

*Discussion of:*

# Dual Personal Taxation, Portfolio Reshuffling and Income Inequality

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- **Main question:** How does **dual PIT** affect (1) **wealthy PIT fillers' behavior** and (2) **inequality metrics** in **Spain**?
- **Source of variation:** 2007 Spanish dual PIT reform → **flat tax PIT** schedule on broader **capital income**.
- **Methods:**
  1. *diff-in-diff* .
  2. *DINA* + mixed-capitalization survey + **counterfactual**.
- **Data:**
  1. Administrative **tax micro-data** → balanced PIT panel of wealth taxpayers.
  2. **National accounts** → income flows & wealth stocks.
- **Results:**
  1. Avg. **interest income** increased **75% more** for those facing **lower taxes** than those experiencing higher taxes after 2007 dual PIT reform.
  2. 2007 dual PIT reform explains **60% of wealth-top 10% growth rate** over 2007-2014.

# Why do I really like the paper?

- **Academic** impact.
  - Spanish setup ➔ **unique source of variation**.
  - **Empirically** show and evaluate taxpayers' responses to tax changes .
  - Dual PIT is especially relevant for **inequality trends** analysis.
- **Policy/political** impact.
  - Direct and **very visual**.
  - **Hot debate on optimal tax rates** + degree of progressivity.
  - Role of taxation in **equity** vs. **efficiency** trade-off.
  - **Redistribution** function of the government (via taxes).
- **Business impact** ➔ role of **taxation** on **portfolio choice**.
- Enjoying and **friendly to read** ➔ very inspiring and **idea-generating** 😊 **recommended read** for everyone!
- Just some comments & suggestions.

- Sign **marginal tax vs. net-of-tax rate** → plot **change by income deciles**.
- Extensions.
  - **Subsequent PIT schedule changes** (not only 2007 reform) → explore **intensive margin & asymmetries**.
  - **More PIT fillers** (not just wealth taxpayers) → **heterog.** effects **across income distr.**
  - **Broader financial income** (not only interest income) → effects on **portfolio choice**.
- **Changes in other taxes?** → compute mechanical **variation in agg. tax rate** → including consumption, property, wealth, etc.
- Other controls → **joint filling, regions** (in an analysis over time), **type of taxpayer** (self-employment, pensioners, etc.).
- Structural **heterog. trends** in shares → interest rates, portfolio choice, other taxes, aggregate shocks not captured by fixed effects, etc.
- **Decomposition analysis of top-shares** evolution to understand **drivers**.

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