

A Fairer Italy: Universal Inheritance and Taxation of Lifetime Inherited Advantages

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Real Utopias for a Social Europe: Universal Benefits. DIGCLASS team - JRC-Centre for Advanced Studies

A policy proposal by the Italian Forum Disuguaglianze e Diversità with 2 pillars inspired by Tony Atkinson's *action plan* to reduce inequality

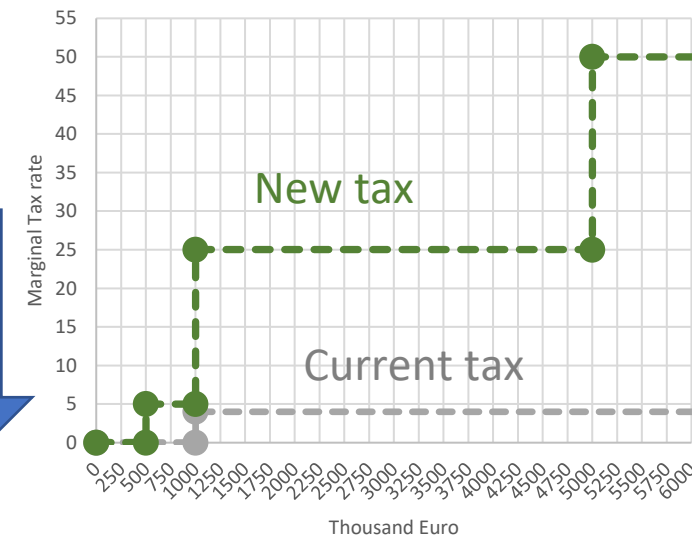
1. A universal inheritance at the age of 18

Universal and unconditional wealth transfer to all young people upon reaching adulthood (€ 15,000 equivalent to approx. 10% of personal net wealth). The transfer should be accompanied by mentoring services in and out of school (as early as age 14) to foster informed and autonomous choices about how to effectively use the financial resources.



2. Taxation of Lifetime Inherited Advantages

Rethinking the current taxation of wealth transfers: Progressive tax on the sum of all inheritances and gifts received over a lifetime above a certain threshold (with exemption threshold = 500,000 Euro and three marginal rates: 5%, 25% above 1 mln €, and 50% above 5 mln €).

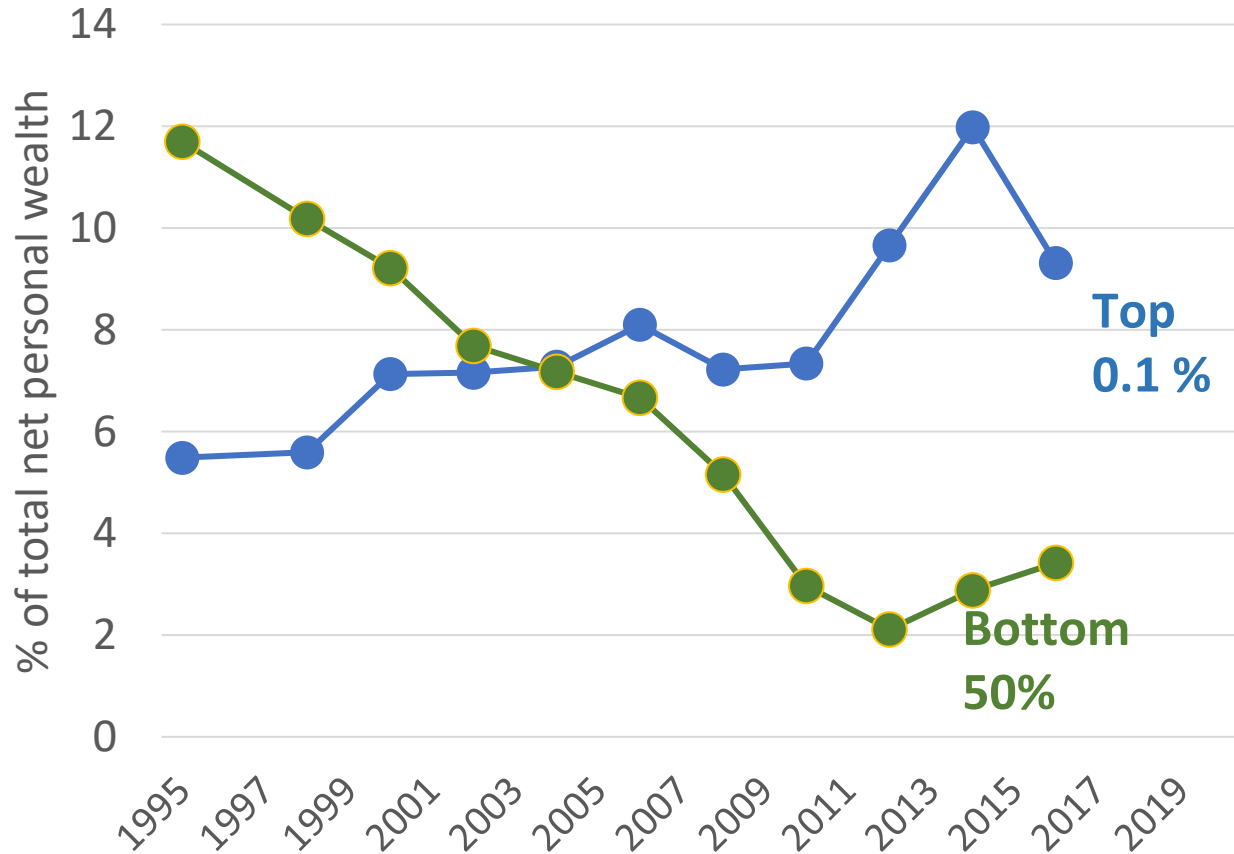




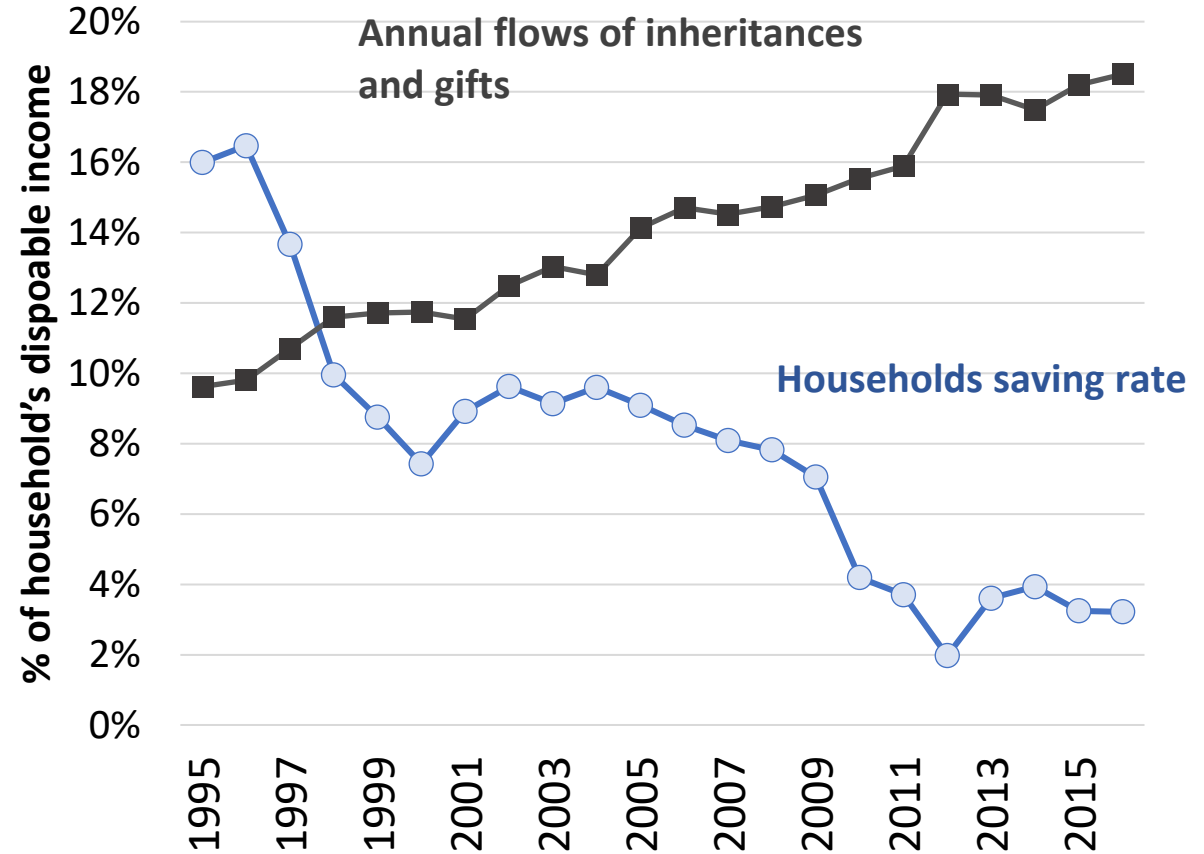
Why change?
The context

Why change? : In Italy, the weight of private wealth, and of bequests are growing. Saving rates are falling. Wealth inequality is on the rise → Low intergenerational mobility.

The inversion of fortunes

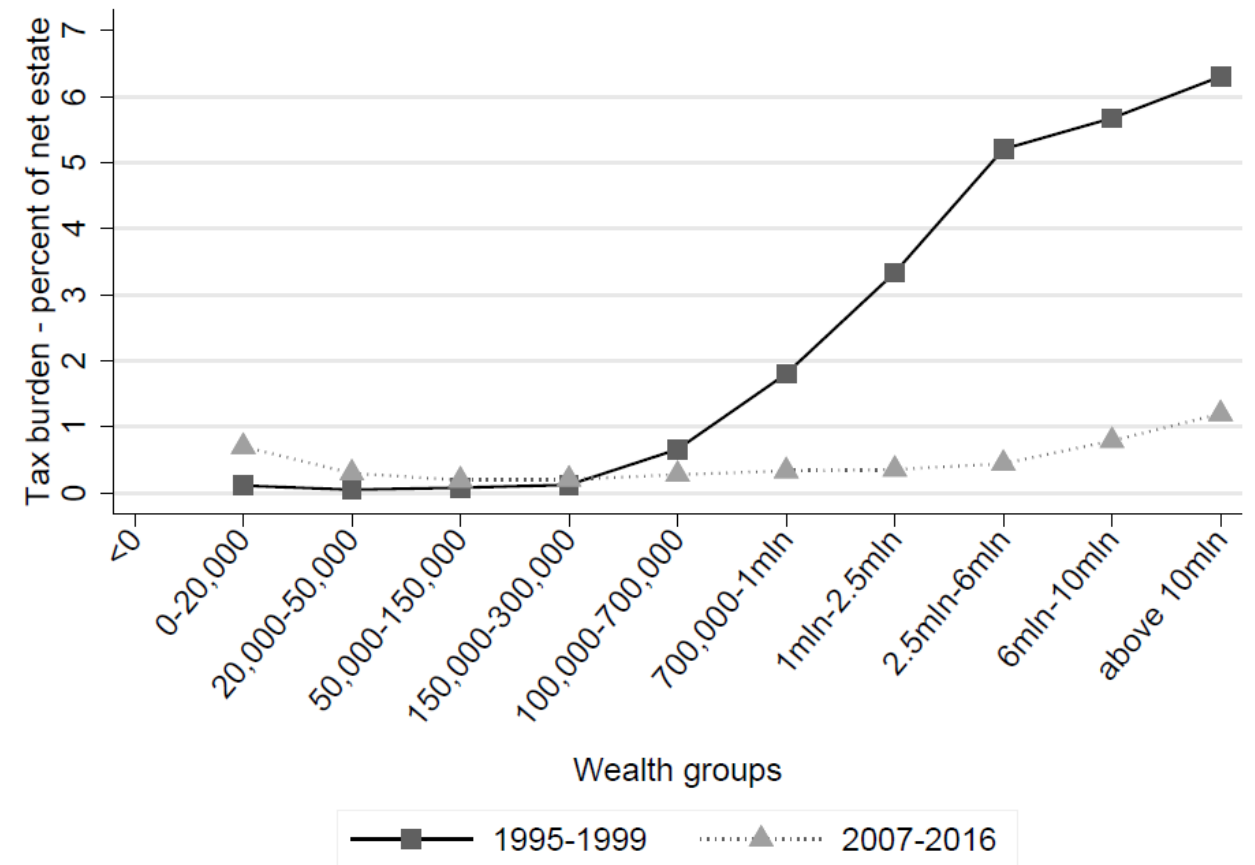
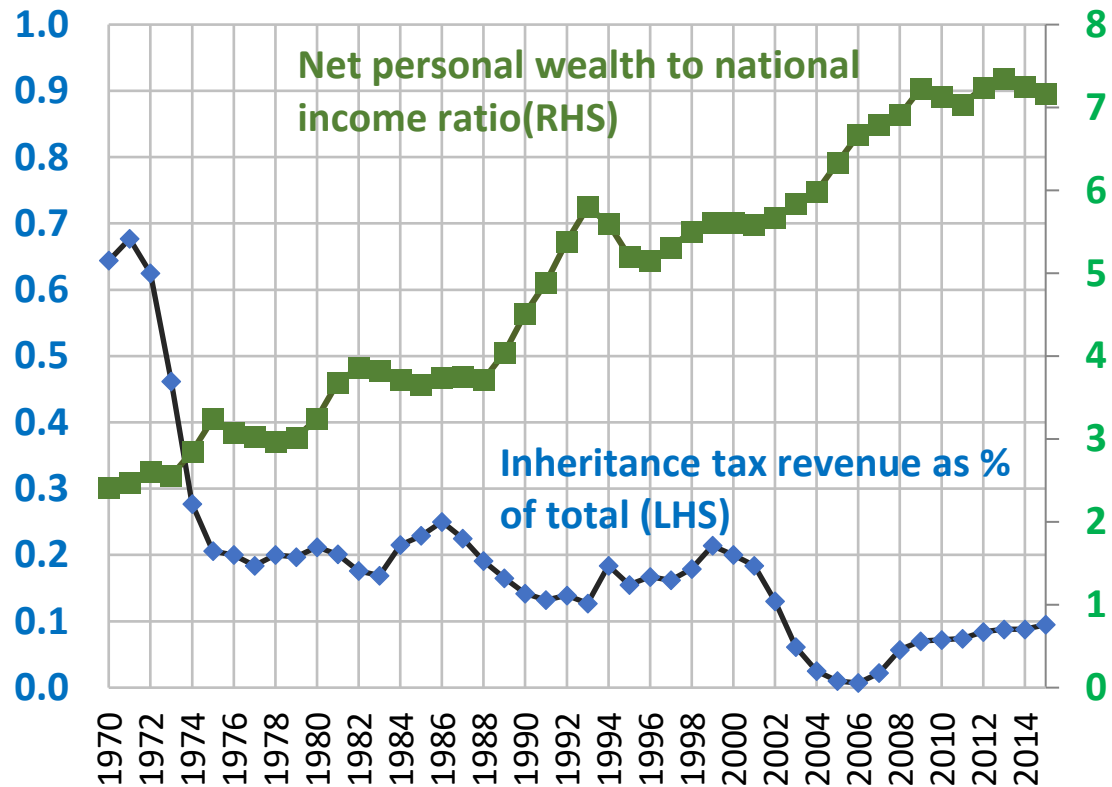


Source: Estimates from Alvaredo, Acciari, e Morelli (2021) – The Concentration of Personal Wealth in Italy: 1995 -2016, mimeo



Source: Estimates from P. Acciari and S. Morelli “Wealth Transfers and Net Wealth at Death: evidence from the Italian Inheritance Tax Records 1995–2016”, NBER Volume, Chicago University Press

Why change?: The Italian taxation of wealth transfers is ineffective and no longer progressive



Source: Estimates from Alvaredo, Acciari, e Morelli (2021) – The Concentration of Personal Wealth in Italy: 1995 -2016, mimeo

Why change?: Very severe generational crisis

- The young generations are increasingly marginalized.
- Severe demographic crisis. 420 thousand births in 2019 "historic low" and negative projections.
- Very high school dropout rates (14.5% among 18-24 year olds); NEET rate: neither in training nor at work (28.9% vs. EU average 16.5%); unemployment (in 2019 32.2% vs. 11% OECD among 15-24 year olds) and low skills when leaving school.
- Working youth have lower entry wages, more precarious careers, and lower wage progression.

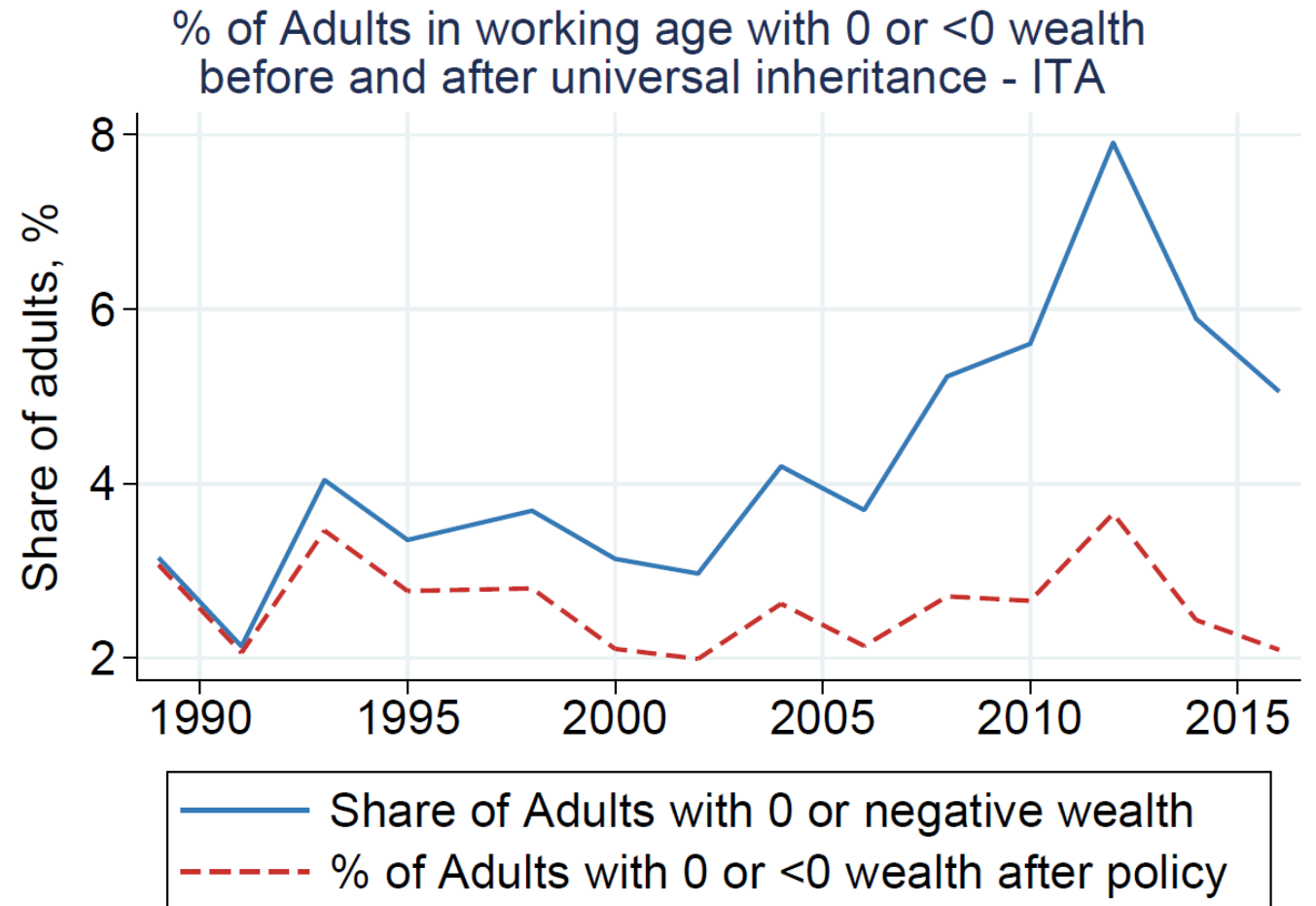


What will change?
The objective

What will change?

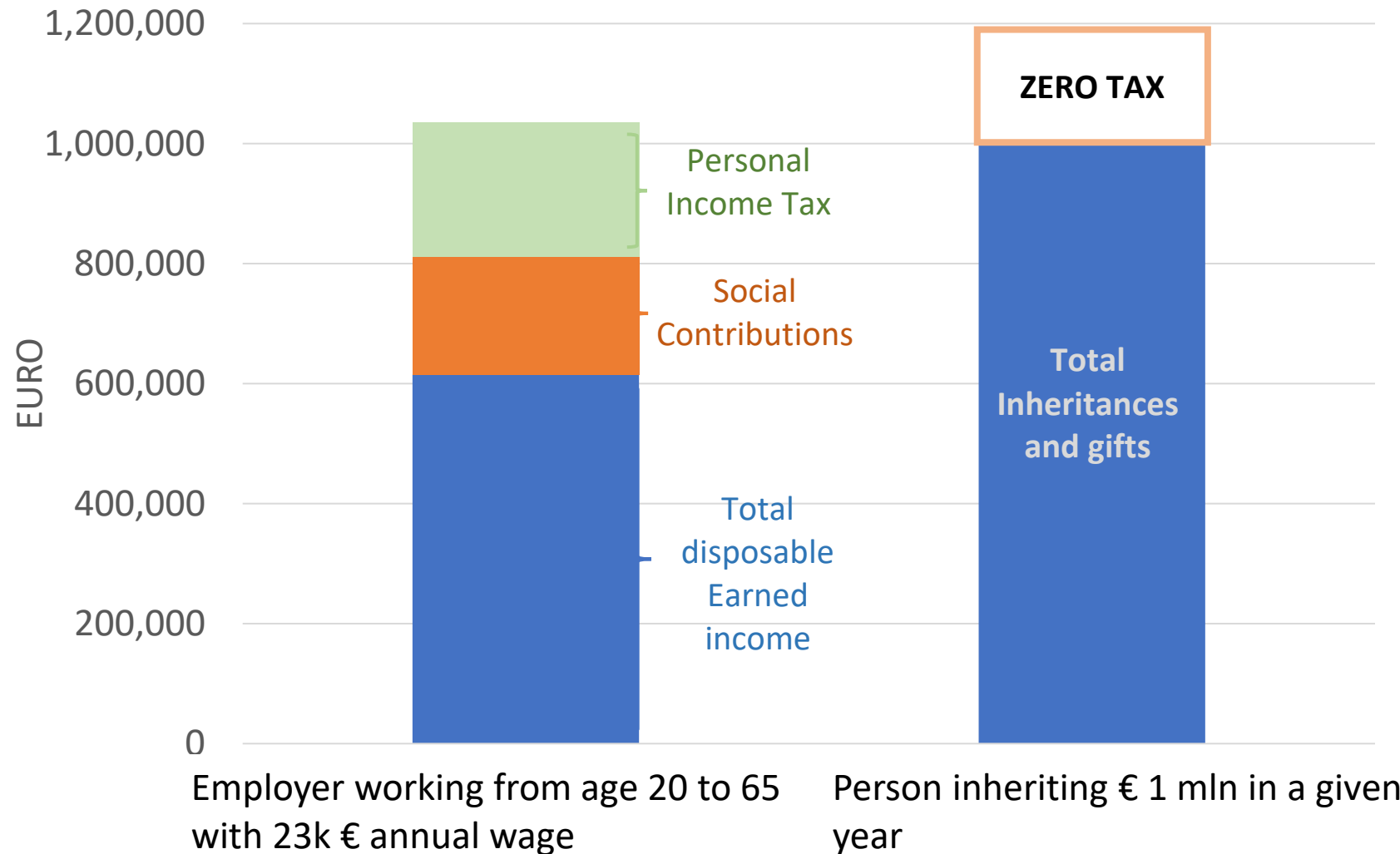
A single proposal is not a magic wand!

- Objective: Reduce extreme inequality of opportunities and the influence of birth lottery on people's life trajectory



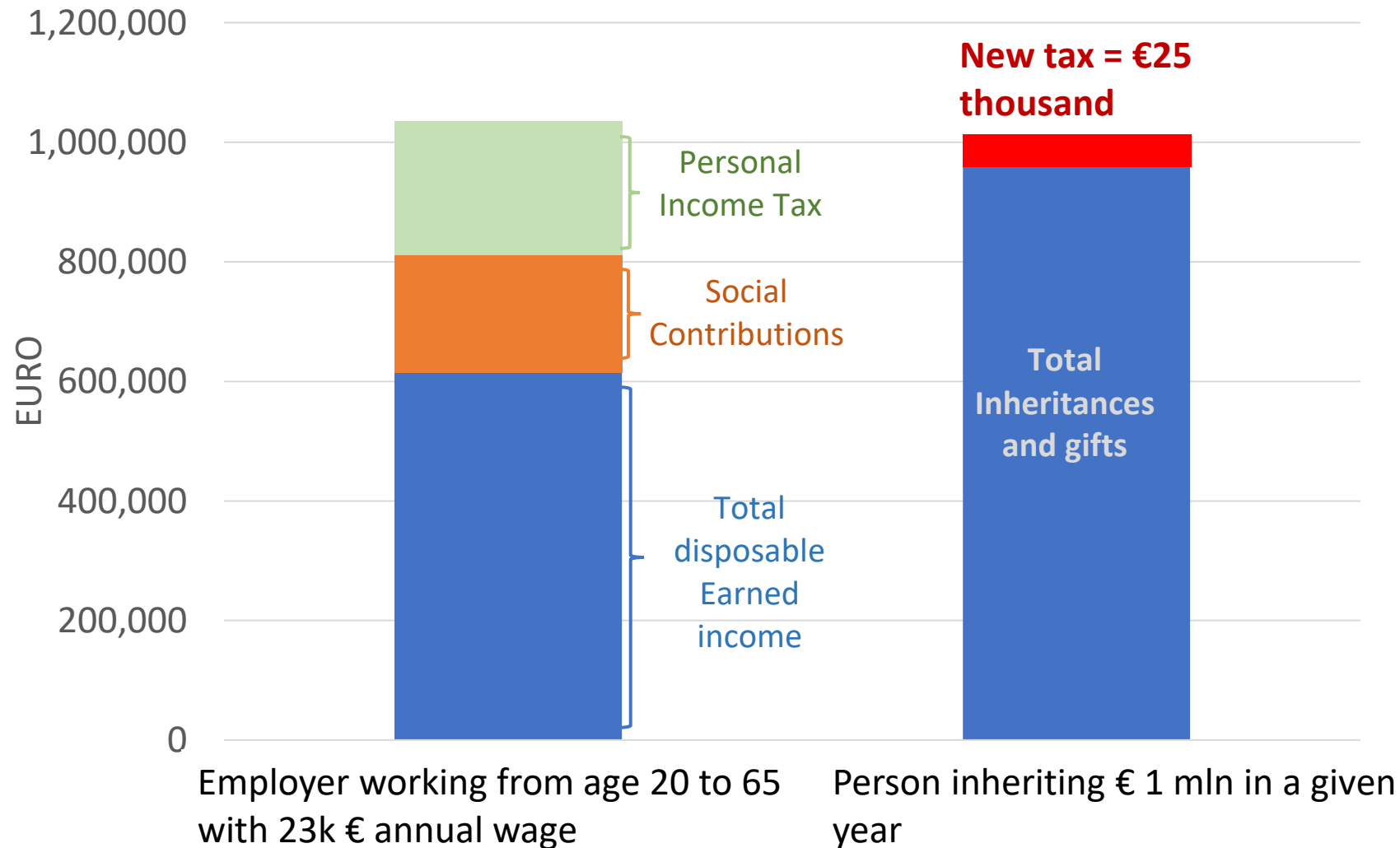
Source: S. Morelli, B. Nolan, J. Palomino, and P. Van Kerm, 2021, *Inheritance, Gifts and the Wealth Deficit of Low-Income Households*, *Journal of European Social Policy*

What will change?: The current Italian taxation of wealth transfers views large inherited benefits too favorably



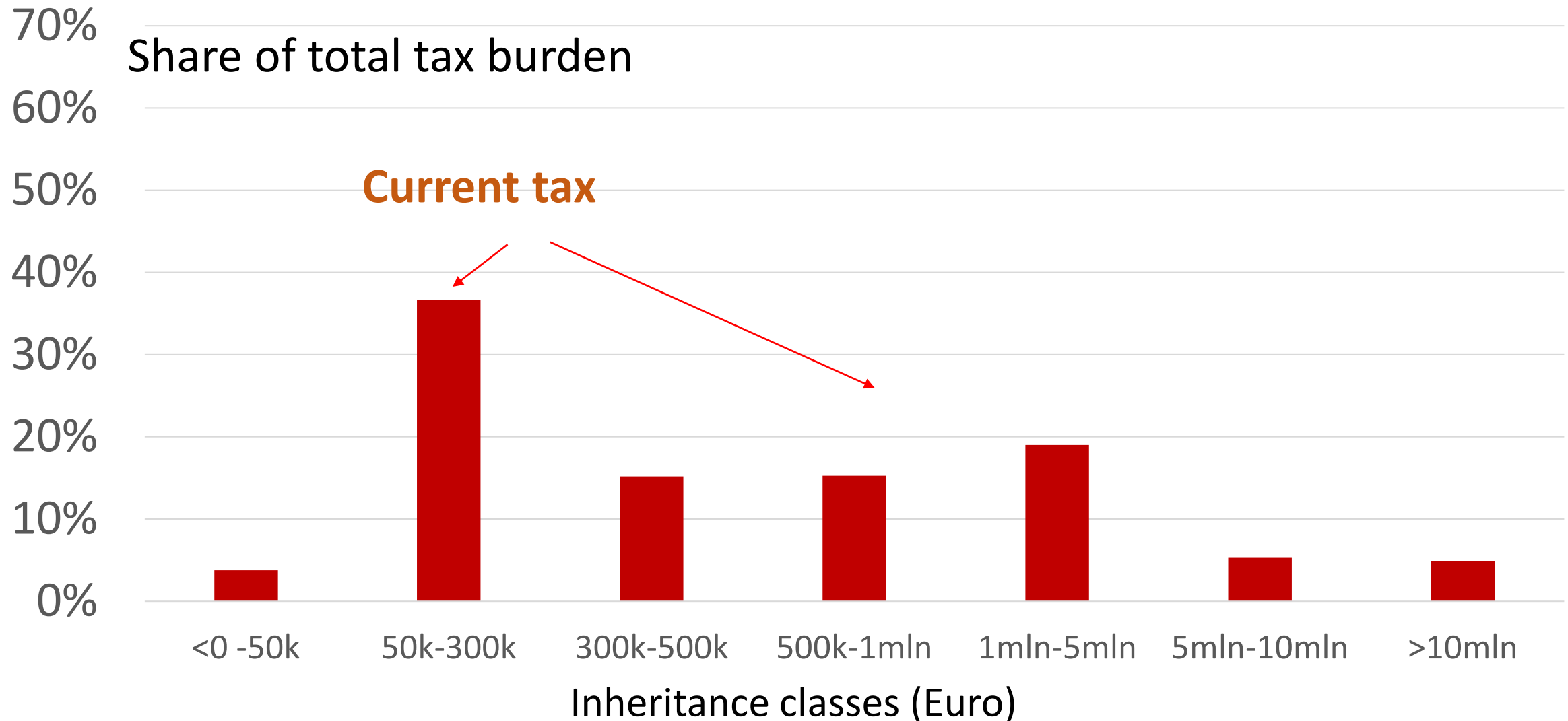
Source: 15 Proposte per la Giustizia Sociale, (2019) Report by Forum Disuguaglianze e Diversità

What will change?: The new tax will no longer view large inherited advantages too favorably



Source: 15 Proposte per la Giustizia Sociale, (2019) Report by Forum Disuguaglianze e Diversità

What will change?: The current tax burden falls more on smaller inheritances.

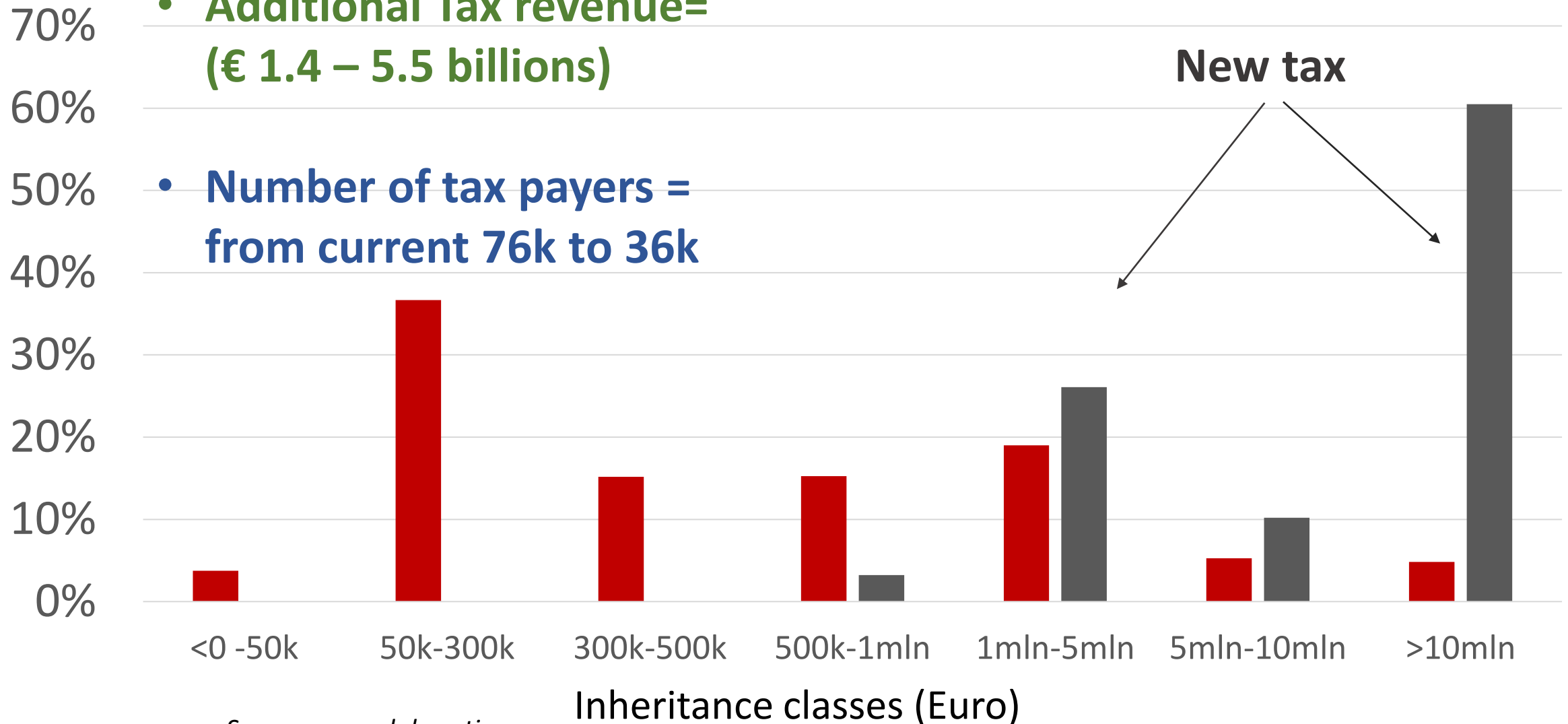


Source: own elaboration

What will change?: The new tax burden will fall more on larger inheritances. More revenue and less payers.

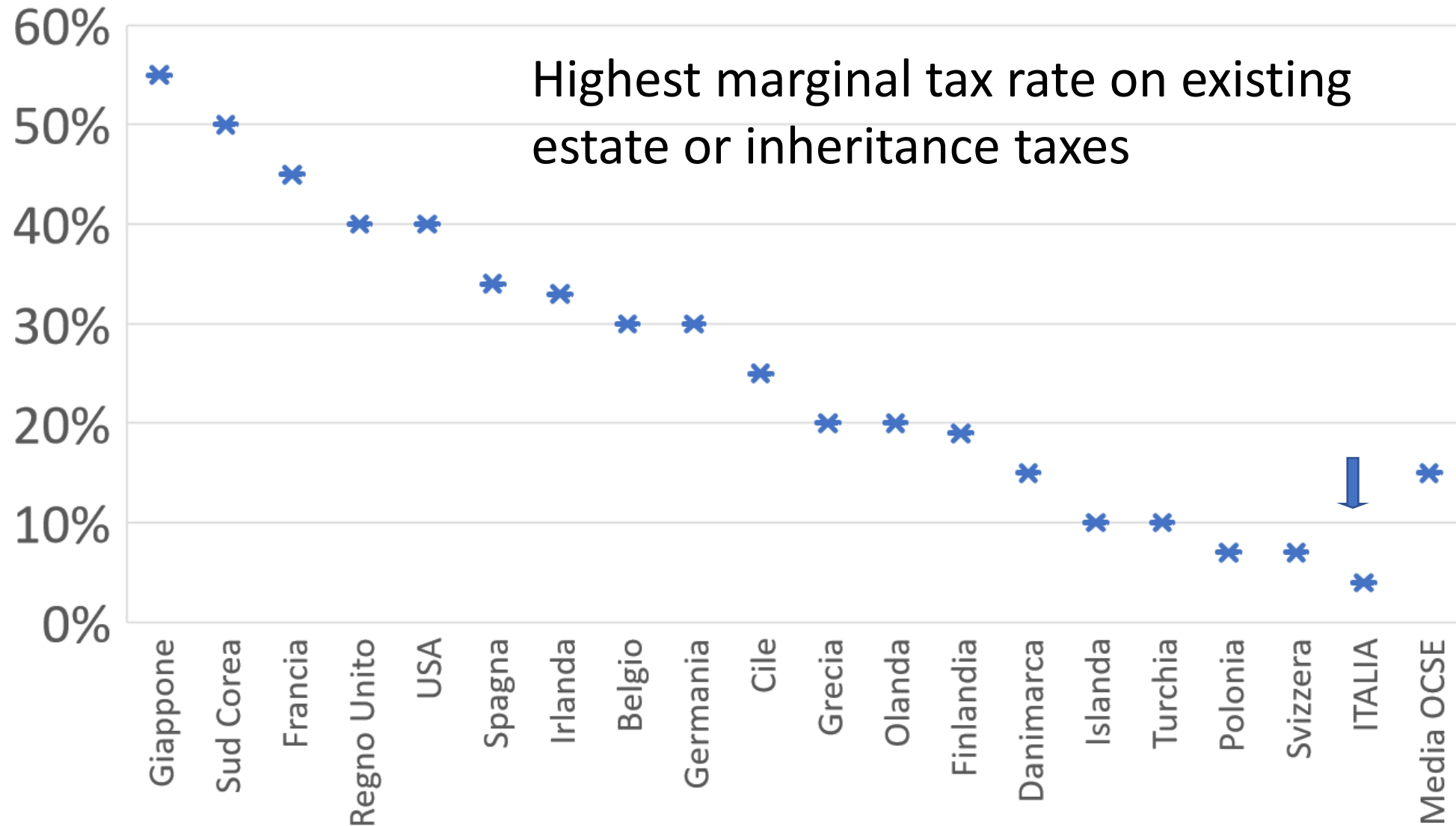
- **Additional Tax revenue = (€ 1.4 – 5.5 billions)**

- **Number of tax payers = from current 76k to 36k**



Source: own elaboration

What will change?: Italy will adopt a taxation more in line with other OECD countries

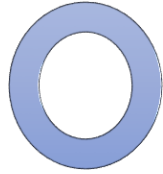




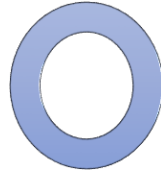
Where are we at?

Where are we at?: An ongoing process since March 2019, getting traction.

2019- **Focus group discussions** with civil society organisations, members of ForumDD



Launch of **report** (march 2019)



Throughout – Several **articles and commentaries** on national **media** outlets



2020/2021 - **Questionnaires** in a number of **university classes** – >450 students

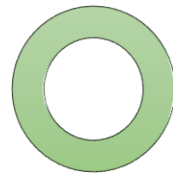


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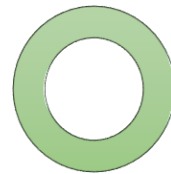
2021 - The **Secretary of the Italian Democratic Party** advanced a similar proposal (with important differences)



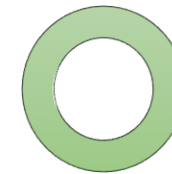
2022 - Ongoing projects with **2 high schools** in Assisi and Bologna (age 15-18) to **debate** the proposal (>1500 students involved).



2022 - We discuss our proposal in the **digital participatory policy platform of the Italian Democratic Party**



2022 - draft proposal to run a **pilot experimental test** to gather sound empirical evidence on short-run effects.



Thanks!