# How can the unpopularity of estate and gift taxes be explained?

Comment expliquer l'impopularité des droits de succession?

Results from French surveys

# 1. Introduction

### 1.1 The decline of estate taxes

Inheritance has come to play an increasingly important role in the growth of wealth inequality: for example, it is now fairly improbable that anyone who only makes their money from working will be able to join the tiny economic elite of the 1% (Piketty 2011). And yet, since the beginning of the 2000s, many European countries have removed inheritance taxes from their legislation: Italy in 2001, Portugal in 2003, Sweden in 2004, and Austria in 2008. In this context, France stands out as one of the countries with the highest inheritance tax levels, compared to GDP (Gross Domestic Product). Put into place in 1799, after the French Revolution, the inheritance tax has long symbolised a certain meritocratic ideal, though it has not always been an obstacle to the transfer of significant wealth. The inheritance tax rate rose after both World Wars, when taxes on large fortunes were seen as compensation for the wartime sacrifices of the general population (Scheve and Stasavage, 2016). In the 1950s, the rate climbed to 30% and stayed at that level until the 1990s (Piketty 2001: 244). For a long time, most people remained unaware of this tax, and while it was never very popular, it has recently become the target of significant hostility. How then, can it be explained that in a country like France, where the proportion of wealth that is inherited went from 30% in the 1970s to 60% in recent years (Frémeaux 2018), and where the richest 10% control half of all wealth in the country, more than three quarters of French people see the inheritance tax an unfair burden?

Revenue from the inheritance tax makes up a very small share of all tax revenue, but it has been the subject of heated debates about fundamental issues like meritocracy, inequality at birth, and the redistribution of wealth (Gale and Slemrod 2001). In the early 2000s, the legitimacy of inheritance taxes was at the heart of the debate around inequality in the United States (Gates and Collin 2003, Bartels 2008). The real question, then, is why this tax, which only affects a minuscule elite of wealthy taxpayers, has become so unpopular among the general populace (Graetz and Shapiro 2005, Beckert 2008b).

The hostility that people feel towards this tax can be understood in terms of its moral implications (Halliday 2013), or through the emotional connections between inheritance and death (Beckert 2008a). In this article, we intend to show that this one tax means different things to different social groups within the wider population. The feeling that this tax is unfair, and the conviction that it should be lowered may vary depending on a person's gender, age, or even based on the cultural and economic capital they possess. There is also a more fundamental dimension that underlies these social characteristics, a person's first-hand experience with inheritances or bequests. Our goal is to show that a person's feelings about this tax are not merely based on theoretical principles, but that they can only be truly understood in relation to that person's set of first-hand experiences with the tax administration, inheritances, or living bequests.

### 1.2 Explaining the paradoxical rejection of the death tax.

In trying to explain the popular rejection of inheritance taxes, we might first examine some common values-based arguments. In his review of three centuries of parliamentary debate on inheritance in three countries (France, Germany, and the United States), Jens Beckert (2008b) demonstrates that inheritance tax debates involve three kinds of values, which may come into conflict. First, there is the *family principle*, which sees wealth as an essential part of the identity that each generation hands down to the next. This is in opposition to the *equality of opportunity principle*, shaped by ideals of fairness, which aims to correct inequalities with redistributive social policies. Protecting family interests also conflicts with the *community principle*, which holds that the deceased should be able to decide what becomes of their estate after their death, based on what they see as the general interest of society, independent of the State or family's interests (Beckert 2008b). Against the backdrop of the economic crisis, growing opposition to estate taxes might be explained by a resurgence in individualism and family values (Stiglitz 2012): the family may seem like a source of protection against the uncertainty of unemployment and economic precarity, especially when State social programs are on the decline (Masson 2015: 291).

The unpopularity of estate taxes can also be explained by the influence of lobbying groups (Gates and Collins 2003), and by political campaigns paid for by super-rich taxpayers to convince those who are less well-off that this tax should be eliminated (Hacker, Pierson 2010: 218). Even the spread of the term “death tax” within public debate, a popular label for those seeking to discredit estate taxes, does not sufficiently explain this political mystery (Graetz and Shapiro 2005): while only 2.3% of estates were subject to this tax in 1999 (because they were worth more than $650,000), its near elimination was called for in 2001, mostly by households that did not pay it and that would likely see their own tax bills increase as the government tried to make up for lost revenue. For Graetz and Shapiro (2005), taxpayers who call for the elimination of estate taxes are not basing their advocacy on their actual income or wealth, but rather on the position they hope to have one day in the future. This discontinuity between a person's objective situation and their subjective aspirations has only been reinforced by new ways to become wealthy: if Bill Gates’ success story began in a garage, then any American can hope for the same thing (Graetz and Shapiro 2005: 8). Such dissonance between someone's social position and their political opinion recalls the symbolic violence discussed by Pierre Bourdieu, which he defines as “that soft mode through which the dominated often contribute to their own domination by tacitly accepting, in advance, the limits imposed on them” (Bourdieu 2000: 160).

The paradoxical unpopularity of estate taxes has also been interpreted as a sign that people do not truly understand current levels of wealth inequality. A study using online surveys highlighted the role that information about the wealth of households who pay inheritance tax can play (Kusiemko et al. 2015): the authors showed that respondents who received data about wealth inequality levels were more likely to say they would write to their senator to ask for the inheritance tax to be increased than those who were not given this information. This correlation, however, has not been shown for income taxes, and the role played by taxpayers’ information levels remains controversial.

By studying the responses for several series of surveys, Larry Bartels (2008) was able to show that even when taxpayers are well informed about inequality and about which social categories benefit from the transfer of wealth through inheritance, estate taxes remain firmly unpopular. He demonstrated that taxpayers can be against economic inequality, but still vote for candidates whose policies are favourable to the rich. This apparent contradiction arises from “myopic retrospection”, where there is a disconnect between observations at two levels: on the individual level, taxpayers proclaim egalitarian values, while on the macroeconomic level, they are ready to support or even encourage non-egalitarian policies. Middle-income voters may therefore support overall tax decreases, thinking that they will benefit from them, even if such measures are mostly beneficial to the very rich.

These studies propose comprehensive interpretations of the unpopularity of estate taxes without really accounting for the first-hand experiences that taxpayers may have with inheritance taxes. These experiences may differ based on the person's gender, income, wealth, and family situation.

# 2 Inheritance tax in France

## 2.1 Legislation that favours families and optimisation

In a country like France, where the family is central to property rights, the privileges given to spouses and children have long been enshrined in the tax code. This is a kind of egalitarian familialism, as opposed to the idea of family-social justice in Germany or meritocratic individualism in the United States (Beckert 2007). This familialism is encoded into French law in two ways.

The freedom to dispose of one's property is much more limited than in the United States: in France, children cannot be disinherited. Furthermore, it is the heirs themselves who are taxed, and not the estate (as is the case in the United States), with considerable advantages for transfers within the family. The surviving spouse is totally exempt from any estate tax, and the rate for money left by parents for their children is much lower than for money left to more distant parties: it varies, depending on the estate, between 5-45%, as opposed to 35-45% between siblings, and 55% for bequests to more distant relatives (a nephew, for example), compared to 60% for third parties. There is also a €100,000 abatement per parent and per child, as well as several provisions that are favourable to taxpayers who plan the division of their estate early. Any gifts made more than fifteen years before the giver's death are not included in the estate. These provisions have led to a boom in “inter vivos” gifts, which now account for 45% of all wealth transfers (Frémeaux and Leturcq 2018), something that sets French heirs apart from their European neighbours: 17% of French households report having received such a gift, compared to 10% of households in Germany, 7% in Italy, and 2% in Spain. This variation can be explained, in part, by demographics (bequests are more rare in countries where parents are older, on average, when they have children), but it is above all due to the optimisation strategies that have resulted from each country's specific legislation. In France, the same person can give tax-exempt cash gifts every fifteen years, as long as they do not exceed €30,000 per recipient. Some economic assets, such as life insurance policies, can provide further exemptions, which are often highly advantageous for rich households. In terms of bequeathing companies, up to 75% of the company's share value may be exempted (Goupille-Lebret and Infante 2018).

French laws therefore provide multiple advantages for bequests to children and spouses. They are also characterised by multiple exemption mechanisms. This means that anyone with an optimisation strategy can leave as much as they'd like to their family, and as little as possible to the State (Arrondel and Laferrère 2001).

## 2.2 Who are these new heirs?

To highlight the importance of individual experiences with taxes on wealth transfers, we will break the population of France into three large groups: around one third of individuals have been the beneficiaries of an inheritance, one third will become beneficiaries in the future, and one third have never and will never receive an inheritance (Frémeaux 2018: 28). If we combine those people who have already been the beneficiary of at least one inheritance or bequest (34%) and those who are likely to receive an inheritance in the future (31%), we might say that inheritors make up 65% of the population of France. Within this group, many will not be subject to estate tax because of their low level of wealth. In fact, there are many different abatements that allow most French people to avoid taxes on inheritances: in total, less than a quarter of inheritances are ultimately taxed.

The probability that a person will have received an inheritance is, above all, a matter of age: the older a person gets, the more likely they are to have received bequests and wealth transfers, which may have a cumulative effect. In 2015, nearly half of people over the age of 70 had already inherited an average amount of €82,500, compared to 15% of those aged 20-29, who received an average of €29,600. As life expectancy has gone up, inheritances have tended to come later: the average age at which someone's parents die stands at 50 today, and should continue to rise. The second characteristic trait of inheritors is that they belong to households that are already well-off: in 2017, the 20% of people with the highest incomes were 1.6 times more likely than the 20% with the lowest incomes to have already been the beneficiary of some kind of wealth transfer. (Grégoire-Marchand 2018). This unequal distribution is compounded by a concentration effect: the 10% of people who received the largest inheritances receive more than 50% of all the wealth transferred every year, an average of €325,000, while the “poorest” half of inheritors only receives 7% of wealth transfers, an average of €8,500 (Frémeaux 2018). The largest inheritances therefore go to the wealthiest households, and this advantage is multiplied by the successive bequests they may receive, starting at a young age (Arrondel 2006).

# 3 Data and Method

We have used two statistical surveys to measure perceptions of the inheritance tax. The first, a survey entitled “*Pratiques et représentations ordinaires face à l’État*” (Ordinary practices and perceptions in relation to the State) studied a representative sample of 2,900 people, selected randomly from the census among those between the ages of 18 and 75 living in European France. Unlike online surveys, which use volunteers, this study is sponsored by the CDSP (*Centre de données socio-politiques*, or Centre for Socio-Political Data), ensuring the inclusion of people who might not have Internet access in their homes. We were able to ask more than 50 questions about the inheritance tax and about State institutions, and also received all of the regularly collected annual data (personal records, work and training, description of the members of the household, housing and neighbourhood, income and wealth, health, lifestyle, religion, politics, hobbies).

The second statistical source was a survey conducted in June 2017 by Crédoc that studied a representative sample of 2,004 people, aged 18 and older, selected using the quota method (region, height, metropolitan area, age-sex, socio-professional category). A specific section was designed by France Stratégie to capture opinions about the inheritance tax. This survey included data about the socio-demographic situation of the respondents, as well as more subjective questions about their values, opinions, and aspirations with regard to inheritances and bequests.

These two surveys, conducted in the same year using representative samples of the French public, returned similar results: according to the Preface survey, 76% of respondents thought that estate taxes were unfair. According to the CREDOC survey, 78% of people believe that the inheritance tax rate should be lowered, because parents should be allowed to pass on as much wealth as possible to their children. The wording of the questions was different for each survey, but the orders of magnitude were highly comparable, allowing us to use both of these sources in a complementary fashion.

# 4 Results

## 4.1 Estate taxes: seen as the most unfair tax.

The unpopularity of estate taxes is more easily understood when we compare the ways in which this tax is perceived compared to others: in 2017, more than three quarters of respondents (76%) thought this tax was unfair, while only 25% held the same view of the income tax. (Table 1). This unpopularity is not unique to France. In Sweden, 70% of respondents in a 2004 survey said that they were in favour of eliminating or reducing the inheritance tax (Hammar et al. 2008: 532). In Germany also, more than half of all taxpayers (52%) said they were for eliminating this tax (Schrenker and Wegener 2007: 27). The apparent paradox is that this tax, which only impacts a limited number of taxpayers, is nonetheless opposed by a majority of the population, a majority that is especially large in France.

**Table 1: Feelings of unfairness about different taxes in France**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Basis for calculation | Survey opinions | | |
| Fair | Unfair | DNK |
| Property tax | Property type and location | 44% | 45% | 11% |
| Estate tax | Progressive | 12% | **76%** | 12% |
| Income tax | Progressive | 70% | 25% | 5% |
| VAT | Proportional | 43% | 45% | 12% |
| Wealth tax | Progressive | 67 % | 20 % | 13 % |

Source: *Pratiques et représentations ordinaires face à l’État*, 2017

The feeling of unfairness associated with the inheritance tax seems to be largely associated with the widely held opinion that it is too high. : 87% of respondents thought that “the inheritance tax should be lowered, because parents should be able to pass on as much of their wealth as possible to their children”, compared to the only 9% who thought that “the inheritance tax should be raised, because inherited wealth perpetuates social inequality”. In terms of how this tax should be applied, opinions were even more mixed: only 40% of respondents thought that “the tax rate should be higher for people who have received more in inheritances over their lifetimes”, while 57% of respondents said that they disagreed with this kind of progressive model.

## 4.2 Social determinants of hostility to estate taxes

Hostility towards this tax varies significantly based on gender, age, and a person's level of economic and cultural capital. The results of both surveys aligned on these points.

**Table 2: Logistic regression of the feeling of unfairness towards (1), the level of (2), and the progressive application of inheritance taxes**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **(1) Probability that the person sees the inheritance tax as unfair** | **(2) Probability that the person is in favour of lowering the inheritance tax** | **(3) Probability that the person is against more progressive inheritance taxes** |
| Overall Rate | 1.56 | 3.87\*\* | 0.80\* |
| **GENDER** |  |  |  |
| ...man | Ref. | Ref. | Ref. |
| ...woman | 1.4 \*\*\* | 1.62\*\* | 1.22\* |
| **AGE** |  |  |  |
| ... 18-29 years old | (-) | 1.46\* | 1.25\* |
| ... 30-39 years old | 1.67\*\* | 1.62\* | 1.60\*\* |
| ... 40-49 years old | 1.95\*\*\* | 1.90\* | 1.51\* |
| ... 50-59 years old | 1.54\*\* | (-) | 1.45\* |
| ...60 and over | Ref. | Ref. | Ref. |
| **EDUCATION** |  |  |  |
| ... did not finish secondary school | (-) | 1.33\* | (-) |
| ... completed secondary school | Ref. | Ref. | Ref. |
| ... post-secondary | 0.73 \* | 0.42\*\* | 0.61\*\* |
| **HOUSEHOLD INCOME** |  |  |  |
| ... less than €2,000 per month | (-) | 0.72\* | (-) |
| ... between €2,000 and €4,000 per month | Ref. | Ref. | Ref. |
| ... €4,000 and over per month | (-) | (-) | 0.85\* |
| ... no response | (-) | 0.78\* | 0.86\* |
| **HOUSING** |  |  |  |
| ... (co)owner without debt | 1.26. | 1.13\* | 1.10\* |
| ... (co)owner with debt | 1.79 \*\*\* | 1.27\* | 1.31\* |
| ... Not a property owner | Ref. | Ref. | Ref. |
| **FINANCIAL WEALTH** |  |  |  |
| ... no financial wealth | Ref. | Ref. | Ref. |
| ... Has some financial wealth | (-) | 1.26\* | (-) |
| ... average | 1.47 \* | 1.29\* | 1.25\* |
| ... considerable | 1.37 \* | 1.26\* | 1.27\* |
| **FAMILY STATUS** |  |  |  |
| ... single | Ref. | Ref. | Ref. |
| ... single-parent family | (-) | (-) | 0.83\* |
| ... couple without children | (-) | 1.19\* | 1.25\* |
| ... couple with children | (-) | 1.31\* | (-) |
| **Detailed bequest and/or inheritance history** |  |  |  |
| Has already received a bequest | . | (-) | (-) |
| Has already received an inheritance | . | 1.26\* | 1.25\* |
| Has received both a bequest and an inheritance | . | 1.63\* | 1.44\* |
| Has received neither a bequest nor an inheritance | . | Ref. | Ref. |
| **TAX ADMINISTRATION DISPUTES** |  |  |  |
| ... has had a dispute with the tax administration | 1.39 \*\* | . | . |
| ... no disputes | Ref. | . | . |
| **POLITICAL OPINION** |  |  |  |
| ... left-leaning | 0.58 \*\*\* | . | . |
| ... centrist | Ref. | . | . |
| ... right-leaning | 1.37 \* | . | . |
| ... no answer or don't know | 0.67 . | . | . |

*Field*: Entire population (N= XXX in the Préface survey and N=2,004 in the Crédoc survey).

*Interpretation*: When the odds ratio of a modality is less than 1, the feeling of unfairness (1), the desire to lower inheritance tax rates (2), or opposition to a more progressive inheritance tax structure (3) is less likely to be found in the population defined by this modality than in the general population. When it is greater than 1, the feeling of unfairness (1), the desire to lower inheritance tax rates (2), or opposition to a more progressive inheritance structure (3), is more likely to be found. For example, women are 1.62 times more likely than men (reference) to believe that the inheritance tax rate should be lowered.

Note: In order to improve legibility, only odds ratios calculated based on significant coefficients from the regressions have been included, with significance determined based on a margin of error of 10% (.), of 5% (\*), of 1% (\*\*), or of 0.1% (\*\*\*).

Source: “Pratiques et représentations face à l’Etat” Survey, February 2017 (ELIPSS/CDSP team) for (1) and the Crédoc “Conditions de vie et Aspirations” Survey, June 2017, with a secondary module from France Stratégie on wealth transfer taxation for (2) and (3).

## Gendered opposition to the estate tax

The initial result that came out of our two surveys was that women feel more strongly that estate taxes are unfair than men do. All other things being equal, women are 1.4 times more likely to think that inheritance taxes are unfair, 1.62 times more likely to be for lowering inheritance tax rates, and 1.22 times more likely to be opposed to a more progressive inheritance tax structure (that is to say, they are hostile to the idea that inheritance tax rates should be higher for larger inherited sums). This gendered difference is both the result of women's position within the family and their disadvantages in terms of capital distribution.

Women's hostility to estate taxes can first be explained by the decline of marriage and the individualisation of wealth. Since the 1970s, the proportion of married couples within the general population has been in constant decline, and while most couples that formed between 1980 and 1992 hold their assets as community property, most couples that formed between 1992 and 2010 prefer to keep their assets separate (Frémeaux and Leturcq 2013). This has led to an individualisation of wealth, which benefits direct heirs, namely the children of the deceased, rather than the surviving spouse, most often a woman. This trend becomes even more clear when an estate includes financial and business assets, i.e. in households with significant wealth (as opposed to those who only own property assets). Financial and business assets are more likely to be held by men and are less likely to be shared between a married couple. After a death, these assets therefore go mostly to the children. The exemption mechanism for living bequests also helps to favour children over mothers. The second explanation arises from the way estate distributions are organised. Under the French tax system, women and men have an equal right to inherit, but family strategies often promote the transfer of certain assets to men, to the detriment of women (Bessière 2019). Instead of dividing the wealth of the deceased equally among their heirs, notaries assist families in the gendered division of inheritances: women are given money and men receive business assets, which are easier to exempt from estate taxes (Bessière and Gollac 2020). This gives the appearance that men and women receive equal amounts, but in practice, the taxes that are applied to different kinds of assets are not the same, and the possibility of under-valuing varies according to each asset type. For all of these reasons, women have stronger feelings of unfairness towards an inheritance tax system that puts them at a disadvantage, considering what they have the right to receive.

## Age as an indicator of a person's relationship with the future

Age plays a very important role in perceptions of inheritances and estate taxes. People in their forties are the most hostile to estate taxes: 91% of those aged 40-49 are for lowering estate tax rates and 59% are against more progressive estate tax policies. All other things being equal, people in their forties are 1.95 times more likely than those over 60 to see the inheritance tax as unfair, 1.9 times more likely to be for lowering it, and 1.51 times more likely to be against more progressive inheritance taxes. The difference between these two age groups can be explained by their different relationships with the future: 54% of people in their forties believe that they still stand to receive an inheritance, compared to only 19% of those over 60. Thus, those under 50 project themselves into a future where they will receive an inheritance, so the inheritance tax seems like the State taking some of the money that otherwise would have come to them. People in their 60s do not associate estate taxes with potential future inheritances, since those who might inherit have already done so, and those that will not, know that to be the case. These older individuals see inheritance taxes as the State siphoning off some of the money that they are getting ready to leave to their children (among those over 60, 70% think that they will transfer some of their wealth at some point in the future). Their position as the ones who will be leaving the inheritance makes them see inheritance taxes as more legitimate than those who might receive one. In both cases, perceptions of inheritance taxes reveal attitudes towards the future that are markedly different between generations.

When family situations are taken into account, it seems to confirm how important anticipatory effects are in opinions about estate taxes. All other things being equal, couples with children are 1.31 times more likely to say that inheritance taxes should be lowered than single people (Table 3, (2)). This is an example of family values coming into conflict with government regulations, in the form of estate taxes (Beckert 2008). Here, there is not only a conflict of values, but a sense of anticipation about what the State might take for itself. No matter a person's wealth or income level, inheritance taxes are seen as a threat to preserving family fortunes.

## The contradictory influences of cultural and economic capital

When a person has significant cultural capital (measured by level of education) or economic capital (measured by wealth and income levels), these factors do not have the same effect on perceptions of estate taxes. The more cultural capital a person has, the more inclined they will be to see inheritance taxes as fair and to support more progressive taxation, in principle. All other things being equal, people who did not finish secondary school are 1.3 times more likely to want to lower inheritance taxes than those who have passed their Baccalauréat school leaving exam (reference), while those with higher education degrees are two times less likely to support such a reduction. This correlation between cultural capital and support for estate taxes can be interpreted in two ways. First, it may be seen as a sign that people with degrees feel more strongly about education-based meritocracy, as opposed to privileges that are conferred by birth. It can also be explained by this group having a better understanding of wealth inequality and of different strategies to reduce it.

By comparison, the role of economic capital is mixed, depending on whether it is measured using income or wealth levels. All other things being equal, income levels do not have a significant influence on feelings of unfairness towards these taxes (Table 3 (1)). On the other hand, higher wealth levels seem to lead to greater antipathy towards inheritance taxes. We should nevertheless be careful, because “wealth” does not necessarily mean the same thing across all social categories within the general population. For members of the middle and working classes, wealth means owning your primary residence, and is mostly constituted of savings accumulated over a lifetime of work, which makes inheritance taxes much harder to accept. For the most well-off taxpayers, wealth includes not only a primary residence, but also financial assets (stocks), real estate, land, and other inherited assets. Although we cannot measure the exact value of a respondent's wealth, we can measure how diverse their portfolio of financial assets is[[1]](#footnote-1). All other things being equal, people with significant financial wealth are 1.38 times more likely to think estate taxes are unfair, compared to those with no financial wealth (reference). They are also 1.25 times more likely to support lowering estate tax rates and 1.29 times more likely to be opposed to more progressive inheritance taxes. The issue here is not the exact value of a person's wealth, but how it influences their perceptions of the future: of those with average and high levels of wealth, 74% and 87% respectively think that they will transfer some of their wealth at some point in the future (compared to 43% of those with no such wealth), and this leads them to see estate taxes as illegitimate.

Taking property assets into account allows us to confirm and more clearly define this result. All other things being equal, property owners with debt were 1.79 times more likely to think inheritance taxes were unfair, compared to non-property-owning households. They were also more likely to support lowering these taxes (90% compared to 87% among non-property owners). Property owners with debt were also more likely to oppose more progressive inheritance taxes than those without debt (62% compared to 57% of non-property owners). In other words, households that have come to own property more recently seem to be more averse to estate taxes than those who own their property outright. This unique position can be largely explained by the perceptions that new property owners have of the future: 66% of them think that they will receive an inheritance or bequest sometime in the future, compared to only 37% of property owners without debt in this case. These highly significant differences clearly show that negative opinions of the inheritance tax generally reflect the expectation that the State will take some of the wealth that these taxpayers are busy accumulating.

## The role of values and perceptions

Differences in personal values are often used to explain opposition to estate taxes, and our study confirms this. All other things being equal, respondents who reported their personal politics as right-leaning were more likely than those in the centre to say that estate taxes were unfair, while those who identified as left-leaning had much more positive perceptions. Behind this split across political labels, we can find different values and perceptions about the proper roles for the State, the family, and the market in how society should be organised. Respondents who identified as right-leaning support wealth transfers through inheritance because of their attachment to family values and their belief that the market should allow these wealth transfers to occur. Individuals should be free to pass on their wealth as they see fit, which means that estate taxes are a form of unfair intervention. On the other end of the political spectrum, those who identified as left-leaning believe that it is up to the State to regulate individual behaviour and to reduce inequality. Here we can observe a political split in the individual positions of respondents, but this divide only goes so far, since estate taxes are rarely supported in the name of wealth redistribution (Prabhakar 2008).

## The influence of personal experiences on perceptions of the inheritance tax.

Perceptions of the inheritance tax also depended on each respondent's set of experiences throughout their life. Thus, all other things being equal, taxpayers who had had disputes with the tax administration were 1.39 times more likely to see the inheritance tax as unfair, compared to those who said they had never had such a dispute. It seems that the more negative interactions a person had with the tax administration, the more likely they were to see inheritance taxes as unfair.

Also, the experience of receiving an inheritance significantly shaped a person's perceptions of the inheritance tax. All other things being equal, taxpayers who had already received an inheritance were 1.25 times more likely to support lowering the inheritance tax, and 1.24 times more likely to oppose more progressive taxation than those who had never received an inheritance. This result can be explained in two ways. First, receiving an inheritance provides a person with a better understanding of the mechanisms involved in this kind of taxation. Furthermore, taxpayers who had already had to pay inheritance tax judged this tax based less on abstract principles of equity or redistribution than on their personal first-hand experience. On the other hand, receiving a bequest, a kind of transfer that is often not subject to tax, had no influence on a person's opinion of the inheritance tax.

# 5. Discussion

Using both of these surveys about perceptions of inheritance taxes allowed us to identify a paradox that has already come to light in other countries: even though estate taxes only impact a minority of taxpayers, the vast majority of taxpayers (more than three quarters in France) are hostile to this tax. To further illuminate this paradox, we decided to identify the different social characteristics of respondents who supported or opposed this tax.

### The inheritance tax elicits a response based on individual principles and interests.

The unpopularity of the inheritance tax is often understood through the lens of collective values, political principles, or moral considerations. However, it is also the product of individual experiences, which may reinforce or refocus more general trends. Our approach aims to demonstrate that opinions about this tax are the result of these two dimensions, which are always combined in different ways. Thus, the greater aversion among women to the inheritance tax can be explained by their strong attachment to family values, but also by their often-disadvantaged position when estates are divided. This result complements the findings of another study on the effects of changes to tax legislation: for women in the United Kingdom, a shift from family-based taxes to individually assessed taxes improved the way they were treated and led to wider acceptance of this tax (Mumford 2008: 10).

### Practical experiences of inheritances influence opinions

While in the United States, taxpayers who earn more than $75,000 per year are more likely to oppose inheritance taxes (Moon 2009), our survey showed that income does not play as decisive a role in France. On the contrary, the split between those who have already received an inheritance and those for whom it remains an abstract concept seems to be the crucial factor. In his survey-based study, Larry Bartels (2005) highlighted the fact that the vast majority of taxpayers who oppose estate taxes have never had to pay them, which is also the case in France. However, the number of people who have received an inheritance or a bequest is much higher in France, where living bequests are a common tool for avoiding taxation. Generally speaking, people who have received inheritances and bequests are more likely to support lowering estate tax rates, but this experience does not have the same impact for taxpayers of different genders. In fact, while 45% of men who have never received an inheritance are in favour of a more progressive inheritance tax structure, this figure falls to 34% among men who have received an inheritance or a bequest. The effect is much less pronounced among women: 37% of women who have never received an inheritance said they were for more progressive taxation, while this figure rose to 39% among women who had already received an inheritance or bequest. This difference between men and women can be explained by the fact that when women inherit wealth from their spouse, it is completely tax-exempt. In other words, first-hand experiences with inheritances can influence respondents’ opinions when they have also had to pay tax on inherited wealth, but they do not influence a respondent's opinions when they have not had to pay tax.

### The role of optimisation strategies

First-hand experiences with inheritance, however, cannot explain all of the observed phenomena: they cannot be dissociated from the many legal tools for avoiding taxation, the favourable treatment of bequests being first among them. Some authors have even described estate taxes as a “voluntary tax” (Cooper 1977) because they are only paid by those who are not properly prepared. In fact, many countries have highly progressive estate tax regimes, with high maximum rates, but there are also many tools for claiming exemptions (Scheuer and Slemrod 2020). Our study is unique in that it shows that these anticipatory and optimisation strategies also influence opinions towards inheritance taxes. For example, high-income (over €4,000 monthly[[2]](#footnote-2)) taxpayers who have already received an inheritance are more likely to support higher tax rates than those who have received an inheritance but have lower income levels (under €4,000 monthly): 12% of rich inheritors support increasing inheritance taxes (compared to 8% of lower-income inheritors) and 43% are in favour of more progressive inheritance taxes (compared to 36% of lower-income inheritors). For high-income taxpayers, their ability to protect themselves in advance from taxes levied by the State (McGarry 1999) makes them less critical of inheritance taxes overall. These anticipatory strategies are not carried out by the taxpayer alone, they must surround themselves with various optimisation professionals (Harrington 2016). For the households with the highest wealth and income levels, the entire family may come together to meet behind the closed doors of a law firm, a family office, or a notary office (Bessière, Gollac 2020) to make these plans. When a person dies, the money transferred to their children as life insurance payments is exempt from estate tax, but this requires the person to have invested their assets in this kind of insurance during their lifetime. For lower-income households, on the other hand, inheritance taxes can seem more unfair since they are often unanticipated expenses. It comes as a surprise that the State wants its share, which is seen as a kind of dispossession, especially when the estate in question is the product of a lifetime of work.

By examining the influence of taxpayers’ social characteristics in our survey, we were able to highlight the importance of first-hand experiences with inheritances and the impact of anticipatory strategies. For most taxpayers, inheritance taxes are seen as a threat to passing down their wealth, but wealth does not mean the same thing for all categories of the population. For less well-off taxpayers, wealth means owning your primary residence, which often involves a long period of debt. The fact that it was so difficult to accumulate this wealth makes property owners with debt fear any State intervention that might reduce what they are able to pass on to their children. It is therefore their relationship to the future that makes these small first-time property owners so hostile to the inheritance tax, even though most such households would be exempt in France. By combining the above results, we are able to better understand the inheritance tax paradox: why this tax is hated by so many when it only impacts a minority of taxpayers.

# Conclusion

After observing that the number of developed countries with inheritance tax regimes had fallen from 12 in 1994 to 4 in 2018 (France, Spain, Norway, Switzerland), the OECD is encouraging countries to use estate taxes as a tool for reducing wealth inequality (OECD 2018). However, only 26 of the 35 OECD countries still collect estate taxes, and their legitimacy is constantly being called into question (Scheuer and Slemrod 2020). Sweden is an interesting example in this respect: between the 1980s and the early 2000s, the unpopularity of estate taxes led first to rates being lowered in 1991, and then to the total elimination of this tax in 2004 (Henrekson and Waldenström 2016). On one hand, market deregulation had led to an increase in real estate prices, making a growing number of middle-class taxpayers subject to estate taxes. On the other, the super-rich had developed strategies to avoid inheritance taxes, which discredited any claims that their purpose was to level the fiscal playing field. The example of Sweden shows that the perceptions of a tax can play a decisive role in how long it remains in force.

However, the legitimacy of a tax is not solely based on its ability to reduce the wealth of the richest taxpayers. In order to be accepted and supported, it must also be an effective redistributive tool. Our analysis of perceptions of estate taxes shows that this hostility is not uniform across the population. It varies based on gender, age, and especially on the first-hand experiences a person has had over time. Even beyond such variations, the unpopularity of estate taxes remains strong and paradoxical: this is a tax that is criticised by those who will not pay it and tolerated by those who are subject to it, but who are able to reduce its burden through exemptions.

There are two possible political solutions to preserve the redistributive effect of this unpopular tax.

The first would be to eliminate estate taxes based on several lines of argument. First, the vast majority of the population are against this tax and maintaining it might come to seem like an un-democratic policy. The various existing loopholes and exemptions also make this tax unfair because the wealthiest individuals are able to avoid it if they can hire the right advisers. While it might be possible to eliminate this tax, such action would need to be coupled with the reintroduction of a highly redistributive tax on capital (Piketty).

A second solution would be to try and boost the legitimacy of the inheritance tax by clearly identifying what public authorities will actually do with the money it brings in. Atkinson has proposed using this money to make transfer payments to young people. In a context where education remains the best avenue for social advancement, with families focused on its importance and using it as the basis for their hopes about the future, the money collected in estate taxes could be invested in providing resources to schools in poor areas. This would compensate for the local lack of family wealth and make the schools better places to learn.

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1. Financial wealth levels were captured as a score (none, low, average, high), based on whether or not the person possessed certain financial products. A person was considered to have no financial wealth when they reported owning no financial products. A person's financial wealth level was considered to be ‘high’ if they owned more than three different kinds of financial product. [↑](#footnote-ref-1)
2. The income figure used to assess the level of wealth is the total household income, without accounting for its composition. Analysing income per consumption unit does not significantly change the results. [↑](#footnote-ref-2)