# Wealth Taxes and Inequality

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## Abstract

We analyze the long-run optimal combination of wealth and labor tax rates in a model where wealth-to-income ratios and wealth inequality are rising endogenously. We consider rich (lenders) and poor (borrowers) households, financial and housing wealth, and find that a "realistic" optimal steady state tax structure includes some taxation of labor, zero taxation of financial wealth, a housing wealth tax on rich households and a housing wealth subsidy on poor households. These findings are robust with respect to variations in the housing demand elasticity.

**Keywords:** housing wealth, wealth inequality, optimal taxation

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