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SÉMINAIRE

TAX DESIGN, INFORMATION, AND ELASTICITIES: EVIDENCE FROM THE FRENCH WEALTH TAX

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Lemma - Salle Maurice Desplas (4 rue Blaise Desgoffe, 75006 Paris)

Séminaire du LEMMA

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Abstract:

We study a reform of the French wealth tax that dramatically reduced the amount of information that taxpayers must self-report below a certain level of wealth. Combining administrative micro-data with dynamic bunching and difference-in-differences approaches, we find large behavioral responses to this switch to a low-information regime. The reform caused a 0.5 percentage points average decrease in the annual growth rate of wealth reported by treated taxpayers each year following the switch to the low-information regime. This reduction is driven by a 4 percentage points decrease for taxpayers bunching at the information discontinuity threshold. Consistent with opacity leading to lower compliance, treated households do not experience a real change in their (third-party) reported labor and capital income. The wealth tax base becomes much more elastic in the low-information regime, illustrating the first-order role of information policy choices for tax base elasticities.

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