

TAXATION, LIFE-TIME UNCERTAINTY AND NON-INDUSTRIAL PRIVATE FOREST-OWNER'S DECISION-MAKING

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The nonindustrial private forest (NIPF) owner's harvesting, consumption and bequest decisions are investigated under inheritance and capital income taxes using a two-period model. The impact of the forest-owner's age is introduced into the analysis through a parameter of perceived probability of surviving through a future period. This allows us to study the impacts of ageing on consumption and harvesting decisions as well as to see how the impact of taxes changes over the forest-owner's lifetime. The results show that current consumption typically increases with the age of the forest-owner if bequests are more heavily taxed than consumption. In general, we find that tax effects are dependent on the forest-owner's age. Age tends to intensify the increasing effect of the forest bequest tax on harvesting. The same is true with respect to the decreasing effect on harvesting of the inheritance tax imposed on non-forest assets. Furthermore, the forest-owner's age tends to intensify the effect on harvesting of the capital income tax imposed on forest assets, but diminishes the effect on harvesting of the capital income tax imposed on non-forest assets.

Key words: Capital income taxes. Consumption. Harvesting. Human ageing. Inheritance taxes. Perceived probability of surviving.

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