

# The Tax Effects on Human Capital Accumulation in Japan

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## Abstract

While female employment rate substantially increased in recent decades in Japan, many women remain in part-time, low-skilled jobs. One of the key obstacles for female labor supply are tax notches for secondary earners caused by the tax and social insurance system. Consequently, married women's income distribution exhibits notable bunching at two thresholds: 1.03 million and 1.3 million JPY. Using the newly available municipality tax records combined with residential registration, we show that, while the steady increase of minimum wage pushes female part-time workers income upward, those right below the threshold keep their income below the threshold, presumably by decreasing hours of work.