

## **I. INTRODUCTION**

Although high-profile audit claims (e.g., Enron, WorldCom and HealthSouth) receive the headlines, the majority of all malpractice claims filed against CPAs are tax-related. Tax-related claims exceed all others in both frequency and severity due to the technical nature of tax issues and the complex and ever-changing federal tax code (Camico 2005b; Keating 2003; Donnelly et al. 1999; Yancey 1996). The relative frequency of tax-related claims increased from 22 percent in 1986 to 55 percent in 2004 (Camico 2005b).

Despite this risk, tax-related services continue to be the largest source of revenue for CPA firms across the nation (47 percent), with tax service fees increasing more than 40 percent from 2001 to 2003 (PCPS 2003). According to the Public Accounting Report (2006), tax-related revenues account for more than 30 percent of the total net revenues of America's top 100 accounting firms.

### **Costs of a Malpractice Claim**

A malpractice claim, whether defensible or frivolous, results in both economic and non-economic damages. Economic damages may include the cost of the litigation (e.g., attorney and expert fees), increased insurance premiums, loss of billable hours and clients, settlement payments, damage awards and even bankruptcy (Palmrose 1988; Dalton et al. 1997). Non-economic damages may include injury to the practitioner's professional reputation and emotional harm. The emotional cost of malpractice claims is so well documented in the medical community that it has been labeled "malpractice stress syndrome" (Olson 2000).

Typical symptoms of this syndrome include feelings of isolation, negative self-image, physical illness and depression (Charles and Kennedy 1985). The emotional impact of malpractice claims frequently extends to family members, destroying relationships and provoking depression, anger and anxiety (Eisenberg 1987).

The increased frequency of tax malpractice claims creates the need for strategies to mitigate and avoid exposure. One such strategy, suggested by auditing research, is the use of decision-aid tools, e.g., professionally designed software. Examples of professional tax preparation software include Lacerte, ProSeries, Ultra Tax and ProSystem (Zarowin 2006).

### **Tax Preparation Software**

This decision-aid tax software offers structured processing of income tax returns and decision support systems (DSS) programmed to identify potential errors and return failures (Masselli et al. 2002). Decision-aid tax software complements expert decision-making during complex problem analysis and resolution (Arnold et al. 2004).

Decision aids enhance consensus and provide supporting documentation, both of which are particularly relevant in tax malpractice litigation. Consensus, or what other practitioners would have done in a similar situation, is helpful in developing a standard of care defense (Kelly and Michela 1980; Ashton and Willingham 1988; Ashton 1992; Messier 1995). Documentation, which establishes facts, assumptions and representations, can be critical in

demonstrating professional due diligence (Lys and Watts 1994; Stuart 2001; Chan et al. 2005).

Prior research supports the value of decision aids as a defense against audit malpractice actions. Studies indicate that decision aids can influence jurors' assessments of auditor liability, but only if the aid is perceived as reliable (Lowe et al. 2002).

### **Purpose of Study**

With this foundation, we utilize attribution theory and the methodology of Lowe et al. (2002) to investigate the effect of decision-aid use on jurors' evaluations of tax practitioners' liability for tax return failure. We also test the influence of responsibility evaluations, firm size, firm fees and demographic characteristics on jurors' damage assessments.

Our results indicate that tax practitioners' use of decision aids does influence jurors' evaluations of liability, reducing liability if the recommendation of the aid is implemented and increasing liability if the recommendation is overridden. We find damage assessments against tax practitioners to be positively related to jurors' evaluations of liability, firm size and juror attitudes, but not firm fees or juror demographic characteristics.

The remainder of the paper includes development of the research hypotheses, description of the research design and methodology, conclusions and implications.

## **II. HYPOTHESES DEVELOPMENT**

The juror's task in an accounting malpractice case is to assess liability and damages (Viscusi 2001). During the first stage of the task, held in open court, jurors consider evidence, including testimony of fact and expert witnesses, oral arguments of counsel (opening and closing statements) and instructions from the judge. During the second stage of the task, jury deliberation, jurors are challenged with making findings of fact and applying the law in accordance with instructions given by the judge.

### **Tax Return Failure**

The quality of a tax return, much like the quality of an audit, is not discernible until a failure is identified, often through examination (audit) by a third party (e.g., the IRS). Tax return failures may result in additional tax due, as well as penalties and interest charges. Common tax return failures include (1) missed filing deadlines; (2) personal residence issues; (3) divorce-related issues; (4) like-kind property exchanges; and (5) alternative minimum tax (AMT) (Donnelly et al. 1999). Our study involves a hypothetical tax malpractice setting in which the practitioner has failed to properly compute AMT.

### **Standards of Care: IRS v. AICPA**

Tax malpractice claims (alleging return failure) are based on tort of negligence principles. Negligent tort, is a "tort (e.g., breach of duty) committed by failure to observe the standard of care required by law under the circumstances"

(Black's Law Dictionary 1999, 1497). Before judging the actions of a defendant, jurors must first determine the appropriate benchmark or "standard of care" (Wolfman et al. 2004).

In tax practice, CPAs must adhere to two different sets of practice standards of care: (1) Treasury Department Circular No. 230 (Rev. 6-2005) provided by the Internal Revenue Service; and (2) Statements on Standards for Tax Services 1-8 (SSTs), August 2000, provided by the AICPA. The Treasury Department and the IRS have recently revised Circular 230 (effective June 30, 2005) in an effort to enhance compliance and ethical standards (IRS 2005). These new regulations propose "aspirational" best practices. The AICPA's tax practice standards are also ethics-based but prescribe a "range of behavior" to be evaluated on a case-by-case basis (AICPA 2000).

Different practice standards (or benchmarks) increase the risk of litigation. For example, a plaintiff's attorney could leverage the provisions of one set of standards, i.e. Circular 230 (including its aspirational best practices), against the other, the AICPA's professional standards, creating confusion, discord and doubt for fact finders (Camico 2005a). Furthermore, "jurors are more likely to rule against a CPA firm when the profession's standards are offered in defense and less likely to rule against it when government standards of performance are offered in defense," because jurors see professional standards as somewhat self-serving, favoring the practitioner and not the client (Buckles and Peace 1993, 164).

## **Liability Implications of Decision-Aid Use**

Despite the sophistication of computer assisted decision aids, research finds that practitioners commonly fail to properly use such tools, resulting in failures in judgment, errors and omissions (Ashton and Willingham 1988; Ashton 1990; Pincus 1989). Studies conducted by Ashton (1990) and Anderson et al. (1995) find that the use of decision aids creates a higher performance standard (benchmark) for practitioners, especially in situations where the decision aids are underutilized.

The use of decision aids may negatively affect a practitioner's legal liability by creating an increased (overstated) standard of care. Overriding a decision-aid recommendation is arguably "evidence of a lack of due professional care" (Messier 1995, 214). Lowe et al. (2002, 188) assert that "to fully understand the legal implications of decision aids, we must consider both their effect on audit quality and whether they change the standard of care (i.e. whether they raise the bar) against which auditors will be evaluated." Furthermore, there may be a shifting of "perceived standards of care by providing a ready benchmark" in the evaluation of the defendant practitioner's judgment, care, skill and diligence (Lowe et al. 2002, 188).

Expanding on Messier (1995), Lowe et al. (2002) find that decision aids can have a positive, negative or neutral effect on a practitioner's legal liability, depending on how the tool is used and its reliability. For high-reliability aids, jurors are observed to attribute (1) more responsibility for failure to a practitioner who overrides the recommendation of a decision aid than when the practitioner

chooses not to use the decision aid and (2) lower responsibility to a practitioner who relies on the recommendation of a highly reliable decision aid, *even if its recommendation is incorrect*. Low-reliability decision aids are found to have no impact on jurors' liability judgments regardless of utilization.

Following Lowe et al. (2002), we anticipate that the use of decision aids will influence jurors' assessments of a tax practitioner's liability only if the tool is reliable.

**H1:** Jurors' evaluations of a tax practitioner's responsibility for tax return failure will be influenced by the extent to which the tax practitioner uses an available decision aid, but only if the aid is reliable.

Consistent with Lowe et al. (2002), we also examine three sub-hypotheses of H1 with varying levels of decision-aid use:

**H1a:** Jurors will attribute more responsibility when the practitioner overrides the recommendation of a decision aid, but only if the aid is reliable;

**H1b:** Jurors will attribute less responsibility when the practitioner relies on the incorrect recommendation of a decision aid, but only if the aid is reliable; and

**H1c:** Jurors will attribute more responsibility when the practitioner fails to utilize a decision aid, but only if the aid is reliable.

## **Damage Assessments**

Contrary to legal principle, substantial research suggests that jurors' assessments of damages are significantly influenced by the perceived conduct of the defendant, as opposed to the stated value of the plaintiff's injuries (Smith and Green 2005; Green et al. 2001). Jurors' perceptions are thought to be dependent, in part, on the severity of the consequences or hindsight bias (ex post) (Lowe et al. 2002; Chan et al. 2005; Kadous 2000; Jennings et al. 1993, 1998; Anderson et al. 1995, 1997; Casper et al. 1988, 1989). Hindsight bias, generally defined as the tendency for people with outcome knowledge to believe falsely that they would have predicted the outcome, can potentially undermine judgmental accuracy about past events (Smith and Greene 2005; Kadous 1996; Hawkins and Hastie 1990). As summarized by Viscusi (2001, 116), the "ex post perspective of litigation exerts a hydraulic force that distorts judgment."

Research suggests that even professionally trained judges' evaluations of performance can be subject to hindsight bias and not conditions existing at the time of the decision (Anderson et al. 1997). Judges often overestimate, ex post, their ability to have predicted a known outcome and therein assign fault to practitioners for their failure to have anticipated negative client consequences (Jennings et al. 1998). Hindsight bias is particularly relevant in tax malpractice cases because ex post consequences (a legally irrelevant case feature) can affect the standard of care to which jurors hold practitioners (Kadous 2000).

Lowe et al. (2002) also identify a relationship between jurors' attributions of responsibility and assessments of damages to auditors. We expect the same for tax practitioners.

**H2:** Jurors' damage assessments will be positively related to their assessments of the tax practitioner's responsibility for the tax return failure.

Another significant bias identified in accounting-related litigation is perceived wealth or the deep pockets principle, which is based on the premise that jurors are more likely to find in favor of the plaintiff, regardless of the merits of the case, when the defendant is considered wealthy (having deep pockets). Research suggests that accountants are perceived as having "deep pockets" and that claims against them are motivated more by opportunity than proximate cause (Lennox 1999; Palmrose 1994; Alexander 1991; Cloyd et al. 1996). Even professional arbitrators were found more likely to rule in favor of the plaintiff and more likely to award more to plaintiffs when the defendants had deep pockets (Wittman 2004). According to Krauss (2000), the deep pockets principle dominates tort law, which is applicable to tax malpractice cases.

Lowe et al. (2002) find that jurors are inclined to award greater damages when the defendant is large (i.e. has deep pockets). We expect the same for tax practitioners.

**H3:** Jurors' damage assessments for tax return failure will be positively related to firm size, i.e. higher damage awards against large firms than against small firms.

We add to Lowe et al. (2002) an additional explanatory variable: significance of the practitioner's fee. Brandon and Mueller (2006) find that jurors are inclined to judge CPAs who receive significant fees (as opposed to modest fees) more responsible, due to the perception that such practitioners act in their own best interests. This finding is consistent with Lys and Watts (1994), who examine this and other practitioner characteristics hypothesized to be associated with litigation and find that the proportion of total firm fees to specific audit engagement fees contributes to liability. We expect the same for tax engagements.

**H4:** Jurors' damage assessments for tax return failure will be positively related to firm fees, i.e. higher damage awards against a tax practitioner who charges a large fee.

### **III. RESEARCH METHOD**

#### **Overview of Experiment**

Following the design of Lowe et al. (2002), we presented a hypothetical tax malpractice case to participants via a written summary, a videotape<sup>i</sup> and a proctor. The case background described the relevant facts and case circumstances, including the nature of the tax engagement and the profile of the

accounting firm. Participants were instructed (as in a real trial) regarding a tax practitioner's duties and responsibilities, with AICPA Statements on Standards for Tax Service and Treasury Regulation 230 presented and described as authoritative.

Participants were then randomly assigned to one of four case scenarios and challenged to assume the role of a juror. Participants were advised that, in a normal trial, more information and time would be available to them than the subject experiment allows. Participants were then given packets containing additional scenario-specific information, which they were asked to review and consider before answering a series of questions. The experiment task is summarized in Table 1.

**--- Insert Table 1---**

## **Participants**

Participants in this study were 226 qualified jurors who had completed juror orientation. Juror orientation, conducted by Circuit Court Judges, serves to motivate and educate prospective jurors regarding their challenge— judgment of facts to resolve civil disputes or determination of the guilt or innocence of persons charged with crimes. Research indicates that jurors exposed to orientation are significantly more knowledgeable about the legal process and more comfortable with their challenge than those not exposed (Bradshaw et al. 2005).

To stimulate participant cooperation, volunteers were compensated \$15 each. The use of incentives to stimulate participant cooperation is commonplace, although the amounts (as in this case) are generally modest (e.g., Lowe et al. 2002). Table 2 presents a demographic profile of the participants. As illustrated, the majority are married middle-aged females with a high school education and modest income.

--- Insert Table 2---

### **Design and Research Variables**

The hypotheses presented above define the variables to be measured: four levels of decision-aid use and two levels each of decision-aid reliability, firm size and fee size (for a between-subjects 4 x 2 x 2 x 2 design). Table 3 presents a summary of the factorial design.

--- Insert Table 3---

### **Independent Variables**

Consistent with Lowe et al. (2002), the first independent variable has four decision-aid use conditions: (1) a control group wherein the practitioner has not implemented a decision-aid tool because none was available; (2) an experimental group wherein the practitioner used a decision-aid tool but chose to override its recommendation; (3) an experimental group wherein the practitioner used a decision-aid tool and relied on its incorrect recommendation; and (4) an experimental group wherein the practitioner chose not to use an available decision-aid tool.

The second, third and fourth independent variables (each with two levels) are reliability of the decision-aid tool, firm size and significance of fees. Reliability is either low (81 percent historical accuracy of the tool) or high (90 percent historical accuracy of the tool); firm size is either large (25 plus professionals) or small (fewer than 25 professionals); and fees paid are either large (\$5,000 or more) or small (less than \$5,000). The design of Lowe et al. (2002) (4 x 2 x 2) was enhanced by the inclusion of the last independent variable— fee size.

### **Dependent Variables**

Also consistent with Lowe et al. (2002), two dependent variables are tested: (1) jurors' attributions of responsibility to the tax practitioner; and (2) jurors' damage assessments against the tax practitioner. The first dependent variable captures jurors' beliefs regarding the extent to which the tax practitioner should be held responsible for the losses that the plaintiff claims resulted from the engagement failure. The following three questions were asked to measure attribution of responsibility:

- (1) Do you believe the CPA firm exercised due professional care in its work for the plaintiff?
- (2) How competent do you believe the CPA firm was in performing its work for the plaintiff?
- (3) To what degree do you believe the plaintiff is responsible for his loss?

Participants responded to the above questions on a ten-point Likert scale, with lower (higher) values suggesting that the tax practitioner was more (less) responsible for the engagement failure. Factor analysis was then used to combine these three questions into an overall measure of juror attribution of responsibility.

To capture the participants' assessments of damages against the tax practitioner (second dependent variable), the following three questions were posed:

- (1) To what degree do you believe the CPA firm was ineffective and therefore should reimburse the plaintiff?
- (2) What is the likelihood that you would support the plaintiff's claim for *some* amount of compensation from the CPA firm?
- (3) What is the likelihood that you would support the plaintiff's claim for the *total* amount of compensation from the CPA firm?

Participants also responded to the above three questions on a ten-point Likert scale. Again, factor analysis was used to combine the questions into an overall measure of juror damage assessments. Finally, demographic variables that could influence jurors' assessments of responsibility and/or damages were recorded: gender, age, education and income (see Table 2).

#### **IV. RESULTS**

Tables 4 and 5 present the complete 4 x 2 x 2 x 2 ANOVA for the dependent variables (responsibility evaluations and damage assessments). The first independent variable, decision-aid use, is significantly related ( $p = 0.00$ ) to

both dependent variables, while the second independent variable, firm size, is significantly related ( $p = 0.01$ ) only to damage assessments. Neither of the remaining independent variables (reliability of the decision aid and firm fees) nor their interactions is significantly related to either of the two dependent variables.

--- **Insert Table 4**---

--- **Insert Table 5**---

### **Responsibility Evaluations (H1)**

Under H1, tax practitioners' use of decision aids is expected to influence jurors' attributions of responsibility only if the decision aid is reliable. This hypothesis is tested with an ANOVA model ( $4 \times 2$ ), with the conditions of decision-aid use (four levels) and reliability (two levels) as independent variables and the responsibility factor score as the dependent variable. Table 6 provides the results of the ANOVA, with the corresponding cell means and variances shown in Table 7.

--- **Insert Table 6**---

--- **Insert Table 7**---

As illustrated in Table 6, neither the reliability of the decision aid ( $p = 0.87$ ) nor the interaction between decision-aid use and decision-aid reliability ( $p = 0.92$ ) are statistically significant, failing to support H1. Similarly, Table 7

indicates that no significant difference exists between the means of the attribution scores under the two decision-aid reliability conditions. Table 8 presents the results of planned comparisons to test the sub-hypotheses of H1.

**--- Insert Table 8---**

The planned comparisons do not confirm any of the sub-hypotheses of H1. For each condition of decision-aid use (used and overrode, used and relied and did not use), compared to the control condition (aid not available), the relationship between the independent and dependent variable was statistically significant, regardless of the reliability of the decision aid.

Our results indicate that H1 and its sub-hypotheses should be restated (as H1', H1a', H1b' and H1c'), removing the condition that the decision aid is assumed reliable. Table 9 below presents the results of a regression model to test the amended sub-hypotheses. The dependent variable is the attribution of responsibility score, with higher values indicating lower attributions of responsibility. The independent variables are the three decision-aid use conditions (overrode the recommendation of the decision aid, relied upon the incorrect recommendation of the decision aid and failed to use an available decision aid). The estimated beta coefficients for the independent variables measure the relationship between the decision-aid use condition and the attribution of responsibility, relative to the control condition (decision aid not available).

--- Insert Table 9---

The overall regression model is significant ( $F = 67.58$ ;  $p = 0.00$ ), with the three decision-aid use conditions combining to explain approximately 47% of the variation in the attribution of responsibility scores ( $\text{adj. } R^2 = 0.4702$ ). This evidence is consistent with each of the amended sub-hypotheses for H1', i.e. greatest liability for overriding the aid, greater liability for failing to use the aid and less liability for relying on the incorrect recommendation of the aid.

**Damage Assessments (H2, H3 and H4)**

We use regression analysis to examine whether jurors' damage assessments are influenced by jurors' responsibility evaluations (H2), firm size (H3), firm fees (H4) or juror demographic characteristics. The regression statistics for each tested variable are presented in Table 10.

--- Insert Table 10---

Consistent with H2, the relationship between jurors' responsibility evaluations and damage assessments is significant ( $t = -5.70$ ;  $p = 0.00$ ), suggesting that jurors who attributed higher responsibility to the tax practitioner were more likely to assess greater damages. Consistent with H3, jurors were more likely to assess greater damages against a large firm than a small firm ( $t = 2.04$ ;  $p = 0.043$ ). However, the regression indicates no significant relationship for the

remaining independent variables (firm fees, age, gender, education and income), failing to support H4.

As in Lowe et al. (2002), participants responded to eight Attitude Questions, with a score of one indicating strong disagreement and a score of ten indicating strong agreement. The questions and their respective mean responses are presented in Table 11.

--- **Insert Table 11**---

Adding these attitude responses as explanatory variables to the previous regression model more than doubles its explanatory value (from adj.  $R^2 = .1288$  to 0.2720). As illustrated in Table 12, we identify significant relationships for four of the attitude responses (#3, 4, 6 and 8), indicating that jurors' attitudes influence their damage assessments.

--- **Insert Table 12**---

### **Decision Aids and Standard of Care**

We identify a significant difference in the mean responses to Attitude Q3 (evaluating jurors' perceptions of tax practice standards) among the four decision-aid use conditions, as illustrated in Table 13, with higher values indicating a higher perceived standard. Jurors perceived a higher standard of care when a decision aid was available, implying that the availability of decision-aids enhances professional standards of care. This finding is consistent with H1'.

--- **Insert Table 13**---

Table 14 presents a summary of the study's results.

--- **Insert Table 14**---

## V. CONCLUSIONS

We find a significant relationship between decision-aid use and jurors' attributions of responsibility to the tax practitioner, regardless of the reliability of the decision aid. This differs from Lowe's et al. (2002) research for auditors, which concludes that the relationship is significant *only* if the decision aid is highly reliable.

Also unlike the results for auditors, we find a difference between the responsibility attributed to tax practitioners who failed to use an available decision aid (higher responsibility) and tax practitioners whose firm did not have the decision aid (the control condition - lower responsibility). This research indicates that a decision aid serves to reduce legal exposure *only* if it is used and its recommendation is accepted.

Consistent with Lowe's et al. (2002) findings for auditors, we find that attributions of responsibility and firm size are positively related to damage assessments. On the contrary, we find no relationship between the juror demographic variables tested (age, gender, education and income) and damage

assessments. These findings may be explained by jurors' prior experience with the judicial system (e.g., juror orientation).

We add to Lowe et al. (2002) the consideration of a relationship between firm fees and damage assessments, with the objective of testing jurors' perceptions that fees motivate CPAs to act outside professional standards. Contrary to prior research (Brandon and Mueller 2006; Lys and Watts 1994), we find no significant relationship between firm fees and damage assessments.

Consistent with Lowe et al. (2002) and Kadous (2000), we find that the factors affecting damage assessments (firm size and attitude responses) were not significantly related to attributions of responsibility, indicating that jurors weigh issues differently when assessing damages.

Another enhancement of this study is the increased understandability of the experimental instruments. To increase understandability, we used a video presentation (to accommodate auditory learners) and minimized the reading difficulty of the written instruments (as measured by the Flesch Reading Ease score<sup>ii</sup>). The participants assigned a mean understandability score of 2.7 to the study (with a score of one indicating greater understandability and a score of ten indicating lower understandability). In exit surveys, many of the participants indicated that the video presentation enhanced their understanding of the written materials.

## **Limitations and Implications**

The major limitation of this study is its limited scope compared to an actual litigation scenario. In addition to expanded time and information, an actual tax malpractice case introduces certain external variables (e.g., personalities, perceptions and emotions) that are largely uncontrollable and immeasurable, and such external variables can play a major role in the outcome of a tax malpractice case, particularly in damage awards. A second limitation is introduced by the chosen descriptions for reliability (accuracy levels), firm size and firm fees. It is likely that different descriptions may produce different results. A final limitation is that individual juror's assessments, as evaluated in this study, may not be consistent with the assessment of the jury as a whole (due to groupthink, an interaction effect not measured here).

The implications of this study are relevant to education, governance and practice management, supporting arguments made by Prentice (2001) for educating liability-aware accountants. According to Prentice (2001, 604), "only law students enter the business world with a greater chance of coming face to face with the legal system than accounting students." This study concludes that decision aids, if properly implemented, can serve as an effective tool to mitigate tax malpractice exposure.

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**Table 1**  
**Summary of Experiment Task**

Step 1	The study's purpose, value and incentives are explained. Instructions for the study are distributed and reviewed by the proctor.
Step 2	Participants receive a written summary outlining the general case background, including a general discussion of a tax practitioner's duties and responsibilities in the preparation of tax returns. To enhance participant understanding, this information is also presented via a videotape. The proctor is available to answer general questions.
Step 3	Participants are randomly assigned to one of four case scenarios and receive the balance of the case materials consisting of three packets (A - C) to be opened in alphabetical order.
Step 4	Participants open and read packet A, which describes one of four case scenarios.
Step 5	Participants open and read packet B and respond to a series of questions regarding the case background and specific case scenario.
Step 6	Participants place materials viewed and completed case instruments in "Completed" envelope.
Step 7	Participants open packet C, provide demographic data and respond to debriefing questions.
Step 8	Participants place remaining materials in "Completed" envelope.

**Table 2**  
**Sample Demographics**

<b>GENDER:</b>	#	%	<b>EDUCATION:</b>	#	%
• Male	72	31.9%	• Less Than High School	16	7.1%
• Female	154	68.1%	• High School	69	30.5%
			• Some College	69	30.5%
<b>AGE:</b>			• Bachelor's	42	18.6%
• 18-25	15	6.6%	• Post Graduate	21	9.3%
• 26-35	34	15.0%	• Other	9	4.0%
• 36-45	41	18.1%			
• 46-55	50	22.1%	<b>EMPLOYMENT:</b>		
• 56-65	67	29.6%	• Employee	147	65.0%
• 66 and older	19	8.4%	• Unemployed	27	11.9%
			• Retired	44	19.5%
<b>MARITAL STATUS:</b>			• Self Employed	8	3.5%
• Married	144	63.7%			
• Single	47	20.8%	<b>ANNUAL INCOME:</b>		
• Other	35	15.5%	• Less than \$15,000	47	20.8%
			• \$15,000 - \$30,000	87	38.5%
			• \$30,000 - \$50,000	70	31.0%
			• \$50,000 - \$100,000	20	8.8%
			• More than \$100,000	2	1.0%

**Table 3**  
**Experiment Design**

<i>Independent Variables</i>			
(1)	(2)	(3)	(4)
<u>Decision-Aid Use Conditions</u>	<u>Reliability</u>	<u>Firm Size</u>	<u>Fees</u>
Control Group - Not Available	High	Large	Large
Experiment 1: Utilized & Overrode	Low	Small	Small
Experiment 2: Utilized & Relied			
Experiment 3: Available & Not Utilized			
<i>Dependent Variables</i>			
(1)	(2)		
Jurors' Attributions of Responsibility 3 Questions Ten-point Likert scale	Jurors' Assessments of Damages 3 Questions Ten-point Likert scale		

**Table 4**  
**4 x 2 x 2 x 2 ANOVA**  
**Dependent Variable: Responsibility Evaluations**

Source of Variation	Sum of Squares	df	Mean Square	F	p Value
Overall Model	874.403	31	28.207	6.752	.000
Decision-Aid Use	790.544	3	263.515	63.079	.000
Size	.530	1	.530	.127	.722
Fees	5.123	1	5.123	1.226	.269
Reliability	.830	1	.830	.199	.656
Use x Size	24.311	3	8.104	1.940	.125
Use x Fees	.944	3	.315	.075	.973
Size x Fees	.216	1	.216	.052	.820
Use x Size x Fees	3.465	3	1.155	.277	.842
Use x Reliability	1.494	3	.498	.119	.949
Size x Reliability	2.041	1	2.041	.488	.485
Use x Size x Reliability	5.694	3	1.898	.454	.715
Fees x Reliability	1.383	1	1.383	.331	.566
Use x Fees x Reliability	7.167	3	2.389	.572	.634
Size x Fees x Reliability	2.982	1	2.982	.714	.399
Use x Size x Fees x Reliability	13.226	3	4.409	1.055	.369

**Table 5**

**4 x 2 x 2 x 2 ANOVA**  
**Dependent Variable: Damage Assessments**

Source of Variation	Sum of Squares	df	Mean Square	F	p Value
Overall Model	762.597	31	24.6	5.015	.000
Decision-Aid Use	604.287	3	201.429	41.061	.000
Size	31.688	1	31.688	6.460	.012
Fees	1.764	1	1.764	.360	.549
Reliability	.474	1	.474	.097	.756
Use x Size	23.974	3	7.991	1.629	.184
Use x Fees	19.811	3	6.604	1.346	.261
Size x Fees	.832	1	.832	.170	.681
Use x Size x Fees	10.682	3	3.561	.726	.538
Use x Reliability	3.802	3	1.267	.258	.855
Size x Reliability	1.634	1	1.634	.333	.565
Use x Size x Reliability	13.615	3	4.538	.925	.430
Fees x Reliability	1.788	1	1.788	.365	.547
Use x Fees x Reliability	3.498	3	1.166	.238	.870
Size x Fees x Reliability	4.278	1	4.278	.872	.352
Use x Size x Fees x Reliability	7.587	3	2.529	.516	.672

**Table 6**

**Effects of Decision-Aid Use and Decision-Aid Reliability on Jurors' Responsibility Attributions (H1)**  
**ANOVA Model**

<b>Source of Variation</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>p Value</b>
Overall Model	806.32	7	115.19	28.58	0.00
Decision-Aid Use	802.27	3	267.42	66.36	0.00
Decision-Aid Reliability	0.11	1	0.11	0.027	0.87
Use x Reliability	2.01	3	0.67	0.12	0.92

**Table 7**  
**Effects of Decision-Aid Use and Decision-Aid Reliability on Jurors'**  
**Responsibility Attributions (H1)**  
**Mean Juror Attribution Score, (Standard Deviation), Cell Sizes**

	<b>Low Reliability</b>	<b>High Reliability</b>
Control Group – No Decision Aid	6.90 (1.81) 21	6.82 (1.76) 28
Tax Practitioner Overrides Decision Aid	3.22 (1.48) 30	3.11 (1.36) 28
Tax Practitioner Relies on Incorrect Decision Aid	8.38 (2.33) 30	8.14 (2.42) 28
Decision Aid Available But Not Used	5.64 (2.28) 33	5.89 (2.23) 28

**Table 8**  
**Effects of Decision-Aid Use and Decision-Aid Reliability on Jurors'**  
**Responsibility Attributions (H1)**  
**P Values of Planned Comparisons**

	<b>Low Reliability</b>	<b>High Reliability</b>
Tax Practitioner Overrides Decision Aid (H1a)	0.000	0.000
Tax Practitioner Relies on Incorrect Decision Aid (H1b)	0.010	0.012
Decision Aid Available But Not Used (H1c)	0.018	0.045

**Table 9**

**Results of Regressing Jurors' Responsibility Attributions on  
Decision-Aid Use**

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t Stat</b>	<b>p Value</b>
Overrode Aid	-3.6934	0.3865	-9.5571	0.0000
Relied Upon Incorrect Aid	1.4101	0.3865	3.6488	0.0003
Did Not Use Aid	-1.1030	0.3821	-2.8870	0.0043

**Table 10**

**Results of Regressing Jurors' Damage Assessments on Jurors' Responsibility Evaluations (H2), Firm Size (H3) Firm Fees (H4) and Juror Demographic Characteristics**

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t Stat</b>	<b>p Value</b>
Intercept	7.6850	0.8767	8.7658	0.0000
Responsibility	-0.3683	0.0646	-5.6976	0.0000
Size	0.7217	0.3536	2.0406	0.0425
Fees	-0.2804	0.3484	-0.8049	0.4218
Age	0.0038	0.0131	0.2934	0.7695
Gender	0.0637	0.3783	0.1685	0.8664
Education	-0.0593	0.1700	-0.3488	0.7276
Income	-0.2431	0.2140	-1.1362	0.2571

**Table 11**  
**Attitude Questions and Mean Responses**

#	Question	Mean Response
1	The accuracy of an individual's income tax return is primarily the responsibility of the individual and not the tax return preparer.	7.0
2	The role of a tax preparer is to act fairly and with integrity in applying the pertinent tax law to the relevant facts and to advise the client regarding the importance of conclusions reached.	9.5
3	The current standards of tax practice are very high.	8.6
4	Large CPA firms charge large fees and therein should suffer when their clients suffer.	4.7
5	Tax preparers cannot look at every client transaction and must rely on information provided by the client in preparing tax returns.	6.8
6	One role of a tax preparer is to guard against IRS examinations.	6.5
7	With the help of big CPA firms, high-income taxpayers do not pay their fair share of taxes.	6.2
8	One role of the tax preparer is to actively search for ways to reduce a client's tax liability	7.8

**Table 12**  
**Results of Regressing Jurors' Damage Assessments on Various Factors**

### Regression Output

Variable	Coefficient	Std. Error	t Stat	p Value
Responsibility	-0.3983	0.0618	-6.4404	0.0000
Firm Size	0.7320	0.3284	2.2290	0.0269
Significance of Fees	-0.2228	0.3211	-0.6936	0.4887
Age	0.0119	0.0122	0.9715	0.3324
Gender	0.3699	0.3641	1.0157	0.3110
Education	-0.2489	0.1671	-1.4891	0.1380
Income	0.0687	0.2039	0.3370	0.7365
Attitude Q1	-0.0935	0.0775	-1.2072	0.2287
Attitude Q2	0.2484	0.1589	1.5635	0.1195
Attitude Q3	-0.5182	0.1170	-4.4278	0.0000
Attitude Q4	0.1585	0.0744	2.1314	0.0342
Attitude Q5	-0.1114	0.0775	-1.4377	0.1520
Attitude Q6	0.2030	0.0815	2.4919	0.0135
Attitude Q7	-0.0802	0.0755	-1.0612	0.2898
Attitude Q8	-0.1804	0.0898	-2.0078	0.0460

**Table 13**  
**Mean Response to Attitude Question #3**

	<b>Mean Response</b>
Aid Not Available	7.3
Overrode Aid	9.1
Relied Upon Incorrect Aid	9.2
Did Not Use Aid	8.6

**Table 14**  
**Results Summary**

#	Hypothesis	Accept / Reject
H1	Jurors' evaluations of a tax practitioner's responsibility for tax return failure will be influenced by the extent to which the tax practitioner uses an available decision aid, but only if the aid is reliable.	Reject
H1a	Jurors will attribute more responsibility when the practitioner overrides the recommendation of a decision aid, but only if the aid is reliable.	Reject
H1b	Jurors will attribute less responsibility when the practitioner relies on the incorrect recommendation of a decision aid, but only if the aid is reliable.	Reject
H1c	Jurors will attribute more responsibility when the practitioner fails to utilize a decision aid, but only if the aid is reliable.	Reject
H1'	Jurors' evaluations of a tax practitioner's responsibility for tax return failure will be influenced by the extent to which the tax practitioner uses an available decision aid.	Accept
H1a'	Jurors will attribute more responsibility when the practitioner overrides the recommendation of a decision aid.	Accept
H1b'	Jurors will attribute less responsibility when the practitioner relies on the incorrect recommendation of a decision aid.	Accept
H1c'	Jurors will attribute more responsibility when the practitioner fails to utilize a decision aid.	Accept
H2	Jurors' damage assessments will be positively related to their assessments of the tax practitioner's responsibility for the tax return failure.	Accept
H3	Jurors' damage assessments for tax return failure will be positively related to firm size, i.e. higher damage awards against large firms than against small firms.	Accept
H4	Jurors' damage assessments for tax return failure will be positively related to firm fees, i.e. higher damage awards against a tax practitioner who charges a large fee.	Reject

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<sup>i</sup>The use of a videotape presentation to clarify written material was an enhancement to Lowe et al. (2002).

<sup>ii</sup> The Flesch Reading Ease score measures the reading comprehension difficulty of a written passage.