

## OVERVIEW [A. Magro's presentation]

Why (not) pursue a career in tax?

Can behavioral tax researchers make a contribution to the accounting literature?

Is there anything left to study using behavioral theory or methods in tax?



1

## Behavioral tax publications 1998-2007

| Journal | Tax pros             | Taxpayers   | others |
|---------|----------------------|-------------|--------|
| TAR     | 2 + 1<br>forthcoming | 1           | 0      |
| JAR     | 1                    | 0           | 0      |
| JAЕ     | 0                    | 0           | 0      |
| CAR     | 1                    | 2 + 1 maybe | 0      |
| AOS     | 1                    | 0           | 0      |
| RAST    | 0                    | 0           | 0      |



2

## Behavioral tax publications 1998-2007

| Journal | Tax pros | Taxpayers | Others |
|---------|----------|-----------|--------|
| JATA    | 10.5     | 12.5      | 1      |
| BRIA    | 0        | 2         | 0      |



3

## Can we make a contribution?

When tax DM tasks, individuals, and environments differ from audit, managerial and financial accounting

When tax DM tasks, individuals, and environments differ from audit, managerial and financial accounting



4

# Taxpayer Decision Making

| TASKS                             | INDIVIDUAL/TASK/ENVIRONMENT |
|-----------------------------------|-----------------------------|
| Self vs. professional preparation | Decision aids               |
| Seeking advice                    | Dynamic information         |
| Evaluating advice                 | Knowledge                   |
| Transaction planning              | Experience                  |
| Reporting including estimates     | Tax prep                    |
| Payments/withholding              | Audit                       |
| Record keeping                    | Penalties                   |
| Litigation against practitioner   | Interest                    |
| Interactions with IRS             | Audit rates                 |
| Negotiations                      | Complexity                  |
| Settlements                       | Framing                     |
| Litigation                        | Deadlines                   |
| Payment arrangements              | Risk preferences            |
|                                   | Uncertainty                 |
|                                   | Demographics                |
|                                   | Tax rates                   |

# Tax Professionals: Tasks

|                                 |                                    |
|---------------------------------|------------------------------------|
| Transaction-based DM            | Documentation/justification        |
| Fact identification             | Client communications              |
| Issue identification            | Practice management                |
| Information identification      | Client selection                   |
| Search                          | Client retention                   |
| Selection                       | Review process                     |
| Stopping rules                  | Negotiations                       |
| Information evaluation          | Clients                            |
| Information weighting           | IRS                                |
| Analogical reasoning            | Prof. staff management/development |
| Information combination         | Training                           |
| Transaction recommendation      | Staffing                           |
| Transaction identification      | Time budgeting                     |
| Risk assessment                 | Time recording                     |
| Transaction selection           | Outsourcing                        |
| Reporting option recommendation |                                    |
| Option identification           |                                    |
| Risk assessment                 |                                    |
| Option selection                |                                    |

# Tax Professionals: Individual/Task/Environment Factors

|                                |                        |
|--------------------------------|------------------------|
| Dynamic information            | Decision aids          |
| Teams                          | Practice risk          |
| Groups                         | Regulatory environment |
| Hierarchical teams             | Professional standards |
| Expertise                      | Government regulation  |
| Experience                     | Support thresholds     |
| Incentives                     | Penalties              |
| Knowledge/memory               | Client characteristics |
| Planning/compliance            | Litigation risk        |
| Complexity                     | Time pressure          |
| Ambiguity                      | Outsourcing            |
| Creativity                     | Certification          |
| Client preferences             | Ethics                 |
| Accountability                 | Financial reporting    |
| Information order/presentation | Risk preferences       |
|                                | Client advocacy        |

# Other parties

| TASKS                        | INDIVIDUAL/TASK/<br>ENVIRONMENT |
|------------------------------|---------------------------------|
| FIN 48 analyses              | Knowledge                       |
| Auditors                     | Experience                      |
| Tax pros                     | Expertise                       |
| Financial                    | Incentives                      |
| accountants                  | Complexity                      |
| Negotiations and settlements | Ambiguity                       |
| – IRS                        |                                 |
| Applying the law - Judges    |                                 |

# Literature Reviews

---

## Taxpayer Decision Making

- Jackson and Milliron. 1986. *Journal of Accounting Literature*
- Cuccia. 1994. *Journal of Accounting Literature*

## Tax Professional Decision Making

- Shields, Solomon and Jackson. 1995. Book Chapter. *Behavioral Tax Research: Prospects and Judgment Calls*
- Roberts. 1998. *Journal of the American Accounting Association*

