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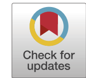

Behavioral responses to inheritance taxation – A review of the empirical literature

Margit Schratzenstaller [a]

[a] *Austrian Institute of Economic Research, Arsenal Objekt 20, A-1030, Vienna, Austria*

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ABSTRACT

Increasing wealth inequality and concentration, together with the search for options to secure long-term sufficiency of tax systems in face of aging societies, have recently moved the taxation of inheritances into the spotlight. The question if and to what extent behavioral responses may undermine the revenue potential of inheritance taxes is central for policy design. Empirical evidence has been growing recently but is still rather limited. This survey of the empirical literature finds the size of the impact of inheritance taxation on wealth accumulation and residential choice, tax planning and avoidance as well as inter vivos transfers to range from modest to large. On the one hand, a considerable number of studies arrives at moderate responses for the various margins studied. On the other hand, elder persons and particularly the very wealthy react strongly to inheritance taxation. Moreover, tax planning, avoidance and evasion responses appear to be more pronounced than real responses. Overall, the empirical evidence on behavioral responses to inheritance taxation is patchy and characterized by considerable research gaps.

1. Introduction

The subject of inheritance taxation has recently experienced a comeback in the academic and political debate. Inheritance taxation is advocated as an effective tool with which to support social mobility and equality of opportunity, as argued, for example, by Garbinti and Goupille-Lebret (2018) for France, Waldenström (2018) for Sweden, and Bach (2021) for Germany. Recent research suggests that inheritance taxes can also reduce wealth inequality in the longer run, particularly if they focus on the very wealthy (Nekoei and Seim, 2023), e.g., by combining a high tax exemption threshold with high tax rates (Neumann and Scheuer, 2024), and if revenues finance equality-enhancing measures (Elinder et al., 2018). Against this background, higher taxes on large inheritances have been proposed repeatedly as one equitable option in the current debate on how to reduce public debt, which has grown markedly in most countries worldwide (e.g., International Monetary Fund IMF, 2021; OECD, 2021) due to the recent multiple crises. Moreover, with rising wealth concentration in many countries, inequality externalities in general (e.g., an increase in crime rates; see Støstad and Cowell, 2024) and wealth concentration externalities in particular (for example, in the form of democracy-endangering attempts by the very wealthy to exert a disproportionate influence on the political process, see, e.g., Kopczuk, 2010; Nekoei and Seim, 2023) are increasingly moving into focus.

In a longer-term perspective, demographic developments are leading to aging societies and a decline in the labor force across Europe, which could depress the labor share of total income. Hence, options for securing the long-term sufficiency and fiscal sustainability of European tax systems need to be explored. One such option could be to strengthen the taxation of inheritances, which

E-mail address: margit.schratzenstaller@wifo.ac.at.

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appears to be playing an increasingly important role in some countries.[1]

At the same time, inheritance taxes have lost significance in many countries over time: beginning at modest levels from the outset, their revenues have been declining, and several countries have even repealed such taxes.

One disputed aspect of inheritance taxes is their potential impact on the behavior of the parties involved. Inheritance taxes can be associated with a broad array of different behavioral responses on the side of the bequeathers and heirs, respectively. As the current focus on the taxation of inheritances is often motivated by the quest for tax instruments with significant long-term revenue-raising potential, the paper focuses on the behavioral effects that could dampen the revenue potential of inheritance taxes.

Empirical evidence on the behavioral effects of inheritance taxation is still sparse but has grown in the past few years. An increasing number of analyses have been studying past or planned reforms, respectively, or have exploited regional differences between existing inheritance tax systems to identify behavioral responses to (changes in) inheritance taxation.

A comprehensive review of available empirical evidence regarding behavioral responses to inheritance taxes with a potential impact on revenue has, however, not yet been carried out. The paper therefore aims to close this gap by providing a broadly based overview of potential behavioral reactions to inheritance taxes and the relevant empirical research. In doing so, it complements the excellent surveys by Bastani and Waldenström (2020) and Spataro and Crescioli (2023), which focus on how (much) to tax capital from a broader perspective, and therefore address selected aspects of behavioral responses to inheritance only. Similar to the survey by Advani and Tarrant (2021) on behavioral responses to a net wealth tax, the motivation behind this review is twofold. First, it seeks to inform policymakers intending to reform existing inheritance taxes or (re)implement inheritance taxes in a way that allows effective tax collection, by identifying behavioral responses that are dependent on policy design. Second, it seeks to provide plausible ranges for responses to inheritance taxation that can serve as a starting point for estimating revenue implications of reforms of existing inheritance taxes or of their (re)implementation, or to determine optimal inheritance tax rates, as done by Piketty and Saez (2013) for France and the United States.

The review finds that wealthy and older individuals, as well as those more aware of the proximity of death, exhibit more pronounced behavioral responses to inheritance taxation. Moreover, while real responses to inheritance taxation seem to be smaller than avoidance and evasion reactions, estimates are heterogeneous, pointing to the importance of tax design. To secure legitimacy and public support for inheritance taxation, and to ensure that it can serve as an efficient tool for reducing inequality, the containment of (illegal) tax avoidance should be a matter of priority for policymakers. Institutional design is therefore key, in particular regarding tax enforcement mechanisms and the degree of decentralization. Moreover, measures are required to enhance the public acceptance and thus the political feasibility of inheritance taxes, for example by providing information on the salience and level of existing or planned inheritance taxes.

Section 2 starts with an overview of existing and historical inheritance taxes in the OECD and presents trends in their revenues for the past half century. Section 3 categorizes potential behavioral responses to inheritance taxation, differentiating between bequeathers and heirs. In Section 4, empirical evidence addressing behavioral responses that could influence revenues from inheritance taxes is surveyed. Section 5 concludes by deriving policy implications and identifying research gaps.

2. Existing and historical inheritance taxes in the OECD

Taxes on bequests are among the oldest existing taxes, particularly in European tax systems (see Table 1), and take the form of either inheritance or estate taxes. While both are levied upon the death of the bequeather, an inheritance tax is imposed on the heirs and the estate tax is paid by the estate itself (Naess-Schmidt et al., 2011).[2] The majority of European and other OECD countries, respectively, have (had) an inheritance tax. Estate taxes are only applied in the Anglo-Saxon countries and in Denmark, which levies both an inheritance and an estate tax. Not least due to the dominance of inheritance taxes, we will – hereby following the literature (e.g., Boadway et al., 2010) – use the term inheritance taxes throughout the rest of the paper when addressing general aspects of the taxation of bequests.

Several European countries and some OECD countries outside Europe, respectively, have repealed their inheritance or estate taxes since the beginning of the 1960s (see Table 1). However, they remain an element of most tax systems in the developed world. With the exception of most federal states, inheritance taxes are normally assigned to the central level. Currently, 21 European countries levy an inheritance or estate tax. Seven European countries and five non-European OECD countries have abandoned their inheritance or estate taxes in the last sixty years. Only four European countries (Estonia, Latvia, Malta, and Romania) have never taxed inheritances. Among the non-OECD G20 members, Brazil, South Africa, and the Argentinian province Buenos Aires tax inheritances. India and Russia have repealed their inheritance taxes, and China, Indonesia, and Saudi Arabia have never had them.[3] The reasons reported by OECD countries for not implementing or repealing inheritance taxes (submitted in an OECD questionnaire) include their lack of popularity and political support as well high administrative costs in relation to modest revenues (OECD, 2021). It is worth noting that undesirable

[1] See, e.g., recent work by Piketty (2011), Alvaredo et al. (2017), Atkinson (2018), and Acciari and Morelli (2022) who find increasing shares of inheritances in relation to national incomes for France, Germany, Italy, Sweden, the United Kingdom, and the United States.

[2] Batchelder (2009) provides a detailed discussion of the differences between estate and inheritance taxes.

[3] Unfortunately, comprehensive information on inheritance and estate taxes for non-OECD countries is not available, particularly not for the poorer countries. Interestingly, out of 44 African countries surveyed by Deloitte (https://dits.deloitte.com/#TaxGuides), 18 of them tax inheritances, mostly in the form of inheritance taxes. These are often based on double-progressive systems; in three African countries heirs are to pay a lump-sum inheritance tax.

Table 1
Current and historical inheritance and estate taxes in the EU, European and non-European OECD countries.

Country	Year of first introduction	Year of repeal	Statutory tax rates	Revenues[12]) in% of			
				Total tax revenues		GDP	
			in%	1970–1980	2010–2020	1970–1980	2010–2020
Existing inheritance/estate taxes							
Belgium[1)4)5)10)]	1936	–	3 to 85.75[5)]	0.85	1.56	0.32	0.68
Denmark[1)2)10)]	1995	–	0 to 36.25	0.40	0.51	0.16	0.24
Bulgaria[1)4)]	1998	–	0.4 to 6.6	n.a.	n.a.	n.a.	n.a.
Croatia[1)4)]	2018	–	3 to 4	n.a.	n.a.	n.a.	n.a.
Finland[1)10)]	1940	–	7 to 33	0.23	0.66	0.08	0.28
France[1)10)]	1791	–	5 to 60	0.59	1.18	0.21	0.53
Germany[1)10)]	1974	–	7 to 50	0.19	0.51	0.06	0.19
Greece[1)10)]	2001	–	1 to 40	1.22	0.20	0.24	0.08
Hungary[1)10)]	1918	–	18	n.a.	0.06	n.a.	0.02
Ireland[1)10)]	1976	–	33	1.05	0.62	0.29	0.15
Italy[1)10)]	2006	–	4 to 8	0.35	0.09	0.09	0.04
Lithuania[1)4)10)]	2003	–	5 to 10	n.a.	0.01	n.a.	0.00
Luxembourg[1)10)]	1817	–	0 to 48	0.38	0.40	0.11	0.15
Netherlands[1)10)]	1956	–	10 to 40	0.47	0.65	0.17	0.24
Poland[1)10)]	1983	–	0 to 20	n.a.	0.05	n.a.	0.02
Slovenia[1)10)]	2006	–	5 to 39	n.a.	0.07	n.a.	0.02
Spain[1)4)10)]	1988	–	7.65 to 81.6	0.71	0.69	0.13	0.23
Iceland[1)10)]	1792	–	10	0.10	0.41	0.03	0.15
Switzerland[1)4)8)10)]	1986	–	0 to 50	0.93	0.59	0.19	0.16
United Kingdom[2)10)]	1986	–	40	1.25	0.67	0.41	0.22
Chile[1)]	1915	–	1 to 25	n.a.	0.26	n.a.	0.05
Japan[1)]	1950	–	10 to 55	0.99	1.20	0.21	0.36
Korea[1)]	1950	–	10 to 50	0.33	1.34	0.05	0.33
Turkey[1)10)]	1959	–	1 to 10	0.31	0.09	0.03	0.02
United States[2)9)]	1916	–	0 to 18	1.56	0.51	0.39	0.13
European countries	–	–	–	*0.62*	*0.50*	*0.18*	*0.19*
OECD countries	–	–	–	*0.66*	*0.53*	*0.18*	*0.19*
Historical inheritance/estate taxes							
Austria[1)10)]	1955	2008	2 to 60	0.17	–	0.06	–
Czech Republic[1)6)10)]	1993	20,14[5)]	3.5 to 20	n.a.	0.15	n.a.	0.05
Portugal[1)3)10)]	1959	2004	5	0.86	–	0.15	–
Cyprus[1)7)]	n.a.	2001	n.a.	n.a.	n.a.	n.a.	n.a.
Slovak Republic[1)10)]	1993	2004	1 to 40	n.a.	–	n.a.	–
Sweden[1)10)]	1884	2004	30	0.26	–	0.10	–
Norway[1)10)]	1792	2014	0 to 15	0.17	0.18	0.07	0.07
Australia[2)4)]	1914	1979	27.9	1.76	–	0.41	–
Canada[2)]	1958	1972	10 to 54	0.94	–	0.28	–
Israel[1)]	1949	1980	5 to 70	n.a.	–	n.a.	–
Mexiko[1)4)]	1926	1961	n.a.	–	–	–	–
New Zealand[2)]	1866	1993	40	1.22	–	0.35	–
European countries	–	–	–	0.37	0.16	0.10	0.06
OECD countries	–	–	–	0.77	0.16	0.20	0.06
Total[11])							
European countries	–	–	–	*0.57*	*0.46*	*0.16*	*0.18*
OECD countries	–	–	–	*0.69*	*0.51*	*0.18*	*0.18*

Sources: OECD (2021, 2023), Ernst & Young (2019), Deloitte (n.d.), Global Property Guide (2023), Süß (ed.) (2020); own compilation and calculations. – [1]) Inheritance tax. – [2]) Estate tax. – [3]) Inheritances are subject to a stamp duty. – [4]) Subnational tax. - [5]) Brussels-Capital region. – [6]) Inheritances are subject to personal income tax. – [7]) Inheritances may be subject to transfer fees. – [8]) Canton of Zurich; most Swiss cantons levy an inheritance tax. – [9]) Some states additionally levy a separate inheritance or estate tax. – [10]) European OECD country. – [11]) Countries with current and historical inheritance/estate taxes. – [12]) Including gift taxes, as for some countries revenues cannot be split between inheritance/estate taxes and gift taxes.

behavioral responses have not been mentioned.

Fig. 1a shows that the share of revenues from inheritance or estate taxes (including gift taxes)[4] in overall tax revenues has decreased markedly since 1970 in the OECD countries, as well as in Europe. A closer look reveals that inheritance/estate tax revenues fell sharply

[4] As revenues originating from inheritance/estate taxes and those originating from gift taxes are not reported separately in the OECD revenue statistics for several OECD countries, we use overall revenues here. Gift tax revenues only account for a small portion of overall inheritance/estate and gift tax revenues and have remained stable over time (OECD, 2021).

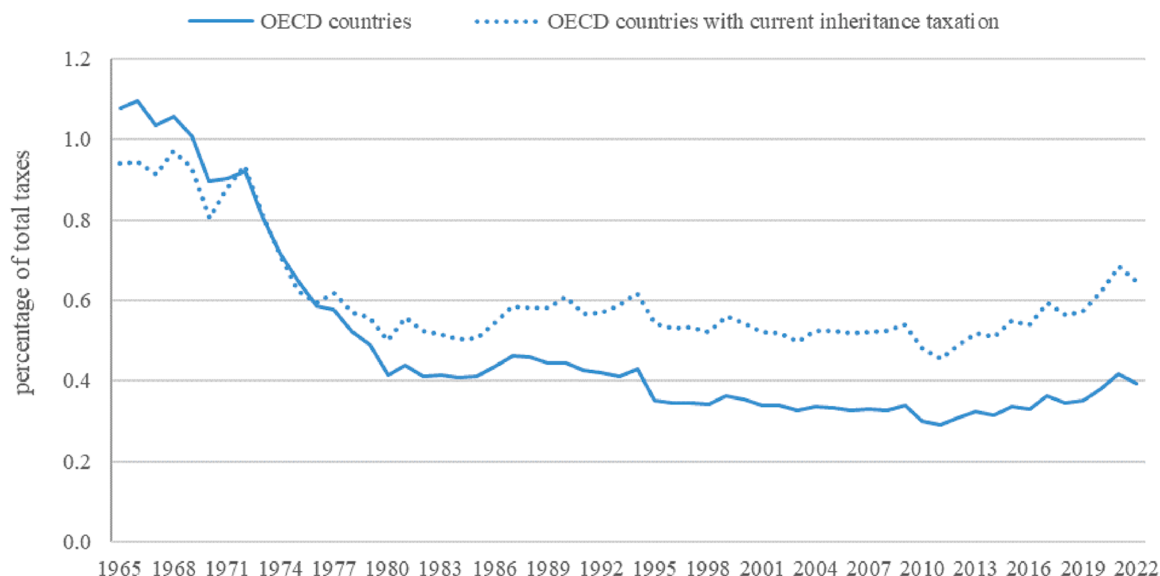

Fig. 1a. Estate, inheritance and gift taxes, percentage of total taxation, 1965 to 2022.

until the beginning of the 1980s and stagnated until the mid-1990s, to slightly decrease again and to stagnate until the outbreak of the global financial crisis. During the past decade, their weight in percent of total taxation as well as of GDP (see Fig. 1b) has again slightly grown. On average, across all OECD countries, the share of inheritance/estate taxes in total tax revenues has fallen from 1.08 % to 0.39 % between 1965 and 2022. The shares for European OECD countries converged to the OECD values by the beginning of the 1980s and have been almost identical since then. This development has been caused by the abolishment of or cuts in inheritance/estate taxes in several countries, in some countries also by the use of elaborate tax planning strategies (OECD, 2021).

When we consider only those countries that currently levy inheritance/estate taxes, we find that their revenues have also lost in importance in the long run (see Table 1): the share of inheritance/estate tax revenues in overall tax revenues declined from a yearly average of 0.66 % in the 1970s to 0.53 % in the period 2010–2020 in all OECD countries, and declined from 0.62 % to 0.50 % in European countries applying an inheritance tax.[5]

Inheritance tax systems in Europe vary widely across countries when it comes to tax rates (see table 1) and tax exemption thresholds (OECD, 2021; Bastani and Waldenström, 2022). Overall, existing inheritance tax systems can be rather complex. First, valuation rules in many cases are complicated and differ for the various kinds of assets.[6] Moreover, there are manifold exemptions differentiated across different kinds of assets and/or different types of heirs. Especially generous exemptions for close family members (in the form of generous tax exemption thresholds or full exemption for spouses and/or children) and for business assets are widespread and contribute to the mostly meager revenues. These exemptions make inheritance taxes considerably less progressive than a look at statutory tax rates, which are rather high in a number of countries, would suggest. "Double-progressive" tax regimes, which are most common in Europe and combine a directly progressive tax schedule with several tax classes differentiating tax rates according to the proximity of the relationship between the bequeather and the heir (Drometer et al., 2018; OECD, 2021), further contribute to complexity. The coordination of the taxation of gifts and inheritances to prevent the use of gifts to circumvent inheritance taxes is another source of complexity. In most countries, the taxation of wealth transfers covers both inheritances and gifts. Among EU Member States specifically, the majority apply integrated taxation systems to both inheritances and gifts, while only a few tax inheritances and gifts separately (Drometer et al., 2018); the same is true for OECD countries in general (OECD, 2021).

3. Behavioral effects of inheritance taxes – A categorization

Theoretical considerations and the growing – albeit still rather limited – empirical evidence suggest that neither the taxpayers' decisions nor the tax base are completely inelastic with respect to inheritance taxation. With regard to our starting point, i.e., the search for taxes also promising substantial tax revenues in the long run, behavioral responses influencing the revenue potential of inheritance taxes are the main focus of this paper.

Unlike many other types of taxes, inheritance taxation can affect the behavior of two parties: the prospective bequeathers on the

[5] The finding of Genschel et al. (2023) that the modest revenues of inheritance taxes in most countries represent a crucial risk for their repeal is interesting in this context.

[6] Similar issues regarding the valuation of assets arise for wealth taxation in general, whereby one advantage of an inheritance tax compared to a net wealth tax is that, in the case of the former, valuation is only needed once at the time of the transfer, at a time when assets also need to be assessed for non-tax reasons (Kopczuk, 2013b).

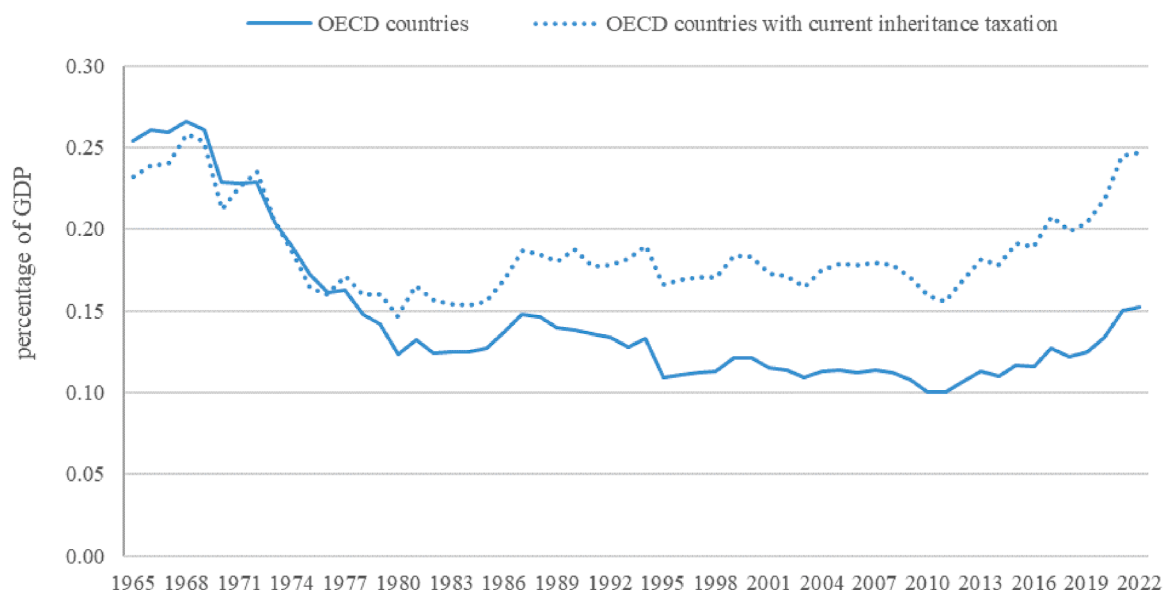

Fig. 1b. Estate, inheritance and gift taxes, percentage of GDP, 1965 to 2022.
Source: OECD (2023) (Revenue Statistics database, extracted on 27 March 2024 from OECD iLibrary, 4300 Estate, inheritance and gift taxes). Simple averages. OECD countries: all 38 OECD countries. Countries with current inheritance/estate taxes: Belgium, Chile, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Lithuania, Luxembourg, Netherlands, Poland, Slovenia, Spain, Switzerland, Turkey, United Kingdom, United States. 2022: preliminary data; Australia, Greece missing.

one hand and heirs on the other (Jestl, 2021). Generally, real responses related to economic decisions and pure (legal and illegal) avoidance responses, including the declaration of taxable wealth transfers or other tax avoidance reactions without real economic consequences, can be distinguished (Brülhart and Schmidheiny, 2018). Real responses include a multitude of economic decisions made by the bequeathers and heirs, respectively (e.g., Joulfaian, 2005; Kopczuk, 2013a, 2013b; Goupille-Lebret and Infante, 2018). Inheritance tax revenues can therefore be influenced by a broad range of real and accounting responses.

The most relevant real behavioral responses by bequeathers relate to their labor supply (including retirement decisions), choice of residence, entrepreneurship or firm development, and the accumulation of wealth. Tax avoidance reactions comprise inter vivos transfers; (illegal) transfers of wealth offshore; and other pure accounting measures (see Fig. 2). All these possible responses would negatively impact the revenue potential of inheritance taxation.

A large body of theoretical literature demonstrates that the bequeathers' bequest motives are a crucial determinant of their behavioral responses to inheritance taxation (see, e.g., Gale and Slemrod, 2001; Kopczuk and Slemrod, 2001; Cremer and Pestieau, 2011 for overviews of the theoretical literature). "Accidental" or unintentional bequests, which lack an explicit bequest motive and do not provide any utility to the bequeathers, should be insensitive to inheritance taxation, implying that labor supply and the savings decisions of donors are not influenced by inheritance taxes (Cremer and Pestieau, 2011). This should be different for donors with a bequest motive, whereby – depending on the specific bequest motive – either an increase or a decrease of labor supply is theoretically conceivable (Gale and Perozek, 2001; Joulfaian, 2016). The same argument can be made for savings decisions.

Specifically, the reaction of altruistic donors, whose utility is enhanced by the improvement of the well-being of their heirs on receiving the inheritance, depends on the extent of income and substitution effects. An inheritance tax may on the one hand impinge on donors' incentives to work and save, as it reduces the potential amount of wealth to be transferred. On the other hand, altruistic bequeathers may increase their work efforts and savings to make up for the expected inheritance tax burden. These two contradicting effects may also work in the case of donors transferring wealth to their heirs merely for the "joy of giving" ("warm glow" motive, Andreoni, 1990). Decedents motivated by strategic deliberations, who promise a wealth transfer to their future heirs in return for a service, e.g., care in old age,[7] are less responsive to inheritance taxation when there are few substitutes for the desired service or behavior (e.g., the heirs' affection and care), and can be expected to increase their savings in response to (higher) inheritance taxes (Kopczuk and Slemrod, 2001).There are a number of studies providing empirical evidence that potential donors with a bequest motive save and accumulate more wealth than individuals who do not have a bequest motive (see, e.g., Ventura and Horioka, 2020, for Italy). A recent (and to my knowledge so far the only) analysis empirically exploring the relevance of the bequest motive for the impact of inheritance taxation on labor supply and the retirement decisions of bequeathers in Japan finds that these work more if they have an altruistic or strategic/exchange motive compared to donors without any bequest motive, and that bequeathers with an exchange bequest motive retire earlier (Horioka et al., 2021). The bequest motive could also influence the use of tax-advantaged inter vivos

[7] See Cox (1987) for this so-called exchange model.

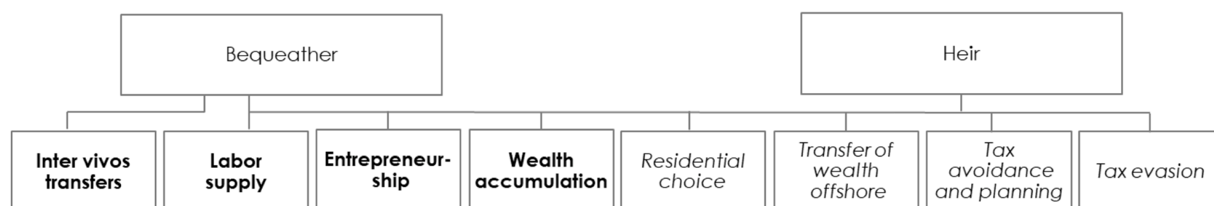

Fig. 2. Behavioral responses to the taxation of inheritances with an impact on inheritance tax revenue potential.
Source: own representation. – bold: impact on inheritance tax revenue potential can be expected from response of bequeather. – italics: impact on inheritance tax revenue potential can be expected both from responses of bequeather and heir.

transfers (Niimi, 2019). Altruistic bequeathers are more likely to accelerate wealth transfers through inter vivos transfers as a means of reducing the overall tax burden on the estate. Donors with an exchange motive, however, may be more hesitant to utilize preferential tax provisions for inter vivos transfers out of fear of losing leverage on their heirs.

Empirical evidence on the validity and importance of the various bequest motives is inconclusive (Kopczuk, 2010). Empirically, bequest motives are impossible to observe. Moreover, a potential donor's decisions may be driven by several bequest motives, and their importance differs across decedents (Gale and Slemrod, 2001). Horioka (2014, 2021) finds cross-country differences regarding bequest motives, which are shaped by cultural, demographic, economic, and institutional factors as well as government policies. Very generally, the very wealthy are to a much larger extent influenced by non-accidental bequest motives (Kopczuk and Lupton, 2007).

On the part of the heirs, inheritance taxation may impact labor supply (including retirement decisions), wealth accumulation, and entrepreneurship, which, however, is irrelevant for its revenue potential. In addition, an inheritance tax may induce heirs to move to no-tax or low-tax jurisdictions or to transfer inherited wealth offshore. It may also cause accounting and other avoidance reactions, i.e., the under-declaration of received inheritances for taxation purposes or other timing or shifting responses without real economic consequences. All these responses could affect the revenue potential of an inheritance tax.

Overall, compared to the heirs, the bequeathers dispose of a broader range of margins through which they can respond to inheritance taxation. Moreover, their behavioral responses are more important than those of the recipients, as donors have discretion over their wealth accumulation and the potential recipients of gifts or bequests (Hebous et al., 2024).

Inheritance taxes may be associated with further economic effects that do not directly impact inheritance tax revenues but may have direct and indirect effects on revenues from other taxes. The most important impact dimensions are the performance of inherited firms (e.g., Pérez-González, 2006; Grossmann and Strulik, 2010), particularly regarding the preferential tax treatment of family businesses (see, e.g., OECD, 2021; Andrews and Westmore, 2014); the decision to sell or keep a family business within the family (e.g., Tsoutsoura, 2015); entrepreneurship among heirs (i.e., the creation of businesses by heirs or their propensity to become self-employed; see, e.g., Garbinti and Goupille-Lebret, 2018; Bauer et al., 2018); charitable bequests and contributions (see, e.g., Joulfaian, 2004, 2005 for references for the United States); savings (Basiglio et al., 2023); labor supply (see, e.g., Holtz-Eakin et al., 1993; for the so-called "Carnegie effect", see also Bø et al., 2019, Doorley and Pestel, 2020 or Basiglio et al., 2023) ;[8] retirement decisions (Brown et al., 2010; Garbinti and Georges-Kot, 2016); or the educational decisions of heirs (Kindermann et al., 2020).

The extent and direction of the indirect long-run and general equilibrium effects of inheritance taxes are uncertain and hard to quantify. They are therefore neglected in our review. This is not to say that they are irrelevant with regard to tax revenues in general. On the contrary, they may well have fiscal externalities regarding other taxes: if, for example, an inheritance tax influences entrepreneurship, education decisions, labor supply, or wealth accumulation of heirs, an impact on revenues from business, personal income, labor, and capital and wealth taxes can be expected.[9] Inheritance taxes levied today may also indirectly influence tomorrow's inheritance tax revenues in both directions: if, for example, an inheritance tax induces heirs to increase their labor supply, they can accumulate more wealth and leave higher inheritances, which in turn would increase future inheritance tax revenues. If inheritance taxation on the other hand discourages entrepreneurship, the build-up of business assets may be dampened, thus decreasing future inheritances and inheritance tax revenue potential accordingly.

4. Behavioral effects of inheritance taxes – Empirical evidence

Empirical evidence of taxpayers' reactions to wealth-based taxation in general and particularly to inheritance and gift taxation is still limited, especially with regard to methodologically up-to-date contributions. Only very recently have a growing number of empirical analyses explored the potential behavioral effects of wealth-based taxation. In particular, this comprehensive review of the state of the empirical research on behavioral responses to inheritance taxation looks at the various channels (real or pure and legal or illegal avoidance reactions) through which inheritance taxation may induce behavioral responses. In doing so, I focus on behavioral responses that influence the revenue potential of inheritance taxes: wealth accumulation, entrepreneurship and firm development,

[8] The "Carnegie effect" refers to a negative effect of inheritances on labor supply (Holtz-Eakin et al., 1993).

[9] Kindermann et al. (2020) for example demonstrate for Germany that an inheritance tax may increase the heirs' labor supply and thus labor income tax revenue. For Sweden, Cesarini et al. (2017) find that every € collected through inheritance taxes induces additional income tax revenues of 0.09 € through an increase of labor supply and thus labor income.

residential choices, tax planning, tax avoidance, tax evasion, and inter vivos transfers. As there is almost no research on the direct effects of inheritance taxes on donors' labor supply,[10] I will not deal with this impact dimension. The focus of the survey on revenue-relevant behavioral responses implies that the bulk of empirical research reviewed focuses on the impact of inheritance taxation on the behavior of potential bequeathers, which has been researched much more than the impact thereof on the recipients of gifts or inheritances (Hebous et al., 2024).

4.1. A few methodological remarks

To begin with, some methodological aspects and specific characteristics of the empirical research on the behavioral impacts of the taxation of inheritances shall be addressed briefly.

A first observation is that – by far – the larger part of the existing empirical evidence consists of ex-post analyses, and that ex-ante studies are far less widespread. Ex-post studies are based on: cross-sectional or time series data including administrative tax data (tax records, tax rates and other tax provisions, etc.), sometimes also on other administrative and registry data (e.g., reported bequests, migration or health data, etc.), and on survey data (on wealth and its distribution or on motives, attitudes and planned behavior related to inheritance taxation); and more recently also on rich list data.[11]

Studies using survey data may encounter issues with the quality of data, resulting, e.g., from a lack of representativity, under-reporting, or non-response. At the same time, invisible aspects, in particular beliefs, knowledge, attitudes, perceptions, and reasonings which are hard to detect in analyses based on administrative data can best be identified using surveys (Stantcheva, 2023). Tax return data are available over long time periods and do not suffer from sampling errors, but also have potential drawbacks: for example, tax return data only capture that part of the population paying inheritance taxes, thus excluding poorer households, which impairs representativity (Jappelli et al., 2014). Moreover, tax return data cover both real and evasion/avoidance responses (Jakobsen et al., 2020).

While cross-sectional data have the advantage of better availability, they generally do not allow to distinguish between transitory and permanent responses (Joulfaian, 2004). Cross-sectional analysis is also confronted with the challenge of disentangling tax effects from other effects. On the other hand, the variables used in time series studies (e.g., tax revenues) may be correlated with other variables (Jappelli et al., 2014).

Earlier studies mainly apply regression analysis or descriptive statistics and are generally more interested in macroeconomic aspects (e.g., wealth accumulation or tax revenues). With improving availability of micro data, more recent research increasingly rests on micro-econometric analysis, and particularly on the difference-in-differences method or on bunching approaches,[12] to identify the impact of inheritance taxation on the behavior of individuals or households (e.g., inter vivos transfers or migration). The difference-in-differences method as well as bunching approaches using kink or notch points allow to study intensive margin decisions (Kleven, 2016). Notches and kinked budget sets can also (partly) identify extensive margin responses (Kleven and Waseem, 2013; Gelber et al., 2021).

Ex-ante studies try to identify and illustrate future behavioral responses to (changes in) inheritance taxation, often based on model simulations or regression analysis using survey data.

Both a retrospective and a prospective perspective have their own merits and limitations. The increasing body of ex-post research is most useful from a policy perspective, as it allows to derive lessons that can help to design newly introduced inheritance taxes in an effective and efficient way or to reform existing ones accordingly. Ex-ante simulations are also helpful in guiding policy, as they allow to simulate the impacts of policies that have never been implemented. Specifically, they make it possible to research innovative policy designs that radically deviate from existing real-world ones, while the extent of policy variation that can be studied ex-post is limited. For inheritance taxation this is particularly relevant, as governments apply very specific policy designs regarding tax schedules and exemptions (see Section 2). Consequently, it is questionable whether the results can be generalized. Moreover, the real economic effects (e.g., on capital accumulation) of (reforms of) specific inheritance tax policies often materialize over long time periods, which implies that it can take a long time before data and related empirical results are available.

Generally, the reliability of the findings of ex-post studies (given high quality of data and a rigorous and appropriate methodological approach) is often perceived as larger than that of ex-ante studies, since the latter rest on a number of assumptions or reflect stated intended behavior (as opposed to actual behavior) only. On the other hand, ex-post research is confronted with identification problems, i.e., the difficulty to disentangle the causal effects of inheritance taxation from other relevant determinants of behavior (Goupille-Lebret and Infante, 2018) related to, e.g., wealth formation or migration decisions; and it also requires assumptions.

The scarcity of empirical work investigating the impact of inheritance taxation is rooted in various methodological challenges. First of all, there are the abovementioned identification issues and a lack of microdata (Goupille-Lebret and Infante, 2018). Particularly the availability of data on wealth transfers is limited (Glogowsky, 2021). Moreover, changes in existing inheritance tax provisions that can

[10] To my knowledge, the only empirical study on the direct impact of inheritance taxation on the labor supply of bequeathers was conducted by Holtz-Eakin (1999), who finds that people over the age of 50 work less in anticipation of high estate tax rates. Kopczuk and Slemrod (2001) point out that the results of the empirical literature on the impact of income taxes on labor supply are also relevant to estate tax, which can be seen as a specific form of taxation of labor incomes.

[11] Thus, following a recent trend in research on top wealth and its taxation using rich lists; see Baselgia and Martínez (2022) for a brief overview of recent literature.

[12] For an in-depth presentation and discussion of bunching approaches, see Kleven (2016).

be exploited for empirical research are rather rare (Kopczuk, 2013b, 2017). A general difficulty is the timing of the impact of inheritance taxation, as it generally affects decisions with a longer-term planning horizon and respective impacts (e.g., savings decisions, portfolio shifts, or inter vivos transfers). A further, related question is which inheritance/estate tax rates at what point in time and in what time period, respectively, are the relevant ones to influence behavior: also considering the often rather complex inheritance tax schedules with their many differentiations regarding the relationship between donor and donee, the size of inheritances, in some federal countries also the co-existence of federal and state bequest taxes (Page, 2003), etc. In addition to this, the adequate consideration of tax exemptions is a challenge. It is also worth noting that only few analyses explicitly include donors' bequest motives (Niimi, 2019), which are difficult to observe and vary across bequeathers. Finally, it is plausible to assume that behavioral responses are stronger for the very wealthy, which, however, are missing or under-represented in certain databases, and particularly in survey data (Poterba, 2001).

It is also worth noting that the existing empirical research is limited to a rather small number of countries. Table 2 provides an overview of the number of studies surveyed along the five margins and the countries studied.

Altogether, 52 studies are reviewed, whereby 32 studies focus on the United States, 17 studies on 8 European countries, 2 studies on Australia, and 1 study on Japan. This makes for only 11 countries altogether whose inheritance taxation has been studied so far – out of 37 European (OECD) countries and non-European OECD countries, as well as further 5 non-OECD G20 countries that have (had) an inheritance tax (see Table 1 and Section 2). Cross-country comparative research is completely missing.

4.2. Tax avoidance and planning

Tax avoidance and planning reactions have drawn the particular interest of empirical researchers, due to their inheritance tax revenue-eroding potential (see Table 3 for an overview). Several mechanisms can be at play here: the exploitation of specific tax exemptions and loopholes through asset shifting or the timing of transfers, the distribution of bequests to an increasing number of heirs to mitigate the effect of a progressive tax schedule, the adjustment of taxable transfers to the tax schedule through bunching, inter vivos transfers if these are tax privileged vis-à-vis bequests (Section 4.6), or illegal tax evasion (Section 4.7).

Empirical studies employ various methodological approaches and databases to identify and quantify tax avoidance and planning, and several types of studies and methodological approaches need to be distinguished. (Mostly) older studies try to identify tax avoidance by comparing actual and hypothetical tax revenues or tax bases, which neither allows a distinction between legal tax avoidance and illegal tax evasion nor the identification of the channels through which inheritance taxes are avoided.

The earliest study systematically attempting to quantify the extent of the avoidance of taxes on bequests was conducted by Tait (1967) for the United Kingdom. The author applies 1960 estate tax rates to the distribution of taxable estates in 1912. The estimated revenues are related to total wealth held in 1912 and compared to actual 1960 estate tax revenues related to total 1960 wealth. Fictitious 1912 revenues were 1.3 to 1.5 times higher than actual 1960 revenues, from which Tait (1967) derives an estimate for tax avoidance of 34 % to 50 % of the potential tax base. Kopczuk and Slemrod (2001) emphasize, however, that total wealth estimates are themselves distorted by tax avoidance, as they are based on estate tax returns.

Three decades later, several studies for the United States attempt to detect tax avoidance by comparing the actual tax base according to tax records to an estimate of the "correct" tax base determined using survey data and mortality rates, and find results within a broad range. Wolff (1996) arrives at a considerable extent of tax avoidance for 1993, with the actual tax base representing only one fourth of the estimated tax base. This result cannot be confirmed for the year 1995 by Poterba (1997) who, based on a similar approach but on different assumptions, data, and tax exemptions, finds a deviation between actual and estimated tax base of only about 10 %. Revisiting the Wolff-Poterba approach, Eller et al. (2001) determine a gap of 13.6 % to 70.3 % between the simulated and the actual aggregate tax liability, depending on assumptions, for the year 1992.

Additionally, a recent study by Ohlsson et al. (2020) for Sweden finds that the tax-assessed inheritance tax base is only a small fraction of the macro-implemented tax base, which the authors inter alia explain by tax avoidance.

Various studies address the issue of tax planning from a different angle, comparing the effect of estate taxes on reported wealth for bequeathers diagnosed with a fatal disease and for bequeathers dying instantaneously. Kopczuk (2007) shows that the reported wealth of wealthy decedents decreases by 5 % to 10 % for short-term and by 15 % to 20 % for longer-term fatally ill bequeathers compared to those dying more suddenly. The size of the effect thus increases with the duration of the remaining life expectancy, which the author interprets as a result of "deathbed" tax planning by wealthy individuals. Moreover, the results suggest that tax planning is only used to a significant extent when a terminal illness reminds bequeathers to apply tax planning strategies, while healthy decedents want to hold

Table 2
Overview of studies reviewed on behavioral responses of donors to inheritance taxation.

Margin studied	Number of studies	Countries studied
Tax avoidance and planning	9	United States (3), Sweden (2), Germany[1]) (2), United Kingdom, Netherlands
Wealth accumulation	11	United States (8), France, Italy, Japan[1])
Entrepreneurship and firm development	4	United States (4)
Residential choice	12	United States (7), Australia (2), Spain, Sweden, Switzerland
Inter vivos transfers	15	United States (7), Sweden (3), Germany[1]) (2), France, Netherlands, Japan[1])
Tax evasion	4	United States (3), Sweden

Source: own compilation. – [1]) These studies address two margins each, therefore they are included twice in the table.

Table 3
Inheritance taxation and tax avoidance and planning.

Author(s)	Country	Time Period	Details	Method (data)	Key findings
Tait (1967)	UK	1912, 1960	Estate tax Ex-post	Comparison of actual and estimated tax revenues (tax data)	Considerable extent of tax avoidance: 34 % to 50 % of potential tax base
Wolff (1996)	United States	1993	Estate tax Ex-post	Comparison of actual and estimated tax base (tax data, survey data)	Considerable extent of tax avoidance: actual tax collections one fourth of estimated tax collections
Poterba (1997)	United States	1995	Estate tax Ex-post	Comparison of actual and estimated tax base (tax data, survey data)	Close correspondence of estimated and actual tax collections
Kopczuk (2007)	United States	1977	Estate tax Ex-post	Regression analysis (tax data, survey data)	Reported wealth decreases by 5 %–10 % for short-term and by 15 %–20 % for longer-term fatally ill bequeathers
Erixson and Escobar (2020)	Sweden	2002–2004	Inheritance tax Ex-post	Difference-in-differences (administrative data, tax data)	- No evidence for significant tax planning for fatally ill bequeathers - Positive correlation between terminal illness and wealth accumulation/tax payments for spouses following repeal of inheritance tax
Ohlsson et al. (2020)	Sweden	1810–2016	Inheritance tax Ex-post	Comparison of macro-based and tax-based estimated tax base (tax data, macro data)	Considerable extent of tax avoidance: tax-assessed tax base small fraction of macro-implemented tax base
Suari-Andreu et al. (2024)	Netherlands	2006–2013	Inheritance tax Ex-post	Regression analysis (administrative data, tax data, register data)	Net wealth decreases for non-sudden deaths by 7.3 % for singles and 4.5 % for couples
Sommer (2017)	Germany	2007–2011	Inheritance and gift tax	Bunching (tax data)	Elasticity of bequests 0.02 at the highest
Glogowsky (2021)	Germany	2002, 2009–2017	Inheritance tax Ex-post	Bunching (tax data)	Short-run net-of-tax elasticities for taxable gifts below 0.1, for inheritances even smaller for top 30 %

Source: own compilation.

on to their wealth during their lifetime (Schmalbeck, 2001).

Erixson and Escobar (2020) argue that the reduction of wealth in the group of fatally ill bequeathers may also result from real losses in wealth due to the illness. In contrast to Kopczuk (2007), the authors identify a positive correlation between terminal illness and wealth accumulation as well as tax payments, thus contradicting Kopczuk's (2007) finding of significant deathbed tax planning considerably reducing tax liabilities. Their results point to a very moderate use of some tax planning tools only, even by the very wealthy, which does not suffice to decrease average tax payments. One limitation of this study, however, is that it only includes spouses, as tax planning activities may be more prevalent regarding more distant heirs.

Building on the study by Kopczuk (2007) and using administrative data for the Netherlands for the period 2006 to 2013, Suari-Andreu et al. (2024) show that non-sudden deaths reduce net wealth at the time of death compared to sudden deaths through tax-privileged inter vivos transfers, with the effect being strongest for single individuals dying of cancer. The authors interpret this finding as being the result of estate planning induced by the existence of a bequest motive.[13]

Using a bunching approach, Glogowsky (2021) examines various responses to the German inheritance and gift tax in the top 30 %. Altogether, the responses are rather moderate. Tax planning, i.e., testament planning, by testators is the dominating response, with an extent comparable to the reaction of inter vivos gifts (see Section 4.6). Similar to the results of some of the studies reported above, tax planning (in the form of testament planning) is generally undertaken shortly before death, which is consistent with a death-denial attitude and deathbed planning. Also, bequeathers react more strongly to taxes with regard to inheritances intended for close relatives. The overall impact on tax revenue collection is modest, with short-run net-of-tax elasticities of taxable wealth transfers below 0.1. These elasticities most likely do not capture real responses in terms of changes in wealth accumulation, but rather tax evasion and avoidance on the part of donors, whereas the author does not find evidence for illegal underreporting of inheritances by heirs. In an unpublished study Sommer (2017) identifies only a small response to the German inheritance tax in the form of tax planning for inheritances, which is almost exclusively limited to donors (rather than recipients) of wealth transfers.

Tax planning responses, which are larger than real responses, can be limited by a design of inheritance taxes that does not offer loopholes which can be used for tax planning strategies. The question of whether limiting options for tax avoidance could lead to an increase in real responses is somewhat disputed in the literature; unfortunately, there is very little empirical research on this issue, and the few existing analyses do not research inheritance taxation specifically. One recent study of interest is that carried out for Norway by Alstadsæter et al. (2022), which cannot detect substitution effects between legal tax avoidance and illegal tax evasion for wealthy taxpayers.

[13] For bequest motives and their distribution in the US see Kopczuk and Lupton (2007).

4.3. Impact of inheritance taxation on wealth accumulation

A second cluster of empirical research addresses the impact of inheritance taxation on wealth accumulation, thus capturing an overall response to inheritance taxes (see Table 4 for an overview). Hereby, inheritance taxation can elicit real responses, i.e., the reduction of wealth accumulation, or just influence wealth reported to tax authorities (which can deviate from a real response due to tax avoidance). Although potential negative effects of inheritance taxes on wealth accumulation are one of the most prominent arguments against the tax in the public debate, empirical evidence is still limited. Two generations of studies can be distinguished (Glogowsky, 2021).

A first wave exclusively focuses on the United States and therefore on estate taxes and tries to determine, mostly ex post, the direction and size of the influence of estate taxes on wealth accumulation by bequeathers, (taxable) estates, or inheritance tax revenues. They often rely on regression analysis and yield elasticities that in the majority are rather moderate.

Chapman et al. (1996) in one of the earliest studies find a significant negative coefficient of United States estate tax revenues during 1958 to 1994 regarding the estate tax rate, indicating an elasticity of estate tax revenues with respect to the marginal estate tax rate of about 2. Holtz-Eakin and Marples (2001) use cross-sectional survey data to identify a negative correlation between wealth accumulation and marginal state estate tax rates: they estimate an elasticity of wealth accumulation with regard to the estate tax rate of 1.4 and an elasticity of the level of desired bequests with regard to the expected estate tax rate of 0.5. For the period 1951 to 2001, Joulfaian (2006) estimates an elasticity of reported estates with regard to the marginal estate tax rate of 0.1.

Kopczuk and Slemrod (2001), basing their study on United States tax data for selected years in the period 1916 to 1996, show a robust and negative correlation between the reported net worth of top estates and estate tax rates. They also find that a marginal estate tax rate over 50 % at age 45 reduces reported wealth by 10.5 % for the richest 0.5 % of the population. This negative association is considerably higher than that of the estate tax rate given in the year of death, thus reflecting a larger influence of the estate tax rate applicable during the person's lifetime than that prevailing at death.

Overall, these early studies for the United States find moderate to in some cases larger responses of wealth accumulation and reported wealth and estates, respectively, to the taxation of inheritances.

However, there are several caveats. The study by Holtz-Eakin and Marples (2001) explores the effect of the estate tax using real wealth survey data, yet the very wealthy who are most affected by the tax and whose responses can be expected to be more pronounced are not included in the study. Moreover, there is the question which variables adequately capture exogeneous changes in the tax rate (Kopczuk and Slemrod, 2001). Another issue is that only those analyses which use wealth survey data (as, e.g., the study by Holtz-Eakin and Marples, 2001) are able to identify effects on actual wealth, while those of the earlier studies that use tax data are not able to discern real and accounting/avoidance effects (Kopczuk and Slemrod, 2001). Most importantly, these earlier studies have been heavily criticized for methodological reasons (see, e.g., Kopczuk, 2017).

A second wave of studies starting in the mid-2000s benefits from better data and methods which allow a more differentiated investigation of wealth accumulation responses based on micro-econometric methods. This more recent research also widens the regional scope and analyzes inheritance taxation in a number of OECD countries besides the United States.

Focusing on real responses, Niimi (2019), based on survey data, studies the consequences of the reduction of the basic deduction within the Japanese inheritance tax in the year 2013. Only relatively few households intend to decrease their wealth accumulation and instead increase their consumption due to the tax change. The author explains this by missing or only weak bequest motives.

For Italy, Jappelli et al. (2014), also using survey data and a difference-in-differences approach, find that the abolishment of bequest taxation between 1999 and 2001 leads to an increased probability of making real wealth transfers by 2 percentage points and square meters transferred by 2.5 to 7 percentage points. The authors find a semi-elasticity of the transferred square meters of around 4 %.

Based on French life insurance data, Goupille-Lebret and Infante (2018) identify real responses of wealth accumulation to an increase in inheritance taxes and find them to be significant, but relatively small. In comparing the extent of real and shifting responses with timing responses and finding that the first are larger than the latter, the study breaks new ground by researching the relative importance of various behavioral responses. Using a bunching approach to detect inter-temporal shifting responses yields a medium-term elasticity of contributions to (tax-privileged) life insurance with regard to the net-of-tax-rate of 0.1. A difference-in-differences approach is used to identify shifting among asset portfolio and real responses, arriving at elasticities of life insurance contributions regarding the net-of-tax-rate between 0.36 in the medium and 0.23 in the long run. In addition, the authors find that getting older as well as being wealthy increases real and shifting responses significantly. The results point to myopia and the unwillingness of individuals to confront death and inheritance before having reached a certain age, which may lead them to underuse tax planning options. The authors thus interpret their findings as contradicting the notion that moderate responses to inheritance taxes are motivated by the wish of bequeathers to retain control over their wealth. While one of the advantages of this study is that it allows to identify responses during lifetime and not only at the point of death, the shifting and real response elasticity cannot be broken down to each of the two possible responses.

Finally, four more studies shall be highlighted which are remarkable as they undertake ex-ante simulation exercises. In an overlapping generations general equilibrium model, simulations by De Nardi and Yang (2016) yield very small elasticities of the estate tax base (between −0.158 and 0.082) for changes in the United States federal estate tax rate for tax rates ranging between 10 % and 60 %. Simulating the abolition of the United States' federal estate tax with a quantitative general equilibrium model, Cagetti and De Nardi (2009) estimate an increase in total capital accumulation of 0.78 %. The authors thus confirm the results of an earlier ex-ante simulation by Castañeda et al. (2003) according to which abolishing the United States federal estate tax raises the stock of capital by 0.37 %. Also studying the possible impact of a repeal of the estate tax, Laitner (2000) uses an intergenerational general equilibrium

Table 4
Inheritance taxation and wealth accumulation.

Author(s)	Country	Time Period	Details	Method (data)	Key findings
Chapman et al. (1996)	United States	1958–1994	Federal estate tax Ex-post	Regression analysis (time series data)	Elasticity of estate tax revenues w.r.t. to marginal estate tax rate 2
Laitner (2000)	United States	1995	Federal estate tax Ex-ante	Intergenerational general equilibrium simulation model (survey data)	Repeal of estate tax: Altruistic bequest motive: capital stock does not change Non-altruistic donors: savings increase Elasticity of bequests w.r.t. net-of-tax rate 0.3
Holtz-Eakin and Marples (2001)	United States	1992	Federal and state estate taxes Ex-post Ex-ante	Regression analysis (survey data) Simulation analysis (survey data)	Elasticity of wealth accumulation w.r.t. estate tax rate 1.4 Elasticity of level of desired bequests w.r.t. expected estate tax rate 0.5
Kopczuk and Slemrod (2001)	United States	1916–1996	Federal estate tax Ex-post	Regression analysis (tax data, time series data) Pooled cross-sectional analysis (tax data)	Elasticity of reported bequests w.r.t. marginal estate tax rate 0.4 to 0.7 Marginal tax rate over 50 % at age of 45 reduces reported wealth by 10.5 % (elasticity of reported wealth w.r.t. net-of-tax rate 0.16)
Castañeda et al. (2003)	United States	n.a.	Federal estate tax Ex-ante	Quantitative general equilibrium model (survey data, tax data)	Abolition of estate tax increases stock of capital by 0.37 %
Joulfaian (2006)	United States	1951–2001	Federal estate tax Ex-post	Regression analysis (tax data)	Elasticity of taxable estates w.r.t. marginal estate tax rate 0.1
Cagetti and De Nardi (2009)	United States	1989–1995	Federal estate tax Ex-ante	Quantitative general equilibrium model (survey data)	Abolition of estate tax increases total capital accumulation by 0.78 %
De Nardi and Yang (2016)	United States	1990s	Estate tax Ex-ante	Quantitative general equilibrium model (survey data, tax data)	Elasticity of estate tax base w.r.t. changes of estate tax rate between 10 % and 60 % −0.158 to 0.082
Jappelli et al. (2014)	Italy	1993–2006	Estate, inheritance and gift tax Ex-post	Difference-in-differences (survey data)	Repeal of inheritance tax increases probability of making real estate wealth transfers by 2 percentage points and square meter transferred between 2.5 and 7 percentage points Semi-elasticity of square meters transferred of 4 %
Goupille-Lebret and Infante (2018)	France	2003–2013	Inheritance tax Ex-post	- Bunching (longitudinal life insurance data, tax data) - Difference-in-differences (longitudinal life insurance data, tax data)	Elasticity of life insurance contributions w.r.t. net-of-tax rate 0.1 in the medium run Elasticity of life insurance contributions w.r.t. net-of-tax rate 0.36 in the medium, 0.23 in the long run
Niimi (2019)	Japan	2013	Inheritance tax Ex-ante	Regression analysis (survey data)	Only few households intend to decrease wealth accumulation due to inheritance tax increase

Source: own compilation.

simulation model and compares a first scenario in which all households pursue an altruistic bequest motive with a second one in which there is a very small share of altruistic donors. In the scenario with altruistic donors, the abolition of the tax would leave the capital stock practically unchanged, while savings would increase when only very few bequeathers are altruistic.

Altogether, the impact of inheritance taxation on the accumulation of wealth is found to be rather modest in the second generation of empirical studies and appears to be more moderate compared to the first wave. The little existing empirical evidence suggests that effects may differ according to the bequest motive and are more pronounced for older and wealthier bequeathers, but empirical results do not yet yield a clear picture. Overall, one important factor underlying the missing consensus on the size of wealth accumulation effects of inheritance taxes is that it is difficult to measure the effects of incentives that work over longer time spans (Kopczuk, 2013a).

4.4. *Impact of inheritance taxation on entrepreneurship and firm development*

A related and also often-debated real response with possible implications for the revenue potential of inheritance taxes is their effect on entrepreneurship and the development of firms in the bequeathers' lifetime. To reduce or avoid future inheritance tax liabilities, owners may limit the growth of their firms in terms of employment or investment; or they may even terminate business operations. Empirical research studying the relationship between inheritance taxation and entrepreneurship focuses mainly on the impact of actual inheritance tax payments on firm prosperity and survival after the death of the decedents (e.g., Brunetti, 2006; Pérez-González, 2006; Grossmann and Strulik, 2010) and on entrepreneurship on the part of the heirs (e.g., Garbinti and Goupille-Lebret, 2018; Bauer et al., 2018). Studies on bequeathers' decisions prior to the transfer of firms, however, are scant and focus exclusively on the United States; with ex-post evidence almost completely missing (see Table 5 for an overview).

A few earlier studies for the United States address this question based on survey data. A survey among business owners by

Astrachan and Tutterow (1996) shows that a majority of 60 % expects estate taxes to dampen the growth of their business and the number of their employees, which could be explained by the fear of exceeding the estate tax exemption threshold and becoming liable for taxation. Schmalbeck (2001), however, considers some results of this survey to be internally inconsistent and not very credible. In particular, while according to the survey the size of their estate tax liability was unknown to 45 % of the respondents, 60 % indicated that a repeal of the estate tax would induce them to recruit more employees immediately.

Holtz-Eakin (1999), gaging from income tax elasticities, shows a negative influence of estate tax rates on employment growth as well as business investment. Moreover, based on regression analysis using the data generated by a mail survey among business owners in Upstate New York conducted in 1999, the author finds that an increasing probability to be subject to estate taxes dampened employment growth in the preceding five years. Another regression analysis based on the survey data reveals a large negative correlation between future liability for the estate tax and planned job creation in the future. It cannot be determined, however, whether there is a causal relationship. Repetti (1999) criticizes Holtz-Eakin's results as over-estimated for two reasons. First, proprietors' responses to estate taxation are estimated based on income tax elasticities, which he considers hardly comparable to estate tax elasticities. Second, as also argued by Gale and Slemrod (2001), Holtz-Eakin's analysis does not consider the owner's age, which may matter insofar as older owners may simply be wealthier and therefore value more leisure, and they may also be more hesitant to pursue business expansion plans.

Gale and Slemrod (2001) highlight further critical issues generally associated with a survey-based approach. First, surveys capture business owners' stated behavior or intentions only and may therefore not adequately reflect their actual responses. Moreover, there may be further issues as a lack of representativity or a selection bias, and also the problem that it is not possible to control for other factors that may influence entrepreneurship. Not least, it is questionable whether business owners are well informed about the value of their businesses on the one hand and the relevant design features of inheritance taxation on the other (e.g., tax exemptions, valuation rules, etc.), thus also affecting the extent to which they are informed about their potential tax liability.

The only ex-post analysis besides that of Holtz-Eakin (1999) is provided by Bruce and Mohsin (2006), who find a negligible influence of a tax exemption offered within the federal estate tax for small businesses and farmers on self-employment rates.

It can be assumed that, similar to wealth accumulation, the effect of inheritance taxes on entrepreneurship and firms' prosperity differs across bequest motives (Gale and Perozek, 2001). Empirical research on this aspect is still missing, however. It also appears plausible that the influence of inheritance taxation depends on firm size. Using a quantitative general equilibrium model, Cagetti and De Nardi (2009) find that in the United States estate taxes influence the saving and investment decisions of larger firms, while leaving the respective decisions of small firms unchanged.

Altogether, the relationship between inheritance taxation and firm performance and entrepreneurship, respectively, is hardly explored, and there is a particular lack of ex-post evidence. The methodological foundations of the few older ex-ante studies appear to be rather weak, casting doubt on their results.

4.5. Impact of inheritance taxation on residential choice

Another channel of response to inheritance taxation is the residential choice of potential bequeathers, where mobility can either be real or consist of the reporting of fake residencies to tax authorities. Perret (2021) in her recent overview concludes that a lot of evidence on the impact of wealth taxation on residential choice and migration is anecdotal; this also holds for the respective impact of inheritance taxes. Solid empirical research on the impact of wealth taxes on mobility is rather young, dating only to the early 1990s, and remains scarce (Kleven et al., 2020). Existing empirical evidence almost exclusively refers to intra-national migration in federal countries taxing inheritances at the regional level (see Table 6 for an overview), again with a clear focus on the United States. These studies focus on certain socio-demographic groups (mostly the elderly, sometimes also the very wealthy) rather than the general population (see, e.g., Kleven et al., 2020).

A number of relevant contributions stem from the fiscal federalism literature and the literature addressing determinants of the mobility of elderly persons. Meanwhile, an extensive body of literature examining the effects of taxation and public policies on (particularly) elderly inter-state migration has emerged (Önder and Schlunk, 2015). Only a small share of this literature, however, addresses inheritance taxation and the tax-induced mobility of the very rich, respectively (Moretti and Wilson, 2023).

The relevant research exclusively consists of ex-post analyses. Inter-state migration research is mostly based on aggregate inter-state migration data and uses two different methodological approaches (Önder and Schlunk, 2015): regression analysis based on the ratios of in- and out-migrants to the population of a state; and gravity models of migration based on bilateral flow data of in- and out-migrants. This research uses census data and administrative tax data (tax rates, tax exemptions, tax revenues and data on tax filing), respectively.

The first two empirical studies addressing mobility induced by the repeal of bequest taxes focus on Australia. Hugo (1983), based on 1976 and 1981 census data, finds that after eliminating its estate tax in 1976 Queensland experienced in-migration particularly of elder persons in the following five years, while out-migration from the other five Australian states occurred. This finding is confirmed by a regression analysis conducted by Grossman (1990) for the period 1972 to 1985. The author detects a moderate inflow particularly of older people to Queensland in the three years after abolishing the estate tax (leading to an on average 15 % higher population growth), while on average population growth was 3 % lower in the remaining Australian states.

For the United States, Clark and Hunter (1992) as well as Voss et al. (1988) find a significant negative effect of high state-level inheritance and estate taxes on elderly in-migration in the 1970s. These results correspond to those obtained by Conway and Houteville (2001) about one decade later, according to which low state-level inheritance and estate taxes are positively related to elderly in-state migration, and those by Önder and Schlunk (2015) who, applying a cross-sectional analysis based on census data, also find a

Table 5
Inheritance taxation and entrepreneurship and firm development.

Author(s)	Country	Time Period	Details	Method (data)	Key findings
Astrachan and Tutterow (1996)	United States	1995	Estate tax Ex-ante	Survey (survey data)	Expected limited business growth in 60 % of firms due to estate taxation
Holtz-Eakin (1999)	United States	1999	Estate tax Ex-post Ex-ante	Regression analysis (survey data) Regression analysis (survey data)	Less past employment growth in firms whose owners would be subject to estate tax Less future employment growth in firms whose owners would be subject to estate tax
Bruce and Mohsin (2006)	United States	1950–1999	Federal estate tax Ex-post	Regression analysis (tax data)	Negligible influence of tax exemption for small businesses and farmers on self-employment
Cagetti and De Nardi (2009)	United States	1989–1995	Estate tax Ex-ante	Quantitative general equilibrium model (survey data)	Estate tax influences saving and investment decision of larger but not of smaller firms

Source: own compilation.

significant positive effect of the lack of incremental state inheritance taxes on elderly in-state migration in the 1990s. Similarly, for the United States Bakija and Slemrod (2004) show that from 1965 to 1998, high state estate taxes result in the relocation of elderly persons to states with lower taxes, albeit only to a very modest extent.

In contrast, Conway and Rork (2006), based on a difference-in-differences approach and using migration data from four different censuses (1970, 1980, 1990, 2000) spanning three decades, cannot find a significant effect of state estate taxes in the United States on the migration decisions of the elderly overall. The authors argue that the finding by Bakija and Slemrod (2004) of some effect of estate taxation on elderly migration can primarily be explained by the migration rates of very wealthy elderly persons. This reasoning is supported by the study by Moretti and Wilson (2023), who generally find significant high mobility responses among billionaires and wealthy taxpayers to differing state estate tax incentives in the United States; they also find that these increase with age, pointing to a higher tax sensitivity among the very wealthy elderly. This finding is also somewhat in line with the results of the study by Brülhart and Parchet (2014) for Swiss cantons covering the period 1973 to 2008. The authors show that variations in inter-cantonal inheritance taxes have no statistically significant effects on location decisions, except among very wealthy elderly taxpayers. However, this effect is quite small. This finding cannot be confirmed by López-Laborda and Rodrigo (2022) who show for Spanish autonomous communities that elderly taxpayer responses to inheritance tax differences do not generally deviate much from those of the very wealthy elderly.

The earlier studies analyze the relationship between migration and a single tax variable or only a few variables capturing public policy and other determinants affecting migration (e.g., Cebula, 1990), thus possibly suffering from an omitted variable bias (Conway and Rork, 2006; Önder and Schlunk, 2015). This problem is avoided or at least mitigated by newer studies considering a broader array of public policy and other variables determining migration decisions, as the analyses by Clark and Hunter (1992), Conway and Houtenville (2001), Conway and Rork (2006), or Önder and Schlunk (2015) do. The studies considering several migration determinants often show that other aspects, e.g., climate, crime, cost of living, or public spending on amenities like health care and hospitals, influence migration decisions to a larger extent than tax policy in general and inheritance taxation in particular (see, e.g., Voss et al., 1988; Conway and Rork, 2006). In their study for Spanish autonomous regions, López-Laborda and Rodrigo (2022) find that the effects of inheritance tax differentials on the decision of the top 1 % of the income distribution to change residence are still significant, but lower if regional attractiveness and opportunity factors (e.g., housing prices or public spending on education, healthcare, and culture) are considered.

One interesting issue in this context is the choice of adequate tax variables, as it is less straightforward to measure tax rates on wealth transfers compared to other tax bases, such as, for example, personal income (Kleven et al., 2020). In their analysis studying the effects of local and state estate taxes on the migration of elderly people between states in the United States, Conway and Houtenville (2001) use three different tax variables: first, the shares of total state and local expenditures financed by various kinds of taxes, inter alia estate taxes, as an indicator of the relative importance of individual tax categories in the overall tax system; second, tax rates to capture the individual tax burden; and third, a measure of a state's tax efforts (i.e., a state's tax collections in relation to its tax capacity) to capture the overall burden of the tax relative to the tax base in a given state in comparison to other states. An influence on in-migration can only be identified when the first tax variable, i.e., the shares of total state and local expenditures financed by different kinds of taxes, is used. The authors explain this finding inter alia by the lack of variation between states regarding tax rates. Other studies construct average inheritance tax rates; these include Brülhart and Parchet (2014), who derive an average inheritance tax rate as a weighted average of effective inheritance tax rates for different bequest sizes and categories of heirs.

Another issue pointed out by Conway and Rork (2006) is that earlier studies which use cross-sectional data do not capture the relationship between (elderly) mobility and policy changes, thus raising the question of the direction of causality. The authors' own study or the analysis by Bakija and Slemrod (2004), which use time series data spanning several decades, yield more meaningful results in that respect. These more recent studies detect no or only very modest effects of inheritance taxation on mobility.

Furthermore, there is the question of which migration data to use. Most of the studies reviewed above exploit aggregate or individual-level migration data, whereby aggregate migration data allow to study longer time periods and are more representative than individual-level data which cover a rather small number of movers only (Conway and Rork, 2006) and are confronted with considerable computational complexity (Conway and Rork, 2012). One notable exception is the study by Bakija and Slemrod (2004), which instead of being based on migration data uses federal estate tax return filings. Changes in their number in a given state are

Table 6
Inheritance taxation and residential choice.

Author(s)	Country	Time Period	Details	Method (data)	Key findings
Clark and Hunter (1992)	United States	1970–1980	State inheritance and estate taxes Ex-post	Regression analysis (tax data)	Significant negative effect of state-level inheritance and estate taxes on elderly in-migration
Voss et al. (1988)	United States	1975–1980	State inheritance and estate taxes Ex-post	Regression analysis (census data)	Significant negative effect of state-level inheritance and estate taxes on elderly in-migration
Conway and Houtenville (2001)	United States	1985	State and local estate taxes Ex-post	Gravity model of migration (census data, tax data)	Positive effect of low estate taxes on elderly in-migration
Bakija and Slemrod (2004)	United States	1965–1998	State estate taxes Ex-post	Regression analysis (tax data)	High estate taxes lead to relocation of elderly to low tax states, moderate effect
Conway and Rork (2006)	United States	1970, 1980, 1990, 2000	State inheritance and estate taxes Ex-post	Regression analysis, difference-in-differences (census data, tax data)	Significant negative effect of state inheritance and estate taxes on elderly in-migration based on cross-sectional data No significant effect of state inheritance and estate taxes on elderly in-migration based on panel data
Önder and Schlunk (2015)	United States	1995–2000	State inheritance taxes Ex-post	Gravity model of migration (census data)	Significant positive effect of lack of incremental state inheritance taxes on elderly in-migration
Moretti and Wilson (2023)	United States	1982–2017	State estate taxes Ex-post	Difference-in-differences (rich list data, tax data)	Decrease of number of Forbes 400 richest Americans by 35 % in estate tax states compared to non-estate tax states; implied semi-elasticity −0.33 Significant increase of billionaires' tax sensitivity with age On average, introducing estate taxes associated with positive cost-benefit ratio (additional estate tax revenues versus forgone income tax revenues)
Hugo (1983)	Australia	1977–1981	State estate taxes Ex-post	n.a. (census data)	In-migration particularly of older persons to Queensland five years after repeal of estate tax Out-migration from other states
Grossman (1990)	Australia	1972–1985	State estate taxes Ex-post	Regression analysis (census data, tax data)	Significant positive effect of repeal of estate tax on in-migration to Queensland three years after repeal of estate tax particularly of older persons Significant effect on out-migration from other states
Brülhart and Parchet (2014)	Switzerland	1973–2008	Cantonal inheritance taxes Ex-post	Regression analysis (tax data)	Significant, but small effect of cross-cantonal inheritance tax rate differences on location decisions of very wealthy retired taxpayers
López-Laborda and Rodrigo (2022)	Spain	2006–2012	Autonomous communities' inheritance taxes Ex-post	Regression analysis (tax data)	Significant, but small effect of cross-autonomous community inheritance tax rate differences on residential choice of top 1 % of income distribution
Lindkvist (1990)	Sweden	1975–1984	Inheritance tax Ex-post	Interviews	Swedish taxation, including inheritance taxation, major driver of decision to migrate abroad for most respondents

Source: own compilation.

interpreted as the result of migration. It should be noted, however, that using the number of federal estate tax return filings as an indicator for migration is associated with limitations, as these may also be influenced by other factors (Conway and Rork, 2006). Very generally, migration responses by the very wealthy are hard to study due to the small number of individuals concerned (Jakobsen et al., 2018).

In addition, as countries differ with respect to size, population density, the number of subnational entities, the degree of fiscal autonomy of subnational entities, the intragovernmental distribution of expenditures and revenues, and the design of inheritance taxation in the federal context, the results of these country-specific case studies cannot be transferred to other countries and are not comparable across countries without further qualification (Grossman, 1990).

Altogether, although the results of empirical studies vary somewhat due to differences in the methodological approaches and data used, empirical evidence suggests that intra-national migration decisions are somewhat influenced by inheritance taxation, and particularly so for the elderly and more wealthy populations. Moreover, effects may be asymmetric insofar as in-migration is more sensitive with regard to estate taxation than out-migration, as found, e.g., by Voss et al. (1988) and Conway and Houtenville (2001). Another asymmetry is suggested by the Brülhart and Parchet (2014) study for Swiss cantons, namely that inheritance tax increases may cause larger responses than inheritance tax decreases. Altogether, however, with the exception of the very wealthy, migration

responses appear to be rather moderate.

One interesting finding of this survey is a general neglect of the revenue implications of intra-national mobility. The Brülhart and Parchet (2014) study which suggests that reducing inheritance tax rates in Swiss cantons is associated with corresponding inheritance tax revenue losses even up to 20 years later is a notable exception. This result confirms that by Bakija and Slemrod (2004) who find that revenue losses caused by estate tax reductions in a given region are only partly compensated by the tax-induced inflow of richer taxpayers. Moretti and Wilson (2023), assuming a broader perspective, compare the direct costs (in terms of forgone income tax revenues) and benefits (in terms of additional estate tax revenues) of levying an estate tax on billionaires for states in the United States. They estimate that almost all non-estate tax states could expect net revenue gains by introducing estate taxes for billionaires and also for the "mere wealthy", respectively. Other indirect revenue effects of tax-induced mobility (e.g., reduced corporate income tax receipts due to the relocation of investments and businesses) are completely neglected in the literature.

There is almost no empirical research on the influence of inheritance taxation on international migration decisions (Jakobsen et al., 2020).[14] Advani et al. (2023), exploiting a large tax reform in the United Kingdom which made formerly untaxed offshore investment returns liable for taxation, find limited cross-border migration elasticities by the super-rich, ranging between 0.02 and 0.5. Studying out-migration of the very wealthy following wealth tax increases in Denmark and Sweden, Jakobsen et al. (2024) find significant, but remarkably small effects: in the long run, the stock of wealthy individuals is increased by a maximum of 2 % following a decrease of the effective wealth tax rate on the top 2 %. Considering the higher costs of moving internationally, and the much more limited possibilities to misreport one's residence in a cross-border context,[15] it seems plausible to assume that the influence of international inheritance tax differentials on migration decisions is smaller than in the national context. This assumption is contested by a study by Lindkvist (1990) who conducted interviews with people emigrating from Sweden between 1975 and 1984, to find that Swedish taxes, including inheritance taxes, were an important driver of most respondents' migration decisions. However, Sweden may be a special case, as the general tax level, and that of inheritance taxes in particular, was rather high at that time.[16] Empirical evidence on spillovers of out-migration of the wealthy due to inheritance taxation on other tax bases is completely missing.

4.6. *Impact of inheritance taxation on inter vivos transfers*

Many inheritance and gift tax systems treat bequests and inter vivos transfers differently or grant tax advantages for inter vivos transfers, thus influencing the timing of wealth transfers so that these are made as inter vivos transfers during the lifetime of donors rather than as bequests (Nordblom and Ohlssen, 2006). The use of inter vivos transfers as one specific tax planning instrument with which to avoid inheritance taxes has therefore been a strong focus of the empirical work on the behavioral effects of inheritance taxation since the beginning of the 2000s (see Table 7 for an overview). In this regard, research for the United States (which can make use of inter-state variations of inheritance and gift taxation) has played a pioneering role.

The vast majority of analyses represent ex-post studies addressing the impact of past inheritance and gift tax changes. It should hereby be noted that cross-sectional data do not allow to distinguish between transitory and permanent responses (Joulfaian, 2004). In addition, the impact of taxes on lifetime transfers can only be identified using time series data. One of the first studies researching the tax responsiveness of inter vivos transfers is authored by Joulfaian (2004) who shows that changes in federal estate and gift tax rates in the United States impact the timing of lifetime wealth transfers. Particularly in the short run, gifts by the wealthy are very sensitive to variations in gift tax rates. The results of the study suggest that the timing of gifts is motivated by the intention to minimize tax payments.

In another study focusing on the very wealthy, Joulfaian (2005) finds that the design of taxes levied on gifts and estates significantly influences the allocation of wealth transfers to gifts versus bequests: the elimination of gift and estate taxes in US states would reduce gifts by over 64 %. Moreover, the more similar estate and gift tax rates are, the lower is the probability of making gifts. These findings are corroborated by Bernheim et al. (2004), who, exploiting time series as well as cross-sectional variation in state estate and gift taxes, show that the relationship between estate and gift tax rates influences the size and timing of gifts. The authors infer a systematic bequest motive for very wealthy households from their results.

Two studies for Sweden identify considerable tax responsiveness of inter vivos transfers. A strong increase of inter vivos transfers before the reform of the inheritance and gift tax in 1948 is found by Ohlsson (2011). Escobar et al. (2023), studying a one-off tax--favored wealth transfer from parents to children based on a bunching approach, derive an implied tax base elasticity of 1.5, which the authors explain inter alia by the availability of cheap legal advice. Substantial Frisch elasticities between 1 (for those transferring gifts of € 27,000) and 9 (for those giving gifts of around € 125,000) are also estimated by Sturrock et al. (2022) for the Netherlands based on a bunching approach using data on taxable gifts, implying that responsiveness to temporary tax incentives for making gifts even for moderately wealthy individuals is large as death approaches.

Several recent studies identify more modest tax-induced responses of inter vivos transfers. According to the study by Glogowsky (2021) for Germany, elasticities of taxable inter vivos gifts are small (below 0.1), as well as the influence on tax revenues. An unpublished analysis by Sommer (2017) of the German inheritance tax finds that the extent of tax planning based on inter vivos gifts is

[14] Existing empirical evidence addresses the relationship between international migration and taxes on personal income, net wealth, and businesses (see Kleven et al., 2020, for a recent overview of the relevant literature).

[15] In their study researching interregional migration responses to the Spanish wealth tax, Agrawal et al. (2024b) find rather sizeable responses, but these may to a considerable extent be attributable to misreporting.

[16] See Henrekson and Waldenström (2016) for a detailed historical analysis of Swedish inheritance taxation.

Table 7
Inheritance taxation and inter vivos transfers.

Author(s)	Country	Time Period	Details	Method (data)	Key findings
McGarry (2001)	United States	1992, 1993	Federal estate and gift taxes Ex-post	Regression analysis (survey data)	Maximizing tax-free giving would reduce the actual aggregate tax bill of the elderly by 65 %
Poterba (2001)	United States	1995	Federal estate and gift taxes Ex-post	Regression analysis (survey data)	45 % of households use option of tax-free inter vivos transfers
Page (2003)	United States	1983, 1986	State estate and gift taxes Ex-post	Regression analysis (survey data, tax data)	1 percentage point increase in marginal bequest tax rate raises desired gifts by $ 4000 over 3 years period
Bernheim et al. (2004)	United States	1989, 1992, 1995, 1998, 2001	Federal estate and gift taxes Ex-post	Regression analysis (survey data)	Relative level of estate and gift tax rates influences timing of gifts
Joulfaian and McGarry (2004)	United States	1992–2000 1936–1992	Federal estate and gift taxes Ex-post	Regression analysis (survey data, tax data)	Lifetime transfers make up for less than 10 % of terminal wealth Transitory elasticity of gifts w.r.t. future gift tax 8.4, w.r.t. current gift tax 8.4 Permanent elasticity of gifts w.r.t. gift taxation close to zero
Joulfaian (2004)	United States	1933–1998	Federal estate and gift taxes Ex-post	Regression analysis (tax data)	Gifts by the wealthy highly responsive to changes in gift tax rates
Joulfaian (2005)	United States	1977–1989	Federal and state estate and gift taxes Ex-post Ex-ante	Regression analysis (tax data) Simulations (tax data)	Top 2 % of population Reducing difference between estate and gift tax rates decreases probability of making gifts Elimination of gift and estate taxes may reduce gifts by over 64 %
Ohlsson (2007)	Sweden	2004	Inheritance tax Ex-post	Regression analysis (tax data)	Two thirds of eligible heirs use legal tax avoidance opportunity through tax-exempt inter vivos transfers One fourth of eligible heirs pursue tax minimization
Ohlsson (2011)	Sweden	1942–1949	Inheritance and gift taxes Ex-post	Regression analysis (tax data)	Strong increase of inter vivos transfers before reform of inheritance taxation
Escobar et al. (2023)	Sweden	2002–2004	Inheritance tax Ex-post	Bunching (tax data)	Implied tax base elasticity around 1.5
Sommer (2017)	Germany	2007–2011	Inheritance and gift taxes Ex-post	Bunching (tax data)	Elasticity of gifts 0.021 at the highest
Glogowsky (2021)	Germany	2002, 2009–2017	Inheritance and gift taxes Ex-post	Bunching (tax data)	Short-run elasticity of taxable wealth transfers w.r.t. net-of-tax rate below 0.1
Arrondel and Laferrère (2001)	France	1992	Inheritance tax Ex-post	Regression analysis (administrative data, survey data)	Tax sensitivity of inter vivos transfers larger in wealthy households
Niimi (2019)	Japan	2013	Inheritance tax Ex-ante	Regression analysis (survey data)	Parents with altruistic bequest motive use inter vivos transfers more than parents with no or weak bequest motive
Sturrock et al. (2022)	Netherlands	2013–2015	Gift and inheritance tax Ex-post	Bunching Difference-in-differences	Frisch elasticity of gifts w.r.t. net-of-tax rate between 9 (for those giving gifts around € 27,000) and 1 (for those giving gifts of around € 125,000)

Source: own compilation.

moderate altogether and increases with the closeness of the relationship between bequeather and heir as well as the size of the bequest. Furthermore, several earlier studies for the United States suggest that the option of inter vivos gifts as a tax planning tool is only rather moderately used. For example, Poterba (2001) finds that only 45 % of households in the United States with a net worth four times the federal estate tax threshold use the option of tax-free inter vivos transfers. According to Joulfaian and McGarry (2004), using survey data, the possibilities for tax-free inter-vivos gifts are considerably under-utilized. Based on longitudinal data from gift tax records, the authors find a considerable impact of gift taxes on the timing of gifts, but lifetime transfers from the wealthy are very limited, making up for less than 10 % of terminal wealth. McGarry (2001), building on survey data, shows that tax-minimizing giving patterns would reduce the actual aggregate tax liability by 65 % for the elderly, indicating considerable under-utilization of tax-free inter vivos transfers, which would imply unequal individual transfers to their children. The author explains this limited responsiveness to tax incentives by psychic costs incurred by unequal individual transfers to children. In addition, the unpublished study by Ohlsson (2007), examining a one-off inheritance tax exemption for inter vivos transfers (from the children of donors to their own children) in Sweden in 2004, identifies a significant extent of legal tax avoidance: two thirds use this opportunity, whereby the likelihood to do so is negatively correlated to age and positively associated with the amount of taxes that can be avoided. At the same time, only one quarter of eligible heirs pursues tax minimization.

For Japan, Niimi (2019), using survey data, finds that the extent of the reaction of inter vivos transfers to increases in inheritance taxation is dependent on the bequest motive. Parents with an altruistic bequest motive exhibit a greater tendency to shift taxable wealth to inter vivos transfers than do parents with no or only a weak bequest motive. This confirms the result of an earlier study by Page (2003), who in his analysis of state bequest taxes in the United States finds that at least a part of bequests are intentional. Using survey data for the years 1983 and 1986, the author's regression analysis shows a much larger effect of variations in state bequest taxation for older households: in this group, a one percentage point increase in the marginal bequest tax rate raises desired gifts by almost $ 4000 over a three-year period. The study by Arrondel and Laferrère (2001) for France suggests considerable tax sensitivity of gifts, particularly in wealthier households.

Explanations for the limited tax sensitivity of inter vivos transfers found in most empirical analyses offered in the literature include denial of death on the part of bequeathers (Kopczuk and Slemrod, 2005) as well as a desire to keep control over their wealth and their prospective heirs (Erixson and Escobar, 2020). Kopczuk (2007) mentions an exchange motive as a potential reason; in their study on Japan, Niimi and Horioka (2019) suggest a precautionary motive. These findings are consistent with an unpublished analysis by Sturrock et al. (2022), which looks at financial transfers to heirs for the Netherlands. The authors show that – in contrast to couples – the tax-responsiveness of single individuals with children in the top half of the wealth distribution increases with the nearness of the bequeather's death. Sturrock et al. (2022) explain this finding by the wish to keep control of wealth and by precautionary motives considering uncertainty regarding future longevity or spending needs as long as death is not imminent.

Altogether, the available empirical evidence confirms the expectation that taxable inter vivos transfers are somewhat sensitive to taxation, which is also taken as evidence for the existence of systematic bequest motives. Tax sensitivity increases with age, wealth level, the closeness of the relationship between donor and donee, the existence of a bequest motive, and the closeness of death. It is also worth noting that the impact of inheritance taxation on inter vivos transfers could be dampened by other taxes, e.g., a tax on unrealized capital gains levied upon the sale of an asset by the recipient, and it decreases with increasing illiquidity of assets (see, e.g., Poterba, 2001 for the United States). At the same time, empirical evidence suggests that although inter vivos transfers are the simplest avoidance strategy when gifts enjoy tax privileges, they appear to be underutilized as a tax planning tool for various reasons, which limits their tax responsiveness accordingly. Rich parents in particular often do not aim to minimize taxes through gifts, as evidence for the United States suggests (e.g., Poterba, 2001; Joulfaian and McGarry, 2004; Bernheim et al., 2004; Joulfaian, 2004, 2005). Kopczuk (2010) considers these two findings – the high tax responsiveness of taxable gifts on the one hand and the underutilization of tax planning strategies through inter vivos transfers on the other – not necessarily incompatible, as they may be explained through heterogeneous behavior within groups of similar taxpayers based on differences regarding the existence of a bequest motive.

Most studies do not directly compare the responsiveness of inheritances vis-à-vis gifts. Although the results of the research studying the effects of inheritance and gift taxation on inheritances and on inter vivos transfers are not directly comparable, inheritances appear to be less sensitive to taxation than gifts. Glogowsky (2021) corroborates this conclusion by finding a slightly higher elasticity of inter vivos transfers compared to inheritances. The author's explanation is that gifts constitute planned and intentional transfers, which is not always the case for inheritances.

Despite the uncertainty regarding the exact magnitude of the tax responsiveness of inter vivos transfers, the existing evidence allows to draw two conclusions regarding tax revenues. First, moderate elasticities imply moderate effects on tax collection (Glogowsky, 2021). Second, the design of wealth transfer taxes is important to protecting revenue collection (Escobar et al., 2023). For the Netherlands, for example, Sturrock et al. (2022) find that tax-free gifts are a main tax planning instrument which likely reduces the tax burden.

4.7. Inheritance tax evasion

Due to the nature of the problem, the presence and extent of illegal inheritance tax evasion is hard to identify. As pointed out in Section 4.2 addressing tax avoidance, a gap between the actual tax base or tax revenues and their estimated values (as determined by Tait, 1967; Wolff, 1996; Ohlsson et al., 2020) can result from legal tax avoidance activities or illegal tax evasion. In general, inheritance tax evasion seems to be less important than tax avoidance, as found by Glogowsky (2021) for Germany. Empirical evidence on tax

Table 8
Inheritance taxation and tax evasion.

Author(s)	Country	Time Period	Details	Method (data)	Key findings
Erard (1998)	United States	1992	Estate tax Ex-post	Regression analysis (audit data)	13 % evasion of potential tax base (tax gap)
Eller and Johnson (1999)	United States	1992	Estate tax Ex-post	Analysis of audits of estate tax assessments (audit data)	10 % of tax filers use (illegal) tax planning strategies Audit increased pre-audit tax liabilities by 5.5 %
Eller et al. (2001)	United States	1992	Estate tax Ex-post	Regression analysis of audits of estate tax assessments (audit data)	In 60 % of audited cases assessed estate increased after audit
Escobar (2017)	Sweden	2004	Inheritance tax Ex-post	Regression discontinuity approach (registry data)	Reported estates 17 % lower and share of estates completely evading tax 26 % larger prior to inheritance tax repeal Reduction of inheritance tax revenues up to 55 %

Source: own compilation.

evasion induced by inheritance taxes is scant (see table 8 for an overview).

Eller et al. (2001) use audit data to detect illegal tax evasion. The authors find that in 60 % of audited cases, assessed estate taxes increased after the audit, with changes primarily due to the revaluation of assets; a finding which they take as an indication for tax evasion. An unpublished study by Eller and Johnson (1999), comparing pre- and post-audit figures for the year 1992, shows that 10 % of tax filers do not fully comply with the inheritance tax law, i.e., use (illegal) tax planning strategies. Audit increases pre-audit estate tax liabilities by 5.5 %. Calculating the tax gap (i.e., the difference between taxes owed and taxes paid) based on audit data, an unpublished analysis by Erard (1998) estimates that 13 % of the potential tax base remain untaxed due to tax evasion. While audit data is not able to identify legal tax planning activities (Kopczuk, 2010), using audit data has the advantage – at least in the United States – that audit coverage is rather high (Gale and Slemrod, 2001).

The unpublished study by Escobar (2017) yields larger tax evasion responses for the Swedish inheritance tax with regard to the bequests of spouses. The author finds a considerable extent of (illegal) underreporting of taxable bequests prior to the abolishment of the tax for spouses, regarding the size as well as the number of estates liable for taxation. According to his estimates, inheritance tax revenues were reduced by up to 55 % as a consequence of underreporting.

Inheritance tax evasion can be undertaken in various ways. A rather prominent one which is heavily debated in the public discourse is to shift assets to tax havens. However, research on the influence of inheritance taxation on illegal tax evasion through the use of tax havens is completely missing. There is increasing empirical evidence that a considerable amount of offshore wealth is hidden in tax havens (see, e.g., Zucman, 2015; Alstadsæter et al., 2018; Bastani and Waldenström, 2020). Roine and Waldenström (2015) estimate tax-induced capital flight out of Sweden during the 1990s and 2000s at almost one fifth of one year's national income. Based on leaked data from offshore financial institutions and tax amnesty data, Alstadsæter et al. (2019) show for Scandinavia that particularly the very wealthy tend to hide their wealth offshore and thus reduce their income and wealth tax liability by about 25 % through tax evasion via transferring wealth offshore. Similarly, Guyton et al. (2022) show a concentration of ownership of offshore wealth at the top of the income distribution for the United States. From these results it may be inferred that such offshoring practices, particularly among the very wealthy, could also be relevant for inheritance taxation (OECD, 2021). However, there is practically no empirical research directly exploring the relationship between inheritance taxation and offshore transfers of wealth. Nothing is therefore known about the composition, magnitude and distribution of wealth transferred to offshore tax havens to be hidden from inheritance taxation.

5. Conclusions, recommendations, and research gaps

For policymakers, it is crucial to understand behavioral responses to inheritance taxation as a prerequisite for efficient policy design. Particularly two conclusions can be drawn from this review of empirical studies on inheritance taxation.

First, while real responses to inheritance taxation appear to be smaller than avoidance responses, responses overall lie within a certain range and differ across margins studied. There are several reasons for the heterogeneity in the estimated elasticities across studies. For one, the design of the inheritance tax system matters. As Keen and Slemrod (2017) point out, enforcement and reporting obligations considerably influence tax base elasticities. In their review of behavioral responses to a wealth tax, Advani and Tarrant (2021) identify third-party reporting and the degree of decentralization as key design features, where the former is negatively, and the latter positively correlated with elasticities of taxable wealth. In her unpublished analysis for Spain, Mas Montserrat (2019) finds considerable inheritance tax evasion under low enforcement. Glogowsky (2021) interprets the very low elasticities estimated for Germany as the result of an institutional setting leading to high enforcement due to third-party reporting and asset valuation through tax offices.

It should also be noted that the definitions of the elasticities differ across studies estimating elasticities with regard to marginal, average, expected, or net-of-tax rates, which seriously limits their comparability. A related point is that, to the extent that the sparse empirical evidence allows such a conclusion, the methods used in the empirical analysis appear to play a role: the older studies tend to yield larger elasticities compared to the more recent ones, and especially bunching elasticities are typically smaller. Generally, the results of the more recent studies appear to be more reliable than the older ones, due to better data and more appropriate methodological approaches. Therefore, the state of research on the impact of inheritance taxation on entrepreneurship and firm development appears particularly unsatisfactory. An in-depth evaluation of the role of definitions as well as the reliability of the methods and data used to study behavioral responses to inheritance taxation would be desirable in a next step. Also the reasons behind the heterogeneity of empirical results should be explored further, as a prerequisite to arrive at a synthesis and a range of reasonable elasticities similar to the one provided by Advani and Tarrant (2021) for wealth taxes.

Kopczuk (2010) mentions various explanations of the overall rather limited tax responsiveness of bequests and bequeathers, respectively, which is found in a number of studies: these range from psychological explanations (e.g., inertia or denial of death) to a lack of understanding or underestimation of mortality risks. Furthermore, family traditions can shape bequest behavior (Arrondel and Grange, 2014).

A second important finding is that tax sensitivity is positively correlated with age as well as the proximity and awareness, respectively, of death. In particular, the wealthy respond relatively strongly to inheritance taxation.

These findings have various implications. First, revenue implications are of interest. While most studies reviewed in this paper do not explicitly address the consequences of behavioral responses to inheritance taxation for tax revenues, the heterogeneity of estimated

elasticities should translate to a corresponding heterogeneity regarding the size of revenue losses caused by behavioral responses. Moreover, an adequate tax design can reduce elasticities and accordingly revenue losses. Although there is very limited relevant empirical evidence, it shall be stressed that, with regard to the revenue implications of inheritance taxation, cross-base fiscal externalities also need to be taken into account which may exceed direct forgone inheritance tax revenues.[17] The second implication concerns one of the key objectives of the inheritance tax: the reduction of wealth inequality. As behavioral responses appear to be more pronounced among the very wealthy, they undermine the potential of the inheritance tax to act as a tool to make the wealth distribution more equal.

Several recommendations can be derived from these findings and their implications. First, that the containment of legal tax avoidance and illegal tax evasion should be a matter of priority for policymakers in order to secure the legitimacy of and public support for inheritance taxation,[18] as well as to ensure that inheritance taxes are an efficient tool for reducing inequality. Eliminating tax exemptions limits options for tax avoidance. For example, Nordblom and Ohlsson (2006) point to the integration and alignment, respectively, of inheritance and gift taxation as a central lever for reducing tax avoidance via tax-privileged inter vivos transfers (see also Escobar et al., 2023). Moreover, institutional design features are crucial for both legal and illegal tax avoidance. In a national context, tax avoidance and evasion possibilities can be restricted through a centralized tax design. Furthermore, third-party reporting and high tax enforcement can preclude tax evasion (Mas Montserrat, 2019; Advani and Tarrant, 2021). Automatic exchange of bank information is a powerful tool to decrease the offshore tax gap, as demonstrated by Boas et al. (2024) for Denmark. Also the common reporting standard can help mitigate cross-border tax evasion, while its effectiveness depends on the number of countries included (Casi et al., 2020).

Second, a particular challenge for any attempt to reinforce inheritance taxation is the lack of public support for the taxation of inheritances in most countries.[19] Therefore, reforms strengthening the effectiveness of inheritance taxation and initiatives towards adopting or re-introducing inheritance taxes need to be embedded in measures that enhance public acceptance and thus the political feasibility of inheritance taxes. One important factor is the origin of wealth: for the United States, Fisman et al. (2020) show that people support considerably higher tax rates on inherited wealth than they do for self-made wealth. This finding could also hold for the taxation of inheritances. Bastani and Waldenström (2021) find that the popularity of inheritance taxes could be increased by providing information on the importance and distribution of inherited wealth. Unpublished recent research by Bellani et al. (2024) for Germany suggests that misinformation leading to the underestimation of inheritance tax exemptions is much more relevant regarding the support of the tax than information on the growing share of inherited wealth. Moreover, empirical evidence suggests that information that extends public knowledge on the salience and level of inheritance taxes appears to be crucial. Several empirical analyses show that misinformation of the public regarding the effects of inheritance taxes is substantial. For example, according to Kuziemko et al. (2015), people greatly over-estimate the share of households affected by the United States' estate tax. Drawing on surveys, Stantcheva (2021) shows that misperceptions regarding the design of the United States' estate tax and, accordingly, its salience are large on average. Grégoire-Marchand (2018) finds that the inheritance tax level is substantially over-rated in France. According to the analysis by Schechtl and Tisch (2023), citizens' support for a wealth tax in the United States, Germany and the United Kingdom is highly dependent on tax design, and particularly on the size of the exemptions. This result can plausibly be assumed to apply to inheritance taxation as well: Fessler and Schürz (2020) argue that the generally negative perception and low acceptance of inheritance taxation in most countries result from family values aiming at holding family wealth together, which appears to be reflected in the design of inheritance taxes mostly treating transfers within the close family preferentially.

This review of empirical evidence on the behavioral impact of inheritance taxation has unveiled various research gaps.

First, more research on bequest motives, which are an important determinant of behavioral responses, is required as one prerequisite for the optimal design of inheritance taxes. Existing research infers bequest motives from responses to inheritance taxation. Future research should in turn also explore the behavioral responses that depend on bequest motives in more detail.

Second, tax design features can be expected to influence behavioral responses to taxes, as an unpublished paper by Garbinti et al. (2024) shows for the French wealth tax. More systematic research is required to determine the significance of individual tax design features for behavioral responses to inheritance taxation and accordingly revenues from the tax.

Third, to be able to identify further levers to contain tax avoidance and evasion, more research on the responses of the very wealthy, whose behavioral responses have shown to be particularly pronounced, is needed. As Jakobsen et al. (2020) show for Denmark, the bequest elasticity of the very wealthy is large, and the very few existing studies suggest large responses of the super-rich regarding the various margins studied. More research is required on the relative importance of the response options for the overall bequest elasticity to inform decisions on inheritance tax design and an effective tax collection framework. Studies on the impact of inheritance taxation on migration as well as offshore transfers of wealth by the super-rich, which also consider potential interrelations between these two margins, are of particular interest.

A fourth and related aspect to be explored in more detail is the substitutability between legal tax avoidance and illegal tax evasion, as well as generally between tax planning, avoidance, and evasion responses. Shedding light on the nature of potential interrelations between these types of responses should help inform initiatives to improve tax collection. More generally, more research is required on

[17] See Agrawal et al. (2024b), who underline the importance of considering fiscal externalities affecting other tax types in the context of a net wealth tax.

[18] Henrekson and Waldenström (2016) report that, inter alia due to increased tax avoidance, Swedish inheritance tax lost considerable legitimacy, and this was one of the reasons it was eventually repealed.

[19] OECD (2021) briefly reviews selected studies on the public opinion on inheritance taxation in several European countries.

adequate tax collection frameworks, which should also consider new research on policy responses to tax competition.[20]

Fifth, the role of legal advisors in inheritance tax planning is an interesting avenue for future research. With the exception of the studies by Erixson and Escobar (2020) and Escobar et al. (2023) for Sweden, who explain the extent of inheritance tax planning with the availability of legal advice, there is no empirical research addressing the role of legal advisors in tax planning activities.

Sixth, the current state of the empirical research on the impact of inheritance taxation on entrepreneurship and firm development regarding bequeathers is particularly unsatisfactory. There is, in particular, a lack of ex-post studies based on appropriate methodological approaches.

Seventh, comparative analyses studying behavioral responses to net wealth taxes versus inheritance taxes within a common framework are urgently needed to substantiate the preliminary finding by Advani and Tarrant (2021) that inheritance taxation induces smaller responses than a net wealth tax. Currently, there is practically no empirical research directly comparing the behavioral responses to net wealth taxes versus those to inheritance taxation.

Eighth, while there is an emerging literature on gender differences regarding intergenerational transfers and potential gendered distributional impacts of inheritance taxation (e.g., Bessière, 2022; Black et al., 2022; Tisch and Schechtl, 2024; Trinh, 2024), empirical research systematically exploring gender differences in behavioral responses to inheritance taxation is completely missing. This research gap may be explained by the fact that many relevant decisions are made in a household context, making it difficult to study individual responses. Nonetheless, a variety of research questions appear of interest from a gender perspective; to name just a few: are wealthy male donors more prone to avoid or evade inheritance and gift taxes compared to female bequeathers, and does the decision of donors to make use of tax exemptions for inter vivos transfers depend on the gender of the recipients?

Ninth, future empirical research should explicitly address the direct revenue implications of behavioral responses to inheritance taxes as well as cross-base fiscal externalities in the form of forgone revenue of other taxes they may cause. An interesting hypothesis to explore in this context is whether the behavioral responses of heirs result in different levels and types of fiscal externalities compared to those of the bequeathers.

And, finally, conclusions drawn from the existing empirical evidence for one of the few countries that have been studied so far can hardly be transferred to other countries (Jappelli et al., 2014). This is especially the case due to the dominance of analyses studying the United States, which implies a focus on estate taxes and suggests that general conclusions may be biased towards the United States. Thus, a need arises for additional studies on the behavioral effects of existing and historical inheritance taxes within individual countries as well as in a cross-country comparative perspective.

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[20] See Agrawal et al. (2024a) for an overview.

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