

The Inheritance Tax and Household Mobility: An Exploration of Empty Nest Problem

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Abstract

The underutilized housing stock is a problem caused by the mismatch between housing stock and demand. Two forms of mismatch are vacant homes and empty nests. Vacant homes reflect a thin second-hand housing market whereas empty nests are associated with low mobility. This study sheds light on the cause of empty nests by focusing on bequest motives and the inheritance tax. By using Japanese household panel data, we first explore how the characteristics of household and housing are associated with empty nests, bequest motives, mobility, and renovation decisions. By the two-stage estimation of the bequest and mobility/renovation equations, we find that the inheritance tax decreases bequest motives and in turn increases the mobility and renovation activities. Thus, the inheritance tax exemption exacerbates the empty nest problem by decreasing household mobility and renovation through greater bequest motives. Bequest motives are also positively impacted by a coresident male child, financial wealth, and a self-employment status. Mobility decreases by age but increases by house size. In contrast, renovation decreases by retirement but increases by financial wealth, a self-employment status, and if a house is constructed under new earthquake-resistance standards.

Keywords: bequest motives, inheritance tax, empty nest, residential mobility, renovation, aging, capital utilization

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