Housing Wealth and Tax Preferences Across Europe

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The puzzle

- Wealth inequality is high and rising…
- „Polycrisis“ is putting pressure on state budgets…

- Yet, taxes on assets of the wealthy play a marginal role and have even declined in many places



Existing literature

- Structural reasons for the decline of wealth taxes
  - Marginal contribution of taxes on assets to overall tax revenue (Limberg & Seelkopf 2022 ; Genschel et al. 2023)
  - Increasing global mobility of capital (Lierse 2022)

- Who gets their way in democratic redistributive politics?
  - The rich (Bartels 2008; Gilens 2012; Streeck 2016) or
  - The middle class (Elkjaer & Iversen 2020, 2023)?



Our argument

- Micro-foundations of individuals‘ tax preferences: who forms preferences in the first place, and what are they?
- Information asymmetries prevent low-wealth individuals from forming preferences in line with their material self-interest (Meltzer & Richard 1981)
  - Rich people are more exposed to, and face incentives to acquire, relevant information (Berinsky 2004; Kahneman & Tversky 1979; Elkjaer et al. 2024)
  - Differences in effective mobilisation explain lack of opposition to tax cuts and lukewarm support for tax hikes (Converse 2006)
- Housing wealth: main source of wealth for most ordinary people (OECD 2021; Pfeffer & Waitkus 2021)

Data & analytical approach

- Original survey in DK, FR, DE, IE, IT, NL, SE (N = 8‘699)
- Data on housing situation: homeownership and mortgage status, (estimated) value of own and parents’ house, perceived relative wealth
- Attitudes regarding three taxes: net wealth tax, capital gains tax, inheritance tax
- Trade-off between taxing wealth and income
- Linear probability models with individual controls, country dummies, and clustered standard errors

Housing wealth predicts who expresses an opinion

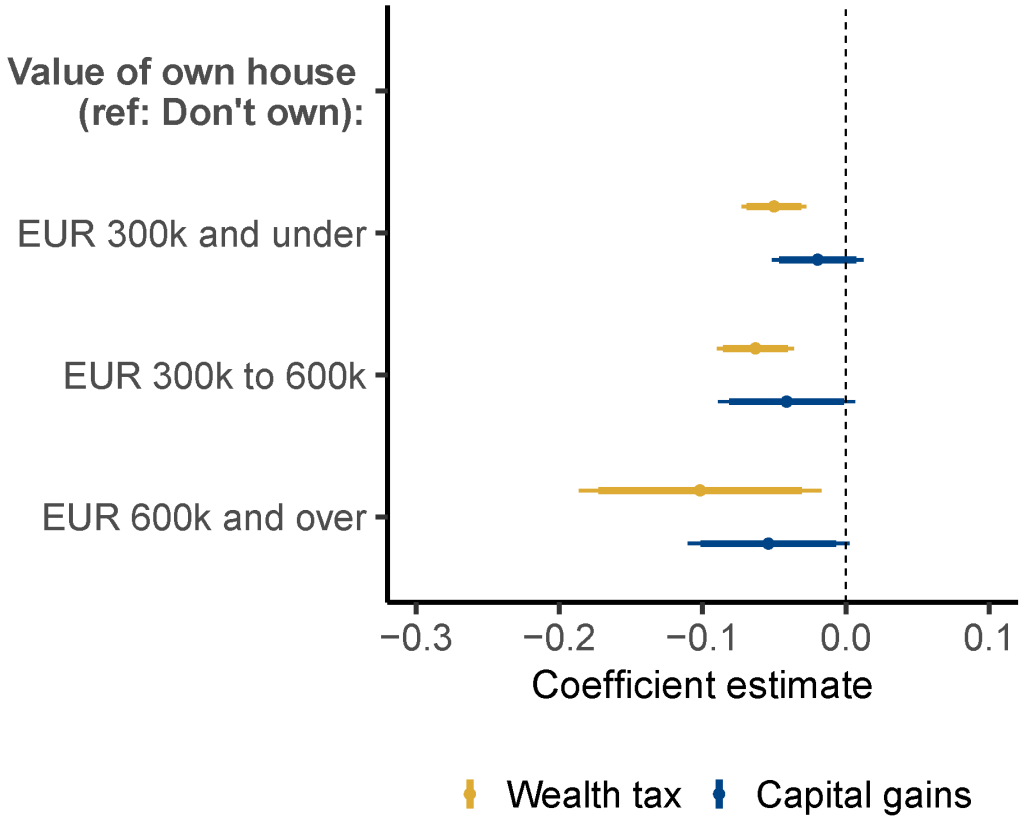
- Owners of houses worth over €300k are 3 – 7 percent more likely to express an opinion than renters
- People whose parents own a house worth over €300k are 3 – 5 percent more likely to offer an opinion
- Men are more likely to state a preference than women, other controls (including income!) not consistently significant

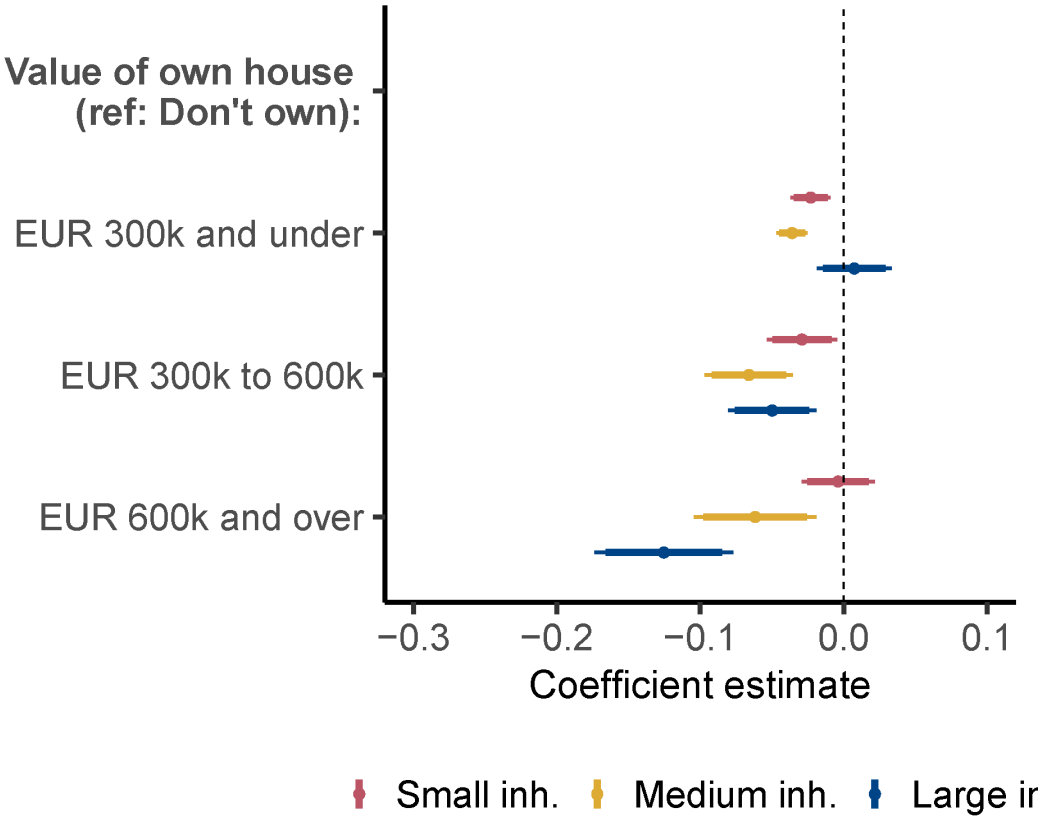
Table 1: Determinants of expressing an opinion about different taxes

	Net wealth	Capital gains	small INH	med INH	large INH
Own housing situation					
Own, €300k and under	0.007	0.027***	0.038***	0.015	0.019
	(0.009)	(0.008)	(0.011)	(0.013)	(0.012)
Own, €300k to €600k	0.025**	0.037***	0.071***	0.063**	0.066***
	(0.009)	(0.010)	(0.016)	(0.023)	(0.018)
Own, €600k and over	0.029*	0.040***	0.055**	0.072**	0.074**
	(0.013)	(0.011)	(0.018)	(0.028)	(0.023)
Parents' housing situation					
Own, €300k and under	0.018*	0.017	0.023	0.012	0.013
	(0.008)	(0.014)	(0.014)	(0.011)	(0.012)
Own, €300k to €600k	0.019*	0.036*	0.043**	0.044***	0.038**
	(0.009)	(0.014)	(0.015)	(0.012)	(0.014)
Own, €600k and over	0.022	0.044	0.051*	0.034	0.051**
	(0.014)	(0.026)	(0.022)	(0.024)	(0.018)
Demographics					
Household income	0.003	0.003	−0.000	0.001	−0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Age	0.001*	0.000	0.000	0.000	0.001
	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Female	−0.046***	−0.090***	−0.063***	−0.076***	−0.077***
	(0.008)	(0.010)	(0.009)	(0.013)	(0.014)
Uni degree	0.014	0.037***	0.001	0.008	0.009
	(0.009)	(0.008)	(0.013)	(0.010)	(0.010)
Internal efficacy	0.003	0.014***	0.002	0.007	0.007
	(0.004)	(0.004)	(0.006)	(0.006)	(0.004)
(Intercept)	0.876***	0.851***	0.816***	0.789***	0.794***
	(0.018)	(0.034)	(0.019)	(0.024)	(0.037)
R^2	0.023	0.051	0.026	0.031	0.032
Adj. R^2	0.019	0.048	0.022	0.028	0.029
Num. obs.	5161	5161	5161	5161	5161

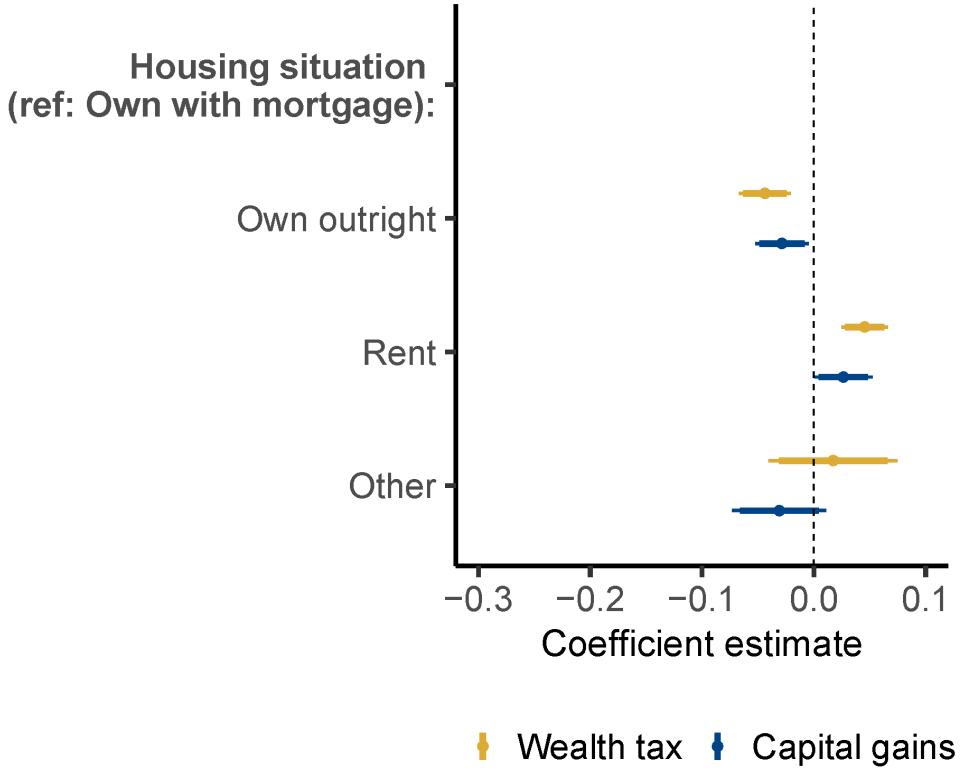
Note: Linear probability models with country dummies and standard errors clustered by country. Reference category for both own and parents' housing situation is "Don't own". $^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$.

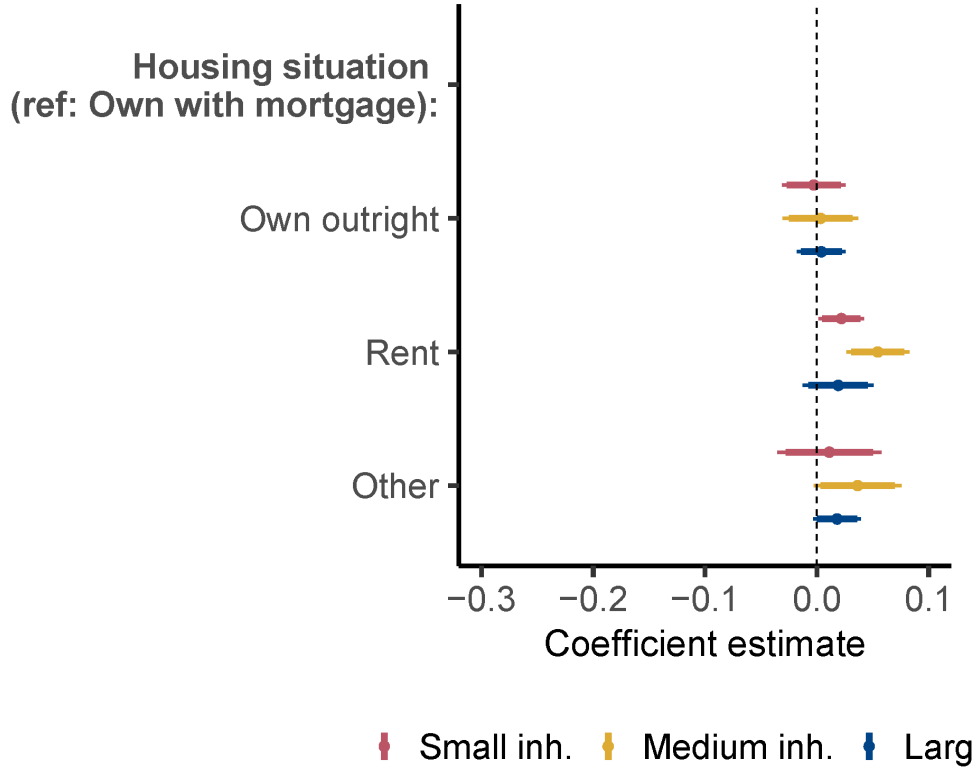
Housing wealth predicts lower support for taxes on assets





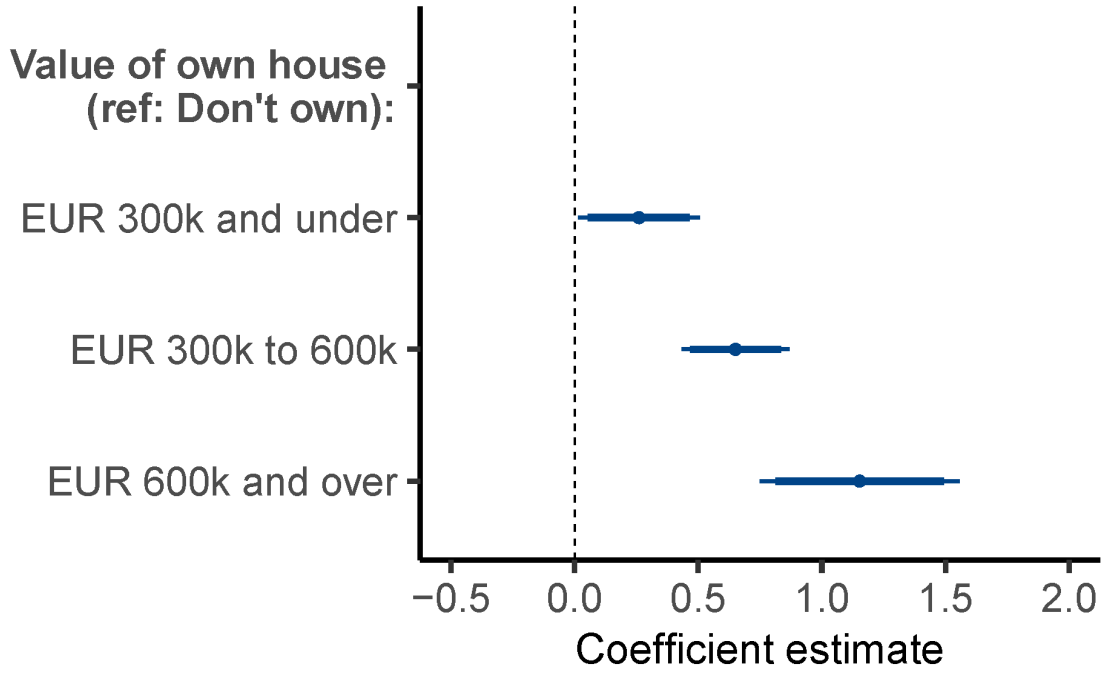
Mortgage holders are distinct from outright owners





Housing wealth predicts tax mix preferences

- Overall preference for slight focus on income, rather than wealth taxation
- Wealthier homeowners much more likely to prefer heavier taxation of incomes
- Fully driven by outright owners



Summary

- Housing wealth shapes wealth tax preferences of Europeans
- Preferences are generally in line with material self-interest, but wealthier individuals are more likely to express preferences in the first place and their views are stronger
- Information asymmetries are key to understanding unequal preference formation

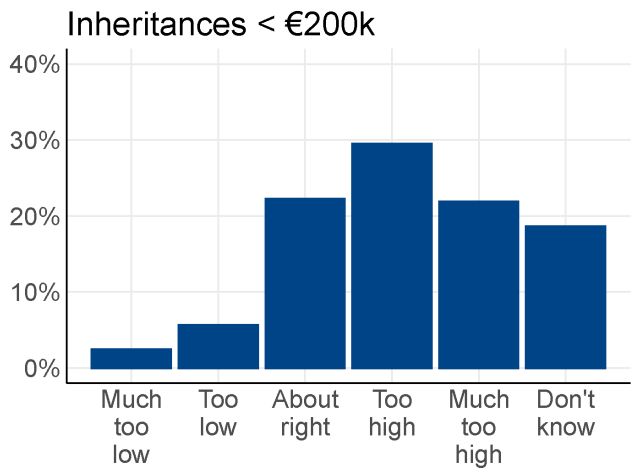
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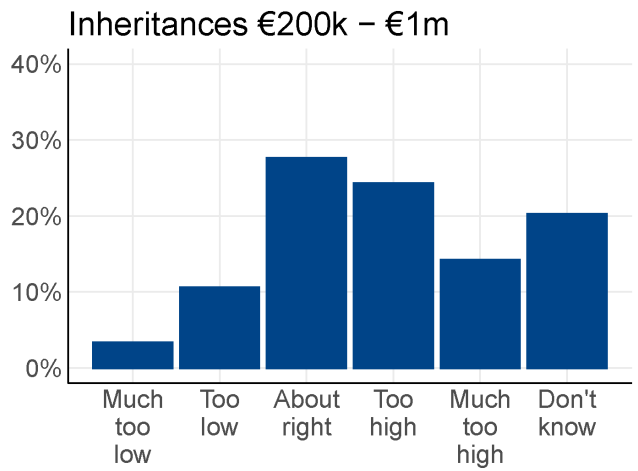
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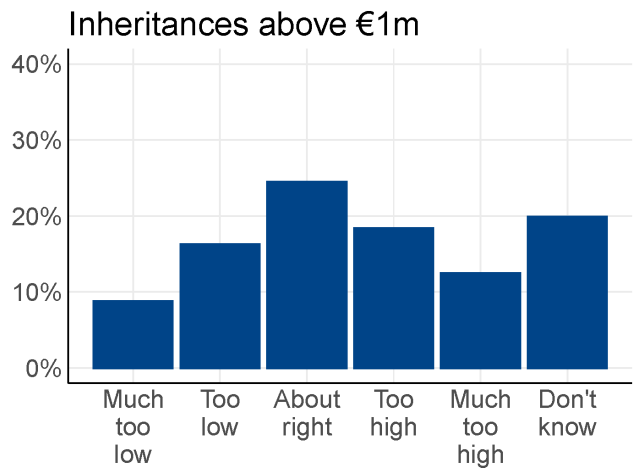
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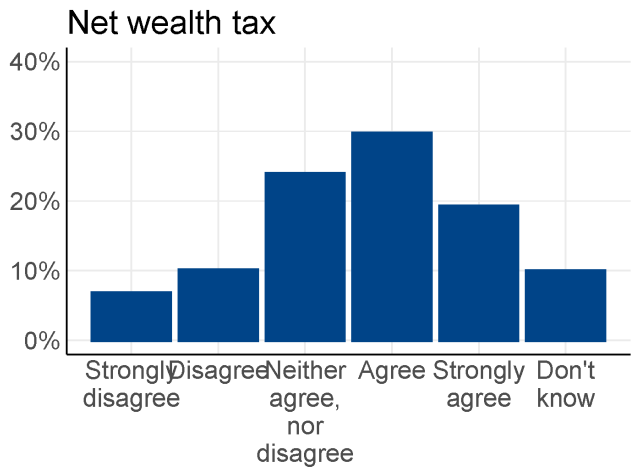
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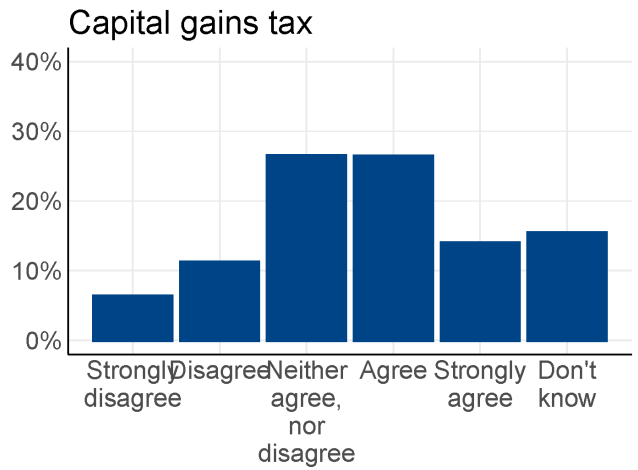


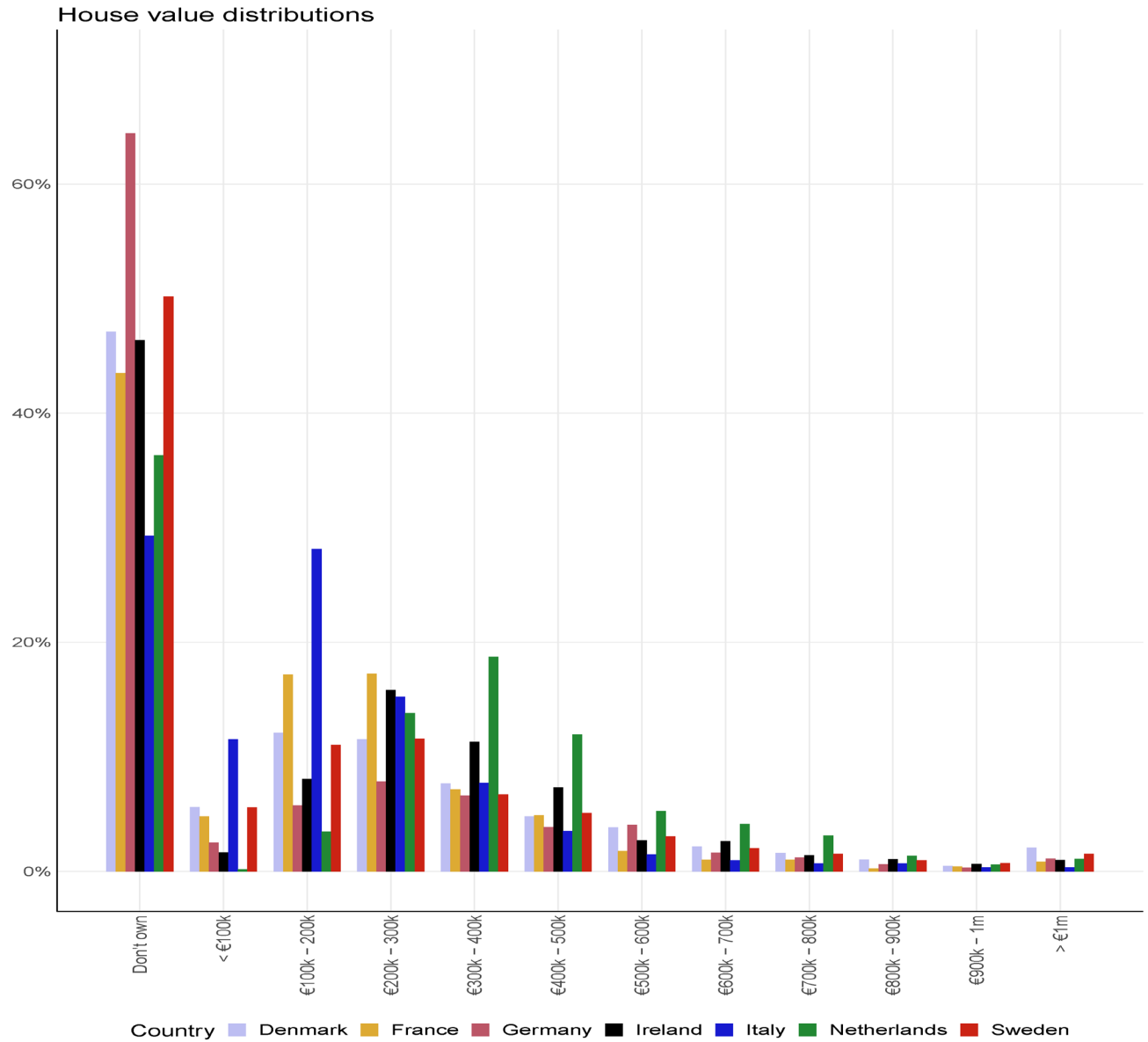

Inheritances < €200k
40%
30%
20%
10%
0%
Much too low
Too low
About right
Too high
Much too high
Don't know

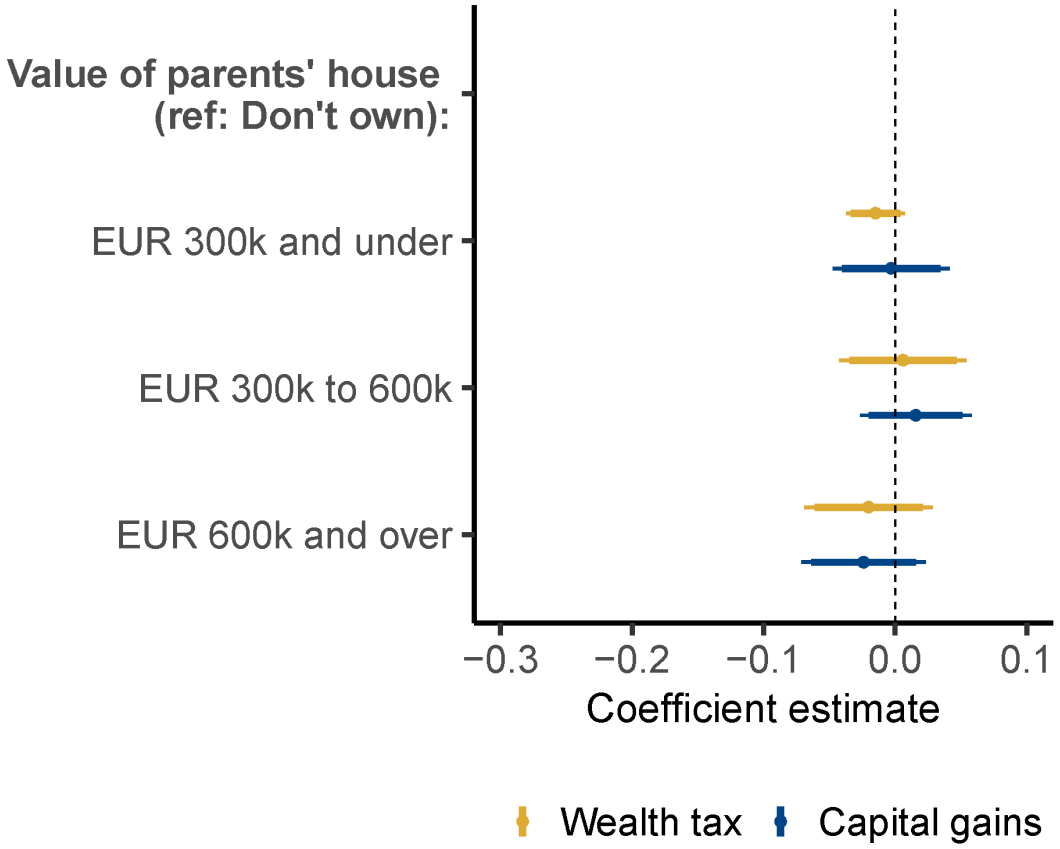

Inheritances €200k − €1m
40%
30%
20%
10%
0%
Much too low
Too low
About right
Too high
Much too high
Don't know

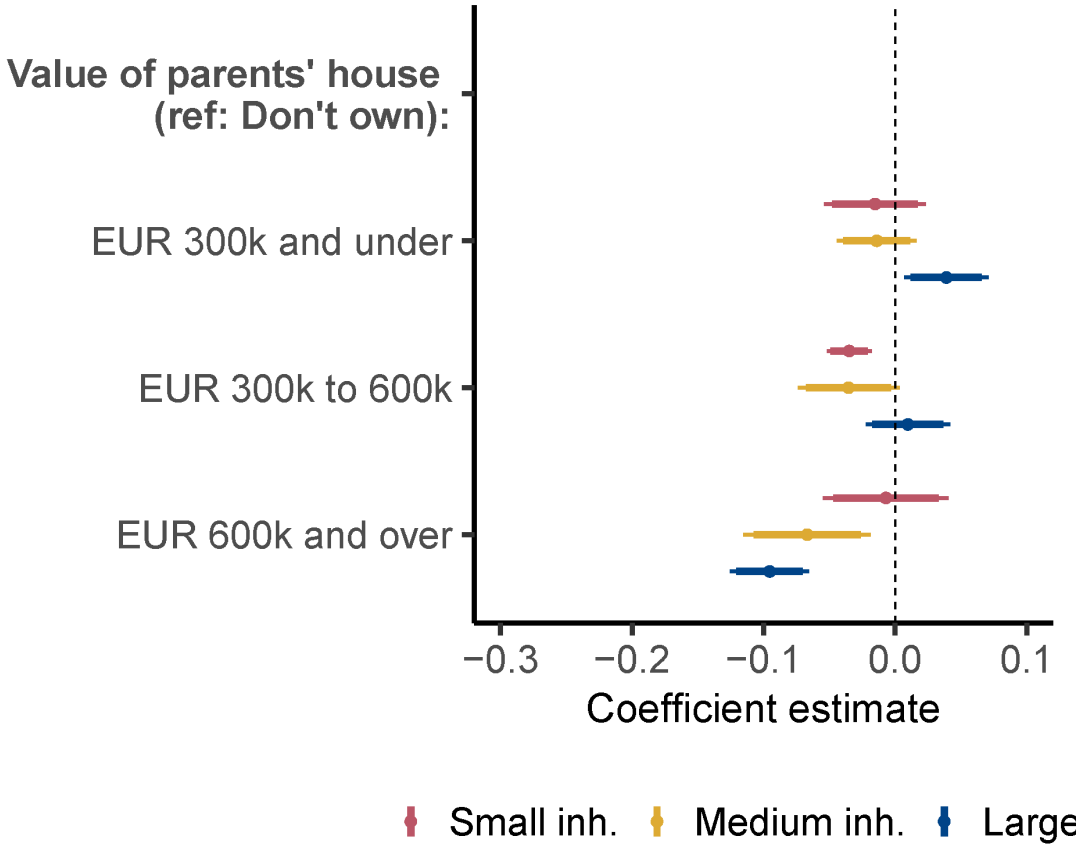

Inheritances above €1m
40%
30%
20%
10%
0%
Much too low
Too low
About right
Too high
Much too high
Don't know

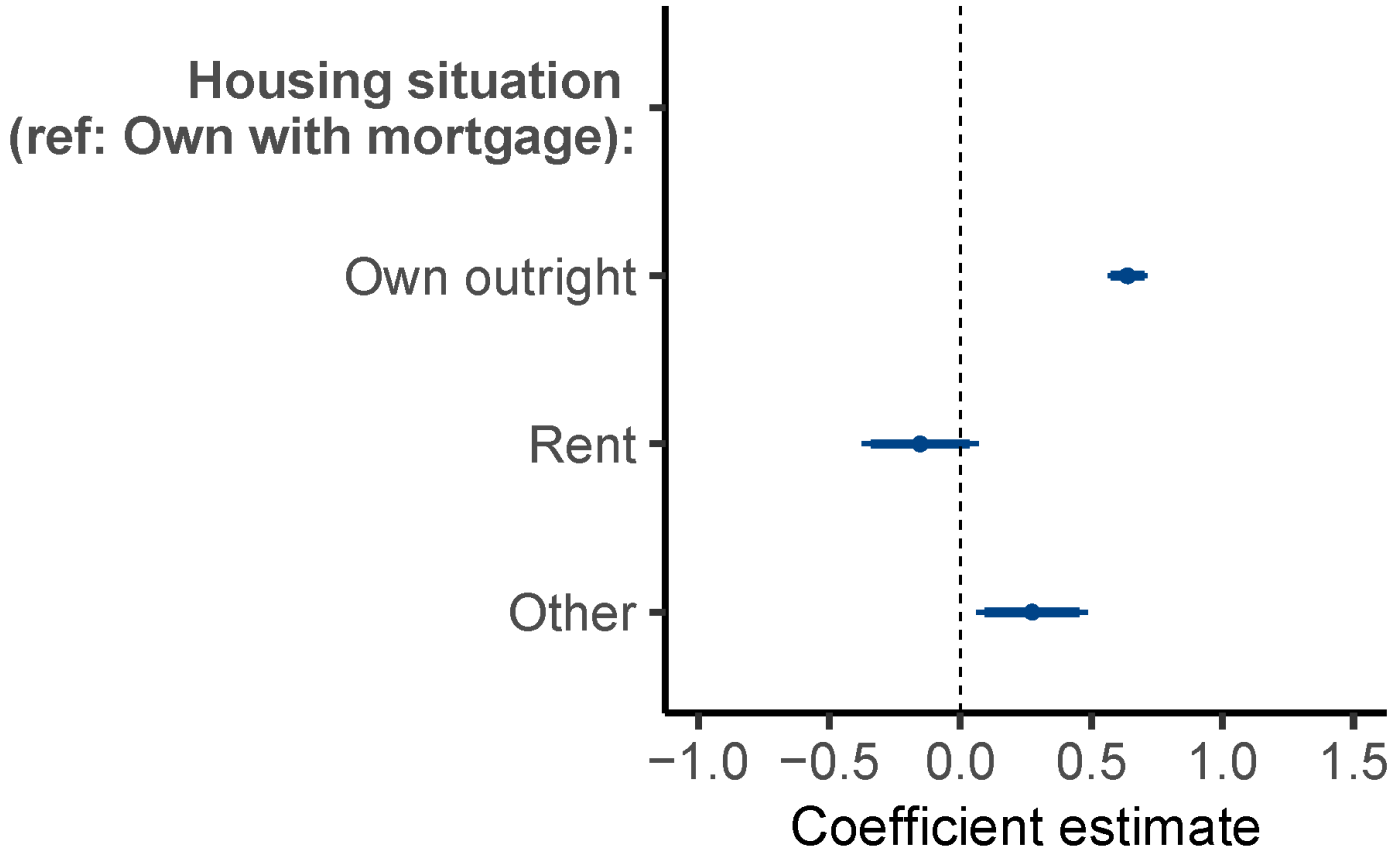

Net wealth tax
40%
30%
20%
10%
0%
Strongly disagree
Disagree
Neither agree, nor disagree
Agree
Strongly agree
Don't know


Capital gains tax
40%
30%
20%
10%
0%
Strongly disagree
Disagree
Neither agree, nor disagree
Agree
Strongly agree
Don't know


House value distributions
60%
40%
20%
0%
Don't own
< €100k
€100k - 200k
€200k - 300k
€300k - 400k
€400k - 500k
€500k - 600k
€600k - 700k
€700k - 800k
€800k - 900k
€900k - 1m
> €1m
Country
Denmark
France
Germany
Ireland
Italy
Netherlands
Sweden


Value of parents' house
(ref: Don't own):
EUR 300k and under
EUR 300k to 600k
EUR 600k and over
−0.3
−0.2
−0.1
0.0
0.1
Coefficient estimate
Wealth tax
Capital gains


Value of parents' house
(ref: Don't own):
EUR 300k and under
EUR 300k to 600k
EUR 600k and over
−0.3
−0.2
−0.1
0.0
0.1
Coefficient estimate
Small inh.
Medium inh.
Large


Housing situation
(ref: Own with mortgage):
Own outright
Rent
Other
−1.0
−0.5
0.0
0.5
1.0
1.5
Coefficient estimate