

Does Taxation Affect Marriage and Family Planning Decisions?

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ABSTRACT

This paper examines the effects of taxes on the timing of births and marriages in Japan using the “National Survey on Families” (Kazoku ni tsuite no Zenkoku Chousa). We estimate the average effect of the income tax deduction for dependents on the timing of births for those parents who are most likely to be affected by the tax deduction. Rather than estimating the average effects of the tax deduction on the timing of births for all parents, we focus only on those who are likely to be able to time their children’s birth. In order to do this, we use a new control group, namely, those mothers whose age at the time of birth is 35 or older. It is assumed that for biological reasons they cannot time conception, whereas their younger counterparts are likely to time conception.

The analysis of the effects of income tax deductions for spouses on the timing of marriage is an understudied area. Little attention has been paid to the impact of taxes on individual marriage decisions. Like the analysis of the timing of births, we estimate the average effect of the income tax deductions on the timing of marriages for those women who are most likely to be affected by the tax deduction policy. For this reason, women who have never worked before are the focus of this paper’s analysis..

There is some evidence to suggest that Japanese couples time conception to obtain some economic benefits associated with the deduction for dependents. However, the size of the effect is found to be rather small. Moreover, there is no evidence to suggest that the spouse deduction affects the decision of when to marry.

Keywords: births, family planning, marriage, taxation, timing.

JEL Classification Codes: J12, J13