the valuation costs of around 0.1% or less of total chargeable assets.
Hansson (2008)	*BRT1*	To examine the impact of wealth tax on entrepreneurship.	This study indicates a correlation between the existence of a wealth tax and lower self-employment rates. OECD countries that implemented a wealth tax in 2003 had self-employment rates that were 33% lower than those that did not tax wealth. The removal of the wealth tax in the Netherlands in 2000 led to an average increase of 2.2% in self-employment, while wealth tax countries experienced a decline of 3.4%, and non-wealth tax countries saw a decrease of 1.0% during the same period.

Table A.6. Selected papers related to the BRT to wealth tax focus area (Part 2)

Reference	*Relevant research question*	*Purpose*	*Key results*
Jakobsen et al. (2020)	*BRT1, BRT2*	To address the empirical challenges associated with analyzing wealth taxation.	The finding suggests a reduced form effect of wealth taxes in the short and medium run, with more significant effects on the very wealthy than on the moderately rich.
Bø et al. (2019)	*BRT3*	To examine the distributional effects of wealth taxation using various income concepts.	The study suggests that a wealth tax does represent a valuable redistributive supplement to income tax, while other income concepts generate far more favorable distributive effects. The low-income class experiences an adversely high level of tax burdens.
Chamberlain (2021)	*BRT2*	To examine the design of an annual wealth tax and the issues of one-off tax.	The finding suggests that an annual wealth tax would introduce considerable complexity into the tax system if IT were retained. While it will considerably increase the possibilities for avoidance, taxpayers can plan to fragment wealth between members over the years.
Scheuer and Slemrod (2020)	*BRT1*	To examine the progressivity literature on the dynamics of behavioral response to wealth taxation among the super-rich.	It emphasizes the importance of extrapolating broadly and applying optimal tax reasoning to assess the feasibility and desirability of taxing capital through an annual wealth tax. Given the increasing economic inequality in the USA, the study acknowledges that proposals for wealth taxes will likely remain a topic of ongoing debate.
Scheuer and Slemrod (2020)	*BRT2*	Examine the conceptual aspects, international experiences, and behavioral EWTes.	They find no evidence of it reducing wealth accumulation but find that the tax triggered substantial tax avoidance via taxpayers changing their asset composition toward exempt assets and induced taxpayers to reduce taxable income to take advantage of an income-related cap on the sum of income and wealth tax liability.
Limberg and Seelkopf (2021)	*BRT1, BRT2*	To investigate net wealth tax, which is defined as a recurrent tax levied based on the absolute value of an individual's financial assets.	The study results argue that the net wealth tax was mainly used as an "emergency tax" when countries faced significant shocks. In contrast to other modern tax introductions, we do not find that governments are generally more likely to introduce wealth taxes due to broader societal changes such as modernization or democratization.
Sherdan (2022)	*BRT1*	To explore wealth taxation's essence, variations, and impact in a growing and wealthy society.	The study indicates that wealth tax, in its various forms, plays a significant role in addressing wealth distribution disparities within society. The initial introduction of the tax led to significant changes in economic behavior, particularly a substantial withdrawal of cash from banks as individuals and businesses tried to avoid the impending tax. It led to the income tax reintroduction and a reduction in the tax rate to 0.80% in mid-1999.
Perret (2021)	*BRT2*	To assess the importance of various economic factors that led to the decline of wealth taxes in OECD countries.	The study suggests the differences in the marginal tax rates on wealth taxes among countries. The lowest rates range from less than 0.2% to 1.5%, while the top rates range from 0.5% to 2.5%. The study also reveals significant diversity in offshore wealth holdings, with around 10% of the world GDP being held offshore but varying amounts in different regions. It also finds that the average top personal income tax (PIT) rate in OECD countries declined from approximately 66% in 1981 to 41% in 2008.
Smith et al. (2021)	*BRT1, BRT2, BRT3*	To estimate the concentration and composition of wealth in the USA.	The study provides results from different approaches to estimating wealth concentration and composition. In the share-based process, the weight on dividends is around 0.9 for most wealth groups, indicating a strong link between dividends and C-corporation wealth. The regression-based approach yields more precise estimates, with dividend weights ranging from 0.94 to 0.98 as wealth distribution increases. Both approaches emphasize the importance of dividends when capitalizing flows to estimate C-corporation wealth.
Garbinti et al. (2023)	*BRT1*	To provide insights through which taxpayers adjust their behavior in response to wealth tax design feature changes.	The study finds that lowering reporting requirements in wealth taxation significantly impacts wealth growth rates across various segments of wealth distribution. A small subset of taxpayers drives the responses to the simplification threshold called "bunchers", which significantly reduce their growth rates to benefit from low information requirements.