Summer 2000

An empirical analysis of taxpayers' attitudes and behavioral intentions regarding compliance with federal income tax laws

Stanley Wayne Hays

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AN EMPIRICAL ANALYSIS OF TAXPAYERS' ATTITUDES AND BEHAVIORAL INTENTIONS REGARDING COMPLIANCE WITH FEDERAL INCOME TAX LAWS

by

Stanley W. Hays, M.P.A., C.P.A.

A Dissertation Presented in Partial Fulfillment
of the Requirements for the Degree
Doctor of Business Administration

COLLEGE OF ADMINISTRATION AND BUSINESS
LOUISIANA TECH UNIVERSITY

AUGUST, 2000

LOUISIANA TECH UNIVERSITY

THE GRADUATE SCHOOL

August 17, 2000
Date

We hereby recommend that the dissertation prepared under our supervision by Stanley W. Hays entitled An Empirical Analysis of Taxpayers' Attitudes And Behavioral Intentions Regarding Compliance With Federal Income Tax Laws be accepted in partial fulfillment of the requirements for the Degree of **Doctor of Business Administration**

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ABSTRACT

The purpose of this study was to analyze variables that potentially affect taxpayers' attitudes about income tax compliance. Phase one of the study focused on the relationships between four groups of variables and ethical perceptions of compliance behaviors. The four groups of variables follow: demographic variables such as age, education, and household income; personal characteristic variables such as idealism, relativism, conservatism, and religiosity; situational variables including an overall attitude about paying federal income taxes and impressions of the effectiveness of a number of law changes intended to make the IRS more responsive; and, consequential variables comprised of five dimensions of moral intensity, expectations of audit, and additional IRS assessments. Phase two of the study focused on the relationship between ethical perceptions and expected compliance behaviors.

The study sample was drawn from responses to a national survey of 3,109 individuals selected randomly throughout the United States. The primary analytical technique employed was hierarchical regression.

The results of phase one were mixed. No support was found with respect to demographic variables. Regarding personal characteristics, limited support was found with respect to both conservatism and religiosity. Among the situational variables, partial support was identified for two of the tax law changes—extension, in some circumstances,

of the attorney/client privilege, and creation of a fund to support tax clinics for low-income earners. Regarding the consequential variables, while strong support was found for social consensus, only limited support was found for probability of harm, seriousness of consequences, and proximity. With regard to the results of phase two, strong support was identified for the relationship between ethical perceptions and expected compliance behaviors.

The relationship between the above variables and tax compliance behavior has not previously been analyzed. Accordingly, the study contributes to the literature by identifying several characteristics and situations that, to varying degrees, affect ethical perceptions and expected compliance behaviors.

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Author Stanley W. Hays

Date August 2, 2000

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ACKNOWLEDGMENTS

This research project has been a challenging experience. I could not have completed the task without the continuous assistance of my wife, Laura. Without her encouragement and support, particularly through the dissertation phase, I would not have been able to complete the doctoral experience. I would also like to thank the rest of our family. Their moral support has kept us both working toward our goal. I would also like to acknowledge my mother's confidence in me. She always thought I could accomplish much. Finally, I would like to thank my committee for their guidance and assistance throughout the entire program.

CHAPTER 1

BACKGROUND AND OVERVIEW OF THE RESEARCH

Introduction

With the passage of the sixteenth amendment to the Constitution of the United States in 1913, Federal income tax became a part of everyday life for most Americans. Since that time, many provisions of the Internal Revenue Code have been added and frequently revised. Today, individual income tax is by far the largest revenue generator for the Federal government (Pratt and Kulsrud 1997).

Since the introduction of the Federal income tax, there have been frequent challenges to the constitutionality of income tax laws by various groups of people generally referred to as tax protesters. Until recent years these protests were thought to have no merit and were little more than a nuisance to the Federal government.

However, beginning with the introduction of the alternative minimum tax in 1969 and continuing through 1997 there have been multiple layers of rules and regulations added to the body of tax legislation. This on-going trend of more and more complexity in the tax laws to which the general public was expected to comply may have led to changes in attitudes towards the Federal income tax system and the likelihood that the

current system will continue to meet the needs of both the individuals expected to comply and the Internal Revenue Service, which was expected to monitor that compliance.

That the increased complexity has taken its toll on both the taxpaying public and the Internal Revenue Service (IRS) was evidenced by recent congressional hearings into abuses by the IRS. These abuses were apparently aimed at the segment of society least able to defend itself--the lower income working class unable to afford the professional representation necessary to defend themselves against an IRS that had tremendous latitude in dealing with perceived noncompliance. The magnitude of noncompliance was at best a guess; however, estimates have placed the size of the gap between the amount taxpayers owed and what they voluntarily paid for 1992 at $127 billion dollars (Internal Revenue Service 1990).

Underreporting of income and/or overreporting of deductions were not surprising in light of the many sweeping changes to income tax laws in recent years. As Congress debated yet another major tax revision in 1995, the taxpayers, professional preparers, and even the Internal Revenue Service were still digesting the ten major tax bills passed in the previous fourteen years (Miller 1995).

The fact that the government was beginning to at least hear the public outcry was evident from recent steps taken by Congress and the Internal Revenue Service. In 1996, the IRS awarded contracts to five private collection agencies to collect Federal taxes from individuals and businesses. Congress participated in this enterprise by appropriating $13 million dollars and mandating a pilot program of using private law firms and debt collection agencies to boost tax collections (Journal of Accountancy 1996). The Internal

Revenue Service had set a goal to increase taxpayer compliance from 82.3% to 90% by the year 2001(Federal Managers Quarterly 1994). In testimony before the U. S. Senate Small Business Committee, Robert Grille, President of the National Society of Public Accountants, emphasized the confusion the general public faces regarding the current tax system and admonished Congress to be straight with the public regarding possible reform (The National Public Accountant 1995).

Tax laws have become so intricate that even accountants, attorneys, and the IRS have difficulty interpreting many of the Internal Revenue Code's provisions. The complexity has become so great that some reform proposals called for the complete abandonment of the income tax system (Carnes and Cuccia 1996). Carnes and Cuccia (1996) also, however, found that taxpayers were willing to accept complexity in circumstances that required complexity. Bill Archer, a congressman from Texas had made suggestions to . . . "tear the income tax system out by its roots" (Miller 1995, p. 66). The pressure to respond to the loud outcry by the American public had even reached the President of the United States. In a monumental reversal of position, President Clinton endorsed a congressional plan to reform the Internal Revenue Service. Mike McCurry, a Presidential spokesman, said the administration "Would rather be on the boat sailing from the dock than waving from the shore" (USA Today 1997, p. 1). This response apparently reflected the political reality that the average taxpayer is dissatisfied.

In September, 1997, the Senate Finance Committee held hearings regarding abusive procedures by the Internal Revenue Service. In one session, six current and former IRS employees testified and were questioned about abusive tactics often used by

IRS personnel. Specifically, the focus was on retaliatory treatment of employees who attempted to report wrongdoing. Reports of inappropriate behavior of IRS supervisors were, apparently, met with more examination of the employee reporting the wrongdoing than of the alleged actions of the supervisor. The main line of questioning by the Senate committee seemed to be directed at the ability of the IRS to police itself.

Earlier in the same session, the Finance Committee heard testimony from four individuals who had experienced abusive treatment by the IRS even after it became apparent that the IRS position was an incorrect one. Questioning focused on the lack of appropriate responses by the IRS when it became obvious that mistakes had been made. Other than litigation, which can be very expensive, no mechanism, independent of the IRS itself, existed for taxpayers to redress their grievances.

Based, in part, on this series of testimonies, Congress enacted the "Internal Revenue Service Restructuring and Reform Act of 1998." The primary goal of the legislation was to make the IRS provide better service through less contact with taxpayers (IRC 7802).

Purpose of the Research

The purpose of this study was to analyze factors that potentially affect taxpayers' attitudes toward current income tax compliance and the Internal Revenue Service. Understanding gained through this study should be helpful to tax preparers, tax consultants, the Internal Revenue Service, and lawmakers in improving taxpayer compliance or reforming the existing tax structure. Knowledge of taxpayers' attitudes

toward compliance should be helpful to preparers and consultants in managing client relations given the uncertainty of the administration of the existing tax system. Lawmakers and the Internal Revenue Service should benefit from such knowledge in designing programs to increase compliance.

The study surveyed a cross-section of individuals throughout the United States using a questionnaire to assess the characteristics of the respondents, their ethical perceptions, and behavioral intentions. The survey instrument included several measurement instruments validated by prior research. The survey relied heavily on individual characteristics, situational or environmental factors, and measures of moral intensity. Hierarchical regression was used to examine the relationship among ethical perceptions and other factors that might affect taxpayer behavior.

Objectives of the Research

The primary purpose of this research was to identify factors that might influence taxpayers' attitudes about paying taxes. One major objective was to determine whether these factors had an influence on behavioral intentions and to determine if these factors explained why some taxpayers were more inclined than others to engage in noncompliance activities.

This research examined personal characteristics, situational factors, and consequential factors that might affect ethical perceptions. The personal characteristics were idealism, relativism, conservatism, and religiosity. Situational factors examined were existing attitudes about paying federal income taxes and perceptions of the

effectiveness of seven of the tax law changes intended to make the Internal Revenue Service more responsive to taxpayers. Consequential factors examined included five dimensions of moral intensity: probability of harm, seriousness of consequences, social consensus, temporal immediacy, and proximity, along with taxpayers' perceptions of the likelihood of being audited and, if audited, the likelihood of paying additional assessments.

A related objective was to determine if taxpayers viewed noncompliance as an ethical issue. If so, to what degree did they view certain situations as ethical issues? Did the threat of being caught intensify the moral imperativeness? Did feelings about paying taxes in general affect ethical perceptions of noncompliance? Did changes made to the operations of the IRS in recently enacted legislation affect perceptions of tax compliance? Did ethical perceptions about tax compliance affect behavioral intentions?

The "Internal Revenue Service Restructuring and Reform Act of 1998" was passed in early 1998. Since filing income tax returns was an annual process, taxpayers had not gained adequate experience dealing with the IRS under the new laws to develop attitudes based on experiences. However, if the initial impressions of taxpayers regarding those changes were favorable, compliance might be positively affected by these impressions? Accordingly, another objective of this study was to analyze the relationship, if any, between those impressions and behavioral intentions.

This study also examined the demographics of survey subjects to determine if certain of the identified factors were more common to specific subgroups of the study population based on such factors as age, geographic region, attained educational level,

gender, career, or prior experience with the IRS. Factors and demographics identified in the study could be useful to any of the groups that deal with taxpayers including professional tax preparers or consultants and the Internal Revenue Service. Specifically the information could be useful in framing future reforms to the existing tax system.

Significance of the Research

This study provided incremental information that may help to explain taxpayer behavior. The issues of income tax complexities have been debated for years. In 1943, Harry Simons referred to the income tax system as insufferably complicated and nearly unintelligible. His view was that if the system was not simplified, half of the population might have to become tax lawyers and tax accountants (Simons 1950). That the system was complex was not in question in this study. Rather, the study focused on factors that influence taxpayers' attitudes and behavioral intentions, which in turn may affect their behaviors. Knowledge of taxpayers' attitudes and behavioral intentions could be helpful to Congress in enacting future legislation. Also of concern was whether taxpayers viewed noncompliance as an important ethical issue. A possible topic of discussion in framing such future legislation is whether to reform the existing income tax system or replace the entire income tax system with some other form of tax revenue.

Plan of Study

Factors that may explain differences in taxpayers' perceptions and behavioral intentions were examined in this study. Literature related to the perceived complexities of the current tax system as well as literature focused on taxpayer and tax practitioners'

behaviors were reviewed in Chapter 2. Chapter 3 outlined the research design, itemizing the various hypotheses, measures, sources of data, and the methodology used in the analysis. This chapter also described the various psychometric measures utilized in the survey. Chapter 4 summarized the results of the research. Chapter 5 presented the overall conclusions and contributions of the dissertation.

CHAPTER 2

RELATED LITERATURE

Introduction

Explaining and understanding observed patterns of noncompliance with regard to income taxes is of obvious importance not only to the United States government but to governments around the world. Andreoni, Erard, and Feinstein (1998) argue that finding ways to reduce noncompliance is of paramount importance in any study of noncompliant behavior. Some studies use the tax gap, the difference between Federal income taxes actually owed and the amount voluntarily reported and paid on a timely basis, as a measure of the magnitude of tax evasion. For the years 1973 through 1992 the size of the tax gap rose from an estimated $22.7 billion to about $127 billion (Internal Revenue Service 1990, 1996). Noteworthy is the fact that this rise coincides with a substantial increase in total tax liability during the same period.

Factors that may affect compliance include the concepts of equity, efficiency, and incidence. For example, if the rich can evade a proportionately larger share of taxes than the poor, the tax system will be perceived as inequitable. If tax evasion becomes significant, the effective tax rate on reported income will necessarily be higher to satisfy

a need for a fixed level of revenue. The result would be to place a heavier burden on those who comply voluntarily (Andreoni et al. 1998).

Tax evasion by its very nature is difficult to measure. However, the Internal Revenue Service attempted to develop reliable information on underreporting of income through the use of the Taxpayer Compliance Measurement Program (TCMP). This program developed information about compliance by using extremely rigorous income tax audits aimed at identifying areas of noncompliance rather than the collection of taxes on unreported income or excess deductions. The detailed nature of these audits placed a disproportionate cost of compliance on those taxpayers randomly selected for TCMP audits; accordingly, Congress mandated an end to the program in 1997. The program was not successful in detecting significant unreported taxes on types of income not subject to informational reporting. It did develop statistics on detectable underreporting of income subject to various forms of informational reporting and on abuses of allowable deductions. From the most recent year of TCMP audits, 1998, the IRS reported that 40 percent of households underpay their income taxes, 53 percent pay correctly, and 7 percent overpay their liability. In a study of taxpayer compliance, Andreoni et al. (1998) discovered that about one-fourth of those who underpay do so by at least $1500.

TCMP audits were also used to develop grading procedures to estimate the audit potential of tax returns filed. Using a system called discriminant function (DIF), points were assigned each return based on the perceived likelihood that an audit of the return will result in additional taxes. The system assessed the variance of each line-item from

some predetermined norm. In order to protect the integrity of the system, specifics of assessment were a closely guarded secret.

Compliance Behaviors

The Internal Revenue Service had frequently used TCMP to attempt to distinguish returns of those taxpayers who report the appropriate amount of income from those who do not. For 1992, estimates were that 91.7 percent of all income which should have been reported was, in fact, reported. Some commentators speculate that an overestimation of the probability of audit contributes to the apparent honesty. Variables that have been studied may be grouped into a number of categories; demographics, social issues, framing of research, and IRS practices (see Table 1).

Demographics

In a recent study, Andreoni et al. (1998) identified the following patterns of noncompliance:

(1) Income from sources subject to informational reporting such as W-2's and K-1's was usually reported correctly.

(2) Income from other sources such as farm income and sole-proprietorship income was often understated.

(3) Married taxpayers had higher than average levels of noncompliance.

Perhaps taxpayers react to the "marriage penalty". Tax brackets for married individuals and single filers are different. While the married rates are somewhat more favorable when couples file jointly, the differential is not adequate to offset the stacking

Table 1. Summary of Compliance Studies

Variable Study	Sample	Major Findings
Demographics		
Andreoni, Erard, and Feinstein (1998)	Compilation of other study results	Type of income affects compliance rate Compliance rate higher among married taxpayers Compliance rate higher among taxpayers over 65 Noncompliance increases burden on taxpayers who comply
Wilson and Patterson (1968)	New Zealanders	Conservatism increases substantially during individuals fifth decade of life
Truett (1990)	AARP members and twins	Conservatism increases substantially during individuals fifth decade of life
Feinstein (1991)	IRS Taxpayer Compliance Program Data	Rate and magnitude of noncompliance less in households with taxpayer over 65
U. S. General Accounting Office (1990)	TCMP data	Type of income affects compliance rates
Dubin and Wilde (1998)	TCMP data and census data	Noncompliance greatest in areas where non-white populations greatest
Baldry (1987)	TCMP data and census data	Age and gender affect compliance rates

Table 1 – Continued

Variable Study	Sample	Major Findings
Social Issues		
Grasmick and Bursick (1990)	Adult taxpayers	Guilt and shame affect compliance rates
Spicer and Becker (1980)	57 college students	Taxpayers who are told their burden is relatively higher evade tax more frequently than those told their burden is lower
Smith (1992)	Adult taxpayers	Those who believed tax dollars well spent had higher compliance rates
Alm, Jackson, and McKee	Controlled group experiment	Compliance rates are higher for those who believe they benefitted from public good funded by taxes
Webley (1991)	follow-up survey of prior experiment participants	People with positive attitude about government have higher compliance rates
Harris and Associates, Inc. (1987)	National poll	One-fourth of taxpayers do not take deductions or credits to which they are entitled
Yankelovich, Skelly, and White, Inc. (1984)	Opinion poll	One-half of taxpayers believe enforcement is inconsistent
Hite (1988)	Mail survey	Knowledge of peer behavior affects willingness to take questionable deduction
Collins Milliron and Toy (1992)	700 Households in NE and SW states	High correlation between knowledge of peers behavior and noncompliance
Engel and Hines (1994)	Tax filers with prior audit experience	Compliance rates not correlated to past audit experience
Nigrini (1996)	IRS Individual Tax Model Files	Statistical procedures not consistent in detecting noncompliance activities

Table 1 – Continued

Variable Study	Sample	Major Findings
Framing of Research		
White, Harrison, and Harrell (1993)	Adult taxpayers	Taxpayers expecting refund less likely to claim unsubstantiated deduction than ones expecting to owe taxes upon filing
Schadewaled (1989)	MBA students	Taxpayers expecting refund less likely to take an aggressive position
Schepanski (1990)	Three groups randomly assign. to different framing conditions	Risk preferences altered by changing ones perception of outcomes – tax due compared to net liability
Reckers and Sanders	Arkansas Household Research Panel	Withholding status relative to tax liability affects expected behaviors
IRS Practices		
Long and Schwartz (1987)	TCMP data two separate years	Audit experience has no effect on compliance rates or amount of tax risked
Carnes and Englebrecht (1995)	126 students	Compliance rates are affected by magnitude of penalties and perceptions of likelihood of detection
Allingham and Sandmo (1972)	TCMP data	Defining relationship between tax rates and compliance rates is difficult
Yitzhaki (1974)	TCMP data	If penalties proportionate to tax evaded, noncompliance goes down
Worsham (1996)	Compliance study disguised as a computer invest. game	Inability to predict audit probability reduces noncompliance

of two incomes. Inclusion of two incomes on one return has the effect of taxing one of the incomes in a higher bracket than if it were included on a separate return. The system does not allow married individuals to choose to file as single. The alternative to joint filing is to file in a status called "married filing separate," a status with the least favorable rates.

The parameter of 65 years of age may be used because it is one of the few pieces of demographic information included on individual tax returns. It is possible that age is a surrogate for conservatism. A study published in 1968 found a significant increase in conservatism in the fifth decade of individuals' lives (Wilson and Patterson 1968). Without a follow-up study, the increase in conservatism observed for that age-group at that time might have been a cohort effect--one caused by a significant event that was common to all the study groups. Such an effect might be, say, the age-group showing the increased conservatism all experienced the effects of World War II. The finding, however, was duplicated by Truett (1993). Identifying a significant increase in conservatism in the 40's age group twenty-five years after the earlier study suggests that increased conservatism is not attributable to some cohort effect. Possibly increased conservatism accounts for the higher compliance rate among taxpayers over 65.

Still other studies have attempted to find a correlation between compliance rates and factors such as audit rates and penalties. Despite relatively low rates of audits, less than one percent, and infrequently applied penalties, compliance is fairly high--only about 17 percent of taxes go uncollected (Andreoni et al. 1998).

Studies of the effects of demographic and social factors on income tax compliance rates are hampered by an absence of data. Tax returns contain little demographic information. Some researchers comb information developed through the Taxpayer Compliance Measure Program (TCMP) for some insight into factors that may identify taxpayers who are likely to engage in noncompliance. Others use creative ways to indirectly identify significant demographic factors.

By controlling for factors such as level of income and marginal tax rates, Feinstein (1991) found that both the rate and magnitude of noncompliance were less in households in which either the head of the household or the spouse was over 65. He also found that both rate and magnitude were higher in households in which the head of the household was married. Data from TCMP audits found differences in noncompliance rates across occupations. The United States General Accounting Office (1990) looked at noncompliance rates among sole-proprietorships. The highest rates of noncompliance were among taxpayers whose businesses were operated from fixed locations such as car dealers, stores, and restaurants--about 39 percent. Other occupations, including transportation, communication, and utilities were somewhat lower at 31 percent. The lowest rates of noncompliance were found among business filers engaged in finance, real estate, and insurance activities, as well as taxpayers in agriculture, forestry, and fishing--all falling in the 16-19 percent range.

Attempts to indirectly measure demographic effects on compliance actions include a novel study merging census data with TCMP findings based on a three-digit zip code level. Results of such a study were necessarily imprecise, but generalized conclusions

could be drawn. Dubin and Wilde (1998) found that voluntary compliance rates were greatest in areas in which non-white populations were lowest and in areas in which the over 65 populations were highest. This result is consistent with the Andreoni et al. (1998) study that found that taxpayers over sixty-five were more likely to voluntarily comply. Examinations of unemployment rates and percentages of the adult population with high school diplomas were inconclusive. Experimental studies also targeted age and gender as possible explanatory variables in the study of compliance rates. Age in particular was found to be positively associated with compliance rates. On the other hand, males evaded taxes more often than females (Baldry 1987).

Social Issues

Some researchers believed prior audit experiences affected tax compliance. Long and Schwartz (1987) compared results of TCMP audits in 1969 and surprise follow-up TCMP audits in 1971 of the same taxpayers. They found that the earlier audit experience had only marginal effect on frequency of noncompliance and no effect at all on magnitude of noncompliance.

Moral issues may affect behavior in meeting filing requirements. For example, filers may experience guilt when contemplating evasion while expecting not to be caught. On the other hand they may experience shame when contemplating underreporting and considering the possibility of getting caught. Grasmick and Bursick (1990) found that incorporating these concepts into their model improved the predictability of behavior.

Perceptions of unfairness may lead to rationalization for noncompliance. Taxpayers may believe the system itself is unfair to them in relation to others. They may also believe that as a result of tax evasion the burden on those who comply, compared to those who do not, is disproportionate. Spicer and Becker (1980) found such an effect in an experimental study. Taxpayers who were told that their tax burdens were relatively higher evaded taxes in greater amounts than those taxpayers told that their tax burdens were lower.

Satisfaction with the government affects compliance decisions. Smith (1992) found that taxpayers who believed tax dollars were not well spent felt cheated and might, therefore, refuse to pay their full liability. Individuals who perceived that they receive benefits from a public good funded by taxes were more willing to comply (Alm, Jackson, and McKee 1992). Along the same lines, taxpayers who felt alienated from government or had a negative attitude in general toward laws were significantly more likely to engage in evasive practices (Webley 1991).

Over half of taxpayers get tax advice, believing that taxes are too complicated to handle themselves. About one-fourth of all taxpayers report not taking a deduction or credit to which they believed they were entitled (Harris and Associates, Inc. 1987). About half of taxpayers believed that enforcement was inconsistent across audits (Yankelovich, Skelly, and White 1984). Problems arising from complexity, real or perceived, were not limited to taxpayers. Tax laws may also be too complicated for IRS auditors and various judges to properly administer. Lack of adequate understanding of the laws leads to inconsistent application. Some noncompliance went undetected while some returns

thought to be compliant were assessed additional taxes along with penalties. Such uncertainty discouraged taxpayers from taking deductions to which they were entitled (Andreoni et al. 1998).

Hite (1988) considered knowledge of peer behavior in compliance as a significant effect on taxpayers' willingness to take questionable deductions or underreport income. She hypothesized that knowing others engaged in noncompliance behavior was a substantial determinant of a taxpayer's propensity to engage in similar activities. Her research, however, did not support the hypothesis. Other factors, such as age, gender, penalties, mobility, and type of income, exerted greater influence over noncompliance. In fact, type of income was the most substantial factor in the decision. Specifically barter income was more likely to be underreported than cash income. Also an individual's own past behavior was a significant indicator of future behavioral intent. A taxpayer who had underreported income in the past was more likely to under report income again than one who has not done so.

Contrary to Hite's research, Collins, Milliron, and Toy (1992) found a high correlation between a taxpayer's knowledge of a peer's noncompliance action and his own noncompliance. On the other hand, Engel and Hines (1994) found that cumulative compliance effects, ones based on past reporting and audit experiences, were situational in nature and required simulations (scenarios) to predict behavior. Complexity was also an influential factor in the determination of behavioral intent. One of the difficulties in studying the influence of peer behavior was that the subjects only knew what their peers claimed to do since filing a tax return was a private matter.

Nigrini (1996) used Benford's law regarding the frequency of appearance of certain digits to detect tax evasion. For this study, tax evasion was broken down between planned evasion and unplanned evasion. Planned evasion was defined as intentionally concealing an audit trail to avoid paying taxes. On the other hand, unplanned evasion was the blatant manipulation of specific line items on the return at the time of filing. Only unplanned evasion was thought to be detectable using Benford's Law. The results showed limited support for the use of this statistical technique. There were some excess frequencies of low digits in reporting interest income, with some excess frequencies of high digits in reporting interest expense. However, the technique was not of general use because many lines on tax returns were subject to various dollar or percentage limitations or other distortions that produced unusual digital frequency distributions.

Framing of Research

Framing of the circumstances surrounding the decision regarding noncompliance was thought to have an effect on the ultimate behavioral intentions. White, Harrison, and Harrel (1993) hypothesized in their research that taxpayers expecting to owe amounts due at the time of filing their returns more frequently claimed unsubstantiated deductions than those expecting a refund. They also believed that as audit detection rates increased, taxpayers were less likely to take unsubstantiated deductions. Both hypotheses were supported.

As was noted in other studies, the framing of circumstances surrounding the decision to take a questionable position on a return was significant to the action taken.

As in similar studies, Schadewald (1989) found support for the concept that a taxpayer expecting a refund was less likely to take an aggressive position than someone expecting to pay taxes with the filing of the tax return. Labeling possible outcomes with terms such as "gains" and "losses" significantly affected the decision to take an aggressive position. Schadewald speculated that there was a natural tendency to view all tax consequences as "losses". Therefore, labeling possible results in other terms (such as "gains") affected the research outcomes. Because of this self-labeling effect, Schadewald believed prospect theory was of little importance in describing compliance behaviors. Prospect theory was defined as "choice under uncertainty."

Schadewald's conclusions were questioned by Schepanski and Kelsey (1990). The subjects in this study were asked whether they would report the correct amount due or take advantage of evasion opportunities when possible outcomes and related probabilities were given. Schepanski et al. (1990) found that individuals' risk preferences were altered by changing their perceptions of the outcomes. In this instance, the differences in outcomes were described alternately in terms of taxes due (cash flow) or cash position (net asset) after filing a return.

Since the United States has a voluntary tax compliance system, individuals' propensities not to comply significantly affects the collection of taxes. Intentional noncompliance has become a pervasive problem. In their research Reckers, Sanders, and Roark (1990) acknowledged the prior findings of other researchers that withholding status relative to tax liability (expected refund or tax due with filing) and marginal tax rates (high versus low) were significant factors in determining compliance behavior. They

posited, however, that these factors were also affected by ethical attitudes. The results of their work indicated that withholding status, tax rates, and ethical attitudes were all significant in determining behavior, but tax rates only marginally so. Ethical attitudes had a high interaction effect with withholding effects, but very little with rate effects.

IRS Practices

At least one study focused on the influence of perceived past injustices by the agency charged with the administration of the tax, the Internal Revenue Service, as a factor in attitudes regarding noncompliance. The perceived injustice might be one experienced directly by the taxpayer or one experienced vicariously by learning of another's negative experience with the tax collecting authority. A recent study examined three factors that might affect attitudes regarding noncompliance--inaccuracies of IRS assessments, inconsistency in audit frequencies, and indirect equity (anecdotal evidence of others' negative experiences). No correlation was found in the inaccuracy manipulation except for a slight correlation when the inaccuracy continued a number of years. The indirect inequity manipulation showed only marginal significance. The inconsistent audit rate was highly significant, but in the opposite direction from that which was expected. If a taxpayer could not predict the likelihood of being audited as a result of inconsistent audit frequencies by the IRS, he was less likely to underreport business income. (Worsham, Jr. 1996).

While studies frequently focused on the attitudes and behavioral intentions of taxpayers and tax professionals, Roberts (1992) examined the factors used by IRS agents

in their judgments in assessing penalties. The offending taxpayer's educational level, size of the audit adjustment, and the number of years involved are all significant in the agents' decisions to assess penalties. Surprisingly, representation by a CPA (or lack thereof) was not significant. However, the interaction of all the active variables including the representation by a CPA was considered significant in an agent's decision to assess penalties.

Carnes and Englebrecht (1995) posited that taxpayers' attitudes regarding aggressive, risky tax positions were affected by two factors--the magnitude of potential IRS penalties and their personal perceptions of the likelihood of detection. Indeed, empirical research supported hypotheses that compliance increased as the level of sanctions increased and that tax compliance increased as taxpayers' perceptions of detection risk increased. Allingham and Sandmo (1972) also investigated the possible relationship between higher tax rates and higher frequencies of noncompliance. They attempted to describe this theorized relationship by developing a mathematical model. Their ambiguous results testified to the difficulty in identifying any such relationship. On the other hand, another study found that if a model incorporated penalties that were proportional to the amount of tax evaded, tax cheating actually went down. The research concluded that as tax rates and penalties increased, expected evasion is decreased. Therefore, a risk averse taxpayer was less willing to cheat (Yitzhaki 1974).

Most research has focused on what is currently happening with regard to tax compliance. Roberts (1994) experimented with altering taxpayers' attitudes through the use of television public service announcements (PSA). He believed that if taxpayers

perceived the system as fair then compliance would go up. He also hypothesized that there were age and experience differences in people's perceptions; therefore, alternate public service spots needed to be tailored toward each group. Roberts found a higher initial compliance attitude among older subjects before the experiment, but surprisingly the older group perceived the system as less fair. The results of his test of the effect of PSA's on attitudes showed a greater effect on young taxpayers.

Moral Intensity

A moral issue is present whenever a person's action, when freely performed, may harm or benefit others, (Velasquez and Rostankowski 1985). However, even an individual with a well-developed sense of moral reasoning may not have great resolve to act morally (Jones 1991). Fritzsche and Becker (1983) found that individuals act more ethically in dilemmas posing serious consequences than in less risky circumstances. Such evidence suggests that people react differently to moral issues in a manner that is related to characteristics of the issue itself, not just characteristics of the decision maker himself. Recognizing moral issues has two elements. The decision maker must recognize that his actions affect others and some choice must be involved. A person who fails to recognize moral issues will fail to use moral decision-making schemata (Jones 1991).

Jones (1991, p. 372) introduces the moral intensity construct, that captures the "extent of issue-related moral imperative in a situation". Moral Intensity relates to characteristics of the moral issue as perceived by a decision maker and not to factors related to individual decision makers (Barnett, Brown, Bass, and Herbert 1999).

Environmental factors and personal experiences affect perceptions of consequences. These perceptions lead to judgments that affect behavioral intentions. Intentions, along with issue-related constraints, affect behavior (Hunt and Vitell 1986). Characteristics of the moral issue itself, are important determinants of decision making and behavior. "People become much more concerned about moral issues that affect those who are close to them rather than those with whom they have little or no contact". "They also seem to react more strongly to injustices that have immediate effects as opposed to those that have effect in the distant future". Moral intensity does not include traits of moral decision makers (Jones 1991, p. 371).

Jones (1991) argues that six characteristics of moral issues are related to moral decision making and behavior. These six characteristics are magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect. Measurements of moral intensity are possible only in broad terms (Jones 1991).

Taxpayer Testimony Before the Senate Finance Committee

Evidence suggests that politicians at all levels are responding to increased criticism of the Internal Revenue Service and the complex Internal Revenue Code. During the 1996 presidential campaign, several of the major candidates developed versions of an income tax system featuring a flat tax rate. Each system required only a single page, postcard-sized return. Each suggested that no deductions would be allowed, but none explained how income would be defined. Also none accounted for the

detrimental impact on individuals who had made long-term decisions based on deductions allowable under the current system.

Congress also responded to public outcry. In September 1997, the Senate Finance Committee held hearings regarding the operation of the Internal Revenue Service. One group of witnesses were taxpayers who believed they had been victims of abusive treatment by the IRS; the other group were current or former IRS employees.

On September 25, 1997, the Senate Finance Committee heard testimony from four individual taxpayers about abusive treatment each experienced from the Internal Revenue Service. Summaries of taxpayers' testimonies along with the testimonies of six current or former IRS employees are included in Appendix B. The following are partial descriptions of each taxpayer's testimony.

Katherine Hicks (1997) detailed a nine year struggle with the IRS. The problem arose, in part, because the collection division had a separate computer system from the rest of the IRS. The service assessed liens against her current husband's separate property in spite of its knowledge that her ex-husband had paid the entire liability. All liens were removed and her money refunded only after she contacted Senator Roth, chairman of the Senate Finance Committee regarding testifying before the committee.

The service aggressively pursued collection of payroll taxes against Tom Savage's corporation by creating a fictitious entity and ascribing ownership to Mr. Savage. The IRS held a $150,000 check made out to Mr. Savage's company under the authority of a lien in another company's name. A portion of the money was returned to Mr. Savage only when he agreed to allow the IRS to keep approximately $50,000 in satisfaction of a debt

of the other firm. Mr. Savage (1997) testified that he agreed to the settlement because he needed the balance of the funds to pay his bills to keep his company in business.

A trust of which Monsignor Ballweg was trustee was assessed a $17,000 liability because some supporting schedules were mis-referenced. His request for information about the return was denied because his application was signed merely with his name while the return had been signed by the same name along with a title of trustee. After M. Ballweg contacted Senator Roth, the IRS not only provided the requested information; but assisted him in properly preparing the supporting schedules. No additional taxes were owed (Ballweg 1997).

Nancy Jacobs (1997) told of a seventeen year battle with the IRS resulting from the service's issuance of an employer identification number to her husband's business which in fact already was assigned to another person with a similar name. Within two hours of her story being featured on a television show, the IRS contacted Mrs. Jacobs, informed her of the source of the error and removed all liens. As of the date of her testimony before the Senate Finance Committee, Mrs. Jacobs had received no refund of the erroneously assessed taxes which she had paid.

IRS Employees' Testimony Before the Senate Finance Committee

Immediately following the taxpayers' testimonies regarding abusive behavior of the Internal Revenue Service, the Senate Finance Committee heard testimony from six current and former IRS employees. Employees' testimonies focused primarily on the inability of the IRS to police itself.

Because the employees feared retaliation, witnesses provided credentials only to a single member of each of the major political parties. To the committee they were identified only as witness no. 1 through witness no. 6 (Senate Finance Committee, 1997). They detailed a laundry list of abuses from blatant disregard for laws as well as a management more focused on meeting statistical goals than with appropriate administration of the tax system. Much of the abuse came from the collection division or the internal inspection division rather than the mainstream IRS with which most taxpayers are familiar. Witnesses also talked of hidden microphones both in employee lounges and in conference rooms used by taxpayers and their consultants. The witnesses also told of browsing by IRS employees. Browsing is the practice of looking at taxpayer records for reasons other than the administration of taxes. Employees may browse to find information about boyfriends/girlfriends or former spouses. Browsing may be motivated merely by curiosity about a famous person or even a neighbor. Sometimes it's used to gather information about jurors on cases against the IRS. Many of the witnesses believed collection procedures varied widely from taxpayer to taxpayer. This inconsistent treatment was aggravated by the lack of any review procedure independent of the IRS.

While most of the IRS employees chose to remain anonymous and testify from behind a screen, one, Jennifer Long (1997), not only identified herself, but testified in full view of all present. She testified to systematic targeting of the poor in audits and fabrication of data by the IRS. She also complained of sexual and age discrimination by her bosses at the Houston office of the agency. Mrs. Long was portrayed by the New York Times and by Sam Donaldson on 20/20 as "a noble IRS agent who had received top

performance reviews until she blew the whistle" (Seligman 1999, p.162). "In fact her work had been severely critiqued for several years before her testimony" (Seligman 1999, p.162). Mrs. Long's decision to testify openly was not her own. Her attorney advised that by identifying herself she would enjoy greater protection under federal "whistle-blower" laws. The gap between stated motivations and possible self-serving motives calls into question the image of the IRS painted by the witnesses. Does the treatment by the IRS related in the testimony of the four taxpayers represent the experiences of the majority of taxpayers? To put the question in perspective, in 1991 alone over 114 million individual tax returns were filed (Rosacker and Davies 1997).

Restructuring the Internal Revenue Service

Following congressional hearings including the Senate Finance Committee hearings in September, 1997, the "Internal Revenue Service Restructuring and Reform Act of 1998" was enacted. Though the act provides for many changes in the income tax laws, portions focus on making the IRS more accountable and more helpful to the taxpaying public. Two groups of headings in the act specifically address the IRS's relationship with taxpayers and the structure and accountability of the Service. First, a group of provisions labeled "Taxpayer Bill of Rights Provisions" spell out specific procedures for the IRS in dealing with taxpayers. Those provisions being examined in this study are itemized below. Second, provisions under the heading "Oversight and Restructuring of IRS" set out the new oversight mechanism for the IRS along with restructuring mandates to more clearly define the mission of the IRS and to improve the

management of its personnel. The restructuring changes included in this study are discussed below.

Changes made by the Internal Revenue Service Restructuring and Reform Act of 1998 that are examined in this study were the following:

1. The creation of an oversight board to review the Service's administration of Federal income tax compliance. The majority of the board are not employees of the IRS, the Treasury Department, or any other government agency (IRC. Sec 7802).

2. The creation of a fund to provide grants to sponsor clinics for low income taxpayers (IRC. Sec 7526(a)).

3. Extension of attorney-client privilege to non-attorney tax professionals such as accountants and enrolled agents (IRC. Sec. 7525).

4. The shifting of the burden of proof, in certain circumstances, in civil tax disputes from the taxpayer to the IRS (IRC. Sec. 7491).

5. The expansion of the circumstances under which taxpayers who successfully contest IRS positions may recover costs and fees (IRC. 7430).

6. Any manually prepared notice from the IRS must contain, in a prominent manner, the name, phone number, and unique identifying number of the IRS employee that the recipient may contact regarding the notice ('98 Act Sec. 3750(a)).

7. The IRS must set forth the criteria for selecting returns for audit. This information must be made available to the general public ('98 Act Sec. 3503(a)).

CHAPTER 3

RESEARCH DESIGN

Introduction

The purpose of this research was to analyze factors that might affect individual taxpayers' perceptions of noncompliant practices and behavioral intentions in filing federal income tax returns. Potential pertinent factors were identified through the researcher's personal work experience, discussions with tax professionals such as attorneys and accountants, and a review of the literature.

Taxpayers were divided into subgroups to examine whether demographic information including age, level of household income, geographic location, education, and gender were factors that might affect perceptions and behavioral intentions. Analyses were also made to determine if ethical perceptions alone were enough to affect behavioral intentions or whether moral intensity was a necessary determinant of such intentions.

Preliminary analysis identified three groups of factors that might affect taxpayers' perceptions and intentions. These groups were the following:

1. Personal characteristics
2. Situational factors including reactions to steps taken by Congress to make the Internal Revenue Service more efficient and responsive to taxpayers
3. Factors concerning awareness of consequences

Based on this framework, a set of relationships was hypothesized. A structural model presented in Figure 1 expresses these relationships graphically.

A search was conducted to select appropriate measurement instruments to accomplish the purpose of the research. These instruments along with other questions were organized in a questionnaire (Appendix A). The survey questionnaire was mailed to a randomly selected list of 3,109 individuals throughout the United States. The list was purchased from Direct Response Associates, a commercial company that brokers mailing lists for a variety of purposes. The names were selected from a master list of approximately 228 million names updated periodically by The Polk & Co.

Hypotheses

Four groups of hypotheses were developed to guide this research. The categories were (1) personal characteristics, (2) situational factors including reactions to Congress's steps to make the IRS more efficient and responsive, (3) consequential factors, and (4) ethical perceptions related to behavioral intent.

Personal Characteristics

Prior research has attempted to identify individual characteristics that affect taxpayers' willingness to voluntarily comply. Much of this research has been limited by lack of demographic data related to filing income tax returns. Some studies attempted to draw conclusions by analyzing data from Taxpayer Compliance Measurement Program (TCMP) audits (GAO 1990). Others have used demographic data readily available on tax returns such as age and marital status (Feinstein 1991). Dubin and Wilde (1988) used

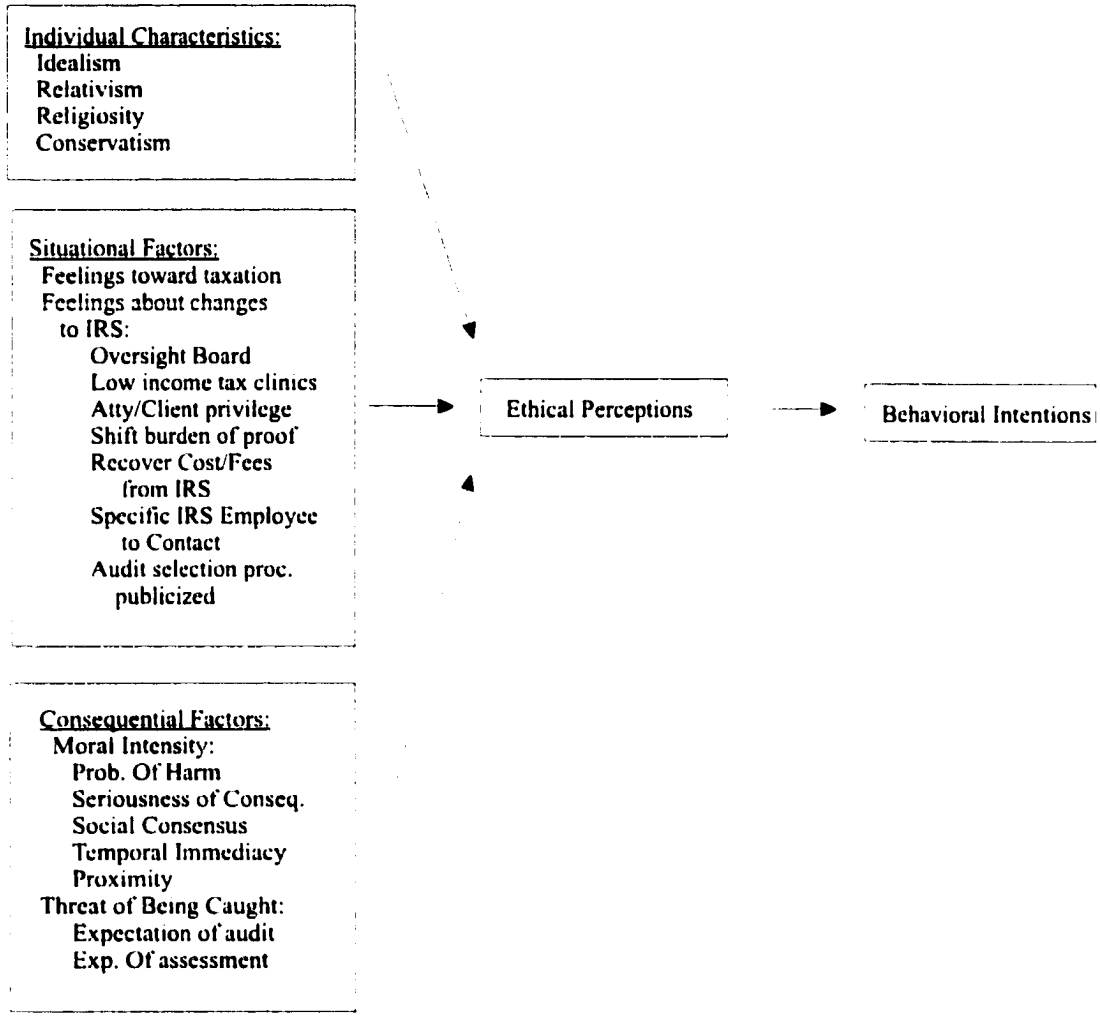

Figure 1. Conceptual Framework

TCMP data along with zip codes to identity groups of filers who were more likely or less likely than average to cheat on their tax returns. Research using only convenient data, such as age and marital status, to analyze personal characteristics that contribute to behavioral intentions with respect to paying taxes is limited to only a portion of many possible personal characteristics that may affect behavior. Age could be a surrogate for other characteristics such as idealism, relativism, religiosity, or conservatism. A necessary step in evaluating the effect of personal characteristics on behavioral intentions is to determine the personal traits of individual respondents. An idealist tends to judge situations using a rigid standard. On the other hand, a relativist tends to evaluate situations taking into account the surrounding circumstances.

Studies of the relationship between individual difference variables and ethical judgments and behavioral intentions found idealism and relativism had significant relationships with moral judgments (Bass, Burnett, and Brown 1999). The findings were consistent with results of an earlier study by Davis, Johnson and Ohmer (1998) that examined three dimensions of moral intensity described by Jones (1991). That study also found idealism and relativism varied reliably with moral judgments. Such studies have not focused on the impact of these characteristics on income tax filing ethical dilemmas.

Religious beliefs have been found to have a discernible effect on people's attitudes and behavior (McDaniel and Burnett 1990). People who have a high level of intrinsic religiosity tend to be more moral (Wiebe and Fleck 1980). This morality may have an impact on behavioral intentions when filing income tax returns.

Prior studies have identified a significant relationship between conservative ideology and conventional moral reasoning (Alker and Poppen 1973, and Candee 1976). The implication of this relationship on ethical dilemmas in income tax filing circumstances has not been examined.

This research used a number of previously validated scale to measure these personal characteristics. Specifically, scales were selected to estimate idealistic, relativistic, religious, and conservative characteristics of survey subjects.

Hypotheses relating to personal characteristics that may affect ethical perceptions and behavioral intentions are the following:

H1 Individuals who are highly idealistic are more likely to judge noncompliant tax strategies as unethical.

H2 Individuals who are highly relativistic are more likely to judge noncompliant tax strategies as ethical.

H3 Individuals who are highly conservative are more likely to judge noncompliant tax strategies as unethical.

H4 Individuals who are highly religious are more likely to judge noncompliant tax strategies as unethical.

Situations

Spicer and Becker (1980) found that perceptions of unfairness led to rationalizations of noncompliance. In his research, Smith (1992) determined that taxpayers who believed that tax dollars were not well spent felt cheated and refused to pay their full liability. On the other hand, Alm, Jackson, and McKee (1992) found that those who believed they received benefits from public funds were more willing to comply.

Partly in response to testimony from IRS agents and taxpayers before the Senate finance committee in September, 1997, Congress passed the Internal Revenue Service Restructuring and Reform Act of 1998. The expressed purpose of the act was to make the IRS more responsive and efficient (IRC Sec. 7802 1998). While the act made many changes to the tax laws, three sections dealt specifically with the operations of the Internal Revenue Service. Section 400 of the act, entitled Taxpayer Bill of Rights, addressed the obligations of the IRS in dealing with taxpayers. Sections 2000 and 2200 dealt with IRS oversight, restructuring, and administrative issues. Since taxpayers' responses to the efforts of Congress to improve the IRS might affect individual attitudes about complying with tax laws, seven specific provisions of the IRS restructuring act were examined in this research and are presented in Table 2.

Since studies have shown that perceptions of fairness within the system and equitable use of tax revenues affect compliance rates. Congress attempted to address these concerns with specific changes to the IRS included in the Internal Revenue Restructuring and Reform Act of 1998. Accordingly, the following hypotheses were developed to test the impact, if any, of an overall attitude about paying federal income taxes and the perceived effectiveness of the tax law changes.

H5 Individuals who have positive attitudes toward paying federal income taxes are more likely to judge noncompliant tax strategies as unethical.

H6 Individuals who have positive attitudes toward changes to the IRS related to the creation of an oversight board comprised of a majority of members who are not Treasury Department employees are more likely to judge noncompliant tax strategies as unethical.

Table 2. Internal Revenue Service Reform and Restructuring Act of 1998 Provisions Included in Study

1.	Creation of an IRS oversight board comprised of a majority of members who are not Treasury Department employees.
2.	Creation of a fund to sponsor tax clinics for low income taxpayers.
3.	Extension of attorney-client privilege to non-attorneys such as accountants and enrolled agents.
4.	Shifting the burden of proof, in certain circumstances, to the IRS.
5.	Expansion of circumstances under which taxpayers who successfully contest IRS positions may recover costs and fees.
6.	A requirement that all non-computer generated correspondence from the IRS include the name, phone number, and unique identifying number, of a specific IRS employee to contact.
7.	A requirement that the IRS set forth criteria for audit selection and make this information available to the general public.

H7 Individuals who have positive attitudes toward changes to the IRS related to the creation of a fund to sponsor tax clinics for low-income taxpayers are more likely to judge noncompliant tax strategies as unethical.

H8 Individuals who have positive attitudes toward changes to the IRS related to extension of attorney-client privilege to non-attorneys such as accountants and enrolled agents are more likely to judge noncompliant tax strategies as unethical.

H9 Individuals who have positive attitudes toward changes to the IRS related to shifting the burden of proof, in certain circumstances, to the IRS are more likely to judge noncompliant tax strategies as unethical.

H10 Individuals who have positive attitudes toward changes to the IRS related to the expansion of circumstances under which taxpayers who successfully contest IRS positions may recover costs and fees are more likely to judge noncompliant tax strategies as unethical.

H11 Individuals who have positive attitudes toward changes to the IRS related to a requirement for all non-computer generated IRS correspondence to include the name, phone number, and unique identification number of a specific IRS employee to contact are more likely to judge noncompliant tax strategies as unethical.

H12 Individuals who have positive attitudes toward changes to the IRS related to a requirement that the IRS set forth criteria for audit selection and make this information available to the general public are more likely to judge noncompliant tax strategies as unethical.

Consequences

Actions have consequences. Taxpayers who decide not to voluntarily comply with tax laws face real or perceived consequences. Researchers have looked at individuals' attitudes based on previous experience as well as expectations of future contacts with the Internal Revenue Service. The results are somewhat mixed.

Prior audit experience was determined to have little effect on either compliance rates or amount of tax dollars risked with noncompliance (Baldry 1987). Long and Schwartz (1987) found a similar result. Relationships were found, however, between compliance rates and magnitude of penalties and taxpayers' perceptions of the likelihood of detection (Carnes and Englebrecht 1995). Yitzhaki (1974) found that compliance rates went up when penalties were proportionate to tax evaded.

Moral intensity is a measure of moral imperativeness in a situation (Jones 1991). A number of studies have analyzed the effects of various dimensions of moral intensity on ethical decision making. One study found that individuals were less concerned with immoral issues that resulted in harm in the future than ones that produced a more immediate harm (Dukerich, Waller, and Huber 1993). Others have found significant

relationships between ethical judgment and severity of harm or social consensus regarding harm done by an action (Singer 1996; and Singer and Singer 1997). Although noncompliance may be perceived as unethical, the belief that consequences are marginal or not immediate may lead taxpayers to "cheat" on their tax returns. To date, no research has focused on the concept of moral intensity as it affects tax compliance decisions.

Hypotheses relating to awareness of consequences factors that might affect ethical perceptions and behavioral intentions are the following:

H13 Individuals who perceive a high probability of harm from the action taken are more likely to judge noncompliant tax strategies as unethical.

H14 Individuals who perceive that there are serious consequences from the action taken are more likely to judge noncompliant tax strategies as unethical.

H15 Individuals who perceive that there is social consensus regarding the ethical perception of the action taken are more likely to judge noncompliant strategies as unethical.

H16 Individuals who perceive that any harm from the action taken will occur sooner rather than later are more likely to judge noncompliant tax strategies as unethical.

H17 Individuals who perceive that any harm from the action taken affects those close to themselves are more likely to judge noncompliant tax strategies as unethical.

H18 Individuals who expect to be audited are more likely to judge noncompliant tax strategies as unethical.

H19 Individuals who expect to be assessed additional taxes and penalties are more likely to judge noncompliant tax strategies as unethical.

Behavioral Intentions

Behavioral intent accounts for a large portion of the variance in actual behavior. Fishbein and Ajzen (1975) found that intention is a precursor to behavior. In a later study

Ajzen and Fishbein (1980) demonstrated that attitudes are sufficient to predict intentions. Attitudes toward a behavior, subjective norms, and perceived control correlate highly with behavior intentions (Ajzen 1991). This research evaluates the relationship between ethical perceptions and behavioral intentions.

Accordingly, the final hypothesis is as follows:

H20 Individuals who judge noncompliant tax strategies as unethical are more likely to intend to comply with income tax laws.

Survey Instrument

For the mailout, a twelve-page questionnaire was developed. The document measured responses by survey subjects in order to test the various hypotheses. The complete survey instrument is presented in Appendix A. Each of the nine sections of the instrument is described in the paragraphs below.

Section 1

Section 1 contained three unique scenarios involving actions taken by federal income tax return filers. Each involved an individual either taking a deduction to which he was not entitled based on his facts and circumstances, or taking a deduction for which he did not have the required documentation. Following each scenario were various questions and validated scales to measure respondents' ethical perceptions, moral intensity, and behavioral intentions with regard to the actions taken in the corresponding scenarios. The three scenarios are presented in Table 3. In Scenario A, a taxpayer took a deduction that was not justified based on his facts and circumstances. Scenario B

Table 3. Ethical Dilemma Scenarios

Section 1 Scenario A:

John Harris operates his sole proprietorship out of his home. He completes many of his activities there, but meets no clients. He uses space in his home alternately for personal and business use and would like to take a "home office" deduction--depreciation and an allocable portion of utilities. He is aware that current tax law does not allow a home office deduction unless the business use is exclusive in the part of the home claimed. He can legally take no deductions for a home office. Since he prepares his own tax return, John takes the deductions anyway.

Section 1 Scenario B:

Bob Dennis has made eight cash contributions to various charities this year. Each donation was between $300 and $500 and his only receipts are his canceled checks. Current Federal tax law states that no charitable deduction is allowed for any donation over $250 unless the taxpayer has a receipt from the charity which states the value of goods and services taxpayer received in consideration for the donation, if any. Specifically, the law provides that the receipt must be in the possession of the taxpayer before the deduction is taken on the return, not when notification of a subsequent audit is received. Bob takes the deduction without the required receipts.

Section 1 Scenario C:

Jim Moore uses his car frequently in his business. However, he does not keep adequate records to support a business deduction on his personal tax return. He takes a significant deduction for business mileage on his return each year. He has no specific recollection of the actual business use. Recently he received a notice that the IRS is going to audit last year's return. In preparation for the audit Jim constructs a log of his business and personal mileage for the year in question. The log is designed to agree with the deduction taken but is not based on actual knowledge of legitimate business use. He uses several different pens to complete the log so it will appear that it was kept as the mileage was actually driven.

presented a situation in which a taxpayer took a deduction to which he was clearly entitled but for the fact that he had not met a technical requirement for documentation mandated by the Internal Revenue Code. In Scenario C, a taxpayer manufactured documentation for an arbitrarily determined deduction only after being notified of an IRS audit.

Reidenbach and Robin (1988 and 1990) developed a multidimensional ethics scale using eight items evaluating three dimensions. They described these dimensions as moral equity, relativism, and contractualism. Florey, Phillips, Reidenbach, and Robin (1992) validated the scale in an accounting setting using dilemmas presented to management accountants. Their research indicated a high reliability factor resulting in coefficient alphas ranging from .75 to .94 for the three constructs over four scenarios. Cohen, Pant, and Sharp (1993) further validated the scale in an accounting setting by presenting three ethical dilemmas to 92 graduate and undergraduate accounting majors. They verified the original three dimensions identified by Reidenbach and Robin, but an additional utilitarian construct emerged as significant to accounting academics in ethical decision making.

This research used the summated results of the Reidenbach and Robin scale as a measure of ethical perception of the actions taken by tax filers in three scenarios. The Reidenbach and Robin Multidimensional Ethics Measure (Reidenbach and Robin 1990) was used to examine the ethical perceptions of respondents to actions taken by each of the fictitious persons in the scenarios. The scale is presented in Figure 2.

Survey participants were asked to respond to eight items using a seven-point Likert scale with various bi-polar extremes such as fair/unfair or just/unjust. The scale was a modification of an earlier one developed by Reidenbach and Robin (1988) using thirty-three items. While the scale was developed in a marketing setting, it has been validated in several publications in accounting contexts (Florey et al. 1992 and Cohen et al. 1993).

Scenario X: Ethical Dilemma is presented.

Please express your attitude toward the action taken by John on his return by placing a check (✓) in a space between each of the opposite adjectives that follow.

The eight-item, seven-point Multidimensional Ethics Scale

fair___:___:___:___:___:___:___ unfair

just___:___:___:___:___:___:___ unjust

morally right___:___:___:___:___:___:___ not morally right

acceptable to my family___:___:___:___:___:___:___ unacceptable to my family

culturally acceptable___:___:___:___:___:___:___ culturally unacceptable

traditionally acceptable___:___:___:___:___:___:___ traditionally unacceptable

violates an unwritten contract___:___:___:___:___:___:___ does not violate an unwritten contract

violates an unspoken promise___:___:___:___:___:___:___ does not violate an unspoken promise

Figure 2. Reidenbach and Robin (1990) Multidimensional Ethics Scale

Also in Section 1 was a moral intensity scale developed by Barnett et al. (1999). The scale was comprised of twenty-four items examining five dimensions of moral intensity; probability of harm, seriousness of consequences, social consensus, temporal immediacy, and proximity. The instrument was based on work done by Jones (1991) that utilized six constructs to measure moral intensity. The scale was presented separately for each scenario. The complete scale is presented in Figure 3.

In addition to the scales discussed above, two questions were included with each scenario. One is a self-reported measure of respondents' probabilities of engaging in the

Probability of Harm

The likelihood that consequences to others will actually occur as a result of the action taken in scenario X is . . .

likely	___	___	___	___	___	___	unlikely
improbable	___	___	___	___	___	___	probable
impossible	___	___	___	___	___	___	possible
definitely would	___	___	___	___	___	___	definitely would not

Seriousness of Consequences

Do you believe any harm resulting from the action taken in scenario X will be . . .

minor	___	___	___	___	___	___	severe
serious	___	___	___	___	___	___	trivial
significant	___	___	___	___	___	___	insignificant
great	___	___	___	___	___	___	slight
small	___	___	___	___	___	___	large

Social Consensus

Indicate the degree to which you feel society as a whole considers the action taken in scenario X.

evil	___	___	___	___	___	___	good
ethical	___	___	___	___	___	___	unethical
legal	___	___	___	___	___	___	illegal
wrong	___	___	___	___	___	___	right
inappropriate	___	___	___	___	___	___	appropriate

Temporal Immediacy

Do you anticipate that nay consequences to others from the action taken in scenario X are likely to occur . . .

immediately	___	___	___	___	___	___	after a long time
never	___	___	___	___	___	___	soon
quickly	___	___	___	___	___	___	slowly
belatedly	___	___	___	___	___	___	swiftly
gradually	___	___	___	___	___	___	rapidly

Proximity

Compared to yourself, do you believe those potentially affected by the action taken in scenario X are . . .

similar	___	___	___	___	___	___	dissimilar
not like	___	___	___	___	___	___	alike
compatible	___	___	___	___	___	___	incompatible
close	___	___	___	___	___	___	distant
different	___	___	___	___	___	___	same

Figure 3. Barnett, Brown, Bass & Hebert (1999) Moral Intensity Scale

same action as the taxpayer in the corresponding scenario. The other examined the possibility of a halo effect by asking responds to speculate on the likelihood that their neighbor would engage in the same action as the individual in the scenario.

Section 2

Section 2 contained eleven questions relating to the subjects' impressions of the Internal Revenue Service and the Federal income tax system. These questions were developed from discussions with practicing tax compliance professionals based on their experiences with taxpayers/clients. Responses were on a seven-point Likert scale from strongly agree to strongly disagree.

Section 3

Remmers' Attitude Toward Any Social Practice Scale (1960) was used in this research to measure the existing attitudes of respondents regarding paying federal income taxes. The scale was validated by comparing results to known groups. Remmers reported internal reliability coefficients of .71 to .92. The scale may be modified to fit any social practice by substituting that activity in each of the prescribed statements about social practices. In this survey the social practice was paying federal income taxes. The Remmers scale is presented in Figure 4. Respondents were asked to indicate the statements with which they agreed. A predetermined weighting factor was assigned to each positive response. The higher the total score, the more positive the attitude about the social practice in question.

Value	Statement
10.1	1. Should be practiced by all Americans.
9.7	2. Aids in bringing civilization to a higher level.
9.2	3. Is endorsed by sensible people.
8.9	4. Many things about this practice are essential to normal living.
8.6	5. Keeps us from being "one-sided".
8.1	6. As a rule is good.
7.7	7. Has more merit than demerit.
6.8	8. I would enjoy this practice if it were changed somewhat.
6.0	9. I am not against this practice, but neither am I for it.
5.9	10. Isn't absolutely bad but isn't good either.
4.8	11. Is a little foolish. Isn't absolutely bad but isn't good either.
3.9	12. Has more disadvantages than advantages.
3.1	13. Is annoying.
2.6	14. We would be better off without this practice.
2.2	15. Is not endorsed by sane people.
1.9	16. Serves no purpose.
1.0	17. I hate this practice worse than I hate anything else.

Figure 4. Remmers' (1960) Attitude Toward Any Social Practice Scale

Instructions: Below is a series of statements designed to allow you to indicate the extent to which you agree with each statement. In answering, use the following response scale and write the number corresponding to your level of agreement with each statement in the space provided beside that statement.

Completely Disagree	Moderately Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Moderately Agree	Completely Agree
1	2	3	4	5	6	7

___ A person should make certain that their actions never intentionally harm another even to a small degree.

___ Risks to another should never be tolerated, irrespective of how small the risks might be.

___ The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.

___ One should never psychologically or physically harm another person.

___ One should not perform an action which might in any way threaten the dignity and welfare of another individual.

___ If an action could harm an innocent other, then it should not be done.

___ Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.

___ The dignity and welfare of people should be the most important concern in any society.

___ It is never necessary to sacrifice the welfare of others.

___ Moral actions are those which closely match ideals of the most "perfect" action.

___ There are no ethical principles that are so important that they should be a part of any code of ethics.

___ What is ethical varies from one situation to another.

___ Different types of moralities cannot be compared as to "rightness".

___ Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.

___ Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.

___ Moral standards are simple personal rules which indicate how a person should behave and are not to be applied in making judgments of others.

___ Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.

___ Rigidly codifying an ethical option that prevents certain types of actions could stand in the way of better human relations and adjustment.

___ No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.

___ Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

Figure 5. Forsyth's (1980) Idealism/Relativism Scale

Section 4

Section 4 was Forsyth's Idealism/Relativism Scale (Figure 5). The scale is a twenty-item, seven-point bi-polar Likert type scale (completely agree-completely disagree). The summated responses to the first ten items measured an individual's idealism. the higher the score. the more idealistic. The summated responses to the second ten items measured an individual's relativism; the higher the score. the more relativistic.

Section 5

Section 5 was comprised of brief descriptions of seven provisions of the Internal Revenue Service Restructuring and Reform Act of 1998 regarding operations of the Internal Revenue Service. Congress intended these law changes to make the IRS more efficient and "user friendly". The goal of this research was to measure individuals' expectations of the effectiveness of the announced changes and to examine whether those expectations affected ethical perceptions. The questions were developed from conversations with tax professionals regarding the degree of publicity each has received and the anticipated impact on individuals' contacts with the Internal Revenue Service.

Section 6

Section 6 was the Collins-Hayes Short Form Conservatism Scale (1993). The summated scale resulted in an overall conservatism measure based on five underlying constructs. The scale showed a coefficient alpha of .82 and factor analysis confirmed the theorized constructs. Respondents rated their agreement or disagreement with each item on a seven-point Likert scale. The items were selected for their power to discriminate

between known conservative and liberal groups. Five characteristics that made up the overall conservatism rating were: (1) militarism, (2) anti-hedonism, (3) anti-domination (intolerance of discriminatory social conventions), (4) religious fundamentalism, and (5) anti-art (intolerance of alternative lifestyles). Table 4 presents the short-form scale used in this research.

Table 4. Collins-Hayes (1993) Short Form Conservatism Scale

Please indicate your level of agreement or disagreement with the following statements by placing a number beside each item.

Completely Disagree	Moderately Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Moderately Agree	Completely Agree
1	2	3	4	5	6	7

____	Flag burning	____	Heavy metal music
____	Chastity	____	ROTC
____	Legalized abortion	____	Strip shows
____	Premarital virginity	____	Evolution theory
____	Casual sex	____	Female clergy
____	Church authority	____	Fundamental religion
____	Punk rockers	____	Bible truth
____	Patriotism	____	Divorce

Section 7

Section 7 was comprised of the McDaniel and Burnett Religiosity Scale (1990) (Figure 6). Along with the five responses measuring religiosity, respondents were asked to give a religious preference. Prior research has found that religious affiliation is significant in the development of cognitive beliefs (McDaniel 1990). They also described

religiosity as a sub-category of human values. The most prevalent religious groups in the United States are Catholics, Protestants, and Jews (Gallop 1985). However, the religious affiliation question in the survey was open ended.

Please indicate your best response to the following statements by placing a check (✓) in a space between each of the opposite pairs below.

My religion is very important to me.

strongly disagree ___:___:___:___:___:___:___ strongly agree

I believe in God.

strongly disagree ___:___:___:___:___:___:___ strongly agree

How often do you attend church services/meetings?

Never	Once a year	Once a month	Once a week	More than once a week
___	___	___	___	___

What percentage of your after taxes income do you donate to your denomination or other ministries?

0% _____ 1-3% _____ 4-7% _____ 8-10% _____ >10% _____

Figure 6. McDaniel and Burnett's (1990) Religiosity Scale

Section 8

Section 8 was the Marlowe-Crowne Social Desirability Scale. Researchers have found that ethical measures suffer from bias introduced when respondents answer in a socially desirable manner (Ballard 1992). Respondents are motivated by respect for current social norms and practices, a need for approval, or a need for others to see them abide by societal rules (Randall & Fernandez 1991). Social desirability is often

associated with impression management, self-deception, and self-justification, but may also appear as unique phenomena (Zerbe & Paulhus 1987). Presence of socially desirable responses reduces the explanatory value of self-reported scales. Accordingly, it is viewed as a contaminant in evaluating the responses (Ganster, Hennessey, & Luthans 1983).

The Marlowe-Crowne Social Desirability Scale (Crowne & Marlowe 1960) was developed to estimate the social desirability bias. Later research questioned the usefulness of the original Marlowe-Crowne scale as a result of perceived biases in measuring responses from various groups such as male and female (Goldfried 1964). A number of sub-scales were developed to mitigate these perceived weaknesses in the original scale (Ballard 1992). A subset of the Marlowe-Crowne scale developed by Reynolds (1982) using principle components analysis was used in this research. The ten-item short form is presented in Figure 7.

Methods are available to minimize the impact of social desirability bias on ethics research. These include assurance of anonymity and administering the questionnaire in a non-threatening environment (Randall & Fernandez 1991).

Section 9

Section 9 elicited demographic information regarding the respondents. This section also contained questions relating to prior experiences with the Internal Revenue Service as well as expectations of future contact with the service. Information developed in this section was used along with the other variables tested to determine their impact, if any, in explaining variances in ethical perceptions.

Listed below are a number of statements concerning personal attitudes and traits. Read each item and decide whether the statement is true or false as it pertains to you personally.
1. I like to gossip at times.
2. There have been occasions when I took advantage of someone.
3. I'm always willing to admit it when I make a mistake.
4. I always practice what I preach.
5. I sometimes try to get even, rather than forgive and forget.
6. At times I have really insisted on having things my own way.
7. There have been occasions when I felt like smashing things.
8. I never resent being asked to return a favor.
9. I have never been irked when people expressed ideas very different from my own.
10. I have never deliberately said something that hurt someone's feelings.

Figure 7. Marlowe-Crowne Short Form Social Desirability Scale (Reynolds 1982)

Methodology

Data were analyzed using hierarchical regression. Hierarchical regression tests independent variables in logical groupings called blocks. The significance of explanatory value was determined for each variable individually and for the contribution of the group as a whole. Demographic information comprised block one of the independent variables in the regression equation. Age, household income, and education might explain a portion of the variances in ethical perceptions. Personal characteristic variables idealism, relativism, religiosity, and conservatism comprised block two and tested hypotheses one

through four. Scores of the various scales described previously were used as independent variables in the equation.

Situational variables comprised block three. The independent variables in this group were attitude about paying federal income taxes as measured by Remmers' Attitude About Any Social Practice Scale and the individual responses regarding perceptions of changes in the tax laws that were intended to correct some of the perceived abuses by the Internal Revenue Service. Block three tested hypotheses five through twelve.

Block four in the equation tested the effect, if any, of awareness of consequences on ethical perceptions. Moral intensity was evaluated using the summated responses to the five underlying dimensions. Self-reported expectations of an IRS audit and expectations of additional assessments were included in this block. Responses were on a seven-point highly-likely to highly-unlikely scale. Block four tested hypotheses thirteen through nineteen.

A separate regression was run to test the significance of ethical perceptions in explaining variances in expected behaviors. Self-reported expectations that respondents were likely or not likely to engage in the same action as the subject in each scenario were used as the dependent variable. The summated responses of the Reidenbach and Robin Multidimensional Ethical Scale were used as the independent variable. This regression tested hypothesis twenty.

Information gathered using the described questionnaire was utilized in testing the various hypotheses. The specific scales used and corresponding hypotheses tested are summarized in Figure 8.

Section	Scale	Hypotheses Tested
1	Reidenbach and Robin Multidimensional Ethics Scale (1990)	1-20
1	Barnett, Brown, Bass and Hebert Moral Intensity Scale (1999)	13-17
3	Remmers' Attitude Toward Any Social Practice Scale (1960)	5
4	Forsyth's Idealism/ Relativism Scale (1980)	1-2
6	Collins-Hayes Short Form Conservatism Scale (1993)	4
7	McDaniel-Burnett Religiosity Scale (1990)	3

Figure 8. Measurement Scales Used in Regression and Corresponding Hypotheses Tested

The next chapter describes the data collection process and the analysis of that data.

Chapter 5 discusses the results of hypotheses testing and the conclusions of the research.

CHAPTER 4

RESULTS

The purpose of this chapter is to present the results of this research. This chapter is presented in several sections. The first section describes the data collection. Characteristics of sample respondents comprise section two. The third section presents descriptive statistics of the pertinent study variables. The next section includes factor analyses for the ethical perception and moral intensity scales along with reliability coefficients and discussion of correlation matrices for the sets of variables analyzed for each scenario. The last section presents the results of the hierarchical regressions that were conducted to test hypotheses.

Data Collection

The sample frame for this research was a randomly selected list of 3,109 names and addresses comprised of individuals throughout the United States. The sample was selected proportionately from the fifty states based on populations. Only those individuals with household incomes greater than $15,000 were included. The threshold income was intended to increase the probability that respondents were tax return filers who would be more aware of ethical issues involved in federal income tax return filings. The odd

number of names was based on the pricing policy of the list broker, Direct Response Marketing. The Polk & Co. maintains a list of approximately 228 million names for various solicitation purposes. Direct Response Marketing contracts with The Polk & Co. to extract mailing lists based on a large number of selection filters such as geographic location, age, gender, and income.

Surveys were mailed in two waves four weeks apart. The first mailing included the questionnaire, a postage-paid business reply envelope, and a transmittal letter explaining the nature and significance of the research. A subsequent mailing included the same questionnaire and return envelope, but a modified letter strengthening the appeal to those who had not responded to the first mailing. Those who had responded to the first solicitation were asked not to respond a second time.

The first wave resulted in 207 responses from which 175 usable surveys were obtained. The second wave brought in an additional 127 questionnaires of which 118 were usable. Unusable response resulted from surveys returned blank (29) or with too little information provided (12) to be useful. There were 293 useable surveys out of 3,109 mailed, resulting in an overall response rate of 9.7%.

Wave one mean responses for all variables in the study were compared to wave two mean responses to examine potential non-response bias. Results of this comparison are presented in Table 5. Most of the comparisons yielded insignificant differences. However, wave two respondents perceived a higher probability of harm from taxpayers' actions in all three scenarios. Wave two responders were, by inference, non-responders to wave one. Apparently, non-responders expected a higher probability of harmful

Table 5. Evaluation of Differences Among Early Respondents and Late Respondents

		Separate Variance Estimates		
Variable	**Group Number**	**Mean Value**	**t value**	**2-tail probability**
Scenario A				
Ethical Perception	1	4.71	1.13	.258
	2	4.49		
Expectation of Behavior	1	5.45	1.12	.265
	2	5.17		
Probability of Harm	1	3.66	-2.10	.036
	2	4.10		
Seriousness of Consequences	1	2.98	.51	.608
	2	2.88		
Social Consensus	1	4.16	-.21	.832
	2	4.19		
Temporal Immediacy	1	2.63	-.43	.665
	2	2.69		
Proximity	1	4.24	.13	.893
	2	4.21		
Scenario B				
Ethical Perception	1	3.44	-1.41	.161
	2	3.74		
Expectation of Behavior	1	3.79	-1.64	.161
	2	4.29		
Probability of Harm	1	3.10	-2.07	.040
	2	3.52		
Seriousness of Consequences	1	2.39	-1.44	.149
	2	2.68		
Social Consensus	1	3.38	-1.21	.229
	2	3.62		
Temporal Immediacy	1	2.36	-1.46	.144
	2	2.60		
Proximity	1	4.82	1.26	.210
	2	4.53		

Table 5 – Continued

		Separate Variance Estimates		
Variable	**Group Number**	**Mean Value**	**t value**	**2-tail Probability**
Scenario C				
Ethical Perception	1	4.75	-.60	.549
	2	4.86		
Expectation of Behavior	1	5.37	-.33	.549
	2	5.45		
Probability of Harm	1	3.49	-2.13	.034
	2	3.94		
Seriousness of Consequences	1	3.10	-.51	.609
	2	3.21		
Social Consensus	1	4.37	-.32	.750
	2	4.42		
Temporal Immediacy	1	2.78	-.28	.778
	2	2.83		
Proximity	1	4.19	-.13	.899
	2	4.22		
Perception of Law Change Variables				
Oversight Board	1	5.35	.99	.323
	2	5.19		
Fund for seminars for Low Income Earners	1	4.51	-1.06	.289
	2	4.73		
Attorney/Client Privilege for Accountants	1	4.70	1.04	.297
	2	4.49		
Shift in Burden of Proof	1	5.74	2.37	.018
	2	5.34		
Recovery of Costs/Fees	1	5.85	2.26	.025
	2	5.51		
IRS Employee to Contact Regarding Correspondence	1	5.94	1.45	.148
	2	5.72		
Disclose Audit Selection Process	1	5.49	.88	.381
	2	5.31		

Table 5 – Continued

			Separate Variance Estimates	
Variable	**Group Number**	**Mean Value**	**t value**	**2-tail Probability**
Other Study Variables				
Age	1	50.56	-.63	.532
	2	51.68		
Income (in Thousands)	1	67.89	1.27	.205
	2	60.34		
Education	1	4.15	2.92	.004
	2	3.65		
Attitude Towards a Social Practice	1	4.51	.66	.510
	2	4.36		
Idealism	1	5.27	-1.31	.190
	2	5.46		
Relativism	1	3.41	-2.06	.040
	2	3.73		
Conservatism	1	4.69	-.64	.526
	2	4.77		
Religiosity	1	4.97	-.16	.873
	2	4.99		
Expectation of Audit	1	3.09	.85	.398
	2	2.92		
Expectation of Additional Assessments	1	2.47	.47	.638
	2	2.36		

Group 1 = Respondents to first wave

Group 2 = Respondents to second wave

consequences resulting from noncompliance strategies regardless of the circumstances of the tax return filers.

Impressions of taxpayers regarding changes to the operations of the Internal Revenue Service were significantly different between the first mailing and the second with respect to two of the seven law changes included in the survey. Specifically, second wave respondents looked less favorably than wave one respondents upon changes in the tax laws related to the shift, in certain circumstances, of burden of proof to the IRS and expansion of circumstances under which taxpayers may recover costs and fees when successfully defending a position against the IRS. Therefore, non-respondents might expect a less beneficial effect from these two law changes than early respondents.

Second wave respondents were significantly less educated than first wave respondents. It is probable that better educated individuals are more likely to complete a questionnaire as long and as complex as the one included in the survey. An alternate explanation might be that less educated people in the sample feared the information gathered would end up in the hands of the IRS and be traceable to individual respondents. Second wave respondents were more relativistic than wave one respondents. Non-response bias might affect some results.

Demographic Characteristics of Respondents

Demographic information about the sample respondents is presented in this section and are summarized in Table 6. The mean age of respondents was 51.01 years with a standard deviation of 14.84 years and a median of 50 years. Household income

Table 6. Selected Demographic Characteristics of Respondents

Variable	Mean	Std Dev	Median
Age	51.01	14.84	50
Household Income (Thousands)	64.93	47.60	50
Variable	**Category**	**Frequency**	**Valid Percentage**
Gender	Male	201	68.8
	Female	91	31.2
Race	African/American	10	3.4
	Asian /American	7	2.4
	Hispanic	6	2.0
	White	260	88.7
	Other	10	3.4
Marital Status	Married	191	66.8
	Never Married	31	10.8
	Divorced	39	13.6
	Widowed	25	8.7
Previously Audited	Yes	75	25.6
	No	218	74.4
Claim Dependents	Yes	109	37.2
	No	184	62.8
Employment	Professional/ Technical	160	55.7
	Clerical and sales	24	8.4
	Service	19	6.6
	Agricultural/Fishery	5	1.8
	Processing	1	.3
	Machine trades	5	1.8
	Structural Work	4	1.4
	Miscellaneous	9	3.1
	Not Working	60	20.9

Table 6 – Continued

Variable	Category	Frequency	Valid Percentage
Education	1-11 years	7	2.4
	High school diploma	45	15.4
	Some college	71	24.2
	College degree	73	24.9
	Some postgraduate/ professional training	26	8.9
	Graduate Degree	71	24.2
Return Preparer	Self prepared	108	36.9
	Friend/family	23	7.8
	Paid preparer	156	53.2
	None required	6	2.0
Geographic Region	Northeast	46	15.7
	Southeast	81	27.6
	Great Lakes	77	26.3
	Midwest	12	4.1
	Southwest	39	13.3
	Pacific Border	38	13.0

averaged $64,930 per year with a standard deviation of $47,600 and a median of $50,000. Average household income for the United States in 1996, the latest available data, was about $35,000. (Statistical Abstract of the United States 1998, Table No. 741). Incomes of individual respondents ranged from zero to $400,000.

Respondents were predominately male, sixty-eight percent, compared to thirty-two percent females. Ninety percent were white. Married individuals (66.8%) who claimed no dependents (62.8%) also dominated the sample. Of the 293 respondents, 75 had previously been audited by the Internal Revenue Service. Since fewer than one percent of tax filers are audited each year, such a response seems disproportionately high. Educated, higher earning citizens were not only more likely to be audited but also would be more likely to reply to such a complex questionnaire.

Approximately 56% of respondents were professional/technical employees. Approximately 58% had a college degree or some type of post-graduate education. The rate nationally was approximately 24% in 1996 (Statistical Abstract of the United States 1998, Table No. 260). Over half (53.2%), paid someone to prepare their tax returns, while almost 37% prepared their own returns. The others either were not required to file or had someone, such as a friend or relative, prepare their returns at no cost.

Responses were received from throughout the United States. Southeastern states accounted for the greatest number of responses, 81 (27.6%). The Great Lakes area accounted for the next greatest number with 77 (26.3%). The Great Plains states with smaller population bases provided the least responses with 12 (4.1%).

Descriptive Statistics for Study Variables

Table 7 presents descriptive statistics for variables of interest in this dissertation. All study variables except age, education, and household income were measured using a seven-point Likert scale or a semantic differential scale. Scores for individual ethical perceptions of the actions taken by taxpayers in the three scenarios ranged from 1 (completely ethical) to 7 (completely unethical). Overall ethical perception scores were derived from means of the responses to the eight items in the Reidenbach and Robin Multidimensional Ethics Scale. Means for Scenario A through C were 4.62, 3.56, 4.79, respectively. Survey subjects viewed all the actions as somewhat unethical with Scenario B, the charitable donation scenario, being less unethical than the other two.

Moral intensity was measured using the five underlying constructs of the Barnett, et al. (1999) scale. Means were computed by summing each dimension's responses and dividing by the number of items in the scale. Overall, respondents believed that the actions represented in the scenarios did not have serious consequences nor did they expect consequences to occur soon. Respondents' perceptions of social consensus regarding the action taken in scenario B, charitable donation, were less morally intense than the actions taken in the other scenarios.

Impressions of the effectiveness of changes in the tax laws intended to make the Internal Revenue Service more efficient and responsive indicate that survey participants generally considered the changes more beneficial than not. Changes related to creation of a fund to provide tax clinics for low-income taxpayers and extension of attorney/client privilege to non-attorneys were considered less effective than the other five provisions.

Table 7. Descriptive Statistics of Study Variables

Variable	Mean	Median	Mode	Std Dev	Skewness	Kurtosis
Scenario A						
Ethical Perception	4.62	4.69	7	1.63	-.40	-.59
Expectation of Behavior	5.34	6.50	7	2.14	-.95	-.64
Probability of Harm	3.84	3.75	4	1.73	.35	-.79
Seriousness of Consequences	2.94	2.60	1	1.68	.67	-.30
Social Consensus	4.17	4.00	4	1.43	-.08	-.10
Temporal Immediacy	2.65	2.60	1	1.27	.73	.80
Proximity	4.23	4.00	4	1.84	-.22	-.79
Scenario B						
Ethical Perception	3.56	3.50	1	1.84	.27	-1.04
Expectation of Behavior	3.99	4.00	7	2.54	.06	-1.74
Probability of Harm	3.27	3.00	1	1.71	.61	-.40
Seriousness of Consequences	2.51	2.00	1	1.66	1.08	-.41
Social Consensus	3.48	3.60	1	1.69	.22	-.76
Temporal Immediacy	2.46	2.20	1	1.39	.92	.83
Proximity	4.70	4.80	4	1.89	-.52	-.65
Scenario C						
Ethical Perception	4.79	5.00	7	1.56	-.57	-.29
Expectation of Behavior	5.40	7.00	7	2.09	-1.01	-.43
Probability of Harm	3.67	3.75	4	1.79	.33	-.77
Seriousness of Consequences	3.15	3.00	1	1.78	.50	-.65
Social Consensus	4.39	4.40	4	1.53	-.28	-.33
Temporal Immediacy	2.80	2.80	1	1.47	.74	.36
Proximity	4.20	4.00	4	1.95	-.27	-.96

Table 7 – Continued

Variable	Mean	Median	Mode	Std Dev	Skewness	Kurtosis
Perception of Law Change Variables						
Oversight Board	5.28	5.00	6	1.36	-.76	.84
Fund for Seminars for Low Income Earners	4.60	5.00	4	1.69	-.44	-.39
Attorney/Client Privilege for Accountants	4.62	4.00	4	1.67	-.34	-.42
Shift in Burden of Proof	5.58	6.00	7	1.43	-1.05	.86
Recovery of Costs/Fees	5.71	6.00	6	1.28	-1.06	1.14
IRS Employee to Contact Regarding Correspondence	5.85	6.00	7	1.28	-.94	.27
Disclose Audit Selection	5.42	6.00	7	1.64	-.92	.26
Other Study Variables						
Age	51.01	50.00	50	14.84	.10	-.65
Household Income (in Thousands)	64.93	50.00	50	47.60	2.32	10.15
Education	3.95	4.00	4	1.46	.07	-1.10
Attitude Toward Paying Income Taxes	4.45	4.60	5.68	1.91	-.15	-.45
Idealism	5.35	5.50	5.50	1.16	-1.05	1.17
Relativism	3.54	3.60	3.20	1.31	-.06	-.76
Conservatism	4.72	4.69	5.00	.93	-.04	-.53
Religiosity	4.98	5.04	6.44	1.28	-.56	-.15
Expectation of Audit	3.02	3.00	4	1.67	.40	-.61
Expectation of Additional Assessments	2.42	2.00	1	1.79	1.17	.31

Note, however, the mean household income of respondents was approximately $65,000. Possibly this group was not sympathetic to the circumstances of low-income tax return filers.

Responses indicate that most participants believed that an IRS audit was unlikely and that if audited additional assessments were even less likely. The additional assessment responses, however, were more broadly distributed and somewhat skewed toward the more likely range.

Household income deviated most from a normal distribution pattern based on its skewness and kurtosis measures. Average household income was $64,930, however, distributions were significantly skewed toward upper income ranges and distributions were over a wider range than would normally be expected. Both F and t are robust as to the assumption of normalcy. Therefore, the F-statistic will reasonably follow the F-distribution and probabilities from the t-tables are reasonably applicable in calculating the t-statistic (Box and Tiao 1973). Accordingly, deviations of study variables from normalcy were not considered to be a significant problem in this research.

Measurement of Constructs

Factor Analysis

The measurement properties of the Reidenbach and Robin Multidimensional Ethics Scale have been tested in accounting studies as well as studies in other fields (Reidenbach and Robin 1988 and 1990; Florey et al. 1992). The scale, however, has not previously been used in a study about income tax filing. Factor analysis was performed

to examine the factor makeup with respect to the theorized structure. Maximum likelihood factor analysis was employed using a varimax rotation. Results of factor analysis for all three scenarios are presented in Table 8.

Solutions resulted in three factors that were consistent with theory. These factors were previously described as moral equity, relativism, and contractualism (Reidenbach and Robin 1990). Moral equity explained the greatest proportion of the variance in ethical perceptions, contractualism next greatest, and relativism the least in all scenarios.

Moral intensity scales developed by Barnett et al. (1999) have not been widely used. Accordingly, factor analysis was performed to compare the factor structure of the items to theorized structures. Results are presented in Table 9. The analysis resulted in five factors as hypothesized. Explanatory values of the five dimensions were relatively consistent across the three scenarios. In Scenarios A and C, seriousness of consequences was most significant in explaining variance followed by proximity. Proximity replaced seriousness of consequences as the most significant in Scenario B, charitable donations. In all other respects the factors had consistent relevance in explaining the variances in moral intensity responses for the three scenarios.

Reliability

Coefficient alpha assesses the internal consistency of measurement scales. Coefficient alphas are presented in Table 10. Scores above .70 are deemed to be an indication of adequate internal consistency (Nunnally 1978). Internal consistency is significant in assessing associations of variables since absence of reliability would lower

Table 8. Ethical Perception Factor Analysis

Construct	Factor 1	Factor 2	Factor 3
Scenario A			
Moral Equity			
Fair	0.900	0.199	0.232
Just	0.925	0.176	0.241
Moral	0.680	0.318	0.242
Family acceptable	0.670	0.313	0.334
Relativism			
Culturally acceptable	0.232	0.001	0.868
Traditionally acceptable	0.300	0.123	0.795
Contractualism			
Violate written contract	0.231	0.904	0.001
Violate spoken contract	0.274	0.896	0.120
Eigenvalue	4.708	1.346	0.957
Percent variance explained	58.853	16.830	11.959
Percent of total variance explained			87.642

Construct	Factor 1	Factor 2	Factor 3
Scenario B			
Moral Equity			
Fair	0.903	0.224	0.296
Just	0.905	0.231	0.305
Moral	0.761	0.305	0.319
Family acceptable	0.740	0.264	0.439
Relativism			
Culturally acceptable	0.364	0.195	0.835
Traditionally acceptable	0.364	0.183	0.858
Contractualism			
Violate written contract	0.252	0.927	0.160
Violate spoken contract	0.257	0.916	0.196
Eigenvalue	5.509	1.185	0.758
Percent variance explained	68.864	14.814	9.470
Percent of total variance explained			93.148

Table 8 – Continued

Construct	Factor 1	Factor 2	Factor 3
Scenario C			
Moral Equity			
Fair	0.923	0.212	0.266
Just	0.904	0.233	0.268
Moral	0.756	0.279	0.271
Family acceptable	0.729	0.254	0.396
Relativism			
Culturally acceptable	0.281	0.176	0.918
Traditionally acceptable	0.348	0.163	0.657
Contractualism			
Violate written contract	0.260	0.902	0.161
Violate spoken contract	0.250	0.912	0.184
Eigenvalue	5.149	1.171	0.873
Percent variance explained	64.367	14.642	10.917
Percent of total variance explained			89.926

Table 9. Moral Intensity Factor Analysis

Construct	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Scenario A					
Seriousness of Consequences					
Minor	0.892	-0.081	0.115	0.060	0.063
Trivial	0.885	-0.082	0.155	0.034	0.117
Insignificant	0.840	-0.021	0.170	0.073	0.134
Slight	0.927	-0.045	0.133	0.024	0.069
Small	0.892	-0.053	0.155	0.107	0.091
Proximity					
Dissimilar	-0.016	0.922	-0.004	-0.050	0.025
Not like	-0.039	0.917	-0.020	-0.051	-0.023
Incompatible	-0.067	0.890	0.035	-0.085	-0.078
Distant	-0.084	0.875	-0.029	-0.126	0.020
Different	0.081	0.909	0.015	-0.077	-0.100
Temporal Immediacy					
Longtime	0.038	0.030	0.803	-0.061	0.121
Never	0.242	-0.001	0.608	0.021	0.228
Slowly	0.159	-0.067	0.885	-0.085	0.091
Belated	0.198	0.019	0.889	-0.037	0.111
Gradual	0.101	-0.015	0.770	-0.093	0.029
Social Consensus					
Good	0.078	-0.143	-0.082	0.727	0.087
Ethical	0.083	-0.062	-0.006	0.747	0.110
Legal	0.031	-0.067	-0.075	0.685	-0.020
Right	0.017	-0.035	-0.024	0.904	0.103
Appropriate	0.041	-0.039	-0.050	0.907	0.084
Probability of Harm					
Likely	0.149	-0.023	0.116	0.085	0.899
Probably	0.089	0.026	0.104	0.048	0.850
Possibly	0.042	-0.070	0.063	0.131	0.601
Definite	0.117	-0.049	0.194	0.048	0.734
Eigenvalue	6.042	4.647	3.416	2.716	2.071
Percent Variance Explained	25.173	19.361	14.232	11.318	8.628
Percent of Total Variance Explained					78.713

Table 9 – Continued

Construct	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Scenario B					
Proximity					
Dissimilar	0.958	-0.110	-0.054	-0.141	-0.032
Not like	0.965	-0.109	-0.050	-0.147	-0.032
Incompatible	0.909	-0.161	0.054	-0.137	-0.038
Distant	0.902	-0.099	-0.110	-0.158	0.023
Different	0.840	-0.137	-0.054	-0.198	-0.034
Seriousness of Consequences					
Minor	-0.164	0.828	0.207	0.124	0.209
Trivial	-0.118	0.898	0.162	0.173	0.180
Insignificant	-0.143	0.861	0.221	0.197	0.210
Slight	-0.146	0.877	0.213	0.171	0.157
Small	-0.146	0.858	0.243	0.182	0.156
Temporal Immediacy					
Longtime	-0.001	0.165	0.822	0.030	0.188
Never	-0.001	0.302	0.685	0.154	0.263
Slowly	-0.001	0.212	0.890	0.014	0.114
Belated	-0.001	0.172	0.933	0.036	0.150
Gradual	-0.102	0.125	0.867	0.018	0.097
Social Consensus					
Good	-0.181	0.199	0.082	0.800	0.139
Ethical	-0.164	0.159	0.039	0.794	0.202
Legal	-0.179	0.108	0.032	0.766	0.142
Right	-0.150	0.160	0.052	0.910	0.146
Appropriate	-0.119	0.122	0.017	0.882	0.188
Probability of Harm					
Likely	-0.028	0.185	0.212	0.153	0.853
Probably	-0.046	0.193	0.180	0.195	0.865
Possibly	-0.017	0.190	0.107	0.221	0.630
Definite	-0.015	0.163	0.210	0.192	0.727
Eigenvalue	9.430	4.099	3.096	2.137	1.649
Percent Variance Explained	39.291	17.080	12.898	8.903	6.871
Percent of Total Variance Explained					85.043

Table 9 – Continued

Construct	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Scenario C					
Proximity					
Dissimilar	0.958	-0.117	-0.028	-0.181	0.071
Not like	0.967	-0.114	-0.016	-0.116	-0.012
Incompatible	0.947	-0.126	-0.014	-0.123	-0.028
Distant	0.930	-0.135	-0.114	-0.101	0.012
Different	0.929	-0.111	-0.011	-0.071	-0.096
Seriousness of Consequences					
Minor	-0.161	0.886	0.235	0.112	0.148
Trivial	-0.141	0.873	0.217	0.128	0.179
Insignificant	-0.128	0.820	0.204	0.109	0.218
Slight	-0.131	0.938	0.204	0.107	0.137
Small	-0.133	0.914	0.224	0.102	0.161
Temporal Immediacy					
Longtime	0.007	0.192	0.836	0.068	0.201
Never	-0.019	0.237	0.754	0.103	0.282
Slowly	0.038	0.168	0.929	0.014	0.118
Belated	0.032	0.205	0.853	0.032	0.135
Gradual	0.008	0.178	0.847	0.039	0.049
Social Consensus					
Good	-0.090	0.113	0.012	0.841	0.143
Ethical	-0.081	0.092	0.035	0.843	0.148
Legal	-0.094	0.038	0.055	0.775	0.147
Right	-0.104	0.115	0.056	0.905	0.132
Appropriate	-0.099	0.120	0.078	0.896	0.146
Probability of Harm					
Likely	-0.078	0.199	0.229	0.196	0.854
Probably	0.025	0.191	0.206	0.136	0.915
Possibly	-0.014	0.147	0.113	0.169	0.696
Definite	-0.057	0.165	0.151	0.225	0.757
Eigenvalue	8.522	4.768	3.505	2.154	1.852
Percent Variance Explained	35.509	19.867	14.603	8.975	7.718
Percent of Total Variance Explained					86.672

Table 10. Scale Reliability

Construct	Coefficient Alpha
Ethical Perceptions	
Scenario A	.90
Scenario B	.93
Scenario C	.92
Probability of Harm	
Scenario A	.87
Scenario B	.90
Scenario C	.93
Seriousness of Consequences	
Scenario A	.96
Scenario B	.97
Scenario C	.98
Social Consensus	
Scenario A	.90
Scenario B	.94
Scenario C	.94
Temporal Immediacy	
Scenario A	.96
Scenario B	.94
Scenario C	.94
Proximity	
Scenario A	.90
Scenario B	.97
Scenario C	.98
Idealism	.85
Relativism	.82
Conservatism	.80
Religiosity	.81

correlations (Schmitt & Klimoski 1991). Reliability is a necessary component of a valid scale (Churchill 1991).

Correlations Among Study Variables

Correlations among the various study variables were computed and are presented in Appendix C. Correlations significant at the .05 level or better are discussed in the following paragraphs.

Scenario A

Ethical perceptions that the action taken in Scenario A are unethical were positively and significantly correlated with expected behavior, and the moral intensity dimensions probability of harm, seriousness of consequences, and social consensus. Ethical perceptions were negatively correlated with proximity. Perceptions that the action taken was unethical were also negatively associated with relativism and positively associated with conservatism and religiosity. Ethical perceptions were also correlated with an overall positive attitude about paying federal income taxes. Of the variables representing attitudes about the effectiveness of tax law changes, only extension of attorney/client privilege was significantly correlated with ethical perceptions and that relationship was negative.

Expected behavior correlated with all the same variables as ethical perceptions except the associations with probability of harm and overall attitudes about paying federal income taxes were not significant. In addition to relationships identified with ethical perceptions, expected behavior was positively and significantly correlated with education.

Many of the moral intensity constructs were positively correlated with each other as expected. In addition, probability of harm was positively associated with age. Temporal immediacy was correlated with a number of the attitudes about the effectiveness of law changes intended to make the IRS more responsive to taxpayers. Surprisingly, those respondents who perceived a more immediate harm viewed taking an erroneous deduction for home-office use as less unethical than those who believed any such harm was not immediate.

Scenario B

Most of the relationships identified in Scenario A were also present among the variables in Scenario B. Temporal immediacy was significantly correlated with ethical perceptions in B, but not A. The significance of an overall favorable attitude toward paying taxes identified in Scenario A was not present in Scenario B. However, in Scenario B, perceptions that the action taken was unethical were significantly and negatively associated with education and household income. These relationships were not present in Scenario A.

Correlations of expected behaviors with other study variables followed much the same pattern as in Scenario A. The relationships with two of the moral intensity constructs, probability of harm and temporal immediacy, were positive and significant in Scenario B although they are not significant in Scenario A. No significant relationship existed between expected behavior and education as was the case in Scenario A. However, a negative correlation with household income was identified.

Moral intensity variables correlated with other study variables in the second vignette in much the same manner as in the first. However, the associations between temporal immediacy and several of the attitudes about the effectiveness of changes to the IRS in Scenario A were not present in Scenario B.

Scenario C

Correlation patterns were very much the same among variables in Scenario C compared to variables in Scenario B. Noticeably different were significant, positive relationships in C between ethical perceptions and two of the law change variables, the fund for clinics for low-income taxpayers and disclosure of the IRS audit selection criteria. Those who believed those two law changes were effective in improving the IRS were more likely to perceive constructing bogus documentation as unethical. Both ethical perceptions and expected behaviors were significantly and positively correlated with conservatism in Scenario C, but the relationship was not significant in Scenario B.

Hierarchical Regression Results

Hypotheses were tested using hierarchical regression. Control variables were entered first in the regression. The control variables were age, education, and household income. Personal characteristic variables idealism, relativism, religiosity, and conservatism were entered as block two. The situational variables comprised block three. Finally, the group of variables made up of moral intensity constructs along with expectations of IRS audits and expectations of additional assessments were entered.

Significance of each equation was evaluated using F statistic. The significance of the F statistic, or p-value, for each variable is presented in Table 11.

Results of regression analyses are included in Table 11. Standardized coefficients and significance of all three sets of equations are presented for comparison.

Scenario A

Equation one comprised of demographic variables was insignificant in explaining variances in ethical perceptions. Equation two was significant ($p < .05$). It explained 9.7% of the total variance in the dependent variable, ethical perceptions. The personal characteristic, relativism, was negatively associated with ethical perceptions. Situational variables were added in equation three. This equation increased R^2 by .084 to a total R^2 of .181. Relativism and attitude toward tax law changes relating to extension of attorney/client privilege to non-attorneys had significant negative relationships with perceptions that the action taken in Scenario A was unethical at p-value < .01. The final equation included moral intensity variables along with expectations of IRS audits and additional assessments. The additional variables contributed substantially to the explanatory value of the equation. Change in R^2 was .258 bringing total R^2 to .439. Six variables were significant at the $p < .05$ level. The extension of attorney/client privilege and the moral intensity construct of proximity were negatively related to the perception that the action taken was unethical. The moral intensity constructs of seriousness of consequences and social consensus along with conservatism and attitudes about a fund

Table 11. Hierarchical Linear Regression Standardized Coefficients and Significance with Ethical Perception as Dependent Variable

	Scenario A		Scenario B		Scenario C	
Independent Variable	Coeff	Sig. F.	Coeff.	Sig. F.	Coeff.	Sig. F.
Step 1						
Age	.008	.904	-.020	.741	-.004	.948
Education	.079	.248	-.075	.257	.030	.663
Household Income	-.056	.412	-.227	.001**	-.138	.043*
ΔR^2	.006	.681	.070	.000**	.017	.237
Step 2						
Age	-.049	.433	-.029	.636	-.051	.422
Education	.033	.629	-.129	.056	.034	.621
Household Income	-.040	.545	-.241	.000**	-.110	.104
Idealism	.029	.646	-.073	.240	.113	.079
Relativism	-.207	.003**	-.167	.014*	-.041	.558
Religiosity	.043	.585	.227	.003**	.001	.990
Conservatism	.129	.127	-.155	.063	.158	.067
ΔR^2	.091		.057		.046	
R^2	.097	.001**	.127	.000**	.063	.023*
Step 3						
Age	-.065	.297	-.024	.693	-.029	.653
Education	.000	.998	-.128	.058	.035	.617
Household Income	.033	.618	-.197	.004**	-.061	.380
Idealism	-.008	.895	-.097	.125	.063	.334
Relativism	-.171	.014*	-.123	.076	-.020	.777
Religiosity	.066	.396	.268	.001**	.041	.609
Conservatism	.140	.092	-.146	.078	.174	.042*
Attitude Toward Paying Taxes	.111	.077	-.023	.714	-.069	.287
Oversight Board	.106	.139	.055	.442	.072	.324
Fund For Seminars For Low Income Earners	.110	.100	.098	.141	.168	.014*
Attorney/Client Privilege for Accountants	-.274	.000**	-.237	.001**	-.180	.013*
Shift in Burden of Proof	.050	.540	-.061	.454	-.108	.193
Cost/Fees Recovery	-.008	.935	.034	.709	.062	.517
IRS Employee to Contact Regarding Correspondence	.025	.762	.111	.172	.027	.749
Audit Selection Process Disclosure	.008	.915	.012	.861	.138	.059
ΔR^2	.084		.056		.070	
R^2	.181	.001**	.183	.000**	.133	.002**

Table 11 – Continued

Independent Variable	Scenario A Coeff	Scenario A Sig. F.	Scenario B Coeff.	Scenario B Sig. F.	Scenario C Coeff.	Scenario C Sig. F.
Step 4						
Age	-.083	.123	-.048	.290	-.005	.920
Education	.016	.779	-.032	.522	.082	.145
Household Income	.058	.318	-.061	.232	-.054	.349
Idealism	-.044	.415	-.090	.058	.038	.472
Relativism	-.085	.157	-.083	.103	.021	.717
Religiosity	.026	.693	.163	.005**	.053	.420
Conservatism	.257	.000**	-.032	.596	.202	.004**
Attitude Toward Paying Taxes	.055	.308	.193	.681	-.048	.357
Oversight Board	.061	.317	.051	.330	.039	.519
Fund For Seminars For Low Income Earners	.122	.031*	.070	.151	.053	.343
Attorney/Client Privilege for Accountants	-.192	.002**	-.105	.046*	-.103	.084
Shift in Burden of Proof	.064	.348	-.030	.617	-.069	.304
Cost/Fees Recovery	-.014	.853	.038	.575	.024	.756
IRS Employee to Contact Regarding Correspondence	.015	.822	.065	.276	.074	.277
Audit Selection Process Disclosure	-.005	.939	-.023	.663	.108	.065
Probability of Harm	.079	.168	-.002	.965	.138	.024*
Seriousness of Consequences	.125	.027*	.284	.000**	.058	.360
Social Consensus	.423	.000**	.462	.000**	.456	.000**
Temporal Immediacy	.056	.318	.044	.393	.022	.717
Proximity	-.130	.012*	-.040	.412	-.106	.051
Expectation of Audit	-.083	.151	-.073	.150	-.027	.635
Expectation of Assessment	.012	.835	-.049	.320	-.070	.210
ΔR^2	.258		.395		.325	
R^2	.439	.000**	.578	.000**	.458	.000**

* = p < .05 ** = p < .01

for tax clinics for low-income taxpayers were positively related to the perception that the action was unethical.

Scenario B

Equation one was significant at $p < .001$ and explained 7.0 % of the variance in perceptions of the ethical nature of the action taken in the scenario. Household income had a significant and negative relationship with the perceptions.

Equation two was significant at $p < .001$.with an R^2 of .127 or a change in R^2 of .057. While religiosity was positively and significantly (p-value <.001) associated with the perception that the action taken was unethical, household income (p-value < .001) and relativism (p-value < .05) were all negatively associated.

Situational variables were added in step three. This equation resulted in an R^2 increase of .056. Religiosity had a positive relationship while household income, and attitudes about changes in the tax laws relating to extension of attorney/client privilege had negative relationships to the perception that the action taken was unethical.

Step four added the group of moral intensity variables along with expectations of an IRS audit and additional assessments. The R^2 change was .395 raising total R^2 to .578. The final equation was significant at $p < .001$. The moral intensity dimensions of seriousness of consequences and social consensus as well as religiosity had significant positive relationships with ethical perceptions. Extension of attorney/client privilege had a negative association with those perceptions.

Scenario C

Equation one included demographic variables. Relationships between the independent variables and ethical perceptions of the action taken in Scenario C were not significant.

Personal characteristic variables were added in step two. This equation was significant at $p < .05$. R^2 change and total R^2 were .046 and .063 respectively. Individually, none of the variables was significant in explaining variances in ethical perceptions.

Equation three added situational variables. The contribution of the additional variables was significant at $p < .01$. R^2 change of .07 increased total R^2 to .133. Attitudes about law changes related to creation of a fund for clinics for low-income taxpayer and extension of attorney/client privilege along with the personal characteristic, conservatism, had positive relationships with the perception that the action taken was unethical.

The fourth step included the consequential variables of moral intensity and expectations of an IRS audit and additional assessments. The additional explanatory value was significant at $p < .001$. Moral intensity constructs of probability of harm and social consensus as well as the personal characteristic, conservatism, had positive and significant associations with the perception that the action taken was unethical at $p < .05$.

Other Regression Results

The relationship between the perceptions that the action taken was unethical and self-reported expected behavior in each scenario was evaluated using linear regression. Results of the analyses are presented in Table 12 and are discussed below.

Ethical perceptions that the action taken in each vignette was unethical were significant in explaining variances in expected behaviors of respondents ($p < .001$). The portion of variances explained was 46.6%, 53.4%, and 48.0% for Scenarios A, B, and C respectively.

Table 12. Linear Regression Standard Coefficients and Significance with Expected Behavior as Dependent Variable

Independent Variable	Standardized Coefficient	R^2	F value	Sig. F
Scenario A				
Ethical Perception	.682	.466	252.662	.000
Scenario B				
Ethical Perception	.731	.534	331.829	.000
Scenario C				
Ethical Perception	.693	.480	267.976	.000

Hypothesis Evaluation

Hierarchical regression provided a basis for analyzing relationships among the various study variables. The following section presents a summary of the results of this hypothesis testing.

Age, education, and household income were included in the hierarchical regression analysis as control variables and comprised block one of the analysis. None of these variables were significant in explaining variances in ethical perceptions regarding noncompliant tax strategies across all three scenarios.

Personal Characteristics

H1 (not supported). Individuals who are highly idealistic are more likely to judge noncompliant tax strategies as unethical.

Hierarchical regression found no significant relationship between idealism and ethical perceptions of noncompliant tax strategies. Therefore, the hypothesis was not supported.

H2 (not supported). Individuals who are highly relativistic are more likely to judge noncompliant tax strategies as ethical.

Hierarchical regression revealed no significant relationship between relativism and ethical perceptions in any of the three scenarios. The hypothesis was not supported.

H3 (partially supported). Individuals who are highly conservative are more likely to judge noncompliant tax strategies as unethical.

Conservatism was found to be significant in explaining differences in ethical perceptions for Scenario A and Scenario C. In Scenario A, a taxpayer took a deduction to which he was not entitled based on his facts and circumstances. Scenario C involved a taxpayer who constructed bogus documentation for an audit. In both scenarios, highly conservative individuals judged the actions as unethical. This relationship was not significant in Scenario B in which a taxpayer took a deduction for which he was clearly entitled but for a technical violation in his documentation. This hypothesis was partially supported.

H4 (partially supported). Individuals who are highly religious are more likely to judge noncompliant tax strategies as unethical.

In Scenario B, a taxpayer took a charitable deduction for a contribution he made during the year. His receipt, however, did not meet the technical requirements of the Internal Revenue Code which mandates possession of the receipt before filing a tax return. Regression analysis found a significant relationship between religiosity and ethical perceptions of this action. While the action did not specifically deal with religious organizations, possibly, people who were very religious were more aware of the receipt requirement than the average taxpayer since they have been made aware of the provision by the churches to which they donate. People may simply be willing to comply with tax laws with which they are familiar and understand. This finding was consistent with the finding that social consensus regarding the ethical perception of the action taken affected ethical behavior. This relationship was not found in the other two vignettes. Therefore, the hypothesis was partially supported.

Personal Characteristics Summary

The block of personal characteristic variables was significant in explaining the differences in ethical perceptions across all three scenarios presented. Changes in R^2's were .091, .057, and .046 respectively for Scenarios A, B, and C ($p < 0.05$).

Situations

H5 (not supported). Individuals who have positive attitudes toward paying Federal income taxes are more likely to judge noncompliant tax strategies as unethical.

No significant relationship was found between attitudes toward paying federal income taxes and ethical perceptions of the actions in any of the three scenarios. This hypothesis was not supported.

H6 (not supported). Individuals who have positive attitudes toward changes to the IRS related to the creation of an oversight board comprised of a majority of members who are not Treasury Department employees are more likely to judge noncompliant tax strategies as unethical.

Hierarchical regression found no significant relationship between positive attitudes toward the creation of an oversight board for the IRS and ethical perceptions of noncompliant tax strategies. This hypothesis was not supported.

H7 (partially supported). Individuals who have positive attitudes toward changes to the IRS related to the creation of a fund to sponsor tax clinics for low income taxpayers are more likely to judge noncompliant tax strategies as unethical.

Those individuals who thought creation of a fund to sponsor tax clinics for low-income earners was an effective change to the IRS, viewed the action taken in Scenario A regarding taking a home-office deduction to which the taxpayer was not entitled as unethical. No significant relationship was found in Scenarios B and C.

H8 (partially supported). Individuals who have positive attitudes toward changes to the IRS related to extension of attorney-client privilege to non-attorneys such as accountants and enrolled agents are more likely to judge noncompliant tax strategies as unethical.

Those individuals who had positive attitudes about extension of attorney-client privilege to non-attorneys were less likely to judge the actions in the home office and charitable donation scenarios as unethical. The relationship was not significant in the bogus documentation scenario. The hypothesized relationship was partially supported, but in the direction opposite to that which was hypothesized.

H9 (not supported). Individuals who have positive attitudes toward changes to the IRS related to shifting the burden of proof, in certain circumstances, to the IRS are more likely to judge noncompliant tax strategies as unethical.

Hierarchical regression revealed no significant relationship between attitudes toward changes to the IRS related to shifting of burden of proof and ethical perceptions of the noncompliant actions taken in any of the three scenarios. This hypothesis was not supported.

H10 (not supported). Individuals who have positive attitudes toward changes to the IRS related to expansion of circumstances under which taxpayers who successfully contest IRS positions may recover costs and fees are more likely to judge noncompliant tax strategies as unethical.

No significant relationship was indicated by regression analysis between attitudes about changes to the IRS related to cost and fee recoveries after a successful contest of an IRS position and ethical perceptions of noncompliant behavior in any of the scenarios presented. This hypothesis was not supported.

H11 (not supported). Individuals who have positive attitudes toward changes to the IRS related to a requirement for all non-computer generated IRS correspondence

to include name, phone number, and unique identification number of a specific IRS employee to contact are more likely to judge noncompliant tax strategies as unethical.

No significant relationship was found between attitudes about changes to the IRS related to a requirement to include a specific name, phone number, and identification number of an IRS employee to contact regarding correspondence and ethical perceptions of noncompliant tax strategies. This hypothesis was not supported.

H12 (not supported). Individuals who have positive attitudes toward changes to the IRS related to a requirement that the IRS set forth criteria for audit selection and make this information available to the general public are more likely to judge noncompliant tax strategies as unethical.

Attitudes toward changes to the IRS regarding making available to the general public criteria for audit selection were not significant in explaining variances in ethical perceptions of the actions taken in any of the three scenarios. This hypothesis was not supported.

Situational Variables Summary

Inclusion of the block of situational variables contributed significantly to explained variance in all three regression models. Changes in R^2's were .084, .056, and .070 respectively for Scenarios A, B, and C ($p < 0.05$). Total R^2's were .181, .183, and .133.

Consequences

H13 (partially supported). Individuals who perceive a high probability of harm from the action taken are more likely to judge noncompliant tax strategies as unethical.

In Scenario C, respondents who perceived a high probability of harm from fabricating support documents after notification of an IRS audit were more likely to judge the action taken as unethical. This relationship was not found to be significant in the scenarios involving home-office deductions or charitable donation receipts. This hypothesis was partially supported.

H14 (partially supported). Individuals who perceive that there are serious consequences from the action taken are more likely to judge noncompliant tax strategies as unethical.

Individuals who perceived that there were serious consequences from taking a home-office deduction (Scenario A) to which the taxpayer was not entitled and taking a charitable deduction (Scenario B) without appropriate receipts were more likely to judge the actions taken as unethical. Perception of seriousness of consequences was not significant in explaining variances in ethical perceptions of creating bogus support for business mileage deductions. This hypothesis was partially supported.

H15 (supported). Individuals who perceive that there is social consensus regarding the ethical perception of the action taken are more likely to judge noncompliant tax strategies as unethical.

Individuals who perceive that there was social consensus regarding any harm from the actions taken in the three scenarios were more likely to judge those actions as

unethical. The significant relationship was present across all scenarios. The actions taken were: (1) taking a deduction to which taxpayer is not entitled, (2) taking a deduction without required support, and (3) constructing bogus documentation only after notification of an IRS audit. Significance of F-value was .000 in all three situations. This hypothesis was supported.

H16 (not supported). Individuals who perceive that any harm from the action taken will occur sooner than later are likely to judge noncompliant tax strategies as unethical.

Hierarchical regression found no significant relationship between those who thought any harm from the actions taken in the vignettes would occur sooner rather than later and their perceptions of the ethical nature of those actions. This hypothesis was not supported.

H17 (partially supported). Individuals who perceive that any harm from the action taken will affect those close to themselves are more likely to judge noncompliant tax strategies as unethical.

For Scenario A, those respondents who believed that any harm from the noncompliance action taken would affect those closer to them rather than those not as close were less likely to view the action taken as unethical. The relationship was insignificant in the regression of the other two scenarios. This hypothesis was partially supported, but in the direction opposite to that which was expected.

H18 (not supported). Individuals who expect to be audited are more likely to judge noncompliant tax strategies as unethical.

No significant relationship was found between expectations of audits and perceptions regarding the ethical nature of the action taken in any of the three scenarios. This hypothesis was not supported.

H19 (not supported). Individuals who expect to be assessed additional taxes and penalties are more likely to judge noncompliant tax strategies as unethical.

Expectation of additional assessments if audited was not a significant variable in explaining variances in perceptions of the ethical nature of the actions in any of the scenarios presented. This hypothesis was not supported.

Consequential Variables Summary

The block of consequential variables was significant in explaining differences in ethical perceptions of actions taken in each of the three scenarios. Changes in R^2 were .258, .395, and .325 for Scenarios A, B, and C respectively ($p < 0.05$). Total portions of variances in ethical perceptions explained in Scenarios A, B, and C was 43.9%, 57.8%, and 45.8% respectively.

Behavioral Intentions

H20 (supported). Individuals who judge noncompliant tax strategies as unethical are more likely to intend to comply with income tax laws.

A positive relationship was found between perceptions that actions taken were unethical and expected behaviors in all scenarios. The relationship was significant ($p < 0.001$) in each scenario. R^2's were .466, .534, and .480 for Scenarios A, B, and C, respectively. The influence of ethical perceptions on expected behaviors was as expected.

However, ethical perceptions explained only about one-half the variances in expected behaviors. Other undetected factors had significant influences on those expected behaviors also. This hypothesis was supported.

Summary

This chapter presented the results of the research including descriptive statistics, factor analysis statistics, and hierarchical regression analysis. Tests of hypotheses were also presented in this chapter. The following chapter presents conclusions of this research along with limitations of the study.

CHAPTER 5

CONCLUSIONS

The purpose of this chapter is to present overall conclusions and contributions of this dissertation. Limitations of the study and implications for further research are also presented. The first section summarizes the pertinent findings of the study. The second section discusses the potential contributions of the study. Limitations of the research are presented in the third section. The final section discusses the contributions of the study.

Summary of Significant Findings

Three scenarios were presented in which taxpayers engaged in noncompliant tax strategies. The relationships between survey respondents' ethical perceptions of these actions and several groups of potential explanatory variables were assessed. The groups of variables included in the study were demographic variables, personal characteristics of respondents, situational variables, and issue related variables.

None of the demographic traits proved to be significant in explaining variances in the ethical perceptions of the actions taken in the scenarios. Of the personal characteristic variables, idealism and relativism were not significant in explaining variances in perceptions of actions taken in any of the scenarios. However, highly religious respondents perceived that taking a charitable contribution deduction without

proper documentation was unethical. Religion was not significant in the other two scenarios. While no specific explanation presents itself, it was noteworthy that religious organizations benefit from the perceived unethical action taken. In Scenario A, taxpayer took a home office deduction to which he was not entitled based on his facts and circumstances. In Scenario C, taxpayer constructed bogus documentation for automobile mileage only after being notified of an impending IRS audit. Highly conservative survey subjected judge these actions unethical.

An overall positive attitude about paying federal income taxes was not a factor in explaining ethical perceptions of the actions taken in the scenarios presented in the questionnaire. Other situational factors considered were impressions of the effectiveness of various recent tax law changes intended to make the IRS more responsive and user friendly. Seven law changes from the Internal Revenue Service Restructuring and Reform Act of 1998 were included in the study. The relationships between respondents' impressions of the effectiveness these changes and their perceptions of the ethical nature of the actions taken were analyzed. The results were inconsistent. Those respondents who thought that creating a fund to sponsor clinics for low-income taxpayers was an effective change believed that taking a home office deduction in the absence of appropriate circumstances was unethical. The attitude toward this particular law change was not a factor in explaining ethical perceptions in the other vignettes. On the other hand, subjects who perceived that extension of attorney/client privilege to non-attorneys as an effective change viewed actions taken in the home office scenario and the charitable contribution scenario as less unethical than other respondents. Perhaps a feeling of

security based on the extended attorney/client privilege made the respondents less sensitive to potential consequences from noncompliance.

The final block of study variables was comprised of the five dimensions of the moral intensity scale developed by Barnett et al. (1999) along with respondents' expectations of IRS audits and expectations of additional assessments, if audited. Expectations of audits and additional assessments were not significant in explaining variances in ethical perceptions.

Proximity, the closeness of the person harmed to the respondent, was significant in Scenario A, the home office deduction scenario, but not in the other scenarios. The probability of harm was a significant factor in the bogus documentation vignette, but not in the others. Those individuals who believed that the consequences were serious, viewed actions taken in Scenarios A and B as unethical.

Respondents who believed there was social consensus that the actions taken were wrong believed that the actions taken in all scenarios were unethical. Kohlberg (1969), in his staged sequences of moral development, described three levels of moral development. In the preconventional stage, individuals' behaviors are influenced by a need to avoid punishment. In the conventional stage individuals' behaviors are motivated by a need to conform to societal expectations and live up to one's duties and obligations. The findings of this study suggest taxpayers operate in the conventional stage. The relationship between perceptions of social consensus and ethical judgments of noncompliance actions were consistent with a need to act for the good of society. This

variable is significant in each scenario at the $p < .001$ level. Apparently, explanatory value of social consensus crosses all circumstances presented.

The effect of ethical perceptions on expected behaviors was studied in this research. Ethical perceptions were measured using the Reidenbach and Robin Multidimensional Ethics Scale. Expected behaviors were determined by responses to a self-reporting question. Ethical perceptions were significant in explaining expected behaviors in all scenarios at the $p < .001$ level. The percentages of variance explained were 46.6%, 53.4%, and 48.0% for Scenarios A, B, and C respectively.

Potential Uses of Results

Two of the characteristics of a good tax system are perception of fairness and efficiency of administration (Pratt and Kulsrud 1999). With limited resources, focusing attention on the factors that are most significant in determining compliance rates would help the Internal Revenue Service achieve both of these characteristics. This dissertation found that personal characteristics were of very little or no importance in resolving noncompliance dilemmas. On the other hand, the findings of this research indicated social consensus regarding noncompliance was significant in determining ethical perceptions at the most restrictive significance level. Based on this research, those ethical perceptions were also important determinants of expected behavior in noncompliance dilemmas. Knowledge of these findings might be the catalyst for developing informational campaigns to educate the general public about the harmful results of pervasive noncompliance. One possible harmful effect of noncompliance with existing tax laws is

that new taxes or higher rates of existing taxes would be necessary to achieve required revenue levels if wide-spread noncompliance persists.

Limitations of Study

This study was limited in several ways. These limitations may affect the interpretation of the results and the generalizability of the results to different populations. The effect of the limitations should be considered in applying the outcomes of this study to other circumstances.

Non-Response Bias

Two waves of surveys were mailed to 3,109 addressees. From these survey subjects, 293 usable responses were received. Possible responses of those recipients who did not complete the questionnaire can only be estimated. Analyses of significant differences in responses between early responses and late responses were presented and discussed in Chapter 4. Statistical comparisons were presented in Table 5. If non-respondents are similar to late respondents, the effects of the moral intensity dimension of probability of harm may be underestimated in the results of the study. Similarly, the effects of respondents attitudes regarding the effectiveness of the tax law changes related to the expansion of circumstances in which taxpayers may recover costs from the IRS and the shift, in some situations, of the burden of proof to the IRS may be overstated. These possible effects should be taken into consideration in interpreting the results of this study.

Self-Reporting of Study Variables

Primary data were collected for this study using a self-reporting format. Socially desirable response may contaminate behavioral research causing misleading correlations. These responses tend to conform to cultural norms rather than represent the unbiased views of the respondents. The personal characteristic variables of idealism, conservatism, and religiosity correlated significantly with social desirability. The moral intensity dimensions of seriousness of consequences and proximity as well as behavioral intention in Scenario C also correlated significantly with social desirability. In Scenario A, seriousness of consequences correlated with the social desirability measure. Assuring anonymity and allowing respondents to complete the survey in the non-threatening environment of their own homes helped to mitigate possible effects of social desirability. However, potential distortion of relationships caused by these correlations should be taken into account when interpreting the results of this study.

Sample Size

The study questionnaire was mailed to 3,109 individuals who were likely, based on household income, to file a federal income tax return. The size of the sample in relation to the population of individual tax return filers, approximately one hundred million annually, does not provide a great deal of power in generalizing the result of the sample to the entire population. Characteristics of survey respondents were discussed in Chapter 4 and presented in Table 6.

Research Design

Three scenarios were presented in the survey questionnaire. While the circumstances were selected to vary the ethical dilemmas and moral intensity, they represented only a small sampling of possible dilemmas faced by federal income tax filers. Accordingly, care should be taken in applying the results to other situations.

Use of scenarios was an approximation of reality. Actual behaviors in filing tax returns cannot be observed directly and, therefore, behavioral intentions were used as proxies for actions.

Contributions of the Study

This study contributed some insight into the effects of moral intensity and personal traits on resolving ethical dilemmas in income tax filing situations. It also contributed to the understanding of the effects of ethical perceptions on behavioral intentions in tax compliance circumstances. The findings of the study indicated that social consensus of possible harms from noncompliance significantly affects the ethical perception of noncompliant strategies. Findings also indicated that the perception that specific noncompliant actions are unethical affect individuals' expected behavior in similar circumstances. These findings, which have not been reported before, contributed meaningfully to the understanding of behavioral determinants in filing income tax returns.

Suggestions for Future Research

This research suggests factors that affect behavioral decisions in federal income tax filing situations can be identified. Since knowledge of these factors could lead to

better compliance rates and more effective administration of the income tax system, future research should strive to identify additional characteristics and circumstances that may affect compliance behaviors. While the relationships found in this study were significant, they explained only about half the variance in expected behaviors. Additional research could identify factors not examined in this study that might account for a greater portion of the variance.

Only three relatively narrow sets of circumstances were utilized in this research. Others studies should test whether the identified relationships are consistent in a broader range of situations.

Future studies should have larger sample sizes to improve the generalizability of the results to the entire population of federal income tax filers. Samples that include greater representation from demographic groups not adequately represented in this study would allow analyses of differences in expected behaviors among those groups. Demographic categories of gender, race, marital status, and employment would be among potential focuses for futures studies. Similar studies could, at a minimum, validate the results of this dissertation.

APPENDIX A

DISSERTATION QUESTIONNAIRE

Stanley W. Hays
10019 Commander Dr.
Shreveport, La. 71106

Survey Participant
Address

Dear Survey Participant:

I am a candidate for my doctoral degree in accounting at Louisiana Tech University. As part of the requirements for my degree, I must complete a study of newly gathered data on a significant topic. This data will be collected from only a small, scientific sample; therefore, your participation is critical to the success of this project. The enclosed survey is composed of questions concerning my research. I believe you will agree it involves issues important to the general public.

Recently you may have heard a great deal in the media about the income tax laws and the Internal Revenue Service. While much time and effort has been spent getting input from professional tax preparers and IRS employees, very little effort has been made to solicit the opinions of the most important segment of our society, you, the American taxpayers.

Your participation is essential to the successful completion of this project and bringing into the debate the forgotten taxpayers. Please help by completing this survey. My analyses will be of a summary nature, so individual responses will not be identifiable with specific respondents.

I know you are very busy, so I have kept the survey as short as possible. However, gathering the appropriate data to most nearly reflect the views of the average taxpayer is essential. I appreciate your time and effort. Completion of the survey should take about 20 minutes. Some wording and phrases may seem unusual, but in using recognized, validated measurement scales I am not at liberty to change any wording.

Your opinion is very important. Again, thank you for your time and effort.

Sincerely,

Stanley W. Hays

ALL RESPONSES ARE COMPLETELY CONFIDENTIAL

Section 1 Scenario A:

John Harris operates his sole proprietorship out of his home. He completes many of his activities there, but meets no clients. He uses space in his home alternately for personal and business use and would like to take a "home office" deduction–depreciation and an allocable portion of utilities. He is aware that current tax law does not allow a home office deduction unless the business use is exclusive in the part of the home claimed. He can legally take no deductions for a home office. Since he prepares his own tax return, John takes the deductions anyway.

1. Please express your attitude toward the action taken by John on his return by placing a check (√) in a space between each of the opposite adjectives that follow.

fair	___:___:___:___:___:___:___	**unfair**
just	___:___:___:___:___:___:___	**unjust**
morally right	___:___:___:___:___:___:___	**not morally right**
acceptable to my family	___:___:___:___:___:___:___	**unacceptable to my family**
culturally acceptable	___:___:___:___:___:___:___	**culturally unacceptable**
traditionally acceptable	___:___:___:___:___:___:___	**traditionally unacceptable**
violates an unwritten contract	___:___:___:___:___:___:___	**does not violate an unwritten contract**
violates an unspoken promise	___:___:___:___:___:___:___	**does not violate an unspoken promise**

2. Please rate John's action on his tax return.

totally ethical	___:___:___:___:___:___:___	**totally unethical**

3. Please rate the likelihood that you would take the same action.

likely	___:___:___:___:___:___:___	**unlikely**

4. Please rate the likelihood that your neighbor would take the same action.

likely	___:___:___:___:___:___:___	**unlikely**

5. The likelihood that consequences to others will actually occur as a result of John's action is...

likely	___:___:___:___:___:___:___	**unlikely**
improbable	___:___:___:___:___:___:___	**probable**
impossible	___:___:___:___:___:___:___	**possible**
definitely would	___:___:___:___:___:___:___	**definitely would not**

6. Do you believe any harm resulting from John's action will be...

minor	___:___:___:___:___:___:___	**severe**
serious	___:___:___:___:___:___:___	**trivial**
significant	___:___:___:___:___:___:___	**insignificant**
great	___:___:___:___:___:___:___	**slight**
small	___:___:___:___:___:___:___	**large**

7. Indicate the degree to which you feel society as a whole considers the action taken by John...

evil	___:___:___:___:___:___:___	**good**
ethical	___:___:___:___:___:___:___	**unethical**
legal	___:___:___:___:___:___:___	**illegal**
wrong	___:___:___:___:___:___:___	**right**
inappropriate	___:___:___:___:___:___:___	**appropriate**

8. Do you anticipate that any consequences to others from John's action are likely to occur...

immediately	___:___:___:___:___:___:___	**after a long time**
never	___:___:___:___:___:___:___	**soon**
quickly	___:___:___:___:___:___:___	**slowly**
belatedly	___:___:___:___:___:___:___	**swiftly**
gradually	___:___:___:___:___:___:___	**rapidly**

9. Compared to yourself, do you believe those potentially affected by John's action are...

similar	___:___:___:___:___:___:___	**dissimilar**
not alike	___:___:___:___:___:___:___	**alike**
compatible	___:___:___:___:___:___:___	**incompatible**
close	___:___:___:___:___:___:___	**distant**
different	___:___:___:___:___:___:___	**same**

Section 1 Scenario B:

Bob Dennis has made eight cash contributions to various charities this year. Each donation was between $300 and $500 and his only receipts are his canceled checks. Current Federal tax law states that no charitable deduction is allowed for any donation over $250 unless the taxpayer has a receipt from the charity which states the value of goods and services taxpayer received in consideration for the donation, if any. Specifically, the law provides that the receipt must be in the possession of the taxpayer before the deduction is taken on the return, not when notification of a subsequent audit is received. Bob takes the deduction without the required receipts.

10. Please express your attitude toward the action taken by Bob on his return by placing a check (√) in a space between each of the opposite adjectives that follow.

fair	___:___:___:___:___:___:___	**unfair**
just	___:___:___:___:___:___:___	**unjust**
morally right	___:___:___:___:___:___:___	**not morally right**
acceptable to my family	___:___:___:___:___:___:___	**unacceptable to my family**
culturally acceptable	___:___:___:___:___:___:___	**culturally unacceptable**
traditionally acceptable	___:___:___:___:___:___:___	**traditionally unacceptable**
violates an unwritten contract	___:___:___:___:___:___:___	**does not violate an unwritten contract**
violates an unspoken promise	___:___:___:___:___:___:___	**does not violate an unspoken promise**

11. Please rate Bob's action on his tax return.

totally ethical	___:___:___:___:___:___:___	**totally unethical**

12. Please rate the likelihood that you would take the same action.

likely	___:___:___:___:___:___:___	**unlikely**

13. Please rate the likelihood that your neighbor would take the same action.

likely	___:___:___:___:___:___:___	**unlikely**

14. The likelihood that consequences to others will actually occur as a result of Bob's action is...

likely	___:___:___:___:___:___:___	**unlikely**
improbable	___:___:___:___:___:___:___	**probable**
impossible	___:___:___:___:___:___:___	**possible**
definitely would	___:___:___:___:___:___:___	**definitely would not**

15. Do you believe any harm resulting from Bob's action will be...

minor	___:___:___:___:___:___:___	**severe**
serious	___:___:___:___:___:___:___	**trivial**
significant	___:___:___:___:___:___:___	**insignificant**
great	___:___:___:___:___:___:___	**slight**
small	___:___:___:___:___:___:___	**large**

16. Indicate the degree to which you feel society as a whole considers Bob's action...

evil	___:___:___:___:___:___:___	**good**
ethical	___:___:___:___:___:___:___	**unethical**
legal	___:___:___:___:___:___:___	**illegal**
wrong	___:___:___:___:___:___:___	**right**
inappropriate	___:___:___:___:___:___:___	**appropriate**

17. Do you anticipate that any consequences to others from Bob's action are likely to occur...

immediately	___:___:___:___:___:___:___	**after a long time**
never	___:___:___:___:___:___:___	**soon**
quickly	___:___:___:___:___:___:___	**slowly**
belatedly	___:___:___:___:___:___:___	**swiftly**
gradually	___:___:___:___:___:___:___	**rapidly**

18. Compared to yourself, do you believe those potentially affected by Bob's action are...

similar	___:___:___:___:___:___:___	**dissimilar**
not alike	___:___:___:___:___:___:___	**alike**
compatible	___:___:___:___:___:___:___	**incompatible**
close	___:___:___:___:___:___:___	**distant**
different	___:___:___:___:___:___:___	**same**

Section 1 Scenario C:

Jim Moore uses his car frequently in his business. However, he does not keep adequate records to support a business deduction on his personal tax return. He takes a significant deduction for business mileage on his return each year. He has no specific recollection of the actual business use. Recently he received a notice that the IRS is going to audit last year's return. In preparation for the audit Jim constructs a log of his business and personal mileage for the year in question. The log is designed to agree with the deduction taken but is not based on actual knowledge of legitimate business use. He uses several different pens to complete the log so it will appear that it was kept as the mileage was actually driven.

19. Please express your attitude toward the action taken by Jim on his return by placing a check (√) in a space between each of the opposite adjectives that follow.

fair	___:___:___:___:___:___:___	**unfair**
just	___:___:___:___:___:___:___	**unjust**
morally right	___:___:___:___:___:___:___	**not morally right**
acceptable to my family	___:___:___:___:___:___:___	**unacceptable to my family**
culturally acceptable	___:___:___:___:___:___:___	**culturally unacceptable**
traditionally acceptable	___:___:___:___:___:___:___	**traditionally unacceptable**
violates an unwritten contract	___:___:___:___:___:___:___	**does not violate an unwritten contract**
violates an unspoken promise	___:___:___:___:___:___:___	**does not violate an unspoken promise**

20. Please rate Jim's action on his tax return.

totally ethical	___:___:___:___:___:___:___	**totally unethical**

21. Please rate the likelihood that you would take the same action.

likely	___:___:___:___:___:___:___	**unlikely**

22. Please rate the likelihood that your neighbor would take the same action.

likely	___:___:___:___:___:___:___	**unlikely**

23. The likelihood that consequences to others will actually occur as a result of Jim's action is...

likely	___:___:___:___:___:___:___	**unlikely**
improbable	___:___:___:___:___:___:___	**probable**
impossible	___:___:___:___:___:___:___	**possible**
definitely would	___:___:___:___:___:___:___	**definitely would not**

24. Do you believe any harm resulting from Jim's action will be...

minor	___:___:___:___:___:___:___	**severe**
serious	___:___:___:___:___:___:___	**trivial**
significant	___:___:___:___:___:___:___	**insignificant**
great	___:___:___:___:___:___:___	**slight**
small	___:___:___:___:___:___:___	**large**

25. Indicate the degree to which you feel society as a whole considers Jim's action...

evil	___:___:___:___:___:___:___	**good**
ethical	___:___:___:___:___:___:___	**unethical**
legal	___:___:___:___:___:___:___	**illegal**
wrong	___:___:___:___:___:___:___	**right**
inappropriate	___:___:___:___:___:___:___	**appropriate**

26. Do you anticipate that any consequences to others from Jim's action are likely to occur...

immediately	___:___:___:___:___:___:___	**after a long time**
never	___:___:___:___:___:___:___	**soon**
quickly	___:___:___:___:___:___:___	**slowly**
belatedly	___:___:___:___:___:___:___	**swiftly**
gradually	___:___:___:___:___:___:___	**rapidly**

27. Compared to yourself, do you believe those potentially affected by Jim's action are...

similar	___:___:___:___:___:___:___	**dissimilar**
not alike	___:___:___:___:___:___:___	**alike**
compatible	___:___:___:___:___:___:___	**incompatible**
close	___:___:___:___:___:___:___	**distant**
different	___:___:___:___:___:___:___	**same**

Section 2:

Please give your level of agreement or disagreement with each of the following statements by placing a check (√) in a space between each of the opposite pairs below.

28. Federal income tax laws can be easily understood by the average American citizen.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

29. There must be a Federal tax of some kind.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

30. The Internal Revenue Service should be abolished.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

31. The IRS is generally fair in its assessment of taxes due.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

32. The IRS should be reorganized on a more "user friendly" basis.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

33. The tax laws should place a greater burden on higher income earners.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

34. Electronic filing will solve most of the problems with the IRS.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

35. The income tax laws can be understood by the average IRS agent.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

36. The IRS is reasonable in its tactics to collect Federal taxes due.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

37. Low income earners should pay some amount of income tax.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

38. Our Federal income tax laws are as reasonable as they can be.
strongly agree ___:___:___:___:___:___:___ **strongly disagree**

Section 3:

Following is a list of statements about paying Federal income taxes.
Place a plus (+) before each statement with which you agree (with reference to paying Federal income taxes.)

_____ **39. Paying income taxes should be practiced by all citizen.**
_____ **40. Paying income taxes aids in bringing civilization to a higher level.**
_____ **41. Paying income taxes is endorsed by sensible people.**
_____ **42. Many things about paying income taxes are essential to normal living.**
_____ **43. Paying income taxes keeps us from being "one-sided."**
_____ **44. As a rule paying income taxes is good.**
_____ **45. Paying income taxes has more merit than demerit.**
_____ **46. I would enjoy paying income taxes if it were changed somewhat.**
_____ **47. I am not against paying income taxes, but neither am I for it.**
_____ **48. Paying income taxes isn't absolutely bad but isn't good either.**
_____ **49. Paying income taxes is a little foolish.**
_____ **50. Paying income taxes has more disadvantages than advantages.**
_____ **51. Paying income taxes is annoying.**
_____ **52. We would be better off without paying income taxes.**
_____ **53. Paying income taxes is not endorsed by sane people.**
_____ **54. Paying income taxes serves no purpose.**
_____ **55. I hate paying income taxes worse than I hate anything else.**

Section 4:

Instructions: Below is a series of statements designed to allow you to indicate the extent to which you agree with each statement. In answering, use the following response scale and write the number corresponding to your level of agreement with each statement in the space provided beside that statement.

Completely Disagree	Moderately Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Moderately Agree	Completely Agree
1	2	3	4	5	6	7

_____**56. A person should make certain that their actions never intentionally harm another even to a small degree.**

_____**57. Risks to another should never be tolerated, irrespective of how small the risks might be.**

_____**58. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.**

_____**59. One should never psychologically or physically harm another person.**

Completely Disagree	Moderately Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Moderately Agree	Completely Agree
1	2	3	4	5	6	7

_____60. One should not perform an action which might in any way threaten the dignity and welfare of another individual.

_____61. If an action could harm an innocent other, then it should not be done.

_____62. Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.

_____63. The dignity and welfare of people should be the most important concern in any society.

_____64. It is never necessary to sacrifice the welfare of others.

_____65. Moral actions are those which closely match ideals of the most "perfect" action.

_____66. There are no ethical principles that are so important that they should be a part of any code of ethics.

_____67. What is ethical varies from one situation to another.

_____68. Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.

_____69. Different types of moralities cannot be compared as to "rightness".

_____70. Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.

_____71. Moral standards are simple personal rules which indicate how a person should behave and are not to be applied in making judgments of others.

_____72. Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.

_____73. Rigidly codifying an ethical option that prevents certain types of actions could stand in the way of better human relations and adjustment.

_____74. No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.

_____75. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

Section 5:

Following hearings into perceived abuses by the Internal Revenue Service, Congress passed The Internal Revenue Service Restructuring and Reform Act of 1998. Please indicate your impression of the effect of the following specific provisions of the Act on the relationship of the IRS with the taxpaying public. Place a check (√) in a space between each of the opposite pairs below.

76. The creation of an oversight board to review the Service's administration of Federal income tax compliance. The majority of the board are not employees of the IRS, the Treasury Department, or any other government agency.

much worse ___:___:___:___:___:___:___ **much better**

77. The creation of a fund to provide grants to sponsor clinics for low income taxpayers.

much worse ___:___:___:___:___:___:___ **much better**

78. Extension of attorney-client privilege to non-attorney tax professionals such as accountants and enrolled agents.

much worse ___:___:___:___:___:___:___ **much better**

79. The shifting of the burden of proof, in certain circumstances, in civil tax disputes from the taxpayer to the IRS.

much worse ___:___:___:___:___:___:___ **much better**

80. The expansion of the circumstances under which taxpayers who successfully contest IRS positions may recover costs and fees.

much worse ___:___:___:___:___:___:___ **much better**

81. Any manually prepared notice from the IRS must contain, in a prominent manner, the name, phone number, and unique identifying number of the IRS employee that the recipient may contact regarding the notice.

much worse ___:___:___:___:___:___:___ **much better**

82. The IRS must set forth the criteria for selecting returns for audit. This information must be made available to the general public.

much worse ___:___:___:___:___:___:___ **much better**

Section 6:

Please indicate your level of agreement or disagreement with the following statements by placing a number beside each item.

Completely Disagree	Moderately Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Moderately Agree	Completely Agree
1	2	3	4	5	6	7

83. _____ Flag burning
84. _____ Chastity
85. _____ Legalized abortion
86. _____ Premarital virginity
87. _____ Casual sex
88. _____ Church authority
89. _____ Punk rockers
90. _____ Patriotism
91. _____ Heavy metal music
92. _____ ROTC
93. _____ Strip shows
94. _____ Evolution theory
95. _____ Female clergy
96. _____ Fundamental religion
97. _____ Bible truth
98. _____ Divorce

Section 7:

Please indicate your best response to the following statements by placing a check (√) in a space between each of the opposite pairs below..

99. My religion is very important to me.
strongly disagree ___:___:___:___:___:___:___ **strongly agree**

100. I believe in God.
strongly disagree ___:___:___:___:___:___:___ **strongly agree**

101. How often do you attend church services/meetings?

Never	Once a year	Once a month	Once a week	More than once a week
_____	_____	_____	_____	_____

102. What percentage of your after taxes income do you donate to your denomination or other ministries?

0% _____ 1-3% _____ 4-7% _____ 8-10% _____ >10% _____

103. Indicate how religious you consider yourself:

very religious	moderately religious	slightly religious	not at all religious	anti-religious
_____	_____	_____	_____	_____

104. Please indicate your current religious denomination or sect _____

Section 8:

Listed below are a number of statements concerning personal attitudes and traits. Read each item and decide whether the statement is true or false as it pertains to you personally. Circle either true (T) or false (F).

T F 105. I like to gossip at times.

T F 106. There have been occasions when I took advantage of someone.

T F 107. I'm always willing to admit it when I make a mistake.

T F 108. I always practice what I preach.

T F 109. I sometimes try to get even, rather than forgive and forget.

T F 110. At times I have really insisted on having things my own way.

T F 111. There have been occasions when I felt like smashing things.

T F 112. I never resent being asked to return a favor.

T F 113. I have never been irked when people expressed ideas very different from my own.

T F 114. I have never deliberately said something that hurt someone's feelings.

Section 9:

Please indicate your level of agreement or disagreement with the following statements by placing a (√) in a space between each of the opposite pairs that follow.

____115. The probability I will be audited by the IRS within the next five years is...
highly unlikely ___:___:___:___:___:___:___ **highly likely**

____116. If audited, the probability I will be assessed additional taxes is...
highly unlikely ___:___:___:___:___:___:___ **highly likely**

____117. If audited, the probability I will be assessed interest and penalties is...
highly unlikely ___:___:___:___:___:___:___ **highly likely**

Section 10:

118. Age: _____

119. Gender: _____ female ____ male

120. Please indicate your race (check one).

1. _____ African-American
2. _____ Hispanic or Latino
3. _____ Asian-American
4. _____ White
5. _____ Other Specify

_____

121. Marital Status:
_____ married
_____ single (never married)
_____ single (divorced)
_____ single (widowed)

My employment is best described as (check one):

122.____ Professional, technical, and mechanical
123.____ Clerical and sales
124.____ Service
125.____ Agricultural, fishery, forestry, and related
126.____ Processing
127.____ Machine trades
128.____ Benchwork
129.____ Structural work
130.____ Miscellaneous
131.____ Not working

132. Please indicate the highest level of education you have obtained (check one).

_____ 1-11 years
_____ some college
_____ some postgraduate/professional education
_____ high school diploma
_____ college degree
_____ advanced degree

133. Please indicate the approximate level of your annual household income. _____

134. I have been audited by the IRS in the past. _____ Yes _____ No

135. Do you claim any dependents (other than yourself and/or your spouse on your tax return?
_____ Yes _____ No

136. Who prepared your return last year?

_____ I prepared my own return.
_____ A friend or family member prepared my return without charge.
_____ I paid someone to prepare my return.
_____ I was not required to file a return.

137. I reside in the state of _____.

THANKS SO MUCH FOR YOUR TIME AND EFFORT
YOUR RESPONSES WILL BE COMPLETELY CONFIDENTIAL

PLEASE PLACE THE COMPLETED QUESTIONNAIRE
IN THE RETURN POST-PAID ENVELOPE AND MAIL PROMPTLY

APPENDIX B

SENATE TESTIMONY

Testimony Before the Senate Finance Committee
September 24, 1997

Taxpayers

Mrs. Hicks

A Mrs. Hicks detailed a nine year saga of blatant abuse by the IRS collection division. Mrs. Hicks, a divorced mother of a teenage daughter was notified in 1988 that additional taxes had been assessed on her 1983 tax return. In that year, she had filed a joint return with her then husband from whom she was divorced at the time of the notice. The collection division refused to examine her records. Subsequently she filed a petition in the Tax Court. After an examination of her records, an out-of-court settlement was reached in the amount of $2,709. With interest and penalties the total due was $3,500 which Mrs. Hicks offered to pay on the spot. The IRS refused the payment stating that no account was set up showing the amount due and she would receive a bill in about six weeks without any additional interest and penalties. When no such bill was forthcoming, she contacted the IRS, but was told they had no record she owed any taxes. Later she learned that there is more than one computer system for the IRS and that a separate account had been set up in her name only, not a joint account for 1983 when she had filed with her now ex-husband.

At the time the assessment arose, Mrs. Hicks was engaged to another man whom she later married. When Mrs. Hicks remarried, the IRS filed a lien against her new husband's home, which had been his separate property for six years before his marriage to the taxpayer against whom the IRS had an outstanding assessment for a

total at the time of $6,161. Mrs. Hicks' ex-husband informed her that he had paid the entire assessment against the joint return for 1983. The IRS collection division acknowledged it was aware of his payments, but could not discuss his affairs with her even though they had filed a joint return. Later, the IRS levied her current husband's salary on the basis it was community property--leaving the couple only $18 per week on which to live. To protect their livelihood, Mrs. Hicks' husband set up a separate residence and divorced her. When notified of the new marital status the IRS refiled the existing lien against the husband with full knowledge that he was no longer married to Mrs. Hicks, who owed the tax which they were attempting to collect. By this time, the total due was over $8,000.

Mrs. Hicks next contacted a Problems Resolution Officer, an ombudsman for taxpayers. After some inquiries, the officer concluded that no taxes were, in fact, due, and the amount due would be set to zero. While that was being done, no further collection activities were to take place. A few days later the officer called back and said she had changed her mind and that there was nothing she could do.

In order to save her husband's house from foreclosure, they decided to pay the total assessment including interest and penalties. Accordingly, she delivered a cashier's check in the amount of $8,194.73 to the IRS. The check included Mrs. Hicks name, social security number, and tax year to which the payment was to be applied. The payment was posted instead to her 1990 return, a joint return with her most recent husband. Apparently this was another result of the dual computer system.

No outstanding balance was shown due for her 1983 return so the payment was posted to another year.

In desperation, Mrs. Hicks wrote to Senator William Roth, chairman of the Senate Finance committee regarding her plight. The letter led to her testimony before the committee. Within a short period of time after Senator Roth's involvement, the IRS released all liens and returned Mrs. Hicks' money to her (Hicks 1997).

Mr. Tom Savage

Mr. Tom Savage was the owner of a construction company, Tom Savage Associates (TSA). When the IRS was unable to collect employment taxes from a subcontractor of TSA, they created a fictitious joint venture between the subcontractor and TSA complete with a new taxpayer identification number. Now claiming that the employees were working for this fictitious partnership, the IRS attempted to collect the tax from TSA since the other "partner" did not have the means to pay. However, there was no outstanding assessment for either TSA or the fictitious partnership. The IRS then seized a check from one of TSA's clients in the amount of $150,000. Because TSA needed the money to pay its bills, they negotiated a settlement with the IRS allowing the service to keep $50,000 even though no tax was owed by TSA. The lien against the check was illegal since even the IRS's asserted tax was in the name of the subcontractor. No assessment had ever been made in the name of TSA. The IRS later claimed that there was, in fact, an assessment against the fictitious partnership; however, this assessment was dated 25 weeks after the seizure of TSA's check. In

addition to the $50,000 which the IRS kept, TSA incurred over $51,000 in legal fees and lost an estimated $600,00 in business (Savage 1997).

Monsignor Ballweg

Monsignor Ballweg was a retired Catholic Priest who spent about half his time in New York and half in Florida. He was also trustee of a trust set up by his mother. Among his duties was filing an annual tax return for the trust.

For 1995, he filed the return and included all the income including an attached schedule for stock trades. M. Ballweg was not an experienced tax preparer and apparently did not clearly reference the supporting schedules. The IRS requested that he put all trades on the appropriate forms which he did hurriedly to meet their short deadline. Based on this second filing, some income was counted twice and an additional tax of $18,000 was assessed. He requested from the agent a copy of the original return, but was told he had to make a request on the appropriate form--which he did. The request was denied on the basis that the request was signed by Lawrence F. Ballweg while the original return was signed by Lawrence F. Ballweg, Trustee under the will of Elizabeth D. Ballweg. He wrote back to explain that he was one and the same person, but the IRS merely sent him a final notice of deficiency and informed him that if the deficiency was not paid they would seize his bank accounts, cars, and any other property. He next wrote to Senator Roth and was subsequently featured on CNN. The next day he was contacted by the IRS and provided a copy of the requested return and was assisted by the IRS in properly completing the required form. No tax was due (Ballweg 1997).

Mrs. Jacobs

The last witness testified to a 17 year nightmare involving confusing employer identification numbers (EIN). Mrs. Jacobs worked in her husband's optometry practice. When he relocated his practice she believed he needed a new EIN. With the help of an IRS employee she filed the appropriate form. Based on this application the practice was issued a "new" EIN which, it was later learned, turned out to belong to another individual with a similar name. For some unexplained reason a third number was issued two years later. Without any inquiry from the IRS, the Jacobs received a notice of $11,000 tax due. They repeatedly asked the IRS to explain how the deficiency was determined, but got no information from the service. Without understanding the origin of the amount due, but intimidated by IRS collection tactics, they agreed to pay the service $250 per week until the $11,000 was paid in full. After paying the deficiency the Jacobs, again without any contact from the IRS, received an additional notice for $15,000.

In 1982, after the Jacobs contacted their congressional representative, the IRS informed the Jacobs that they had already received refund checks. However, the service could never produce copies of the checks alleged to have been sent. In 1987 they again contacted their representative, again heard from the IRS, but still no resolution was reached. With the assistance of an attorney, the Jacobs finally realized in 1992 that the confusion had been caused by the existence of three EIN's, but still could not get their money back from the IRS. Pursuant to a third call to their congressman, the Jacobs finally were put in contact with a sympathetic IRS employee.

Unfortunately, she became ill before the problem was resolved. Out of sheer frustration, the Jacobs went to the newspaper in 1997 and told their story. Within two hours they were contacted by an IRS employee. This employee admitted the IRS was at fault and that all liens would be removed. She faxed the Jacobs a letter stating that the liens would be released and acknowledged that the taxes due were from a different Dr. and Mrs. Jacobs. No mention was made of the erroneously collected taxes. As of the date of testimony the Jacobs had received no refund (Jacobs 1997).

Anonymous IRS Employees

On September 25, 1997, the Senate Finance Committee heard testimony from six current and former IRS employees about abusive practices by IRS employees. For fear of retribution, the witnesses provided their credentials to a staff member of each of the major political parties but otherwise were identified only as witness no. 1, witness no. 2, etc. Noteworthy is the fact that only one was a revenue officer, the type of personnel most likely to have initial contact with taxpayers. The other witnesses were from the Collections Division, the IRS Internal Security Division, and the Inspection Division. While their specific stories varied, there were some common themes. The Internal Revenue Code does not abuse taxpayers. The complicated code may cause some seemingly unfair circumstances, but "taxpayer abuse occurs only when the IRS improperly and sometimes illegally uses its vast powers". IRS employees improperly trained in IRS policies and Internal Revenue Manual procedures cause much of the taxpayer abuse. Rarely do managers take corrective action when their subordinates misapply IRS policy or procedures. In fact, many

revenue officers learn the general perception from managers "that most tax debtors are trying to cheat the government" (Witness no. 1 1997).

Even when the IRS realizes it has served a levy in error, it often takes the position that when the taxpayer provides additional information, it will "consider" releasing the lien. Often when a taxpayer forgets to supply a single item from a long list requested by the IRS, an aggressive approach to collection is taken such as a paycheck or bank account levy. The IRS frequently "punishes" taxpayers because the revenue officer or manager feel the taxpayer did not obey their commands appropriately. Recommendations for the collections division include making IRS personnel follow the Internal Revenue Manual as if it were law and holding managers accountable for violations of procedures (Witness no. 1 1997).

The witness from the Internal Security Division believes much of the hindrance of internal investigations is caused by a lack of independence and a management bent on avoiding bad press regarding employee behavior at a time the agency's public image is at a low point. The treasury department is unionized. The IRS is aware of the administration's view on unions; accordingly, high level Internal Security Division personnel do not want to take on cases involving union employees. Internal Security Division employees are statistics conscience. Cases involving non-employees only gets a "stat" when there is judicial action. A case involving armed militia gets less credit than an IRS employee misusing a government car (Witness no. 2 1997). Apparently the original mission of the collection division has become incidental to the production of statistics. A case written off as uncollectable is counted as a case closed

just the same as if it were fully collected. In some months, over 60 percent of case closures are write-offs--accounts considered to be uncollectable (Witness no. 3 1997). One witness who claimed to be collecting more money and having a higher than average rate of cases collected in full, felt that he was now being evaluated on number of seizures rather than overall effectiveness (Witness no. 5 1997). Another testified that in the 1980's IRS instructions included a block which stated that it was acceptable to lie or mislead as long as it accomplished the goals of the agency. He, too, felt the message was to sacrifice quality for the sake of numbers (Witness no. 6 1997).

Browsing, the unauthorized access to taxpayer records, and unauthorized release of taxpayer information receives nothing more than a counseling letter (Witness no. 2 1997). Browsing has many motivations including looking up tax records of former spouses, boyfriends, girlfriends, famous people, relatives of taxpayers resisting collection, merely ones who are perceived as not being cooperative or even someone with whom an IRS employee is having a personal disagreement. Still other cases involve potential witnesses in tax cases or jurors sitting on tax cases (Witness no 3 1997).

Microphones have been found in IRS employee lounges. Employees have been instructed by managers to tape other employees' conversations without their knowledge. This type of action is most often taken when a manager does not like a particular employee and is looking for any excuse to discipline him or her. Listening devices have also been placed in conference rooms used by taxpayers and their representatives (Witness no. 3 1997).

Collection policy is inconsistent. One taxpayer may be allowed to make monthly payments while another in similar circumstances is put out of business or forced into bankruptcy. One taxpayer's account may be written off as uncollectable, while another's is aggressively pursued. Property seized from a taxpayer is auctioned off subject to a minimum bid. Often the property is sold for far less than the minimum bid. In one instance, property with a minimum bid of $40,000 based on its value was sold for only $7,000--a clear violation of departmental policy (Witness no. 4 1997).

Travel expenses are frequently abused. Managers often schedule their business travels to coincide with their vacation plans. Managers often plan their business trip to end up at their vacation site at government expense (Witness no. 4 1997). Inspection managers were attending a week long meeting on St. Simon Island at a time agents were being told there were no travel funds to perform inspections involving over-night travel (Witness no. 6 1997).

APPENDIX C

CORRELATION MATRIX TABLES

TABLE C.1
Correlation Matrix-Scenario A

	EP(A)	BEH(A)	PH(A)	SRC(A)	SOC(A)	TEM(A)	PRX(A)	IDE
EP(A)	1.000							
BEH(A)	.682	1.000						
	.000							
PH(A)	.198	.041	1.000					
	.001	.489						
SRC(A)	.258	.270	.238	1.000				
	.000	.000	.000					
SOC(A)	.527	.413	.169	.119	1.000			
	.000	.000	.004	.042				
TEM(A)	.059	.026	.275	.328	-.080	1.000		
	.316	.653	.000	.000	.174			
PRX(A)	-.170	-.190	-.072	-.092	-.160	.002	1.000	
	.003	.001	.219	.115	.006	.970		
IDE	.015	.040	.089	.076	.001	-.023	-.042	1.000
	.795	.502	.133	.195	.983	.702	.473	
RLV	-.253	-.298	.060	-.177	-.097	.030	-.088	.050
	.000	.000	.313	.003	.100	.609	.139	.402
CSV	.189	.227	-.026	.030	-.095	-.053	.019	.176
	.001	.000	.661	.620	.111	.375	.744	.003
RLG.	.122	.198	-.019	.135	-.079	-.035	-.040	.170
	.038	.001	.747	.022	.179	.557	.499	.004
ATT	.144	.088	.087	.073	.094	-.035	-.027	.128
	.014	.132	.139	.211	.109	.556	.646	.029
OVS	.099	.096	.040	.017	.099	-.126	-.020	.099
	.094	.102	.500	.768	.092	.032	.737	.092
LIN	.079	-.010	.032	.025	.009	-.011	.024	.214
	.181	.871	.591	.676	.882	.854	.690	.000
PRV	-.225	-.125	-.186	-.123	-.107	-.075	.069	.006
	.000	.033	.002	.036	.069	.200	.243	.919
BPR	.023	.025	-.058	-.027	.060	-.116	.078	-.041
	.698	.667	.328	.649	.307	.048	.187	.492
CFS	.051	.031	-.037	-.073	.091	-.135	.070	.023
	.390	.596	.527	.214	.121	.021	.234	.700
IRS	.067	.077	-.057	.008	.106	-.137	.075	.043
	.255	.193	.334	.892	.071	.020	.200	.468
ASL	-.011	.004	-.068	-.012	.026	-.038	-.003	.123
	.856	.951	.247	.838	.655	.522	.959	.036
ADX	-.060	.050	-.114	.054	-.011	-.016	.005	-.110
	.309	.394	.053	.361	.852	.787	.936	.061

TABLE C.1 (Continued)

	EP(A)	BEH(A)	PH(A)	SRC(A)	SOC(A)	TEM(A)	PRX(A)	IDE
ASX	-.065	.003	-.019	-.013	-.083	-.028	.070	-.173
	.271	.961	.746	.823	.158	.631	.238	.003
AGE	.009	-.007	.136	.054	-.007	-.073	-.078	.109
	.875	.908	.021	.360	.899	.213	.187	.064
EDU	.068	.157	-.090	.024	.018	.080	.064	-.177
	.249	.007	.126	.689	.759	.174	.275	.002
INC	-.035	.042	-.067	-.114	.010	.057	.030	-.141
	.573	.498	.274	.062	.867	.352	.630	.021

TABLE C.1 (Continued)

	RLV	CSV	RLG	ATT	OVS	LIN	PRV	BPR	
EP(A)									
BEH(A)									
PH(A)									
SRC(A)									
SOC(A)									
TEM(A)									
PRX(A)									
IDE									
RLV	1.000								
CSV	.375	1.000							
	.000								
RLG	-.232	.624	1.000						
	.000	.000							
ATT	.095	-.010	.003	1.000					
	.108	.871	.962						
OVS	-.031	.078	.043	.183	1.000				
	.737	.092	.598	.188	.471				
LIN	.097	-.055	.033	.116	.219	1.000			
	.100	.359	.582	.047	.000				
PRV	.114	.000	.109	-.074	.324	.261	1.000		
	.054	.998	.065	.211	.000	.000			
BPR	-.076	-.007	.036	.010	.389	.199	.459	1.000	
	.199	.907	.543	.869	.000	.001	.000		
CFS	-.056	.016	-.020	.019	.431	.148	.390	.637	
	.342	.795	.734	.745	.000	.011	.000	.000	
IRS	-.046	-.017	-.054	.055	.384	.259	.282	.451	
	.435	.775	.365	.352	.000	.000	.000	.000	
ASL	.069	-.061	-.028	.006	.299	.273	.262	.386	
	.241	.305	.642	.922	.000	.000	.000	.000	

TABLE C.1 (Continued)

	RLV	CSV	RLG	ATT	OVS	LIN	PRV	BPR
ADX	-.071	.007	.074	-.103	.054	-.013	.063	.052
	.228	.902	.208	.078	.360	.820	.282	.382
ASX	.005	-.006	-.050	-.010	.066	-.065	.047	-.031
	.938	.914	.393	.868	.266	.270	.429	.605
AGE	-.085	.187	.108	.090	.145	-.062	.022	.154
	.154	.002	.068	.126	.013	.294	.708	.009
EDU	-.247	-.100	-.012	.033	.056	-.034	.039	.119
	.000	.091	.843	.573	.337	.563	.503	.042
INC	-.085	-.089	-.024	-.157	.058	-.135	.134	.118
	.169	.152	.696	.010	.347	.027	.029	.054

TABLE C.1 (Continued)

	CFS	IRS	ASL	ADX	ASX	AGE	EDU	INC
EP(A)								
BEH(A)								
PH(A)								
SRC(A)								
SOC(A)								
TEM(A)								
PRX(A)								
IDE								
RLV								
CSV								
RLG								
ATT								
OVS								
LIN								
PRV								
BPR								
CFS	1.000							
IRS	.643 .000	1.000						
ASL	.445 .000	.427 .000	1.000					
ADX	.000 .993	.046 .439	.033 .582	1.000				

TABLE C.1 (Continued)

	CFS	IRS	ASL	ADX	ASX	AGE	EDU	INC
ASX	-.056	-.014	-.018	.457	1.000			
	.340	.811	.761	.000				
AGE	.130	.037	-.020	-.101	-.010	1.000		
	.027	.533	.734	.087	.870			
EDU	.077	-.028	-.016	.105	.014	-.074	1.000	
	.193	.632	.782	.074	.809	.208		
INC	.072	.028	-.067	.240	.110	-.021	.375	1.000
	.242	.646	.274	.000	.073	.730	.000	

TABLE C.2

Correlation Matrix-Scenario B

	EP(B)	BEH(B)	PH(B)	SRC(B)	SOC(B)	TEM(B)	PRX(B)	IDE
EP(B)	1.000							
BEH(B)	.731	1.000						
	.000							
PH(B)	.360	.257	1.000					
	.000	.000						
SRC(B)	.520	.432	.444	1.000				
	.000	.000	.000					
SOC(B)	.650	.544	.410	.386	1.000			
	.000	.000	.000	.000				
TEM(B)	.223	.248	.402	.457	.178	1.000		
	.000	.000	.000	.000	.002			
PRX(B)	-.324	-.359	-.131	-.313	-.349	-.171	1.000	
	.000	.000	.026	.000	.000	.003		
IDE	-.015	.016	-.021	.061	.010	-.107	-.023	1.000
	.801	.789	.721	.298	.866	.069	.700	
RLV	-.096	-.154	.030	-.028	-.008	.068	-.038	.050
	.104	.009	.617	.637	.896	.247	.521	.402
CSV	.088	.105	-.019	.091	-.059	-.023	.012	.176
	.139	.077	.756	.125	.318	.694	.839	.003
RLG	.143	.182	.026	.140	-.022	-.023	-.015	.170
	.015	.002	.662	.017	.708	.703	.801	.004
ATT	-.004	.016	-.025	-.010	-.019	-.098	.073	.128
	.945	.781	.674	.870	.741	.094	.216	.029
OVS	.010	-.014	.041	-.007	-.032	-.106	.102	.099
	.867	.816	.489	.904	.591	.070	.082	.092
LIN	.068	.003	.065	.050	.007	-.017	-.006	.214
	.246	.965	.272	.401	.912	.767	.925	.000
PRV	-.211	-.189	-.130	-.149	-.187	-.083	.069	.006
	.000	.001	.027	.011	.001	.159	.239	.919
BPR	-.049	-.114	-.057	-.099	-.014	-.113	.090	-.041
	.403	.053	.334	.091	.809	.055	.127	.492
CFS	.019	-.104	-.089	-.067	.001	-.109	.092	.023
	.746	.078	.131	.255	.993	.063	.118	.700
IRS	.084	.026	-.026	.022	.023	-.062	.030	.043
	.155	.661	.663	.708	.702	.293	.610	.468
ASL	.024	-.067	.075	.069	.017	.013	.035	.123
	.689	.252	.203	.245	.775	.829	.551	.036
ADX	-.069	-.007	-.008	.080	-.036	.104	-.049	-.110
	.240	.900	.886	.174	.540	.077	.408	.061

TABLE C.2 (Continued)

	EP(B)	BEH(B)	PH(B)	SRC(B)	SOC(B)	TEM(B)	PRX(B)	IDE
ASX	-.078	.071	.027	.001	-.040	.104	-.049	-.110
	.189	.230	.653	.983	.494	.428	.881	.003
AGE	.019	.021	.064	.060	.051	-.033	.020	1.09
	.752	.726	.277	.309	.386	.572	.738	.064
EDU	-.171	-.061	-.161	-.200	-.142	-.046	.102	-.177
	.003	.297	.006	.001	.015	.434	.082	.002
INC	-.247	-.165	-.135	-.261	-.150	-.019	.108	-.141
	.000	.007	.027	.000	.014	.755	.078	.021

TABLE C.2 (Continued)

	RLV	CSV	RLG	ATT	OVS	LIN	PRV	BPR
EP(B)								
BEH(B)								
PH(B)								
SRC(B)								
SOC(B)								
TEM(B)								
PRX(B)								
IDE								
RLV	1.000							
CSV	-.375	1.000						
	.000							
RLG	-.232	.625	1.000					
	.000	.000						
ATT	.095	-.010	.003	1.000				
	.108	.871	.962					
OVS	-.031	.078	.043	.183	1.000			
	.598	.188	.471	.002				
LIN	.097	-.055	.033	.166	.219	1.000		
	.100	.359	.582	.047	.000			
PRV	.114	.000	.109	-.074	.324	.261	1.000	
	.054	.998	.065	.211	.000	.000		
BPR	-.076	-.007	.036	.010	.389	.199	.459	1.000
	.199	.907	.543	.869	.000	.001	.000	
CFS	-.056	.016	-.020	.019	.431	.148	.390	.637
	.342	.795	.734	.745	.000	.011	.000	.000
IRS	-.046	-.017	-.054	.055	.384	.259	.282	.451
	.435	.775	.365	.352	.000	.000	.000	.000
ASL	.069	-.061	-.028	.006	.299	.273	.262	.386
	.241	.305	.642	.922	.000	.000	.000	.000
ADX	-.071	.007	.074	-.103	.054	-.013	.063	.052
	.228	.902	.208	.078	.360	.820	.282	.382

TABLE C.2 (Continued)

	RLV	CSV	RLG	ATT	OVS	LIN	PRV	BPR
ASX	.005	-.006	-.050	-.010	.066	-.065	.047	-.031
	.938	.914	.393	.868	.266	.270	.429	.605
AGE	-.085	.187	.108	.090	.145	-.062	.022	.154
	.154	.002	.068	.126	.013	.294	.708	.009
EDU	-.247	-.100	-.012	.033	.056	-.034	.039	.119
	.000	.091	.843	.573	.337	.563	.503	.042
INC	-.085	-.089	.024	-.157	.058	-.135	.134	.118
	.169	.152	.696	.010	.347	.027	.029	.054

TABLE C.2 (Continued)

	CFS	IRS	ASL	ADX	ASX	AGE	EDU	INC
EP(B)								
BEH(B)								
PH(B)								
SRC(B)								
SOC(B)								
TEM(B)								
PRX(B)								
IDE								
RLV								
CSV								
RLG								
ATT								
OVS								
LIN								
PRV								
BPR								
CFS	1.000							
IRS	.643 .000	1.000						
ASL	.445 .000	.427 .000	1.000					
ADX	.000 .993	.046 .439	.033 .582	1.000				

TABLE C.2 (Continued)

	CFS	IRS	ASL	ADX	ASX	AGE	EDU	INC
ASX	-.056	-.014	-.018	.457	1.000			
	.340	.811	.761	.000				
AGE	.130	.037	-.020	-.101	-.010	1.000		
	.027	.533	.734	.087	.870			
EDU	.077	-.028	-.016	.105	.014	-.074	1.000	
	.193	.632	.782	.074	.809	.208		
INC	.072	.028	-.067	.240	.110	-.021	.375	1.000
	.242	.646	.274	.000	.073	.730	.000	

TABLE C.3
Correlation Matrix-Scenario C

	EP(C)	BEH(C)	PH(C)	SRC(C)	SOC(C)	TEM(C)	PRX(C)	IDE
EP(C)	1.000							
BEH(C)	.693	1.000						
	.000							
PH(C)	.356	.249	1.000					
	.000	.000						
SRC(C)	.323	.332	.401	1.000				
	.000	.000	.000					
SOC(C)	.571	.438	.358	.263	1.000			
	.000	.000	.000	.000				
TEM(C)	.159	.101	.394	.45	.154	1.000		
	.006	.086	.000	.000	.009			
PRX(C)	-.230	-.289	-.009	-.266	-.209	-.022	1.000	
	.000	.000	.873	.000	.000	.714		
IDE	.088	.086	.018	.067	.005	-.062	-.080	1.000
	.133	.142	.766	.258	.935	.292	.174	
RLV	-.111	-.189	.036	-.050	-.004	.088	.020	.050
	.060	.001	.541	.402	.942	.139	.734	.402
CSV	.161	.154	.006	.041	-.100	-.059	-.083	.176
	.006	.009	.924	.495	.092	.325	.165	.003
RLG	.083	.097	.018	.077	-.134	-.028	-.029	.170
	.160	.100	.756	.195	.023	.640	.625	.004
ATT	.012	.065	.027	-.012	.017	-.018	.054	.128
	.838	.265	.644	.844	.768	.756	.356	.029
OVS	.075	.025	.075	-.063	.021	-.065	-.006	.099
	.201	.668	.205	.282	.719	.266	.925	.092
LIN	.168	.057	.181	.052	.129	.059	-.017	.214
	.004	.336	.002	.377	.028	.318	.770	.000
PRV	-.112	-.141	-.114	-.137	-.067	-.024	.044	.006
	.056	.016	.053	.020	.253	.682	.460	.919
BPR	-.008	-.101	-.028	-.104	.010	-.065	.133	-.041
	.890	.086	.629	.078	.870	.273	.024	.492
CFS	.082	-.074	-.062	-.003	.042	-.093	.084	.023
	.166	.206	.291	.963	.472	.113	.156	.700
IRS	.083	.013	-.012	.021	.024	-.077	.007	.043
	.159	.827	.832	.722	.680	.193	.909	.468
ASL	.127	-.070	.033	.036	.049	.038	.022	.123
	.031	.235	.579	.536	.409	.523	.706	.036

TABLE C.3 (Continued)

	EP(C)	BEH(C)	PH(C)	SRC(C)	SOC(C)	TEM(C)	PRX(C)	IDE
ADX	-.048	-.072	-.016	.029	-.008	.012	-.002	-.110
	.416	.221	.785	.619	.897	.841	.972	.061
ASX	-.092	-.106	.009	-.046	-.029	.036	-.020	-.173
	.119	.073	.879	.440	.622	.538	.730	.003
AGE	.014	.038	.043	-.014	-.021	-.057	.042	.109
	.818	.520	.465	.819	.726	.331	.475	.064
EDU	.004	.049	-.102	-.097	-.018	-.006	.050	-.177
	.951	.409	.083	.098	.763	.925	.397	.002
INC	-.119	-.064	-.095	-.183	-.009	-.043	.031	-.141
	.053	.298	.122	.003	.878	.486	.610	.021

TABLE C.3 (Continued)

	RLV	CSV	RLG	ATT	OVS	LIN	PRV	BPR
EP(A)								
BEH(A)								
PH(A)								
SRC(A)								
SOC(A)								
TEM(A)								
PRX(A)								
IDE								
RLV	1.000							
CSV	-.375	1.000						
	.000							
RLG	-.232	.625	1.000					
	.000	.000						
ATT	.095	-.010	.003	1.000				
	.108	.871	.962					
OVS	-.031	.078	.043	.183	1.000			
	.598	.188	.471	.002				
LIN	.097	-.055	.033	.116	.219	1.000		
	.100	.359	.582	.047	.000			
PRV	.114	.000	.109	-.074	.324	.261	1.000	
	.054	.998	.065	.211	.000	.000		
BPR	-.076	-.007	.036	.010	.389	.199	.459	1.000
	.199	.907	.543	.869	.000	.001	.000	
CFS	-.056	.016	-.020	.019	.431	.148	.390	.637
	.342	.795	.734	.745	.000	.011	.000	.000
IRS	-.046	-.017	-.054	.055	.384	.259	.282	.451
	.435	.775	.365	.352	.000	.000	.000	.000
ASL	.069	-.061	-.028	.006	.299	.273	.262	.386
	.241	.305	.642	.922	.000	.000	.000	.000
ADX	-.071	.007	.074	-.103	.054	-.013	.063	.052
	.228	.902	.208	.078	.360	.820	.282	.382

TABLE C.3 (Continued)

	RLV	CSV	RLG	ATT	OVS	LIN	PRV	BPR
ASX	.005	-.006	-.050	-.010	.066	-.065	.047	-.031
	.938	.914	.393	.868	.266	.270	.429	.605
AGE	-.085	.187	.108	.090	.145	-.062	.022	.154
	.154	.002	.068	.126	.013	.294	.708	.009
EDU	-.247	-.100	-.012	.033	.056	-.034	.039	.119
	.000	.091	.843	.573	.337	.563	.503	.042
INC	-.085	-.089	-.024	-.157	.058	-.135	.134	.118
	.169	.152	.696	.010	.347	.027	.029	.054

TABLE C.3 (Continued)

	CFS	IRS	ASL	ADX	ASX	AGE	EDU	INC
EP(C)								
BEH(C)								
PH(C)								
SRC(C)								
SOC(C)								
TEM(C)								
PRX(C)								
IDE								
RLV								
CSV								
RLG								
ATT								
OVS								
LIN								
PRV								
BPR								
CFS	1.000							
IRS	.643 .000	1.000						
ASL	.445 .000	.427 .000	1.000					
ADX	.000 .993	.046 .439	.033 .582	1.000				

TABLE C.3 (Continued)

	CFS	IRS	ASL	ADX	ASX	AGE	EDU	INC
ASX	-.056	-.014	-.018	.457	1.000			
	.340	.811	.761	.000				
AGE	.130	.037	-.020	-.101	-.010	1.000		
	.027	.533	.734	.087	.870			
EDU	.077	-.028	-.016	.105	.014	-.074	1.000	
	.193	.632	.782	.074	.809	.208		
INC	.072	.028	-.067	.240	.110	-.021	.375	1.000
	.242	.646	.274	.000	.073	.730	.000	

Legend

EP = Ethical perceptions
BEH = Behavioral intentions
PH = Probability of harm
SAC = Seriousness of consequences
SOC = Social consensus
TEM = Temporal immediacy
PRX = Proximity
IDE = Idealism
RLV = Relativism
CLV = Conservatism
RLG = Religiosity
ATT = Attitude about paying Federal income taxes
OVS = Creator of oversight board
LIN = Creators of fund for low income clinics
PRV = Extension of attorney/client privilege
BPR = Shift in burden of proof
CFS = IRS payment of costs and fees
IRS = IRS correspondence requirements
ASL = IRS audit selection criteria disclosure
ADX = Audit expectation
ASX = Additional assessment expectation
AGE = Age
EDU = Education
INC = Household income

APPENDIX D

APPROVAL MEMORANDUM FROM HUMAN USE COMMITTEE

LOUISIANA TECH
UNIVERSITY

RESEARCH & GRADUATE SCHOOL

MEMORANDUM

TO: Thomas Phillips, Jr.
Michael Luehlfing
Timothy Barnett

FROM: Deby Hamm, Graduate School

SUBJECT: HUMAN USE COMMITTEE REVIEW

DATE: July 20, 2000

In order to facilitate your project, an **EXPEDITED REVIEW** has been done for your proposed study entitled:

"An empirical analysis of taxpayers' attitudes and behavioral intentions regarding compliance with federal income tax laws"

Proposal # 1-TE

The proposed study procedures were found to provide reasonable and adequate safeguards against possible risks involving human subjects. The information to be collected may be personal in nature or implication. Therefore, diligent care needs to be taken to protect the privacy of the participants and to assure that the data are kept confidential. Further, the subjects must be informed that their participation is voluntary.

Since your reviewed project appears to do no damage to the participants, the Human Use Committee grants approval of the involvement of human subjects as outlined.

You are requested to maintain written records of your procedures, data collected, and subjects involved. These records will need to be available upon request during the conduct of the study and retained by the university for three years after the conclusion of the study.

If you have any questions, please give me a call at 257-2924.

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

P.O. BOX 7923 • RUSTON, LA 71272-0029 • TELEPHONE (318) 257-2924 • FAX (318) 257-4487 • email research@LaTech.edu

AN EQUAL OPPORTUNITY UNIVERSITY

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