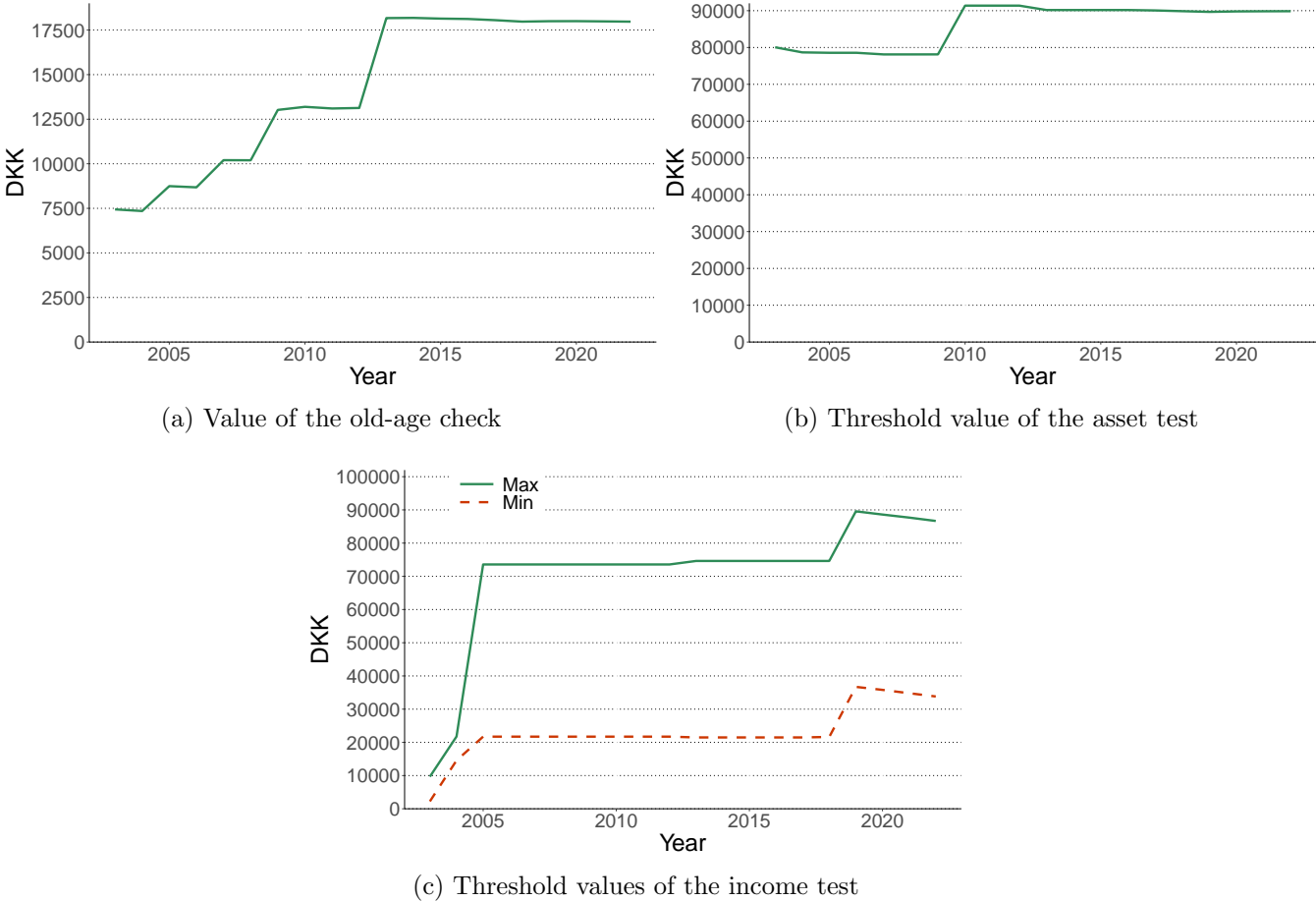


Supplemental Appendix for

“Taxing the Wealth of the Poor: Evidence from the Danish Old-Age Support Asset Test”

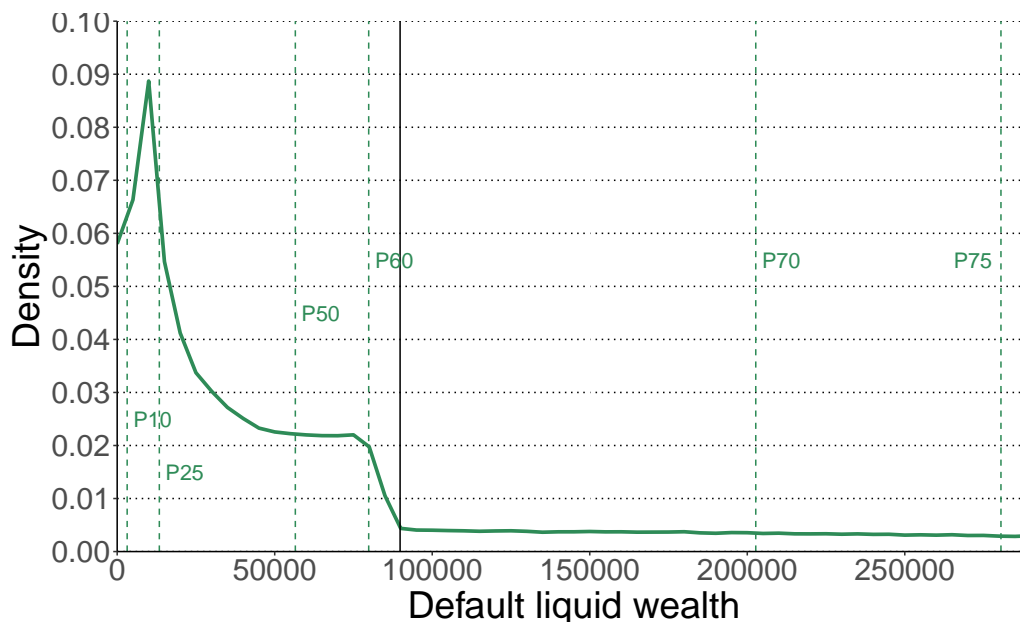
By Niels Johannesen, Johan Sæverud, and Emmanuel Saez

Figure A.1: Indexed Parameters of the old-age check



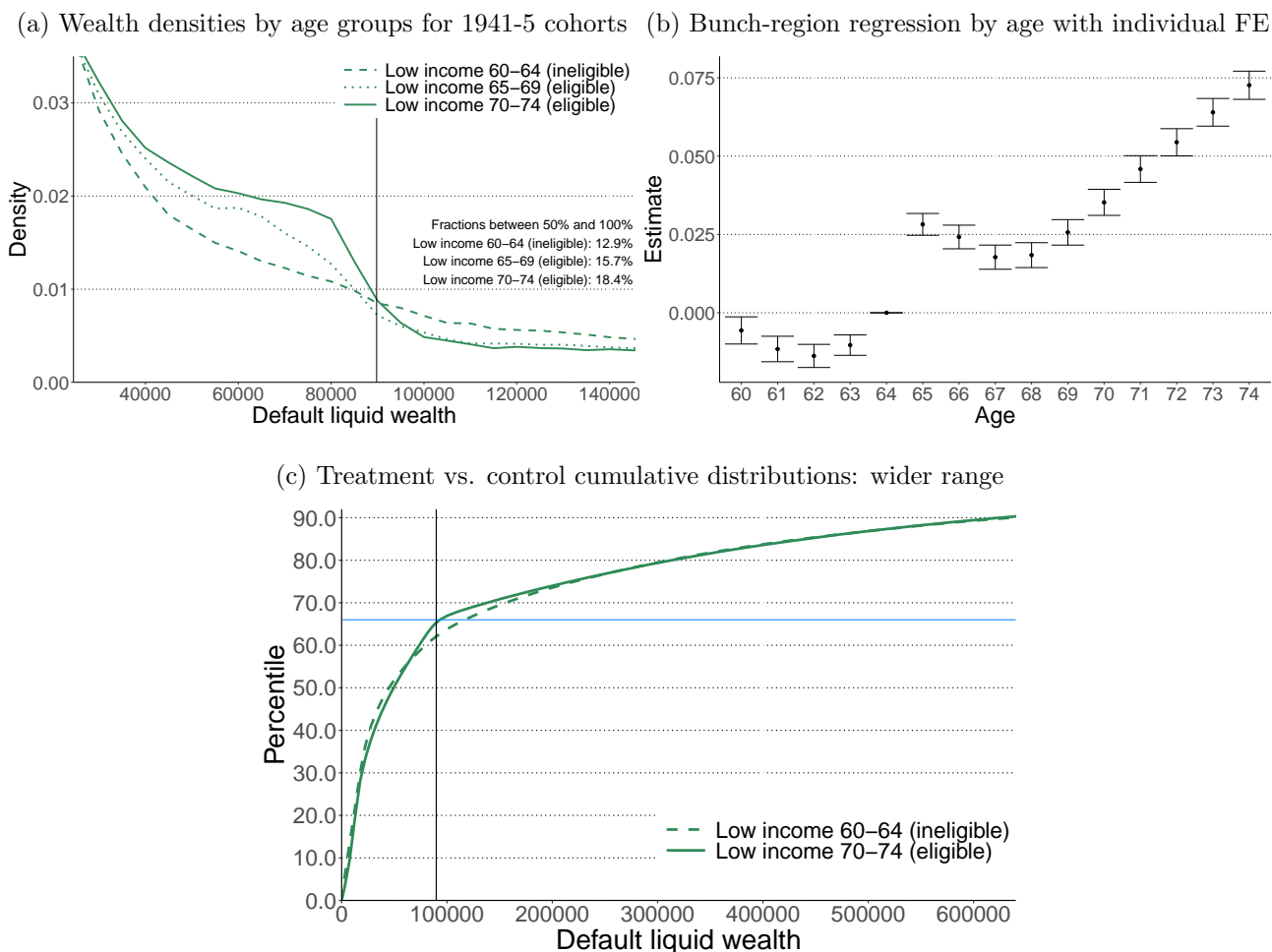
Notes: The figure illustrates how the parameters of the old-age check have evolved over time since its creation in 2003. Panel (a) shows the maximum value of the old-age check in 2020-values, inflating nominal values with the index used to automatically adjust nominal tax and transfer parameters (roughly equal to nominal wage growth). The figure highlights that the value of the old-age check was increased over and above the normal indexation in 2005, 2007, 2009, and 2013. Panel (b) shows the threshold value of the asset test in 2020-values inflating nominal values with the same index ( $\$1 = 6.53$  DKK in 2020). The figure highlights that the threshold was increased over and above the normal indexation by around 15 percent in 2010. Panel (c) shows the threshold income levels where phase-out of the old-age check begins (red dashed line) and where it ends (green solid line) (inflating nominal values with the same index). The figure highlights that the income test was initially very strict but has been unchanged (in real terms) since 2005 except for a small increase in the income threshold values in 2019.

Figure A.2: Wider Density Distribution of Default Liquid Wealth



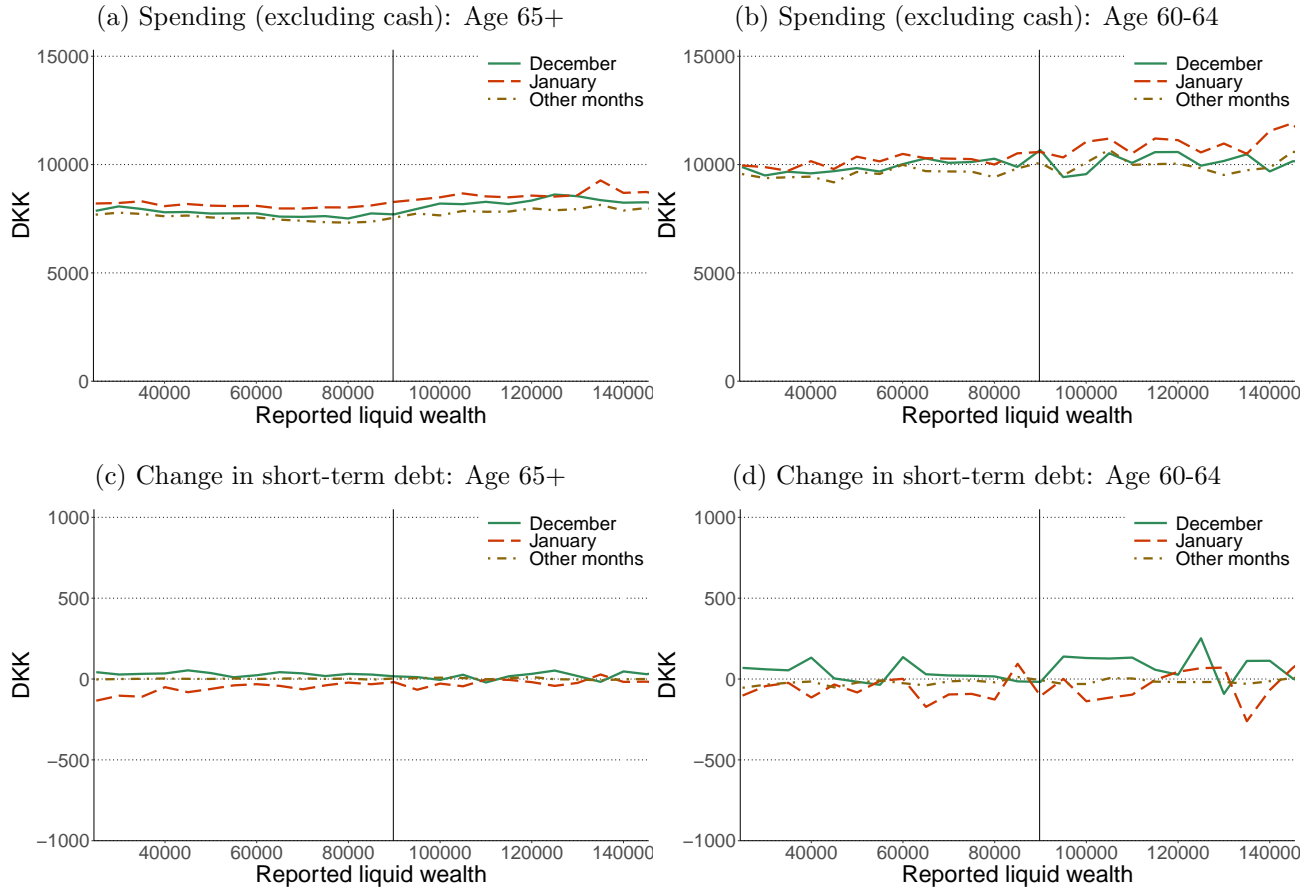
*Notes:* The figure illustrates the density distribution of default liquid wealth for age-eligible, low-income singles. It is analogous to Figure 1(b) except that it displays a larger portion of the distribution and plots the percentiles P10, P25, P50, P60, P70, and P75 (dashed green vertical lines). The excess mass below the asset test threshold (solid vertical line) remains a clear and salient feature of the distribution when taking a broader view than in the main analysis despite the large mass at very low wealth levels. Default liquid wealth is third-party reported value of bank deposits and listed securities before any self-reported corrections. Age-eligible means age 65 or older. Income is net of social security and before self-reported corrections. Low-income refers to incomes below the threshold where the old-age check is fully phased out. The figure pools observations for 2014-2018. Liquid wealth is inflated to 2020-values with the growth rate in the asset test threshold which is indexed to the average wage earnings per worker economy wide ( $\$1 = 6.53$  DKK in 2020). The horizontal axis groups individuals into DKK 5,000 bins of liquid wealth. Densities refer to the full distribution and not just the portion of the distribution displayed.

Figure A.3: Estimating the Impact as the Asset Test on Wealth Percentiles:  
Further Evidence



Notes: Panel (a) depicts default liquid wealth densities of low-income elderly born in 1941-1945 for by age group 60-64, 65-69, 70-74. It shows that the excess bunching is much larger at age 70-74 than at age 65-69 as the response to the asset-test builds over time after the eligibility age of 65. Panel (b) depicts coefficients from a regression that takes a dummy for having default liquid wealth in the region between 50 percent and 100 percent of the threshold as the outcome regressed on age dummies and individual fixed effects. The horizontal bars are the 95 percent confidence intervals (clustered at the individual level). Coefficients are relative to age 64 (just before eligibility starts at age 65). The panel shows that excess bunching increases discretely by 2.5 points once a person becomes eligible at age 65 and that bunching continues to increase with age afterwards. Panel (c) depicts the cumulative default liquid wealth distributions as in Figure A.3(b) but doubling the length of the x-axis to 650K DKK to show that the wealth distributions for the control and treatment groups match remarkably well from the 75th percentile up to the 90th percentile, lending credence to our identification assumption that absent the old-age check, the two distributions would be identical.

Figure A.4: Spending and Short-term Debt: Evidence from Bank Data



*Notes:* The figure uses bank data for 2014-2016 to identify temporary responses to the asset test of the old-age check around the end of the year following the model of Figure 4(c)-(d). It shows spending (top panels) and changes in consumer debt (bottom panels) by bank liquid wealth comparing with each panel December (solid green line), January (dotted brown line) and other months (dotted red line) and comparing across panels the treated group of age-eligible (aged 65+), low-income singles (left panels) to a slightly younger control group of age-ineligible (aged 60-64), low-income singles (right panels). Income is net of social security and before self-reported corrections. Low-income refers to incomes below the income threshold where the old-age check is fully phased out. The vertical line indicates the nominal value of the asset test threshold in 2020. Liquid wealth is inflated to 2020-values using the growth rate in the asset test threshold which is indexed on the average wage ( $\$1 = 6.53$  DKK in 2020). The horizontal axis groups individuals into DKK 5,000 bins of liquid wealth. The vertical axis plots the mean of the variable of interest by liquid wealth bin, month and income group.