

Gender differences in parental wealth transfers and how the German tax system contributes to the gender wealth gap

INAUGURAL III/LIS COMPARATIVE ECONOMIC INEQUALITY CONFERENCE

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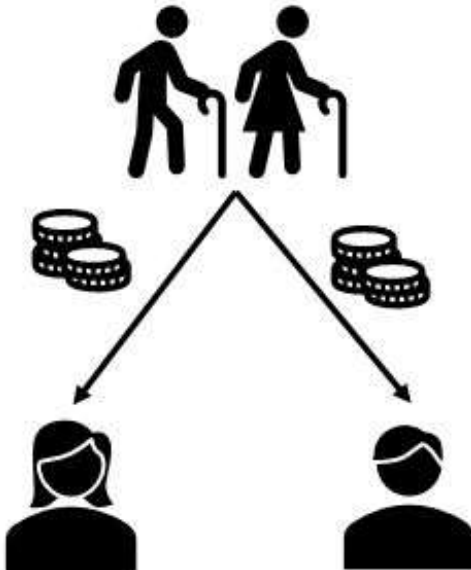
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Gender wealth gap



Motivation



- Share of inherited wealth in aggregate private wealth in Europe around 50-60% (Alvaredo, Garbinti, and Piketty 2017)
- What's the role of intergenerational transfers in gender wealth inequality?
 - Gender difference in age and amounts of transfers (Bessièrè and Gollac 2020)
 - Hardly any gender differences in **inheritances** in Germany (Leopold and Schneider 2011; Vogel et al. 2021)
 - Daughters more likely to receive inter vivos transfer but only until they are married (Loxton 2019)
 - But: Prior research based on **survey data**

Research question & contributions

Research question

How does the inheritance and gift tax system shape gender inequalities in parental transfers?

Contributions

- Focus on the upper part of the transfer distribution
- Differentiation between asset types
- Role of the tax system in shaping gender wealth inequality

Theoretical background

Gender bias in taxation

- explicit gender bias: tax law treats men and women differently
- implicit gender bias: tax law has different implications for women and men because of **gendered social arrangements and economic behavior** (Stotsky 1996)

Gender differences in parental transfers

- Family as a place where wealth is produced, circulated, controlled, and assigned value (Bessièrè and Gollac 2020)
- Societal beliefs in gender differences in entitlements (Lerner and Mikula 1994; Tisch and Gutfleisch 2022)
- Daughters and sons might receive different asset types which leads to different tax exemptions

Country context: German gift and inheritance (tax) law

- Inheritances
 - statutory inheritance quota or last will (predefined inheritance + quota)
 - restricted testamentary freedom → disinheritance possible but statutory share: minimum inheritance of close relatives is half the amount they would have received in absence of a last will
- Gifts: amount of the gift and the recipient can be freely determined
- Inheritance tax (not an estate tax)
 - personal tax exemption (applies to the taxable person): e.g., 400,000 EUR / 10 years for parental transfer
 - factual tax exemption (applies to the taxable object): business, forest, furniture, family home etc.

Data

The image shows a German inheritance tax declaration form (Erbschaftsteuererklärung) for the year 2011. The form is filled out with handwritten information. Key fields include: Taxpayer (Erlassender) name and date of birth (99/11), tax identification number (11), and various checkboxes for marital status, inheritance type, and executor. The form is numbered 1 through 29 on the left margin.

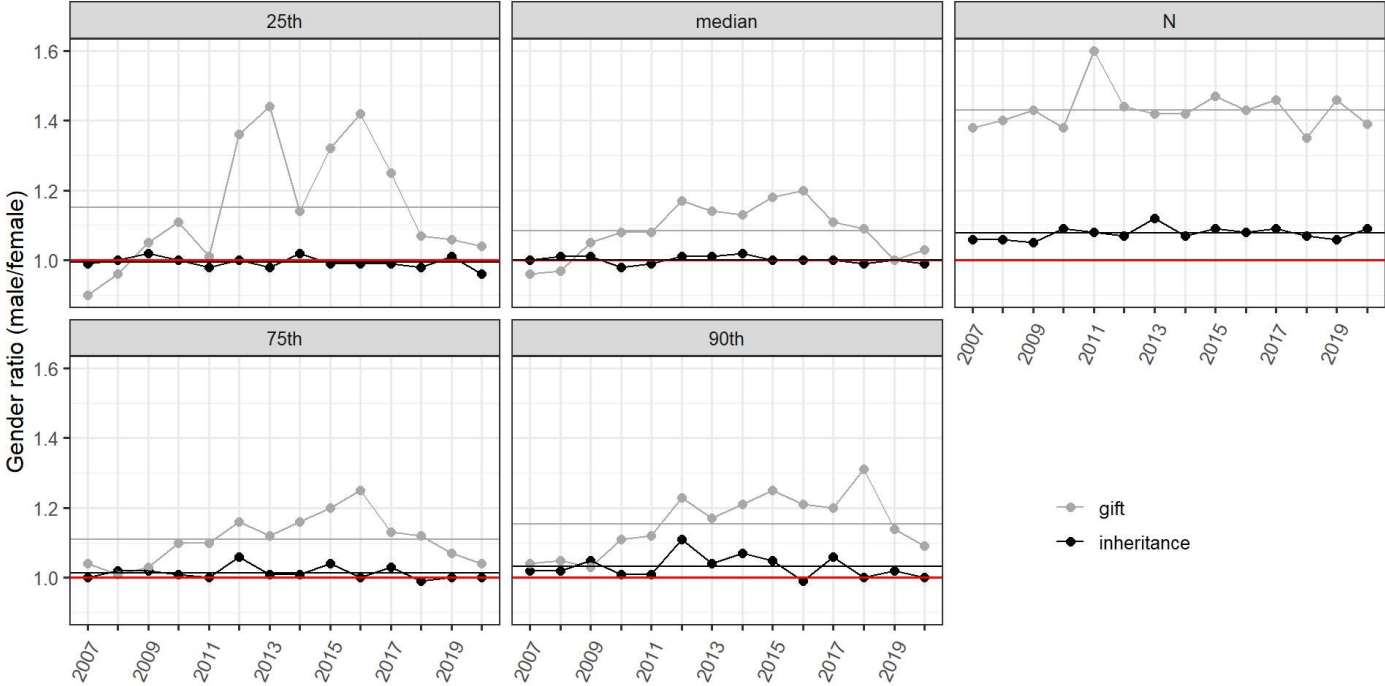
- German inheritance and gift tax data 2007-2020
- Highly sensitive data → restricted access
- Cover bequests and gifts for which a tax claim was requested
- Advantage: Entire population of tax relevant transfers
- Coverage: 30% of all bequests, accounting for 73% of all transferred wealth above 10,000 EUR in 2010 (Bach et al. 2014)

Methods

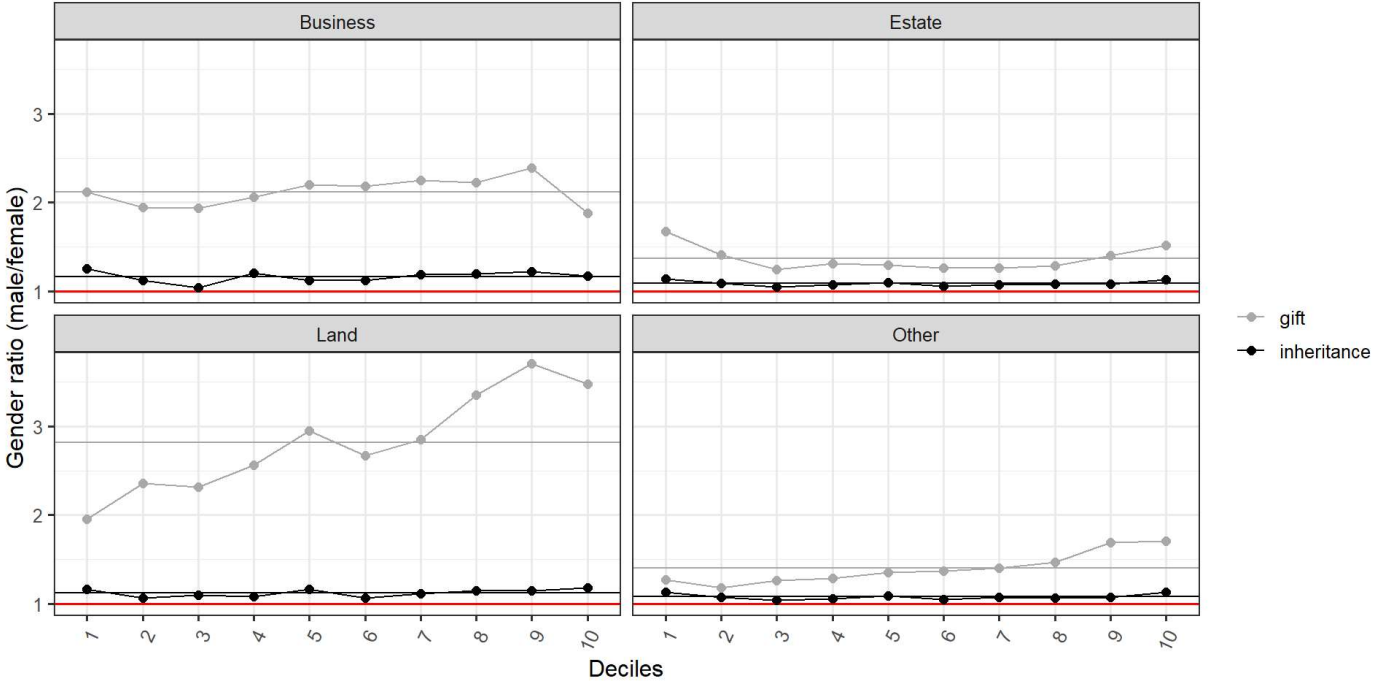
- Descriptive analyses
- OLS regressions
 - Dependent variables: Effective inheritance / gift tax rate
 - Predictor variables
 - gender (receiver and donor)
 - asset type (as dummy variables)
 - age (receiver and donor)
 - east/west Germany
 - year

Gendered transfer behavior:
Gender inequality in gifts but
not inheritances?

Gender ratio in transfers over time

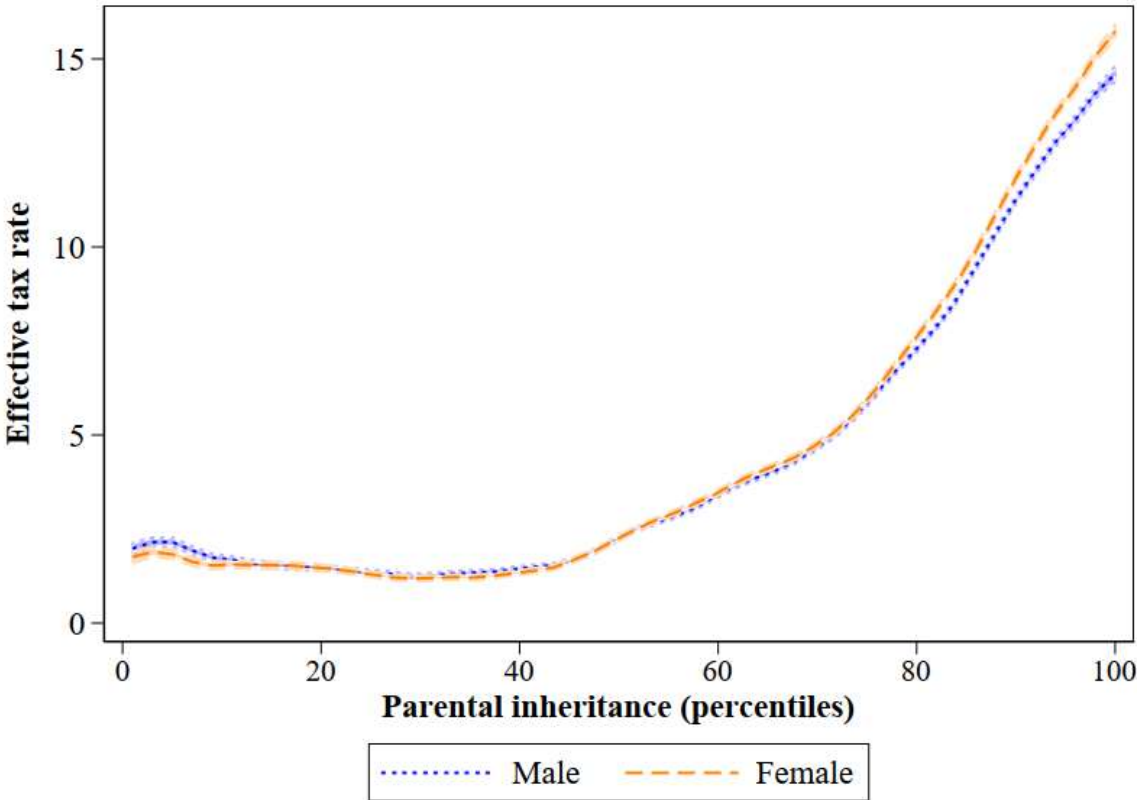


Gender ratio in the number of transfers including specific components by deciles

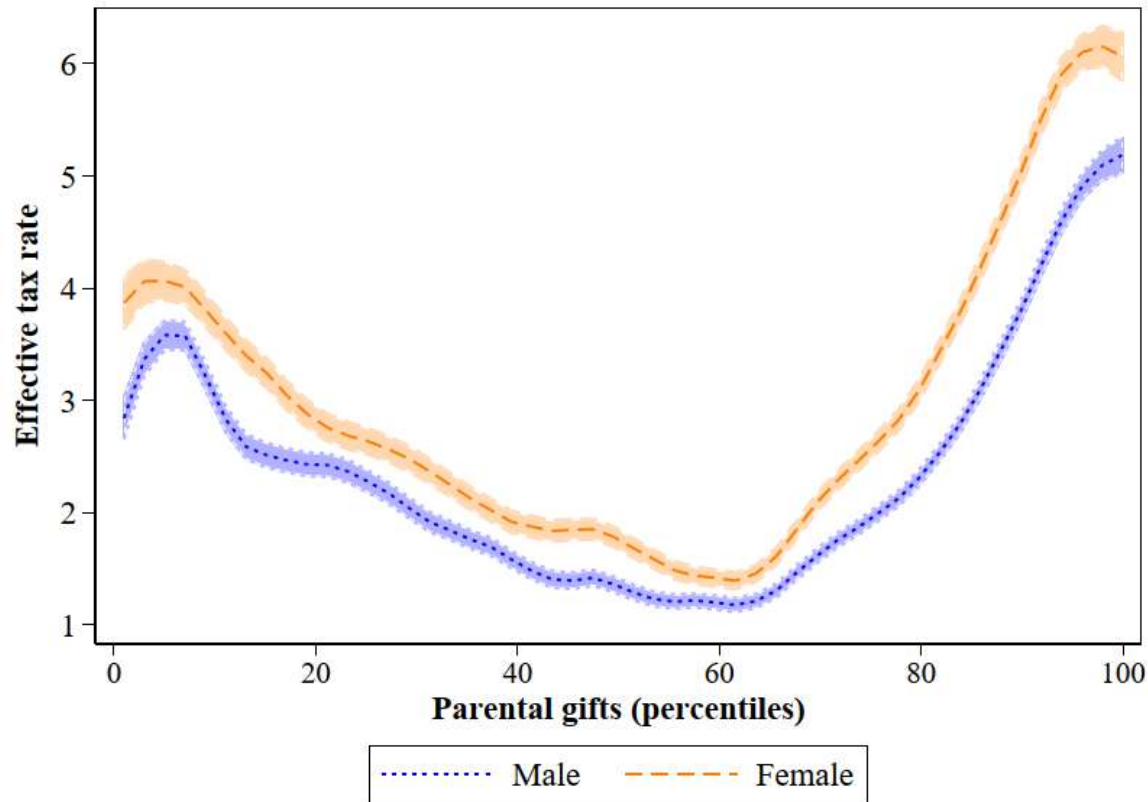


Let's look at how the tax
system shapes gender
inequality.

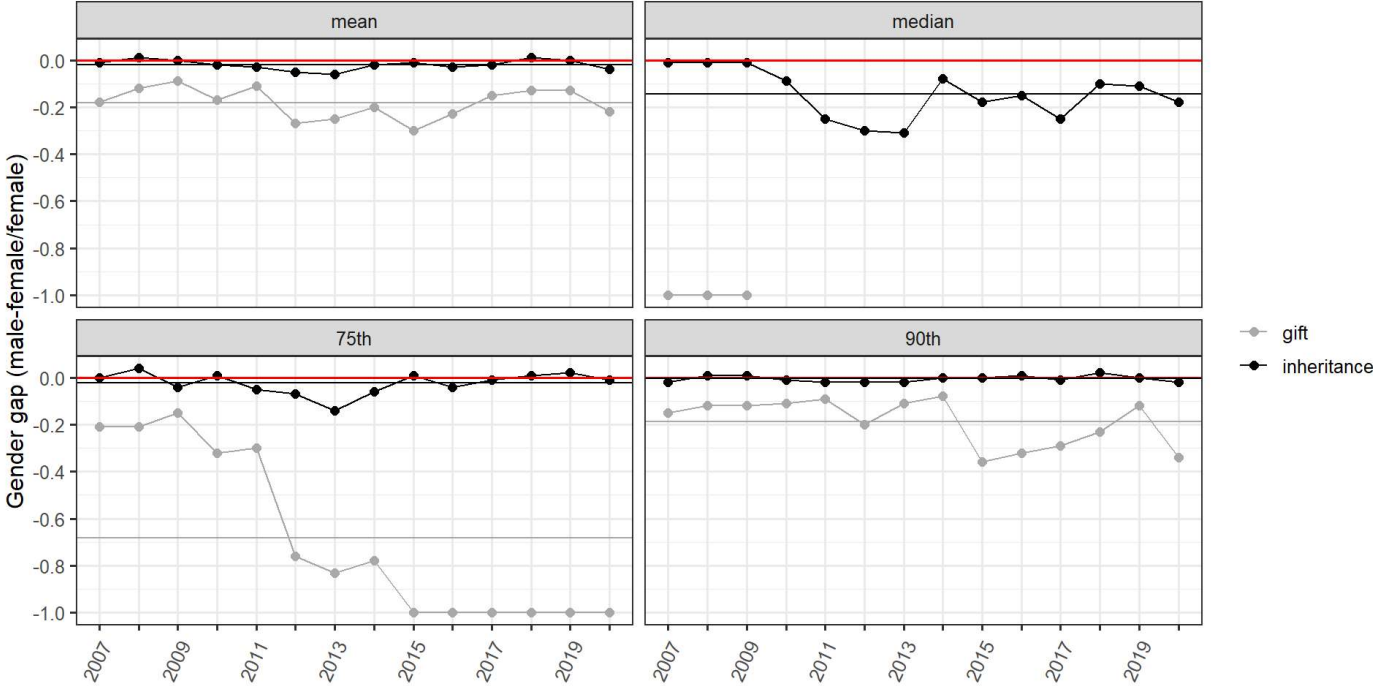
Effective inheritance tax rate by gender of receiver (2007-2020)



Effective gift tax rate by gender of receiver (2007-2020)



Gender gap of effective tax rate over time



Regression: effective gift tax (2007-2020)

	<i>M1 (b)</i>	<i>M1 (se)</i>	<i>M2 (b)</i>	<i>M2 (se)</i>
Receiver female	0.549***	0.02	0.480**	0.17
Gifts, percentile	0.0113***	0.00	0.0287***	0.00
Business (indicator)			-2.138***	0.05
Business (indicator) * Receiver female			-0.448***	0.08
Land (indicator)			-1.260***	0.05
Land (indicator) * Receiver female			0.0853	0.09
Other wealth (indicator)			1.235***	0.04
Other wealth (indicator) * Receiver female			0.127	0.08
Estate (indicator)			-1.147***	0.04
Estate (indicator) * Receiver female			-0.752***	0.08
Donor female			0.0220	0.03
Donor female * Receiver female			-0.338***	0.05
Age (receiver)			0.0656***	0.00

Age (receiver) * Receiver female			-0.0102***	0.00
Age (donor)			0.00333**	0.00
Age (donor) * Receiver female			0.00848***	0.00
West			0.659***	0.05
West * Receiver female			-0.188*	0.08
			0.00719***	0.00
Intercept	2.812***	0.05	-0.623***	0.12
N	271087		255949	
R ²	0.02		0.11	
Gender Gap	0.549		0.348	
p value (Gender Gap)	0.00		0.00	

Regression: effective inheritance tax

	<i>M1 (b)</i>	<i>M1 (se)</i>	<i>M2 (b)</i>	<i>M2 (se)</i>
Receiver female	0.0804***	0.02	-0.0708	0.18
Inheritance, percentile	0.119***	0.00	0.119***	0.00
Business (indicator)			-0.558***	0.04
Business (indicator) * Receiver female			0.463***	0.06
Land (indicator)			-0.311***	0.04
Land (indicator) * Receiver female			0.223***	0.05
Other wealth (indicator)			0.822***	0.05
Other wealth (indicator) * Receiver female			-0.378***	0.08
Estate (indicator)			-1.386***	0.03
Estate (indicator) * Receiver female			-0.0885	0.05
Donor female			-0.114***	0.03
Donor female * Receiver female			-0.0548	0.04
Age (receiver)			-0.0115***	0.00

Age (receiver) * Receiver female			-0.00309	0.00
Age (donor)			0.0276***	0.00
Age (donor) * Receiver female			0.00216	0.00
West			0.117	0.06
West * Receiver female			0.0355	0.09
			0.00849***	0.00
Intercept	-0.883***	0.04	-2.210***	0.13
N	239947		229733	
R ²	0.38		0.39	
Gender Gap	0.080		0.070	
p value (Gender Gap)	0.00		0.00	

Conclusion

Gendered parental transfers

- Gender differences in total number of inheritances and gift
- More pronounced for gifts
- More pronounced for transfers including business and land wealth

Implicit gender bias in inheritance and gift taxation

- Men's effective inheritance tax rate 2% lower than women's
- Men's effective gift tax rate 18% lower than women's

→ Tax system with generous exemptions amplifies gender inequality

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