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Headline: Taxing Billionaires: Estate Taxes and the Geographical Location of the Ultra-Wealthy

Article Link: https://eml.berkeley.edu/~moretti/billionaires.pdf

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Publication	American Economic Journal
Publication Date	May 04, 2023

Tweet: Enrico Moretti and @wilson_daniel_j find 35% of billionaires leave states that have an estate tax. However, for the average state the additional revenues from an estate tax exceed the loss of revenues from forgone income taxes by 31 percent.

Summary: We find that billionaires responded strongly to geographical differences in estate taxes by increasingly moving to states without estate taxes, especially as they grew older. Our estimated elasticity implies that $80.7 billion of 2001 Forbes 400 wealth escaped estate taxation in the subsequent years due to billionaires moving away from estate tax states. Yet despite the high elasticity of geographical location with respect to the estate tax, we find that for most states the benefit of additional revenue from the estate tax exceeds the cost of forgone income tax revenue by a significant margin. Adoption of an estate tax implies a one-time tax revenue gain for the state when a resident billionaire dies, but it also reduces its billionaire population and thus their flow of income tax revenue over remaining lifetimes. For the average state the benefit of additional revenue from the estate tax exceeds the cost of forgone income tax revenue by 31 percent. While the cost-benefit ratio varies substantially across states, most states that currently do not have estate taxes would experience revenue gains if they adopted estate taxes. California, which has the highest personal income top tax rate, is the main exception In California, the cost-benefit ratio is 1.45, indicating that if California adopted the estate tax on billionaires, the state would lose revenues by a significant margin. (Currently, California does not have an estate tax.) An earlier version of this research was cited in my chapter The Economics of Inequality in High-Wage Economies in Oxford University Press's United States Income, Wealth, Consumption, and Inequality

Primary Topic: Taxation

Topics: Academic paper, Database, Fiscal Policy, Taxation, Weekly

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