

# **Bringing It Together (BIT)<sup>1</sup>**

## **Volume 1: An Annotated Bibliography relating to voluntary tax compliance**

Eliza Ahmed<sup>2</sup>

(with Jason McCrae<sup>2</sup>, Valerie Braithwaite<sup>2</sup>, and Yuka Sakurai<sup>3</sup>)

### **EXECUTIVE SUMMARY**

#### **INTRODUCTION**

This annotated bibliography brings together the research collections of the CTSI (Centre for Tax System Integrity) and ATO (Australian Taxation Office) Knowledge Development Network (KDNet). The listed entries (published and unpublished) span 5 decades from 1957 to 2003. We hope that people working in the tax administrations and the tax research will find this collaborative endeavor a valuable resource and a useful database for making decisions and implementing policy.

#### **AIM**

The aims of this bibliography are to –

- serve as a resource for interested individuals;
- increase awareness of information available for policy implementation;
- facilitate access to the materials for research purposes;
- facilitate research in the area of taxation; and
- facilitate research collaboration with tax administrations, government and the research community.

---

<sup>1</sup> To submit a relevant piece to this Bibliography which is not currently listed, please send us a copy of the piece using the Bibliography Citation Submission Form at <http://ctsi.anu.edu.au/citeref>.

<sup>2</sup> CTSI, RSSS, Australian National University

<sup>3</sup> Australian Institute of Criminology (Previous appointment was in the CTSI, RSSS, Australian National University)

The articles included in this bibliography may be available from either the CTSI or the Inter Library Loan Officer, ATO (ATO Library, 2 Constitution Avenue, Canberra), and can be used where they are located. Please note that these references are not available for loan, but may be copied for research purposes.

## SCOPE

This bibliography contains citations and abstracts of published and unpublished materials in English. It includes refereed and unrefereed articles, working papers, conference presentations, government reports and statistical publications, and dissertations. With the exception of a few articles, all entries have been published since 1960, and those prior to 1960 are included only if it was felt that they contributed substantially to the field of interest.

For reasons of choice and necessity, we have restricted our coverage. We have refrained from listing works that were prohibited due to commercial sensitivities. We have excluded documents / reports / anecdotes where the reference is incomplete or where the data are of questionable validity. We have restricted the bibliography to materials that address tax compliance or theoretical ideas relevant to tax compliance.

## SOURCES

This bibliography was compiled from two sources: The CTSI library and the ATO KNet. The collections in these two sources were obtained through libraries, computerized database searches, or through correspondence with professionals in the relevant field.

## STRUCTURE

In order to structure the bibliography, we have grouped references into ten broad categories according to their main theme. These are:

**Part 1** – Evaluation of the tax system [33 entries]: This part is organized around key issues such as tax administration’s fairness including procedural justice, trust, legitimacy, and the power to influence small and large businesses.

**Part 2** – Institutional demands [67 entries]: This part encompasses studies relevant to conflicts with the tax authority and likely costs (monetary and emotional) of non-compliance. Deterrence is a central issue addressed in this section.

**Part 3** – Sources of influence [50 entries]: A separate category has been created for studies concerning issues such as self-perception (e.g., personal ethical norm of honesty) and perceptions of significant others (e.g., social ethical norm of honesty) including tax advisers.

**Part 4** – Cash economy [49 entries]: This part contains materials relevant to small and medium-sized businesses. Relevant keywords include small businesses, self-employed, unrecorded economy, invisible earnings, underground economy, gray economy, informal economy / labour market, shadow economy, black economy, and dark economy. The entries form a somewhat heterogeneous set, differing in conceptual framework, in breadth of coverage and in depth.

**Part 5** – Policy [59 entries]: This part covers materials that challenge current regulatory practice and propose improvements to the current tax system.

**Part 6** – Theoretical contributions [108 entries]: This part includes non-empirical papers, including reviews of the relevant literature from a methodological or theoretical perspective.

**Part 7** – CTSI related contributions [58 entries]: A group of materials which did not fit readily into the above categories but have been used by CTSI researchers in their work on the building of a voluntary taxpaying culture.

**Part 8** – Econometric papers [44 entries]: The focus of CTSI research has not been oriented to the econometric literature but our collaboration with the ATO has engaged us in parts of this literature. We include such articles here.

**Part 9** – CTSI working papers [63 entries including forthcoming papers]: CTSI publishes working papers to (1) share knowledge, experience and preliminary findings from research projects undertaken by the Centre; (2) provide an outlet for policy focused research and

discussion papers; (3) give ready access to previews of papers destined for publication in academic journals, edited collections, or research monographs; and (4) promote discussion among researchers, academics, and practitioners both nationally and internationally on tax compliance.

**Part 10** – Edited collections [20 entries]: This part contains books and edited collections on tax compliance. We consider this categorization useful particularly for those who wish to pursue higher education in this field.

Each entry in this bibliography contains the following information: title, author(s), full reference, abstract, and location with catalogue number. Not all entries had abstracts and not all were published. Where no abstract is produced with the paper, a summary presented by the authors or the first paragraph of the introduction is inserted. Because we haven't been able to locate all pieces of works (some materials were missing from the respective libraries), we categorized some entries on the basis of the abstract alone.

The entries under each part are further divided by their year of publication, starting with the most recent. When several citations concern the same year, they are arranged in alphabetical order by the surname of the author(s). This strategy seems convenient for users to locate a particular article.

Of course the division between parts is not clear cut. In some cases, it was not an easy task to place an article into a particular category because it addressed several issues. In these cases, the classification was based on our judgment of the main theme of the article. For example, there are some articles under “evaluations of the tax system” in Part 1 which could have been categorized under “institutional demands” in Part 2 or under “sources of influence” in Part 3. Due to some overlap in the materials, users are advised that materials in Parts 1, 2, and 3 contain inter-related subject headings.

## FUTURE DIRECTIONS

While synthesizing this bibliography, we have noticed that the major area of interest for researchers in the field was “Institutional Demands” (Part 2), perhaps because the deterrence

framework is a contentious area requiring more extensive research. A very small percentage of materials were published in the area of “Taxpayers’ Evaluation of the Tax System” (Part 1) which includes personal and social values, the social distance taxpayers place between themselves and the tax authority, their beliefs about what a tax office has to do to be considered as trustworthy, and taxpayers’ personal and social ethical norm of honesty. These are the areas that have received attention by the CTSI and where we will be adding new materials in the months ahead.

There will be opportunities for updating the bibliography in future years which will extend its value. Additional references which users believe are relevant to this bibliography can be submitted for inclusion by completing the submission form [<http://ctsi.anu.edu.au>]. If anyone knows of a citation in this bibliography that is incomplete or incorrect, please contact us at CTSI, RSSS, Australian National University (Email: [ctsi@anu.edu.au](mailto:ctsi@anu.edu.au)) so that we can make the correction.

#### ACKNOWLEDGMENT

We would like to acknowledge the support of the Australian Taxation Office without whom compilation of these research materials would not have been possible, in particular our thanks to Bevan Murphy and Steve Morgan for their involvement in collecting and organizing materials with us. We would like to extend our appreciation to David Harwood for maintaining the KNet Compliance Research Bibliography at the Australian Taxation Office.

## **PART 1**

### **EVALUATION OF THE TAX SYSTEM**

#### **2001 –**

Title: Perceptions of who's not paying their fair share  
Author(s): Braithwaite, V.  
Publication: Australian Journal of Social Issues, 38(3), 335-362, 2003  
Abstract: Data from the Community Hopes, Fears and Actions Survey are used to examine how pervasive the view is that the more privileged in society are failing to pay their fair share of tax, to understand the beliefs that underpin such perceptions, and the reforms that are needed to open dialogue with the Australian public about the issue. Support is found for five hypotheses. Economic self-interest provides a partial explanation for perceptions of vertical inequity, but more important are disillusionment with the Australian democracy and perceptions of insufficient procedural justice from the tax office. Values about how Australian society should develop also play a part. Those looking for a more equal, caring and compassionate Australia perceive there to be a high level of vertical inequity. Such perceptions are not shared by those aspiring to an Australia that pursues competitive advantage either economically or politically.  
Location: CTSI Catalogue: 379

Title: Trusting the tax office: Does Putnam's thesis relate to tax?  
Author(s): Job, J., & Reinhart, M.  
Publication: Australian Journal of Social Issues, 38(3), 307-334, 2003  
Abstract: Data from the Community Participation and Citizenship Survey are used to explore the factors that influence people to place trust in strangers and impersonal others. We use Putnam's social capital thesis to explore whether civic engagement and associational membership are major factors in the development of generalised or social trust, and whether this kind of trust is generalisable to trust in government institutions, specifically the Tax Office. There is partial support for Putnam's thesis that civic engagement develops social trust. More important is affective trust which is developed in the family and through familiar others. We find that trust is generalisable, being extended to strangers and to the impersonal others in government institutions. It is trust that builds trust and government institutions like the Tax Office begin their task with benefits accrued through generalised trust.  
Location: CTSI Catalogue: 376

Title: Procedural justice and tax compliance  
Author(s): Murphy, K.  
Publication: Australian Journal of Social Issues, 38(3), 379-403, 2003

- Abstract:** Throughout the 1990s, tens of thousands of Australian taxpayers invested in mass-marketed tax effective schemes. They enjoyed generous tax breaks until the Australian Taxation Office (ATO) told them in 1998 that they abused the system. This study examines the circumstances surrounding taxpayers' decision to invest in scheme arrangements. It also explores investors' perceptions of the way the ATO handled the schemes issue and, perhaps more importantly, why such a large number of investors defied the ATO's demands that they pay back taxes. Data were taken from in-depth interviews conducted with 29 scheme investors. Consistent with the procedural justice literature, the findings revealed that many scheme investors defied the ATO's demands because the procedures the ATO used to handle the situation were perceived to be unfair. Given these findings, it will be argued that to effectively shape desired behaviour, regulators will need to move beyond enforcement strategies linked purely to deterrence. A strategy that aims to emphasise the procedural justice aspects of a regulatory encounter will be discussed.
- Location:** CTSI Catalogue: 375
- Title:** An examination of taxpayers' attitudes towards the Australian tax system: Findings from a survey of tax scheme investors
- Author(s):** Murphy, K.
- Publication:** Australian Tax Forum, 18, 208-241, 2003
- Abstract:** In recent years, the number of Australian taxpayers involved in aggressive tax planning has more than doubled. This aggressive form of financial planning poses a serious threat to the integrity of Australia's tax system. In order to deal with the problem, the Australian Taxation Office (ATO) announced in 1998 that they would be implementing a number of initiatives aimed at combating aggressive tax planning. Part of the ATO's crackdown on aggressive tax planning involved issuing amended assessments to the 42,000 Australians who invested in mass marketed tax schemes. The majority of scheme investors, however, resisted the ATO's attempts to recover scheme related tax debts. This paper discusses the findings of an empirical study that shows that the widespread resistance exhibited by scheme investors was due partly to the manner in which the ATO dealt with the schemes issue. Using survey data collected from 2301 tax scheme investors, and 2040 taxpayers from the general population, it will be shown that those who invested in tax schemes are more disillusioned with the tax system, are more hostile and resistant towards the ATO, and are more likely to resent paying tax as a result. Suggestions for the way regulatory authorities such as the ATO should deal with non-compliers, and possible solutions for how tax authorities might deal with the increasing problem of aggressive tax planning, will be discussed.
- Location:** CTSI Catalogue: 360

Title: Debt collection by tax authorities: Tax practitioners' reactions to procedures  
 Author(s): Tan, L. M., & Veal, J.  
 Publication: Australian Tax Forum, 18, 243-264, 2003  
 Abstract: This study examined the attributes of fair debt collection procedures as perceived by tax practitioners and whether these procedures and the outcomes received by their clients influenced their perception of the fairness of the tax authorities. Results indicated three dimensions of the procedural justice: 'interpersonal', 'structural' and 'considerate'. These procedural justice factors had significant main effects on perception of fairness of tax authorities, and the 'structural' and 'considerate' factor also interacted with the outcomes.  
 Location: CTSI Catalogue: 359

Title: Men, women, taxes, and ethics  
 Author(s): Eicher, J. D., Stuhldreher, T. J., & Stuhldreher, W. L.  
 Publication: Tax Notes, 97(3), 401-406, 2002  
 Abstract: Following the events of September 11, 2001, and the recession that was finally acknowledged last year, the debate has intensified over how, and how much, to cut income taxes. The main point of contention in this omnipresent debate centers of what income groups will receive the greatest benefit from any proposed tax cuts, and whether these benefits are warranted for the greater good. Who are the rich? Do they pay their fair share of taxes? What is a fair share of taxes? These are the type of questions that Republicans and Democrats, mothers and fathers, housewives and lawyers, have debated for years. Everyone seems lawyers, have debated for years. Everyone seems to have an opinion on questions of these sorts and those opinions are often based on a person's specific circumstances, such as socio-economic status, age, level of education, and even gender.  
 It has been long acknowledged that men and women have different attitudes toward any number of issues, including various ethical and public policy issues. Do these differences extend to issues involving taxation? Will men and women from the same socio-economic background have differing attitudes about the fairness of the current tax system in the United States, or the acceptability of cheating on taxes? The focus of this report is to clarify and specify differences of opinion and attitude between men and women on these and related issues.  
 Location: CTSI Catalogue: 347

Title: Summary of the Proceedings of an Invitational Seminar on Tax treaties in the 21st Century  
 Author(s): Arnold, B. J., Sasseville, J., & Zolt, E. M.  
 Publication: Bulletin for International Fiscal Documentation, 56(6), 233-248, 2002  
 Abstract: On 23-25 October 2001, an invitational seminar on the future of tax treaties was held at the new offices of the International Bureau of Fiscal Documentation (IBFD) in Amsterdam. This article summarises the discussions during the

seminar, and the appendix contains the background notes on the major topics discussed.

The purpose of the seminar was to encourage broad-ranging discussions of the nature, role and operation of tax treaties with a view to enhancing the understanding of tax treaties and to identifying ways in which they might be improved. In keeping with this broad objective, the participants were encouraged to discuss theoretical and structural issues involving tax treaties rather than technical details. On the other hand, to narrow the scope of the discussions, the participants were requested to assume that income taxes on individuals and corporations would continue to exist, that countries would continue to impose tax on both a residence and source basis, and that some international mechanism to coordinate or bridge national income tax systems would continue to be necessary and desirable.

Location: CTSI Catalogue: 351

Title: Cooperation, reciprocity, and the collective-action heuristic

Author(s): Lubell, M., & Scholz, J. T.

Publication: American Journal of Political Science, 45(1), 160-178

Abstract: In laboratory experiments, we manipulate the levels of niceness and reciprocity of seven simulated players in eight-person, iterated social dilemmas. Subjects rationally cooperate most frequently against nice, reciprocal players. However, subjects systematically deviate from optimal responses in intermediate environments that are either nice or reciprocal, but not both. The collective-action heuristic – a simple model of the subjects decision process based on introspection and surprise-driven search – explains several observed asymmetries of behaviour that have important implications for the evolution of cooperation and the theory of social capital: (1) On average, initial cooperators gain a cooperators' advantage over initial defectors due to defectors' inability to take advantage of reciprocal environments; (2) Past experience with reciprocity reduces exploitation even when reciprocity is currently absent, while past experience with nonreciprocity does not hamper cooperation when reciprocity is currently present; and (3) institutions that punish noncooperation enhance cooperation by initial defectors, but reduce cooperation by initial cooperators.

Location: CTSI Catalogue: 361

Title: A closer look at the relation between tax complexity and tax equity perceptions.

Author(s): Cuccia, A. D., & Carnes, G. A.

Publication: Journal of Economic Psychology, 22, 113-140, 2001

Abstract: Increasing compliance complexity is often blamed for increased non-compliance with the income tax, in part due to the negative impact complexity is assumed to have on taxpayers' equity perceptions. However, no strong theoretical bias has been offered to support a systematic relation between compliance complexity and equity perceptions, and empirical evidence regarding a relation between

complexity and compliance is mixed. Relying on the social psychology and justice literatures, we develop hypotheses regarding the conditions under which tax complexity might be expected to impact equity perceptions. We conduct an experiment in which subjects assess different forms of a hypothetical tax provision with identical economic consequences. Consistent with your hypotheses, we find that the provision's complexity negatively affects equity assessments only when subjects are prompted with an alternative provision with relatively favorable economic consequences, and then only when no explicit justification for its complexity and relative economic consequences is offered. The contingent nature of the relation between complexity and equity perceptions, and its consequences for policy makers concerned with tax compliance, simplification, and more comprehensive tax reform, are discussed.

Location: CTSI Catalogue: 339

### **1991 – 2000**

Title: The taxpayer as a co-operative citizen

Author(s): James, S.

Publication: Paper presented at the XXV Annual Colloquium on Research in Economic Psychology & SABE Conference on "Fairness and Cooperation", Vienna, Austria, 2000

Abstract: This paper develops the two different approaches to tax compliance in the academic literature outlined in James and Nobes (1999). One is described as the economic approach and is based on a relatively narrow interpretation of economic rationality and utility maximisation. The other is described as the 'responsible citizen approach' and is based on academic work involving wider sociological and psychological aspects of taxpayer motivation. The two approaches are analysed and compared and located in an analysis of the purposes of taxation. Implications for tax policy are drawn, in particular in developing the arguments for treating taxpayers as responsible citizens rather than simply as independent 'fiscal opportunists'.

Location: CTSI Catalogue: 161

Title: Trust, taxes and compliance

Author(s): Scholz, J. T.

Publication: Trust and Governance, in V. Braithwaite, & M. Levi, (Eds.), (pp. 135-166). New York: Russell Sage Foundation, 1998

Abstract: (from the chapter) A decade ago compliance studies focused primarily on the coercive aspect of government. Citizens complied with the law out of fear of being caught, so government could enhance compliance by developing effective enforcement policies that deterred non-compliance. This Hobbesian perspective assumed that fear of detection and punishment were the primary incentives available to government to ensure that individuals would follow laws passed for

the good of all. The rational-choice perspective and principal-agent models that stimulated research and policy designs for many other policy issues also stimulated innovations in enforcement policies based on the deterrence approach. Duty and shame were sometimes recognized as important motivations supporting compliance, but they were generally attributed to social conditions and childhood socialization that were not likely to be influenced by actions of government. Whether the government was “trustworthy” or not appeared to have little to do with compliance.

Location: CTSI Catalogue: 307

Title: Adaptive political attitudes: Duty, trust, and fear as monitors of tax policy

Author(s): Scholz, J. T., & Lubell, M.

Publication: American Journal of Political Science, 42(3), 903-920, 1998

Abstract: Theory: Attitudes toward collective obligations adapt in ways that enhance both individual and social well being. A citizen’s trust and duty towards the collective and fear of retribution change in response to changes in costs or benefits associated with the collective. Compliance with collective obligations (eg paying taxes) varies with these attitudes, producing an unexploitable strategy capable of maintaining cooperative solutions despite the conflict between collective benefits and incentives to free ride.

Hypothesis: Citizens monitor the net benefits gained from collectives by altering their attitudes of trust, duty and fear.

Method: We analyse the natural experiment created by the (US) Tax Reform Act of 1986 to estimate the impact of individual tax changes on attitudes of upper income taxpayers, using tax returns and two waves of survey data from a national panel of 292 taxpayers.

Findings: Trust, duty and fear increase significantly when taxes decrease, and decrease when taxes increase, thereby adapting as predicted to changes in net benefits. The magnitude of the change suggests a modest rate of adaptation that may enhance the stability of cooperative equilibria.

Location: CTSI Catalogue: 26

Title: Trust and taxpaying: Testing the heuristic approach to collective action

Author(s): Scholz, J. T., & Lubell, M.

Publication: American Journal of Political Science, 42(2), 398-417, 1998

Abstract: Theory: Trust is a critical attitude which extends the duty heuristic developed in Scholz and Pinney (1995). The “trust heuristic” can provide the basis for a contingent compliance strategy capable of sustaining cooperative solutions to collective actions problems of governance if two conditions are met. First, compliance with laws must be conditional on levels of trust in specific legal arenas. Second, a citizen’s trust in government and trust in other citizen’s willingness to obey the law must reflect the costs and benefits associated with obeying laws.

Hypothesis: This article tests the first hypothesis in the tax arena: trust in government and other citizens increase compliance over and above the levels expected from an internalized sense of duty to obey laws and the fear of getting caught by enforcement agencies like the IRS.

Method: We test the hypotheses with regression analysis of survey and tax return data from a stratified sample of 299 middle and upper income taxpayers, using the newly developed two-stage conditional maximum likelihood analysis to control for endogeneity. We extend this approach to the analysis of multi-categorical ordered dependent variables.

Findings: Both dimensions of trust significantly increase the likelihood of tax compliance, even after controlling for duty, fear, selection bias, and potential endogeneity effects.

Location: CTSI Catalogue: 25

Title: The burden of new taxes: Acceptance of taxes as a function of affectedness and egoistic versus altruistic orientation

Author(s): Kirchler, E.

Publication: Journal of Socio Economics, 26(4), 421-437, 1997

Abstract: Taxes imply loss of individual freedom to dispose of one's own money as one wishes. From a psychological viewpoint it is reasonable to assume that people reject the introduction of new taxes if they are affected by them and have to contribute more to the tax authorities than in the past. It can also be assumed that personal value orientation such as selfishness and altruism, respectively, influence attitudes towards taxes. This study investigates the attitudes of 120 persons affected by a new tax and 113 persons not affected by the tax. Norm dependency, egoistic vs altruistic value orientation, tax mentality and tax morality as well as demographic characteristics were assessed by questionnaires. Results indicate both affectedness and value orientation determined attitudes towards the new tax. Age and norm dependency are correlated with attitudes towards taxes in general. The hypothesized interaction effect between affectedness and value orientation was not confirmed. However, affected egoists, non-affected egoists, affected altruists, and non-affected altruists, respectively, mentioned different reasons for and against taxes, tax increases, and the introduction of new taxes.

Location: CTSI Catalogue: 77

Title: An experimental examination of the effects of withholding positions and tax preparer recommendations on taxpayer aggressiveness

Author(s): Schisler, D. L.

Publication: Advances in Taxation, 8, 149-173, 1996

Abstract: Two possible contributing factors to the level of taxpayer aggressiveness are the taxpayer's withholding position and the recommendation of the tax preparer. Based on prospect theory, taxpayers should be more aggressive when expecting

to pay tax at filing (as opposed to expecting a refund) and be greatly affected by the prospects offered by tax preparers. The purpose of this research is to determine the effect of these two factors on taxpayers' decisions. The general consensus of recent research is that taxpayers are more aggressive when in an underwithheld/tax due position. Thus, the main contribution of this study is to determine the interactions of the tax position effect with other variables – namely, IRS penalty exposure and the tax preparers' recommendation. The effect of the preparer's recommendation has escaped detailed scrutiny by researchers. An interesting perspective is whether the aggressive behaviour in the tax due condition exists in the presence of punitive IRS measures and varying preparer recommendations. Taxpayers, when exposed to the different withholding positions, were found to be more aggressive in tax due situations. This is consistent with prospect theory and recent literature. Subjects exposed to the current IRS penalties moderated their aggressiveness, but the differences only approached significance. Taxpayers also were found to strongly rely on the recommendation of tax preparers. When the preparer recommendation was added, the withholding position/IRS penalty interaction became more pronounced. That is, the high IRS penalty reduced the aggressive behaviour of the refund subjects more than the tax due subjects.

Location: CTSI Catalogue: 146

Title: The effect of tax authority behavior on taxpayer compliance: A procedural justice approach

Author(s): Worsham, R. G.

Publication: The Journal of the American Taxation Association, 18(2), 19-39, 1996

Abstract: The purpose of this study is to determine if tax collection procedures that are perceived to be unfair cause taxpayers to underreport their taxable income. The study draws upon procedural justice theory to predict how taxpayers will respond to what they perceive as unfair treatment by tax authorities. Two procedural justice constructs are examined using an experiment: consistency and accuracy. In addition to examining the direct effects of procedural injustice, this study also tests whether unfair tax enforcement procedures experienced vicariously will also adversely affect taxpaying behavior. The results indicate that procedural injustice experienced indirectly through becoming aware of another's unfair treatment increased the level of noncompliance. Conversely, procedural injustice experienced personally, either by being subject to inconsistency in enforcement or to enforcement attempts brought about by inaccurate information, did not increase the level of noncompliance. In fact, inconsistent audit rates actually increased the level of compliance.

Location: ATO Catalogue: P101 (see also CTSI Catalogue: 336)

Title: A comparison of the profit-based pricing methodologies under the transfer pricing rules of Australia and the United States: Are they a voluntary compliance option for the taxpayer?

Author(s): Cooper, T.

Publication: Australian Tax Forum, 12, 91-113, 1995

Abstract: The revenue authorities in both the United States and Australia have recently announced or introduced initiatives in respect of their transfer pricing rules. In particular, there have been further developments in respect of profit-based pricing methodologies as an alternative to more traditional transactional pricing methodologies. This paper is an examination and comparison of the comparable profits and profit split methodologies incorporated into the respective taxing rules of the US and Australia. It also canvasses the legal status of such methodologies and the issue as to whether they will emerge as a preferred audit methodology for tax administrators. In summary, the paper examines the ability of taxpayers to rely on profit-based methodologies and questions the equity of their use as an audit measure.

Location: CTSI Catalogue: 195

Title: Tax evasion, consumption of public goods and fairness

Author(s): Falkinger, J.

Publication: Journal of Economic Psychology, 16, 63-72, 1995

Abstract: Discusses channels through which the perceived share in public consumption or perceived fairness of the political and social system affect tax evasion behavior. In general, the impact of equity on tax evasion depends on how the taxpayer's risk aversion is affected by perceived equity. Possible reasons for why an increase in perceived equity may increase a person's risk aversion and thus lead to a decrease in evasion are examined. An economic argument and a psychological argument are presented. The psychological argument is based on the hypothesis that people find evasion more blameworthy in a system that is considered to be just than in an unfair system. With such a norm, an increase in equity increases the bad reputation or bad conscience of evaders and leads to a reduction of evasion.

Location: CTSI Catalogue: 4

Title: A prospect theory account of the income tax withholding phenomenon

Author(s): Shepanski, A., & Shearer, T.

Publication: Organizational Behavior and Human Decision Processes, 63(2), 174-186, 1995

Abstract: Investigates the prospect theory account of the withholding phenomenon which posits that a taxpayers' withholding position influences their compliance behavior by differentially affecting their risk attitudes. 408 undergraduates divided into expected and unexpected payment and refund conditions made compliance decisions when faced with an evasion opportunity. Results suggest a Ss' current asset position, rather than the expected asset position, better

represents the reference point taxpayers use to evaluate tax-related outcomes, and thus make tax reporting decisions. Overwithheld Ss are more likely to comply. Results support the explanation of the withholding phenomenon based on differing risk attitudes induced by being over- or under withheld at filing.

Location: CTSI Catalogue: 2

Title: The would-be tax evader: A profile

Author(s): Wearing, A. J., & Headey, B. M.

Publication: Paper presented at the Compliance Research Conference, Canberra, 1995

Abstract: Demographic, social attitudinal, personality and behavioural correlates of the propensity to evade taxation were assessed from a survey carried out on a random sample of respondents selected in Melbourne, one of the major cities in Australia. Broadly speaking, the would-be tax evader is economically and socially less significant, has less confidence in the efficacy of the social system, less confidence in the institutions of society, more dissatisfaction with the economy and its management, believes consumption taxes are too high and investment expenditures are too low, and is characterised by a lower sense of personal competence, less economic knowledge, a dependence on private (non-commercial) sources for financial services, and a lower sense of well-being. Some implications of these findings, which are consistent with a social identification model of taxation evasion are discussed.

Location: CTSI Catalogue: 17

Title: Self-presentation and legal socialization in society: Available messages about personal tax audits

Author(s): Stalans, L. J., & Kinsey, K. A.

Publication: Law and Society Review, 28(4), 859-895, 1994

Abstract: Research has shown that direct experience of legal authorities unfairness or rudeness lowers unfairly treated individuals' support for legal authorities in general and fosters noncompliance with laws. Many people, however, get information about legal authorities and institutions indirectly through conversations with others. To highlight the possible ripple effects of specific enforcement contacts on the general population's support for authorities, we compared what a sample of 237 taxpayers said happened in their tax audit interviews with what they told other members of their social network. Because people are most concerned about others' image of them, this motivation for communication often weakens a bias toward negative messages. Findings demonstrate that messages about fairness of decision-making, favorability of outcomes, and dignity more closely approximated the distribution of the sample of audited taxpayers' perceptions. Results support a bias toward negative messages in 2 situations, i.e., messages about instrumental quality and in the rare circumstance when taxpayers received undignified treatment and favorable outcomes. In this circumstance, the message does not have connotations for

one's own image. The implications for legal socialization and societal support for legal authorities and institutions are discussed.

Location: CTSI Catalogue: 23

Title: Some evidence on the association between judgment criteria and fairness perceptions

Author(s): Porcano, T. M., & Price, C. E.

Publication: Advances in Taxation, 4, 183-210, 1992

Abstract: Fairness has been identified as a variable that might influence tax compliance behavior. Also, judgment criteria have been suggested as ways in which taxpayers evaluate a tax situation. However, previous research has not identified linkages between judgment criteria and fairness perceptions of tax provisions nor has it directly compared individual taxpayers' and tax practitioners' perceptions of these items. Using survey data and regression analysis, this study analyzed these linkages for tax practitioners and individual taxpayers. The results indicate that the groups differed substantially. Additionally, equal treatment was the judgment criterion most frequently linked to tax provisions.

Location: ATO Catalogue: P59

Title: Procedural criteria in taxpayers evaluations of their audit process: Differences across persons and situations

Author(s): Stalans, L. J., & Smith, K. W.

Publication: Paper presented at the IRS Research Conference, Washington, 1992

Abstract: Using spontaneous open-ended comments, we examine the relational and instrumental criteria individuals use in forming procedural justice evaluations of their state income tax audits. Both relational and instrumental criteria are salient in procedural evaluations: dignity and perceived distrust are the primary relational factors while timely decision-making, low decision control, and incompetence of auditors are the significant instrumental ones. People with different backgrounds assign the same weight to relational criteria, but differ in the weight they assign to instrumental criteria. Situational characteristics (high involvement, representation, and outcome favourability) also affect the salience and importance of instrumental and relational criteria in their evaluations of the process. Evaluations of the audit process generalize to evaluations of how the Department of Revenue treats taxpayers. These findings extend prior research and provide a more elaborate empirical and conceptual test of the criteria underlying evaluations of the process.

Location: CTSI Catalogue: 12

Title: Taxpayer adaptation of the 1986 Tax Reform Act: Do new tax laws affect the way taxpayers think about taxes?

Author(s): Steenbergen, M., McGraw, K., & Scholz, J.

- Publication: Why People Pay Taxes: Tax compliance and enforcement, in J. Slemrod (Ed.), (pp. 9-37). Ann Arbor: University of Michigan Press, 1992
- Abstract: What changes take place in the citizen's beliefs, attitudes, and behaviour when a new tax law is passed requiring some sacrifice on the part of the citizen? Does the impact of the law on the taxpayer's self-interest affect commitment to obey the law? The primary goal of this chapter is to provide a cognitively informed account of how citizens respond to new tax laws. Although the author(s) are ultimately concerned with the impact of new laws on compliance, the focus is on the commitment to comply rather than actual compliance. This focus permits the author(s) to emphasize the cognitive processes of adaptation, and should bring out most clearly those aspects of legal change that affect the way taxpayers think about taxes.
- Location: CTSI Catalogue: 130
- 
- Title: Citizens' procedural expectations for an upcoming tax audit: Their nature and formation
- Author(s): Stalans, L. J.
- Publication: Paper presented at the Law & Society Meetings, Amsterdam, 1991
- Abstract: Citizens' expectations about how authorities will treat them during interactions are an important part of theories on citizens' reactions and impressions of experience with authorities (e.g., Lind & Tyler, 1988). Empirical research, however, on their nature and formation of procedural expectations in a regulatory setting using qualitative interviews with citizens who will have a state audit of their tax return on the near future. Over half of the respondents had expectations about the dignity of the process, and over one-third had expectations about decision control, formality, biased in decision-making, and voice. Few respondents, however, had expectations about the instrumental characteristics of the process: expediency, competence, and thoroughness. These findings suggest that citizens' expectations are congruent with the emphasis placed on different constructs in procedural justice. Direct experience, self-concepts, generalized attitudes, and indirect experiences from conversations with peers or from mass media reports contributed to differences in the nature of dignity and biased in decision-making process. Whereas prior experience with and IRS audit contributed to expectations of an unbiased decision-making, indirect experiences with others increased the likelihood of expectations of a biased decision-making. For many of the expectations, people used their self-concept as a standard of reference, and expected the auditor to interact in the same way that they perceived themselves to interact. These finding extend procedural justice research by providing empirical data to the nature and formation of expectations. Implications and directions for future research are discussed.
- Location: ATO Catalogue: P121

**1981 – 1990**

- Title: Decision frames, opportunity and tax evasion: An experimental approach  
 Author(s): Robben, H. S. J., Webley, P., Elffers, H., & Hessing, D. J.  
 Publication: Journal of Economic Behavior and Organization, 14(3), 353-361, 1990  
 Abstract: This paper examines the role of decision frames and opportunity in tax evasion. In an experiment, framed as a business simulation, student subjects made a series of decisions. Two propositions were tested: first, that having to pay extra tax after insufficient tax has been withheld will lead to more evasion than receiving a refund after too much has been withheld and, second, that greater opportunity to evade taxes will lead to increased evasion. Both propositions are supported.  
 Location: CTSI Catalogue: 34
- Title: Decision frame and opportunity as determinants of tax cheating: An international experimental study  
 Author(s): Robben, H. S., Webley, P., Weigel, R. H., Waerneryd, K. E., Kinsey, K. A., Hessing, D. J., Alvira Martin, F., Elffers, H., Wahlund, R., Van Langenhove, L., Long, S. B., & Scholz, J. T.  
 Publication: Journal of Economic Psychology, 11(3), 341-364, 1990  
 Abstract: The experimental studies described in this article were designed to examine the effects of decision frame and opportunity on tax evasion behavior in the context of a business management task that required Ss to file simulated tax returns. Data were derived from 674 Ss (aged 18-62 yrs) representing samples drawn for 10 experiments conducted in 6 countries. Results from analyses of the pooled data indicated that noncompliance and tax cheating were more pronounced among Ss facing the prospect of an additional tax payment after withholding. The effects of opportunity on tax cheating were marginal. Explanations of these findings and directions for future research are discussed.  
 Location: CTSI Catalogue: 52
- Title: The role of legal complexity in shaping taxpayer compliance  
 Author(s): Long, S. B., & Swingen, J. A.  
 Publication: Lawyers on Psychology and Psychologists, in P. J. van Koppen, D. J. Hessing, & G. vanden Heuvel, (Eds.), (pp. 127-146). Berwyn, PA: Swets North America, 1988  
 Abstract: (from the chapter) In 1986, the Center for Tax Studies at Syracuse University School of Management, ..., began a formal investigation of the role of legal complexity in shaping taxpayer compliance. This chapter provides an overview of this research project and summarizes some of the major research findings. We turn first to a brief review of the background for this research. Then we delineate the information sources and data collection efforts which were required before empirical testing and analysis of the complexity-compliance linkage could begin.

Finally, we discuss basic theoretical propositions concerning the impact of legal complexity that have emerged from our work.

Location: CTSI Catalogue: 60

Title: Social comparison, attitudes and tax evasion in a shop simulation  
 Author(s): Webley, P., Robben, H., & Morris, I.  
 Publication: Social Behaviour, 3(3), 219-228, 1988  
 Abstract: In recent years various aspects of tax evasion have been investigated experimentally. This paper reports two experiments which have employed this approach using members of the general public as subjects. In the first, the effects of social comparison, inequity, and audit occurrence were investigated (Expt 1) and type and nature of social comparison (Exp 2). In Exp 1, 48 adults completed a computerized business simulation and made decisions about prices, spending, and taxes owed. Ss received a tax-free allowance (described as lower, equal, or higher than average), were informed that performance was equal or better than other Ss', and were audited once. In Exp 2, 65 Ss completed questionnaires on their attitudes toward the law, sense of alienation, and tax evasion after completing the shop simulation. Analysis indicated that tax evasion in the shop simulation was correlated with central (i.e., alienation) attitudes.

Location: CTSI Catalogue: 55

Title: Industry culture and industry economy: Correlates of tax noncompliance in Sweden  
 Author(s): Barnett, H. C.  
 Publication: Criminology. An Interdisciplinary Journal, 3(24), 553-574  
 Abstract: Industry culture and industry economy have been used, with mixed results, to explain violations of law by corporate enterprise. The purpose of this paper is to use these concepts to examine differential noncompliance with tax law across Swedish industry in the early 1980s. A measure of noncompliance by industry is developed using tax audit credit. The impact of audit policy on measured noncompliance is evaluated. Differences in industry culture are indicated by information on the presence and diffusion of techniques for noncompliance. Differences across industries in incentives to violate are indicated by bankruptcy rates and opportunities to gain through noncompliance. A hypothetical model is offered that explains the interaction of these factors and that could generate the static results reported. The paper concludes with discussion of industry level analysis in predicting corporate violations.

Location: CTSI Catalogue: 247

Title: Tax evasion and tax rates: An analysis of individual returns  
 Author(s): Clotfelter, C.  
 Publication: The Review of Economics and Statistics, 3, 363-373, 1983

**Abstract:** Growing concern about the extent of the ‘underground economy’ has prompted studies of tax evasion and unreported income. This paper investigates the relationship between marginal tax rates and tax evasion. The data set used in the paper, the Internal Revenue Service’s Taxpayer Compliance Measurement Program (TCMP) survey for 1969, consists of observations of actual tax return data of individuals. In general, the findings suggest that marginal tax rates have a significant effect on the amount of tax evasion. The second section of this paper reviews previous theoretical and empirical work on tax evasion. Section III discusses problems in doing empirical analysis on tax evasion using data on individuals and describes the data used in the present study.

**Location:** CTSI Catalogue: 153

### **1971 – 1980**

**Title:** Taxpayers’ attitudes to income tax evasion: An empirical study  
**Author(s):** Dean, P. K. T., Keenan, T., & Kenney, F.  
**Publication:** British Tax Review, 28, 28-45, 1980  
**Abstract:** Raising revenue is an important function of all governments. In the UK, the income tax is the single most important source of government revenue. People’s attitudes towards the income tax are therefore of crucial importance, affecting not only the Government’s ability to raise revenue, but also other fiscal aims such as economic stabilisation and income redistribution. This paper is about income tax compliance, ie. people’s willingness to pay income tax. It is also about the obverse, tax resistance. Tax resistance takes two major forms: avoidance and evasion, both of which diminish the Government’s tax receipts. Tax avoidance is countenanced by the law; evasion involves breaking it.

**Location:** CTSI Catalogue: 109

### **Pre 1971**

**Title:** Misconceptions about income tax and incentives  
**Author(s):** Brown, C. V.  
**Publication:** Scottish Journal of Political Economy, February, 1968  
**Abstract:** It is difficult to decide either conceptually or empirically whether, and to what extent, income taxes are an incentive or disincentive to work effort. However, it is clear that if there is a relationship between taxation and work effort, that relationship will be found between work effort and the rates of tax people think they pay. If people think they pay different rates of tax from those they actually pay, then any incentive or disincentive effects of taxation will be related to their misconceptions about the tax system rather than to the actual tax system. The present inquiry was started in order to test the hypothesis that a substantial proportion of people in Britain overestimate their marginal rates of tax on earned income, due to misconceptions about the effects of earned-income relief. The

paper is divided into four sections: a brief review of the theory; a review of some earlier empirical work on taxation and work effort in Britain; a presentation of the results of the present enquiry, which reveal wide-spread misconceptions among those interviewed; and a final section pointing to the need for further research, for better explanation of the tax system, and for a change in the system of differentiating between earned and unearned income.

Location: ATO Catalogue: P39

## **PART 2**

### **INSTITUTIONAL DEMANDS**

#### **2001 –**

- Title: The politics of taxation: The introduction of the GST into New Zealand, Canada, Japan and Australia
- Author(s): Blount, S.
- Publication: Australian Tax Forum, 16(4), 439-461, 2001
- Abstract: This paper investigates why politicians in New Zealand, Japan, Canada and Australia persisted with radical tax reform in the face of intense electoral opposition. Comparing the predictions of economic, institutional and political explanations of reform with the actual circumstances of each country, reveals that the only theory consistent with the evidence is that of politicians acting on the advice of policy experts in the public interest. This finding may explain both the similarity of the reforms introduced in each country, as well as the apparent willingness of politicians to risk electoral punishment for pursuing unpopular policies.
- Location: CTSI Catalogue: 352

#### **1991 – 2000**

- Title: The impact of verbal and numerical reporting standards on Inland Revenue Department investigators' judgments
- Author(s): Hite, P. A., & Sawyer, A.
- Publication: New Zealand Journal of Taxation Law and Policy, 9(1), 3-23, 2000
- Abstract: Prior research implied that it was irrelevant whether tax law standards of reporting ambiguous tax issues were numerical or verbal, because practitioners alter their judgments to justify that the standard (regardless of its form) has been met. This could lead tax administrators and law makers to dismiss the importance of requiring either a numerical standard or a verbal standard, but this conclusion would not be warranted if enforcers of the law assessed penalties differentially when the standard was verbal rather than numerical. The imposition of tax penalties is of great concern to both practitioners and taxpayers, yet little information is currently available on how these decisions are reached. The present study is the first to examine the effect of numerical and verbal standards on revenue authority investigators. The study first reviews the United States and New Zealand legislative positions with respect to verbal and numerical standards for tax penalties. It finds that after conducting an experiment using Inland Revenue Department investigators, those in the IRD who are responsible for, and experienced with, assessing penalties, assessed relatively more penalties than their counterparts when the reporting standard was a

numerical one, 51%. In contract, when the reporting standard was a verbal one, the Team Leaders were not as willing to recommend a penalty.  
 Location: CTSI Catalogue: 298

Title: The taxpayer as responsible citizen

Author(s): James, S.

Publication: Paper presented at the 12th Annual Meeting on Socio-Economics on "Citizenship and Exclusion", United Kingdom, July, 2000

Abstract: In previous work, most recently summarised in James and Nobes (2000), the present Author(s) has identified two approaches to the academic literature on tax compliance. There is now a huge literature on tax compliance, much of it based on a relatively narrow interpretation of economic rationality and utility maximisation. However, tax compliance is a much wider issue. Indeed even a full description of it is more complex than many Author(s) appreciate, and a fuller understanding needs to incorporate contributions from a much wider range of academic disciplines. This different approach to tax compliance is described here as the 'responsible citizen approach'. The structure of this paper is as follows. A brief description of the term citizen is offered in Section 2. In any such analysis it is helpful to remind ourselves of the purposes of taxation and this is done in Section 3. The approach to tax compliance based on economic rationality then follows in Section 4. The concept of tax compliance is developed in Section 5 and the paper finally turns to the taxpayer as a responsible citizen in Section 6.

Location: CTSI Catalogue: 162

Title: Deterring economic crimes: The case of tax evasion

Author(s): Varma, K. N., & Doob, A. N.

Publication: Canadian Journal of Criminology, 40(2), 165-184, 1998

Abstract: Explores the utility of deterrence theory for criminal justice by examining it in the context of tax evasion. In this study, Canadian survey data from 1,908 telephone interviews were examined to gain an understanding of the effect of criminal justice sanctions on tax evasion. Findings suggest that perceived penalties are not as important to decisions about evading tax as are perceptions of the possibility of being apprehended. Some implications of this finding are that strategies of deterrence based upon penalty size may be ineffective if individuals contemplating tax evasion do not think they will be caught. This study raises questions about the adequacy of compliance strategies based upon the severity of sanctions, and discusses regulatory measures that lie outside of the criminal justice system which may hold more promise.

Location: CTSI Catalogue: 7

Title: Controlling the IRS: Principals, Principles, and Public Administration  
 Author(s): Scholz, J. T., & Wood, B. D.  
 Publication: American Journal of Political Science, 42(1), 141-162, 1998  
 Abstract: Theory: The behavior of government agencies reflects democratic principles of equal treatment and efficiency as well as the more-studied principle of responsiveness to elected political principals.  
Hypothesis: The variance in IRS enforcement actions against individual and corporate taxpayers across states and time can be explained by measures reflecting equal treatment of taxpayers, enforcement efficiency, and responsiveness to elected officials.  
Methods: We test the hypothesis using regression analysis of a pooled time-series of state-level audits of corporate and individual tax returns for the period of 1974-92.  
Results: The odds of corporate versus individual audits increase with increased Democratic control over Congress and change with different presidential administrations, but not with changes in state-level partisanship. The odds also respond significantly to changes in the composition of the taxpaying district and revenue base, suggesting IRS responsiveness to equity and efficiency.  
 Location: CTSI Catalogue: 363

Title: Tax evasion and moral constraints: Some experimental evidence  
 Author(s): Bosco, L., & Mittone, L.  
 Publication: Kyklos, 50, 297-324, 1997  
 Abstract: Tax evasion has been mainly studied as a problem of choice under uncertainty; like any portfolio manager, the taxpayer has to allocate her/his fixed gross income between two assets: a risky asset, tax evasion, and a safe asset (with a zero return), tax payment. As suggested by the portfolio theory, that taxpayers choices will be affected by his/her preferences – mainly by his/her attitude towards risk-taking – and by the return on the risky asset determined by the tax structure, which includes both the tax rate and the penalties in the case of evasion. However, the pure gamble model appears unsatisfactory on various grounds. Among these and most importantly for our purpose, it neglects the psychological aspects of the decision to evade tax because it rules out any feeling of shame about evading or being detected and punished, and it ignores any intrinsic pleasure from successful evasion. In other words, the pure gamble model does not take full account of the moral constraints involved in the tax evasion decision. The main objective of the experiment presented here was therefore to investigate the role played by moral constraints in determining the decision to evade taxes. The experiment evidence supports the thesis that the taxpayer's decisional process involves not only monetary elements but also psychological and moral factors.  
 Location: CTSI Catalogue: 151

Title: Can Government Facilitate Cooperation? An Informational Model of OSHA Enforcement

Author(s): Scholz, J. T. & Gray, W. B.

Publication: American Journal of Political Science, 41(3), 693-717, 1997

Abstract: Government can facilitate cooperation between private parties in collective action dilemmas. Regulatory agencies provide a bargaining arena to establish common expectations, and enforcement activities aid in monitoring cooperative agreements. We compare two enforcement models of the impact of OSHA inspections on workplace safety. The deterrence model assumes that enforcement rests on coercion, so only inspections imposing sanctions should reduce injuries in inspected plants. The collective action model assumes that enforcement can also facilitate cooperation by providing information, so complaint inspections that signal worker mistrust can decrease injuries even without sanctions. We test the impact of OSHA inspections on injury rates at 6,842 plants during 1979-85, using maximum likelihood regression analysis to analyze the panel data. Inspections initiated by workers reduce injuries regardless of penalty, suggesting that information rather than coercion is the critical factor in complaint inspections. Regular inspections reduce injuries only when penalties are imposed, which is consistent with both models. We conclude that both coercive and facilitative models are needed to understand regulatory behavior.

Location: CTSI Catalogue: 362

Title: Income tax compliance: a unique experiment in Minnesota

Author(s): Coleman, S.

Publication: Government Finance Review, 13, 11-15, 1997

Abstract: The Federation of Tax Administrators (FTA) presented its 1996 Award for Research and Tax Analysis to the Minnesota Department of Revenue in recognition of the department's income tax compliance project. The award is made to revenue departments for research programs demonstrating excellence and importance to tax administration. This article describes the methodology Minnesota used for conducting research on strategies to improve tax compliance and summarises findings from the research.

Location: CTSI Catalogue: 333

Title: Shame and rational choice in offending decisions: Tax Evasion in the presence of negative income tax rates

Author(s): Tibbetts, S. G., Joulfaian, D., & Rider, M.

Publication: Criminal Justice and Behavior, 24(2), 234-255, 1997

Abstract: Examined the effects of shame proneness and 2 types of anticipated shame states – shame due to exposure and shame without exposure – in a rational choice model of offending intentions. 604 university students (mean age 19.4 yrs) responded to scenario-based surveys and completed the Shame Proneness Scale

and measures of self-control, external sanction threats, moral beliefs, and perceived pleasure. Results show that anticipated shame states without exposure reduced intentions to drive drunk and shoplift and that anticipated shame states due to exposure reduced shoplifting intentions. By contrast, shame proneness had a positive effect on decisions to commit both drunk driving and shoplifting. Findings support the rational choice model of offending and indicate that the effects of shame are important components in individuals' decisions to offend.

Location: CTSI Catalogue: 68

Title: A report into total costs of compliance

Author(s): Wickerson, J.

Publication: Australian Taxation Studies Program (ATAX), Faculty of Law, UNSW, 1997

Abstract: This report provides information on the principle outcomes of research conducted to establish an estimate of the total Federal taxation compliance costs faced by taxpayers in Australia.

Location: ATO Catalogue: P91

Title: The struggle against international fiscal fraud: Tax avoidance and tax evasion: United States

Author(s): Lyons, J. T.

Publication: Paper presented at the CIAT (Inter-American Center of Tax Administrations) Technical Conference, Paris, France, November, 1995 [published in Bulletin for International Fiscal Documentation, 50(3), 100-104, March 1996]

Abstract: International fiscal fraud has serious budgetary effects and distorts both international competition and capital flows. No wonder the issue is one of the core issues the U.S. tax administration must face. This paper presented at the CIAT technical conference held in Paris on 8 November, 1995, outlines the challenges facing the IRS and examines the major counteractive measures being used in the fight against fiscal evasion.

Location: CTSI Catalogue: 145

Title: Sanction threats and appeals to morality: Testing a rational choice model of corporate crime

Author(s): Paternoster, R., & Simpson, S.

Publication: Law and Society Review, 30(3), 549-584, 1996

Abstract: Evaluated a rational choice model of corporate crime with 84 MBA students and 12 executives. This model includes measures of the perceived costs and benefits of corporate crime (for both the firm and the individual), perceptions of shame, persons' assessment of the opprobrium of the act, and contextual characteristics of the organization. Consistent with this model, intentions to commit 4 types of corporate crime are affected by sanction threats (formal and informal), moral evaluations, and organizational factors. Net of the various incentives and

disincentives for corporate crime, persons' personal moral code was found to be a very important source of inhibition. In fact, when moral inhibitions were high, considerations of the cost and benefit of corporate crime were virtually superfluous. When moral inhibitions were weak, however, persons were deterred by threats of formal and informal sanctions and by organizational context.

Location: CTSI Catalogue: 24

Title: Taxpayer risk management under self assessment

Author(s): Nethercott, L.

Publication: Paper presented at the Compliance Research Conference on Measurement, "Evaluation and Risk Management", Canberra, 1995

Abstract: The introduction of a self-assessment basis of taxation has involved a substantial shift of responsibility onto the taxpayer in terms of their compliance obligations. The comfort factor of taxpayers being able to lodge their return and make a full and true disclosure with all the supporting documentation has gone. This paper seeks to examine the implications of such changes for the taxpayer and examines risk management strategies that the taxpayer may undertake to ensure compliance with the Act and to minimise any risk of penalties. The paper also examines some recent cases which have arisen indicating difficulties with self-assessment system of taxation.

Location: CTSI Catalogue: 231

Title: Duty, fear and tax compliance: The heuristic basis of citizenship behaviour

Author(s): Scholz, J. T., & Pinney, N.

Publication: American Journal of Political Science, 39(2), 490-512, 1995

Abstract: Theory: The costs imposed by income tax and other citizenship duties provide powerful incentives to free ride, yet the likelihood of getting caught – the primary self interest deterrence to free riding – is unlikely to be known with much accuracy by most citizens. Thus the duty heuristic provides not only a direct motivation to comply, but also influences behaviour through cognitive processes that bias self-interested beliefs about the advantages of free riding. Hypothesis: Citizens' beliefs about their duty to obey laws of the state bias their information processing and judgments about the fear of getting caught and being punished for disobedience, so citizens reporting greater commitment to obey tax laws systematically overestimate the expected penalty for noncompliance. Method: regression analysis of survey and tax return data for 445 taxpayers. Results: Subjective risk of getting caught is more closely related to duty than to objective risk factors. Objective audit probabilities affect only taxpayers with greater temptation to cheat, but duty influences tempted taxpayers as much as ordinary taxpayers.

Location: CTSI Catalogue: 27

- Title: Voluntary tax compliant behavior of Spanish income tax payers  
Author(s): de Juan, A., Lasheras, M. A., & Mayo, R.  
Publication: Public Finance, 40, 90-105, 1994  
Abstract: The purpose of this paper is to test whether tax paying behaviour is only influenced by the variables modelized under the theory of decision under uncertainty, or whether fiscal behaviour is also influenced by demographic, socioeconomic and psychological variables. Several binary logic models are tested using qualitative data from Spanish income taxpayers. The results obtained are partially in line with those from the classical models of tax evasion behaviour: fiscal compliance increases as the probability of detection and the penalty rate increase. Nevertheless, there is a plurality of individual and sociological variables that also help us explain this complex behaviour.  
Location: CTSI Catalogue: 75
- Title: Fiscal cognizance and political choice  
Author(s): Wallschutzky, I. G.  
Publication: Draft, 1994  
Abstract: During February and March 1994 a mail questionnaire was distributed to voters in four NSW electorates. Amongst other things there was a desire to obtain information about the following: (i) Voters Knowledge or perceptions about particular aspects of taxation, including their knowledge about tax rates and the effect of the Coalition's Goods and Services Tax on prices and on income tax rates; (ii) The effect of the above knowledge/perceptions on voting behavior at the 1993 Federal Election; (iii) Sources of information used by voters in completing their 1992-1993 income tax returns; and (iv) The reasons so many taxpayers turn to tax agents in completing their tax returns.  
Location: ATO Catalogue: P124
- Title: The role of moral sentiments and audit perceptions in tax compliance  
Author(s): Erard, B., & Feinstein, J. S.  
Publication: Public Finance, 49 (Suppl), 70-89, 1994  
Abstract: The standard expected utility model of tax compliance substantially overpredicts both the frequency and level of noncompliance among US individual income tax payers. In order to improve the realism of this model we extend it to address two important issues: the role of moral sentiments, specifically guilt and shame, in taxpayer decision-making; and the relationship between taxpayer perceptions of the probability of audit and the true audit function. We estimate the parameters of our model using a dataset containing detailed tax and audit information from the state of Oregon and the US Internal Revenue Service. Our empirical results provide an indication of the roles of audit misperceptions and moral sentiments in shaping compliance behaviour. In particular, we find evidence of considerable heterogeneity and a general upward bias in audit perceptions amongst filers, and we find that the importance of the sentiment of shame in explaining reporting

- behaviour is much more sensitive than the sentiment of guilt to the degree of bias in audit perceptions.
- Location: CTSI Catalogue: 63
- Title: Standing scrutiny: Intersections of race and class in tax audits  
Author(s): Kinsey, K. A.  
Publication: American Bar Foundation, 1994  
Abstract: Tax audits are a legal setting in which social hierarchies of race and class are routinely upended. A content analysis of 39 interviews with Chicago-area practitioners reveals that an implicit model of race and class conflict underlies elite practitioners' interpretations of IRS behaviour. High-prestige tax attorneys and CPAs are especially likely to assert that auditors are tougher on rich people and that black auditors discriminate against whites. Similarly, a quantitative analysis of survey data from 96 Oregon audits finds that high-status tax-payers audited by black and Asian auditors express especially strong feelings of anger and powerlessness in their evaluations of their audit. Three potential explanations are tested: actual discriminatory treatment by auditors, group polarization arising from legal conflict and status inconsistency. No evidence of auditor discrimination was found, nor could legal conflict explain statistical interactions of taxpayer status with auditor race. In support of the status inconsistency hypothesis, high-status taxpayers were especially sensitive to whether auditors raised and discussed audit issues in a differential manner. The implications of these findings for research on procedural justice and regulatory enforcement is discussed.
- Location: CTSI Catalogue: 209
- Title: Honesty and evasion in the tax compliance game  
Author(s): Erard, B., & Feinstein, J. S.  
Publication: RAND Journal of Economics, 25(1), 1-19, 1993  
Abstract: In economic models of tax compliance it traditionally has been assumed that taxpayer reporting behaviour is driven primarily by the incentives of the tax system. According to this framework, taxpayers choose how much income to report on their tax returns by solving a standard expected utility maximization problem that trades off the tax savings from underreporting true income against the risks of audit and penalties for detected noncompliance. This view of taxpayer behaviour was first presented in the context of a formal model by Allingham and Sandmo (1972) and Srinivasan (1973), and it has continued to occupy a central place in the more recent work of Reinganum and Wilde (1986a, 1986b), who present a game theoretic analysis that incorporates the strategic behaviour of the tax authority into the formal analysis, providing a link between tax agency audit policies and taxpayer reporting decisions (see also Scotchmer, 1987) and Mookherjee and Png (1989) for related models using a principal-agent framework). In all of these models taxpayers show a similar willingness to cheat,

- differing in this regard only in their attitudes towards risk and their opportunities for evasion.
- Location: ATO Catalogue: 125
- Title: Compliance cost of the wholesale sales tax/payroll tax and the proposed goods and services tax
- Author(s): Pope, J.
- Publication: Taxation in Australia, 1(5), 292-296, 1993
- Abstract: This paper compares compliance cost estimates of the Wholesale Sales Tax (WST), payroll tax and proposed Goods and Services Tax (GST), thus filling an important gap in the current debate by providing objective data where typically there is only anecdotal evidence, opinion and guesswork. Consideration of other aspects of these taxes is beyond the scope of this paper. Readers are warned of the dangers of making a simple comparison of different taxes from a single perspective.
- Location: ATO Catalogue: P57
- Title: Why do people pay taxes?
- Author(s): Alm, J., McClelland, G., & Schulze, W.
- Publication: Journal of Public Economics, 48, 21-38, 1992
- Abstract: Why do people pay taxes when they have an opportunity, even an incentive, to evade? The experimental results in this paper suggest that tax compliance occurs because some individuals overweight the low probability of audit, although such overweighting is not universal. The results also indicate that compliance does not occur simply because individuals believe that evasion is wrong, since subject behavior is unchanged by the use of either neutral or loaded terms. Finally, there is evidence that individuals pay taxes because they value the public goods that their taxes finance. In short, individuals exhibit much diversity in their behavior.
- Location: CTSI Catalogue: 140
- Title: Who responds to changes in taxation? The relationship between taxation and incentive to work
- Author(s): Calderwood, G. & Webley, P.
- Publication: Journal of Economic Psychology, 13, 735-748, 1992
- Abstract: A questionnaire survey in the South-West of England (n = 153) investigated predictors of responsiveness to tax rate changes. The categories of independent variables included in multiple regression analyses included demographic factors, work attitude measures and political preferences. Whether individuals were paid for overtime, how important they felt physical conditions of work were and the value they placed on leisure were the most important in predicting responsiveness to tax changes (the work attitude measures made no significant contribution). Subsequent in-depth interviews with a small sample of

respondents who were responsive to tax changes suggested further factors that need to be taken into consideration, most notably the notions of fairness and existing commitments, and the need to consider alternative responses to tax increases (evasion, asking for a rise).

Location: CTSI Catalogue: 82

Title: The influence of tax audits on reporting behavior

Author(s): Erard, B.

Publication: Why people pay taxes: Tax compliance and enforcement, in J. Slemrod (Ed.). Ann Arbor, Michigan, University of Michigan Press, 1992

Abstract: The Internal Revenue Service estimates that the gap between income taxes owed and income taxes voluntarily paid amounted to \$95 billion in 1986 – a figure representing nearly one-half of the federal budget deficits for that year. This revelation prompted Congressman Byron L. Dorgan to launch a bipartisan task force investigation of ways to reduce the tax gap. One of the recommendations of the task force was to raise the audit rate from its 1986 level of 1.14 percent to 2.50 percent by 1992. If this recommendations were to be enacted, the increased examinations, in principle, could have both direct and indirect revenue consequences. A higher audit rate would translate directly into increased tax revenues through the collection of greater amounts of unpaid taxes and penalties. In addition, there would be two potential sources of indirect revenue gains. First, if audited taxpayers respond to the examination experience by improving their compliance in subsequent years, then a higher frequency of tax audits should promote additional future tax revenues. Second, if taxpayers who are not audited nevertheless perceive a greater threat of examination, they may also improve their compliance behavior. Although researchers have had some success in quantifying the direct impact of tax examinations on tax revenue, relatively little is known about the indirect effects of tax audits on tax compliance. In this essay, the influence of tax audits on subsequent year reporting behavior is investigated using IRS data sources on taxpayers who were the targets of an audit in one year and, purely by chance, were the subjects of a second audit two years later.

Location: ATO Catalogue: P121

Title: The effect of different sanction communications on hypothetical taxpayer compliance: Policy implications from New Zealand

Author(s): Hasseldine, D. J., & Kaplan, S. E.

Publication: Public Finance, 47(1), 45-60, 1992

Abstract: Three types of sanction communication are tested. The first type warns of fines or imprisonment that may result from detected tax evasion (legal sanctions). The second type warns of more informal types of penalty that may result; eg. the publication of names of tax evaders (informal sanctions). The third notes the possibility of a bad conscience following evasion. The results provide evidence that the communication of informal sanctions may increase hypothetical tax

- compliance. The appeal to conscience was successful in altering beliefs about the morality of tax evasion. This suggests that methods other than solely legal sanctions for tax evasion should be investigated by policy-makers.
- Location: CTSI Catalogue: 29 (see also ATO Catalogue: P120)
- Title: Can cognitive consistency cure collective dilemmas? Self-interest versus duty to pay taxes
- Author(s): Pinney, N., & Scholz, J.
- Publication: Russell Sage Foundation Working Paper #28, 1992
- Abstract: Citizens' beliefs about their obligation to the state bias their information-processing and judgements in ways that reduce the conflict between self-interest and the interest if the collective. An analysis of survey and tax return information from 440 taxpayers demonstrates that individuals reporting greater commitment to obey tax laws systematically overestimate the likelihood of being caught if they evade taxes, thus making self-interest calculations about the advantages of evasion consistent with perceived citizenship obligations.
- Location: ATO Catalogue: P125
- Title: Tax collection with agency costs: Private contracting or government bureaucrats?
- Author(s): Toma, E. F., & Toma, M.
- Publication: *Economica*, 59, 107-120, 1992
- Abstract: Historically, governments contracted with private agents known as tax farmers to collect taxes. This paper develops a theoretical framework for determining when a welfare-maximizing government should choose tax farmers over bureaucratic tax collectors. While bureaucratic collectors have an incentive to shirk and raise collections costs above least costs, profit-maximizing private collectors tend to reduce tax evasion below the optimal level. Generally, the choice of collection methods depends on a comparison of the welfare loss associated with monitoring in the bureaucratic setting and the welfare loss associated with overdetection of evasion in the private setting.
- Location: ATO Catalogue: P122
- Title: Tax changes and economic behavior: The case of tax evasion
- Author(s): Wahlund, R.
- Publication: *Journal of Economic Psychology*, 14(4), 657-677, 1992
- Abstract: Addresses two issues concerning tax changes and economic behavior: (1) Do marginal tax rates influence tax evasion behavior and, if so, how? (2) Will changes in marginal income tax rates have effects on tax evasion? Analyses show that marginal income tax rates do influence tax evasion but only indirectly. However, despite the fact that marginal tax rates were reduced in Sweden from 1983 to 1985, no changes in tax evasion behavior were found during the first

half of the income tax reform period (1982-1984). The types of data collected for this study were secondary data consisting of public statistics on income taxation, primary data from telephone interviews with male representatives of Swedish households, and primary data from a questionnaire sent to the same Ss after the telephone interview. A number of tentative explanations for this finding are discussed.

Location: CTSI Catalogue: 48

Title: Beyond deterrence: Behavioral decision theory and tax compliance

Author(s): Casey, J. T., & Scholz, J. T.

Publication: Law and Society Review, 25 (4), 821-843, 1991

Abstract: Deterrence models generally predict compliance patterns based solely on the subjective probability and utility of outcomes associated with alternative actions. Yet recent work in behavioral decision theory suggests that compliance decisions may be affected by how the risks of noncompliance are described and by how the decision makers' preferences are expressed. A total of 109 university students participated in 5 studies that examine how the cognitive heuristics evoked by these descriptive and procedural variables affect tax compliance. The tax decision problems included how to choose a tax professional, whether to take a questionable deduction, and how to approach an impending tax audit. Taxpayer preferences were influenced by descriptive and procedural variables that traditional expected utility models ignore. The implications of these results are discussed for (1) extending compliance theory to a broader range of compliance behavior, and (2) utilizing cognitive heuristics to predict the consequences of enforcement policies.

Location: CTSI Catalogue: 32 (see also ATO Catalogue: P125)

Title: Boundary effects of vague risk information on taxpayer decisions

Author(s): Casey, J. T., & Scholz, J. T.

Publication: Organizational Behavior and Human Decision Processes, 50(2), 360-394, 1991

Abstract: 71 university students participated in an income tax decision task in which probability of being caught at income tax evasion and outcome ambiguity were manipulated. When outcomes were limited to a bounded range and probabilities ranged between natural boundaries, symmetrical boundary effects were found in which vague estimates for both probability and outcome dimensions caused vagueness aversion (and higher compliance) when the vague estimate was near the more favorable lower boundary of either dimension and vagueness seeking (and lower compliance) when the vague estimate was near the less favorable upper boundary. Probability and outcome vagueness effects were independent of vagueness of the other dimension, and vagueness effects were not systematically related to level of the other dimension.

Location: CTSI Catalogue: 61

Title: Under-reporting income: Who is the best judge – taxpayer or tax inspector?  
 Author(s): Elffers, H., Robben, H. S. J., & Hessing, D. J.  
 Publication: Journal of Royal Statistical Society, Series A, 154(1), 125-27, 1991  
 Abstract: The paper discusses the usefulness for tax evasion research of outcomes of routine processing of Dutch tax returns by tax officers, on the basis of an analysis of reassessment of the returns by independent tax officers. The returns were first reassessed by a peer, and second by an “optimal team” made up of three expert officers. Results showed that there was agreement between the initial officer and his/her peer in 59% of cases, and with the optimal team in 52% of cases.  
 Location: CTSI Catalogue: 46

Title: “Render unto Caesar what is Caesar’s”: Religiosity and taxpayers inclinations to cheat.  
 Author(s): Grasmick, H. G., Bursik, R. J., & Cochran, J. K.  
 Publication: The Sociological Quarterly, 32(2), 251-266, 1991  
 Abstract: Previous research on the relationship between religiosity and involvement in illegal behavior overlooks Hirschi and Stark’s original concern with religion as a sanctioning system. While Hirschi and Stark proposed that religion affects compliance with the law by promising heaven and threatening damnation, this study suggests that its sanctions are self-imposed shame and socially-imposed embarrassment. Shame and embarrassment are compatible with a rational choice perspective on illegal behaviour – they lower the expected utility of crime and, thus, its likelihood. These two threats stem from two conceptually distinct dimensions of religiosity. People strongly self-identified as religious are more likely to feel ashamed if they violate the law; those involved in a social network based on religion are more likely to be embarrassed. An adult sample’s responses to a question concerning the likelihood of cheating on income taxes in the future tests these hypotheses. The threat of shame emanating from religious identity salience is a stronger deterrent than that of embarrassment.  
 Publication: CTSI Catalogue: 30

Title: Success of a tax amnesty: At the polls, for the FISC?  
 Author(s): Pommerehne, W. W., & Zweifel, P.  
 Publication: Public Choice, 72, 131-165, 1991  
 Abstract: This paper provides a model for analyzing an individual’s voting decision on tax amnesty and the change of his reporting behavior given amnesty is granted/rejected. Success at the polls is predicted to increase with higher penalties meted out to detected evaders while success in terms of reporting would be jeopardized. These and other implications of the model are empirically tested for two Swiss tax amnesty proposals, one rejected, the other approved by a majority of citizens/taxpayers.

Location: ATO Catalogue: P122

Title: Framing justice: Taxpayer evaluations of personal tax burdens

Author(s): Kinsey, K. A., Grasmick, H. G. & Smith, K. W.

Publication: Law and Society Review, 25(4), 845-873, 1991

Abstract: Examines how 327 adult taxpayers evaluate the distributive justice of personal income tax burdens. Using the concept of framing from behavioral decision theory, taxpayers use either an outcome-processing or a norm-processing frame of tax fairness evaluation. Framing is affected by substantive tax policies and the tax situations of individuals. Taxpayers who qualify for tax deductions and other tax preferences use an outcome-processing frame and focus on perceived abuses of government power when evaluating fairness. Those unable to claim tax breaks use a norm-processing frame and focus on vertical social comparisons and their inability to qualify for valued tax breaks. The findings suggest that tax avoidance policies increase public perceptions of unfairness in the tax system.

Location: CTSI Catalogue: 8

Title: Taxpayer noncompliance and general prevention: An expansion of the deterrence model

Author(s): Thurman, Q. C.

Publication: Public Finance, 46(2), 289-298, 1991

Abstract: This paper presents a third and final analysis of data from a study of taxpayer noncompliance that has been reported in Public Finance (Thurman, 1988) and in the Journal of Quantitative Criminology (Thurman, 1989). While these first two articles presented factorial survey data which were used to explore the decision-making process in hypothetical taxpaying situations, this final paper introduces conventional survey data concerning the link between subjects' attitudes and self-reported taxpaying behaviour.

Location: CTSI Catalogue: 28

### **1981 – 1990**

Title: Tax structure and tax compliance

Author(s): Alm, J., Bahl, R. & Murray, M. N.

Publication: The Review of Economics and Statistics, 72(4), 603-614, 1990

Abstract: A model of individual tax compliance behavior, including evasion and avoidance, is developed and estimated. The model recognizes the importance of marginal income tax rates, payroll tax contributions and benefits, and the probability of detection and the penalty on unpaid taxes. Share equations for avoidance, evasion and reported income are estimated using individual-level data. The estimation results indicate that the tax base rises with higher benefits for payroll tax contributions and falls with higher marginal tax rates; the base

- also falls with more severe penalties and more certain detection of evasion as individuals substitute toward avoidance income.
- Location: ATO Catalogue: P120
- Title: Tax rates and tax evasion: Evidence from California amnesty  
 Author(s): Crane, S. E., & Nourzad, F.  
 Publication: National Tax Journal, 43(2), 1990  
 Abstract: This paper examines the effect of marginal tax rates on income tax evasion using data from the California Tax Amnesty Program. After correcting for the selectivity bias, we find that evaders respond to higher tax rates by increasing their evasion activity. We also find that individuals with higher levels of income tend to evade more. Further, the absolute and relative sizes of both of these effects depend upon the scope of the evasion measure used. Finally, evasion is generally inelastic with respect to changes in both marginal tax rates and income, with the former elasticities tending to be larger.
- Location: ATO Catalogue: P47
- Title: The effect of audit rates on the federal individual income tax, 1977-1986  
 Author(s): Dubin, J A., Graetz, M. J. & Wilde, L. L.  
 Publication: National Tax Journal, 43(4), 395-410, 1990  
 Abstract: This paper analyzes empirically the effects of audit rates and certain other factors on the filing of federal individual income tax returns and the self-reporting of taxes due. Using data drawn from the Annual Report of the Commissioner of Internal Revenue and the Statistics of Income for the years 1977-86, we estimate that self-reported taxes in 1986 would have been greater by approximately fifteen billion dollars had the federal audit rate remained constant at its 1977 level during the intervening period.
- Location: ATO Catalogue: P121
- Title: Conscience, significant others, and rational choice: Extending the deterrence model  
 Author(s): Grasmick, H. G., & Bursik, R. J.  
 Publication: Law and Society Review, 24(3), 837-861, 1990  
 Abstract: Developed parallel measures of the perceived threats of each of 3 kinds of punishment (shame, embarrassment, legal sanctions) for 3 illegal behaviors (tax cheating, petty theft, drunk driving). The effects of the perceived threats on intentions to violate the law were examined in 360 adults. Threats of shame and of legal sanctions seemed to inhibit the inclination to commit each of the offenses, but the findings for embarrassment appeared to be inconsistent with the rational decision-making model. Findings highlight the importance of internal control in producing conformity to the law.
- Location: CTSI Catalogue: 31 (also see ATO Catalogue: P125)

- Title:** Measuring the effect of deterrence on tax compliance in field studies and experimental studies
- Author(s):** Hessing, D. J., Elffers, H., Robben, H. S. J. & Webley, P.
- Publication:** Draft, UMICN (University of Michigan), 1990 (published in *Why People Pay Taxes: Tax Compliance and Enforcement*, in J. Slemrod (Ed.). University of Michigan Press, 1992)
- Abstract:** In this paper we will discuss the results of a series of studies on tax evasion in the Netherlands, with special emphasis on the effect of deterrence. In the first study a methodological approach was introduced for comparing self-reported tax evasion with the officially measured tax evasion of 155 taxpayers on an individual basis. The results showed a zero correlation between both behavioral measures. Additional analyses indicated that different sets of attitudes, norms (legal and social) and personality variables are correlated with admitted tax evasion and with patterns of actual behavior. Typically, deterrence was significantly correlated with admitted tax evasion and not with the behavioral outcome measure.
- To test the validity of these results two different lines of research were undertaken: two experimental studies on tax evasion and a field study on a closely related yet different behavior. First, in two experimental studies with a business simulation implemented on a microcomputer (see Webley, Roben, Eiffers and Hessing, in press) the effect of certainty of being punished was studied. In the first of these two experiments, the possibility of being audited did not have any effect on the decision to evade. In the second experiment the manipulation was made stronger and significant relations were observed between perceived deterrence and the amount evaded during the experiment. Second, a field study was performed on social security fraud under identical conditions as the field study on tax evasion. This time the correlation between self-admitted social security fraud and officially documented fraud was satisfactory. It was possible to explain 45% of the variance in behaviors with only four variables: two attitude variable and two norm variables (frequency of fraud in own profession and perceived certainty of being caught when committing social security fraud). However, those who had committed fraud expressed a significant lower confidence in the effect of stronger deterrence measures.
- In the third place a field study was executed to compare officially measured tax evasion, self-reported tax evasion and experimentally induced tax evasion on one and the same set of individual taxpayers. In this study – again using a intricate set-up – it was possible to capture the effect of perceived deterrence on tax evasion in an experimental study, and the relation between perceived deterrence and self-reported past evasion behavior, and the impact of experienced deterrence in the recent past on evasion behaviors in following years on the same set of individual taxpayers. No relation was observed between perceived deterrence and documented evasion behavior. Furthermore, no consistent relations were found between perceived deterrence and fraud behavior in the experimental part of the study, and it was observed that there were significant

correlations between having been corrected for deliberate evasion in one year and being corrected for willful evasion again in the following year. Tentative conclusions are that non-evaders do not need deterrence to keep them from evading, or, alternatively, a small measure of deterrence is enough to keep them from doing so, and deterrence does not seem to have any effect on ‘habitual’ evaders. If there is an effect of deterrence on evasion, it is in the wrong directions: there is a positive correlation between being punished for evasion in one year and willful evasion in the following year.

Location: ATO Catalogue: P60

Title: Effects of IRS enforcement: An analysis of survey data

Author(s): Kinsey, K. A.

Publication: American Bar Association, 1990 (published in *Why People Pay Taxes: Tax Compliance and Enforcement*, in J. Slemrod (Ed.), University of Michigan Press, 1992)

Abstract: Strumpel (1969) formalized into a simple three-variable model the results of a multinational study of tax enforcement and tax compliance conducted nearly three decades ago. On the model, the concept “rigidity of assessment” captures aspects of tax enforcement that reflect a deterrence model of social control. Strumpel argues that enforcement techniques emphasizing detection and punishment have two opposing effects on tax compliance. The first is the expected deterrent effect: the fear of getting caught and the severity of sanctions motivate taxpayers to comply with the law. However, the retroactive, confrontational and coercive aspects of a deterrent approach to law enforcement also have an indirect negative effect by lowering taxpayer willingness to comply voluntarily with the law. Lower willingness to comply may lead to active efforts to evade taxes illegally, as well as other forms of tax resistance such as aggressive level avoidance, increased use of appeals processes, and political lobbying to muzzle the tax agency.

Location: ATO Catalogue: P60

Title: Integrating three perspectives on noncompliance: A sequential decision model

Author(s): Smith, K.W.

Publication: *Criminal Justice and Behavior*, 17(3), 350-369, 1990

Abstract: Drawing on decision research, a sequential decision-making model is outlined. The factors emphasized by three perspectives on explaining noncompliance enter the decision process at different stages because they are linked differently to more general effort-reducing procedures and because decision making about them differs in complexity. Norms require little decision effort and constrain the set of options considered in more complex decision making. Structural opportunities for successful noncompliance increase the substantive importance of compliance decisions and allow for differences in normative orientations to be realized. Deterrence decisions about the likelihood of detection are most likely

undertaken by those in high opportunity situations with normative orientations toward noncompliance. Hypotheses from the model are supported by survey data on income tax noncompliance.

Location: CTSI Catalogue: 212

Title: Reciprocity and fairness: Positive incentives for tax compliance

Author(s): Smith, K. W.

Publication: Paper presented at the Conference on “Tax Compliance and Tax Law Enforcement”, Office of Tax Policy Research, School of Business Administration, The University of Michigan, Michigan, December 8, 1990

Abstract: Responsive service and procedural fairness may be effective positive incentives increasing citizens’ normative commitment to tax compliance. Some mechanisms through which the incentives may work are reciprocity and the legitimacy of and allegiance to authority. With an appropriate balance of enforcement and cooperative strategies, procedural fairness can also reinforce perceptions of effective enforcement. Normative commitment to compliance can, in turn, be positively reinforced by effective detection and punishment of noncompliance, particularly for tax and other regulatory laws not rooted in values about the relationships among individuals. These relationships are explored and generally supported with data drawn from a 1987 national survey of taxpayers.

Location: ATO Catalogue: P124

Title: Tax evasion under differential taxation

Author(s): Yaniv, G.

Publication: Journal of Public Economics, 43, 327-337, 1990

Abstract: If different income sources are subject to different rates of taxation, a taxpayer may find it worthwhile to evade taxes by declaring part of his higher-taxed income as stemming from a lower-taxed source. This paper inquires into the determination if income source misreporting, focusing on the relationships between misreporting and taxation under alternative penalty schemes. Allowing the taxpayer the choice between source misreporting and pure under-reporting, the paper examines also the relative amount of tax escaping the tax collector through the alternative forms of evasion and determines the conditions under which one will be preferred to the other.

Location: ATO Catalogue: P122

Title: Moral suasion and taxpayer compliance

Author(s): Bardach, E.

Publication: Law and Policy, 11(1), 1989

Abstract: Some evidence suggests that certain taxpayers might increase their “voluntary” compliance with the tax laws if presented with the right “moral appeals.” If such

appeals were relatively inexpensive, compared to hiring more auditors, say, even small improvements in compliance would justify such efforts. However, would such appeals be “justified” in some philosophical, as opposed to economic or psychological, sense? The moral grounds for voluntary cooperation with the tax collection agency turn out, on close scrutiny, to be surprisingly narrow. Though firm, these moral grounds also contain – arguably, at least – one important exception.

Location: ATO Catalogue: P34

Title: Individual morality and reputation costs as deterrents to tax evasion

Author(s): Gordon, J. P. F.

Publication: European Economic Review, 33, 797-805, 1989

Abstract: Empirical evidence suggests some taxpayers never evade, evasion increases with the tax rate, and evasion decisions are interdependent. These findings are not easily explained by the existing theory which models evasion as an independently-made amoral gamble. This paper uses nonpecuniary costs of evasion to reconcile theory with evidence. Once individuals are assumed to differ by an honesty characteristic, taxpayers dichotomise into groups, the more honest of which responds to a tax change as the evidence suggests. A further extension is to introduce an endogenous reputation cost. This suggests a positive relationship between the number of evaders and the tax rate.

Location: ATO Catalogue: P124

Title: Perspectives on international tax compliance and enforcement: Transfer pricing

Author(s): Kaplan, R. L.

Publication: Paper prepared for the Tax Compliance Workshop conducted by the Taxation Business and Investment Law Research Centre, University of New South Wales, 1989

Abstract: In considering the question of compliance and enforcement in international taxation, one cannot avoid the issue of transfer pricing. This phrase refers to the establishment of prices for goods, services, or the use of property by related units of the same multinational enterprise. This function is preformed for unrelated parties by the free market, but the free market has far less importance when the bargaining parties are parts of the same taxpayer. The range of contexts in which this issue can arise is vast.

Location: ATO Catalogue: P21

Title: Tax compliance and perceptions of the risks of detection and criminal prosecution

Author(s): Klepper, S., & Nagin, D.

Publication: Law and Society Review, 23(2), 209-240, 1989

**Abstract:** Administered a survey concerning a hypothetical taxpayer to 163 students enrolled in an evening Master's of Public Management program to analyze how certain features of the enforcement of the tax laws shaped perceptions of the risks of detection and penalties for tax noncompliance. The Author(s) also examined the effects of these perceptions on intended noncompliance behavior. The analysis found substantial evidence that a perception of prosecution risk had a powerful deterrent impact. The general failure of prior studies to find evidence of a deterrent effect for severity measure may be attributable to the specification of the severity and not to the absence of a severity effect on deterrence.

**Location:** CTSI Catalogue: 1

**Title:** The anatomy of tax evasion

**Author(s):** Klepper, S., & Nagin, D.

**Publication:** Journal of Law, Economics, and Organisation, 5(1), 1989

**Abstract:** Three things are certain in life: death, taxes, and mankind's unrelenting effort to evade both. This paper explores the effects of deterrents on tax noncompliance.

**Location:** CTSI Catalogue: 87

**Title:** General report: Administrative and compliance costs of taxation

**Author(s):** Sandford, C.

**Publication:** Studies on International Fiscal Law, LXXIVD, 19-40, 1989

**Abstract:** Twenty countries submitted reports which contributed to the General Report: Argentina, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Hong Kong, Israel, Japan, Republic of Korea, the Netherlands, Norway, Portugal, South Africa, Sweden, Switzerland, United Kingdom and United States of America. Italy, Spain and Uruguay submitted a national report which are included in this volume but came too late to be taken into account in the General Report.

**Location:** ATO Catalogue: P46

**Title:** When do we think about detection? Structural opportunity and taxpaying behavior

**Author(s):** Stalans, L. J., Smith, K. W. & Kinsey, K. A.

**Publication:** Law and Social Inquiry, 14(3), 1989

**Abstract:** Past studies have generally found that perceptions of the likelihood of formal and informal sanctions have lower explanatory power of noncompliance with laws than do internalized norms. Using data from two telephone surveys, we examined a situational characteristic, structural opportunity, that may prod individuals to think about the likelihood of detection from the Internal Revenue Service for underreporting income. Structural opportunity is the degree to which an individual's economic or social situation provides ways to avoid detection. Individuals with high structural opportunity perceived a lower likelihood of IRS

detection and indicated that they were less likely to feel guilty if they engaged in tax cheating. Our data also suggested that some individuals with high structural opportunity may be in social networks which condone tax cheating. As expected, structural opportunities provided a condition under which individuals took into consideration the perceived likelihood of formal and informal detection in formulating intentions to engage in tax cheating. Our findings suggest that an examination of the interaction between situational and individual characteristics will provide a more complete understanding of decisions to engage in illegal behavior. Implications for deterrence theory are discussed.

Location: ATO Catalogue: P60

Title: An empirical analysis of federal income tax auditing and compliance

Author(s): Dubin, J. A., & Wilde, L. L.

Publication: National Tax Journal, 41(1), 61-75, 1988

Abstract: This paper provides empirical evidence on the relationship between compliance with the Federal Income Tax and auditing by the Internal Revenue Service. It combines a cross-section data set related to 1969 individual returns assembled by the IRS with data taken from the Annual Report of the Commissioner of Internal Revenue. We find support for an economic approach to tax compliance that incorporates the IRS as a strategic actor. Moreover, after allowing for the simultaneous determination of audit rates and compliance levels, we find significant deterrent effects of auditing on noncompliance.

Location: ATO Catalogue: P120

Title: Withholding and non-withheld tax evasion

Author(s): Yaniv, G.

Publication: Journal of Public Economics, 35, 183-204, 1988

Abstract: Most of the literature on tax evasion and labor supply ignores the fact that the major part of a wage-earner's tax liability is usually deducted at source by withholding regulations. However, while eliminating a single job holder's option of evading taxes through underreporting, a withholding system might give it rise to evasion of non-withheld taxes through non-filing of individual returns, as well as induce employers to remit to the government less than the amounts withheld. This paper investigates the employer and employee tax fraud activity under a withholding system and the system's effect on the amount of tax escaping the tax collector.

Location: ATO Catalogue: P122

Title: Tax compliance: An investigation of key features

Author(s): Milliron, V., & Toy, D.

Publication: Journal of the American Tax Association, 9(2), 1988

- Abstract:** This paper addresses the problem of tax noncompliance by individuals; through an examination of CPA's perceptions of seven key compliance features: deductions permitted, IRS information services, withholding and information reporting, preparer responsibilities and penalties, the probability of audit, tax rates, and taxpayer penalties. The relative importance of these features, support for implementation, and overall compliance system preferences were addressed by using three different methodologies. Hybrid conjoint analysis was used to determine the relative salience of each of the compliance features. A choice simulation model was then applied to these results to project preferences for alternative compliance systems. In addition, subjects responded to a series of questions regarding their attitudes about various compliance features of the tax system. The results indicate that CPA's consider reducing tax rates to be the single most important feature for increasing tax compliance. When the results are modeled in a compliance system context, a flat tax system that maintains or reduces the penalty structure emerges as the most popular choice. The competing perspectives of economic deterrence and fiscal psychology are discussed for assessing the results. Economic deterrence models assume individuals are utility maximizers who will evade tax whenever the projected benefit exceeds the cost. Fiscal psychologists, however, maintain that taxpayer belief in the system rather than the penalty structure is more salient in generating compliance. The results are consistent with the fiscal psychology paradigm, which suggests that tax reform, not increasing penalties, is the key to improving tax compliance.
- Location:** CTSI Catalogue: 97
- Title:** The effects of tax reform on tax evasion  
**Author(s):** Wallachutzky, I.G.  
**Publication:** Australian Tax Research Foundation, Research Study 8, ISBN 0-949-482-226, 1988
- Abstract:** Tax evasion occurs not simply because some taxpayers have opportunities to evade tax. It also requires a desire or motivation on the part of taxpayers to exploit those opportunities. In 1982 information was gathered so that various hypotheses about taxpayers' motivations could be tested. Since then, there have been both administrative and substantive reforms to the Australian tax system. Some of these reforms are likely to have had an impact on tax evasion. The purpose of this research was to repeat the survey work conducted in 1982 to see what effects the reforms might have had on tax evasion.
- Location:** ATO Catalogue: P1
- Title:** The impact of IRS audits on taxpayer compliance: A field experiment in specific deterrence  
**Author(s):** Long, S.B., & Schwartz, R.D.

Publication: Paper presented at the Annual meeting of the Law and Society Association, Washington DC, USA, 1987

Abstract: This study reports findings from a national field experiment in deterrence. The specific question tested is: Does increasing federal income tax examinations reduce the probability of audited taxpayers committing subsequent tax violations? Based upon before and after treatment group comparisons, audits appear to be marginally effective in reducing the frequency of reporting errors, but not their size. The incidence of large tax adjustments which made up the largest proportion of dollars misreported was unchanged. While within the sample the average dollars misreported did not decline, overall weighted dollar adjustments showed some decrease, but these differences were not statistically significant. Theoretical and practical implications of these findings for the use of complex civil and regulatory law to control human conduct are discussed.

Location: CTSI Catalogue: 213

Title: Enforcement discretion and taxation offences

Author(s): Freiberg, A.

Publication: Australian Tax Forum, 3(1), 55-91, 1986

Abstract: Despite a widespread belief to the contrary, deviant behaviour is not confined to a small segment of the community but is distributed across the community. Tax evasion in Australia over recent years has operated at 2 levels – low level evasion and large-scale, organised avoidance. If little is known about the extent of tax evasion in Australia then even less is known of the criteria for enforcement of the law, of why some cases are selected for prosecution and others are not etc. This article is an attempt to examine some of these discretions, their exercise and ramifications.

Location: CTSI Catalogue: 242

Title: An application of attribution and equity theories to tax evasion behavior

Author(s): Kaplan, S. E., Reckers, P. M. J., & Reynolds, K. D.

Publication: Journal of Economic Psychology, 7, 461-476, 1986

Abstract: Traditional economic theory often has been utilized in an attempt to explain tax evasion behavior. Although economic consequences are important factors in the understanding of tax evasion behavior, they alone do not appear adequate to describe and predict the phenomenon. The results of two experiments which apply two social psychological theories, attribution theory and equity theory, to tax evasion judgments are reported. In the first experiment, the effects of personnel need and degree of societal consensus were investigated. Both variables significantly affected recommended penalty judgments. In the second experiment, the effects of societal need and distinctiveness were studied. Neither societal need nor distinctiveness affected recommended penalty judgments. However, a significant interaction effect was found concerning subjects' behavioral intentions to evade. The present research suggests that both

attributions theory and equity theory may be helpful in formulating hypotheses and enhancing our understanding of tax evasion behavior.

Location: ATO Catalogue: P125

Title: Income tax cheating: Opportunities, preferences and sanctions

Author(s): Kinsey, K. A., & Smith, K. W.

Publication: American Bar Foundation Working Paper #8718, 1986

Abstract: Because of some characteristics of tax and other purposive laws, deterrence models must be extended to explain noncompliance with them. An adequate model of tax cheating must include the different levels of opportunity for avoiding detection that are provided by the socioeconomic situations of taxpayers. Internalized norms about tax cheating are also important determinants of behavior, especially for those with the highest opportunity. The perceived likelihood of formal sanctions, including being audited, have some deterrent effect but appear to be weakly linked to experience with IRS enforcement. These relationships are investigated by fitting a structural equation model estimated by 2SLS to data about underreporting income from a 1984 national survey.

Location: ATO Catalogue: P60

Title: The effect of tax laws and tax administration on tax compliance: The case of the U.S. individual income tax

Author(s): Witte, A. D., & Woodbury, D. F.

Publication: National Tax Journal, 38(1), 1-13, 1985

Abstract: We develop and estimate an economic model of tax compliance which specifically incorporates important aspects of the U.S. federal income tax laws (eg., a progressive tax structure and multiple penalties for tax non-compliance each of which depend on the amount of taxes not paid). On the one hand, our model suggests that increases in the probability of audit and increases in such things as information reporting and tax withholding will be likely to increase compliance. On the other, it suggests that increasing moral ambivalence toward tax compliance will increase non-compliance.

Our empirical results, in general, support out theoretical model and indicate that IRS compliance activities, taxpayer opportunities for non-compliance and taxpayer attitudes all have significant effects on compliance. Possibly our most interesting empirical finding is that the decline in audit rates during the 1970s may have accounted for a substantial portion of the decline in compliance during that period.

Location: ATO Catalogue: P124

Title: Public confidence and admitted tax evasion

Author(s): Mason, R., & Calvin, L. D.

Publication: National Tax Journal, 37(4), 1984

**Abstract:** Deterioration in public confidence in the tax system is not associated with an increase in admitted income tax evasion. Analysis suggests that both satisfied and dissatisfied taxpayers remain honest because they are afraid of getting caught. A higher proportion of the dissatisfied honest, however, believes that people cheat because taxes are too high. Agreement with this belief is necessary for the amount of taxes to become a justification for taxpayer dishonesty. The effect of perceived unfairness of the tax system on compliance may not be a simple, direct one. The data suggest that compliance norms must be neutralized and sanction fear weakened before noncompliance occurs.

**Location:** ATO Catalogue: P37

**Title:** Neutralization and tax evasion: How effective would a moral appeal be in improving compliance to tax laws?

**Author(s):** Thurman, Q., John. C., Riggs, L.

**Publication:** Law & Policy, 6(3), 309-327, 1984

**Abstract:** The failure of individuals to pay their taxes in full is a serious budgetary problem for the federal government. Existing research (Schwartz and Orleans, 1967; Grasmick and Scott, 1982) suggests that efforts to increase guilt feelings experienced for tax evasion might improve compliance. However, neutralization theory (Sykes and Matza, 1957) predicts that guilt feelings can be reduced by neutralization strategies which justify guilt-producing behaviours, compromising the inhibiting effect of guilt feelings. Our research shows that through the use of neutralization strategies which justify tax evasion the inhibiting effect of guilt feelings is sharply reduced. The implications of this finding for tax compliance programs based on appeals to the moral obligation of paying taxes are discussed.

**Location:** CTSI Catalogue: 106

**Title:** Perceived risk and social control: Do sanctions really deter?

**Author(s):** Paternoster, R., Saltzman, L. E., Waldo, G. P., & Chiricos, T. G.

**Publication:** Law and Society Review, 17(3), 1983

**Abstract:** Perceptual deterrence researchers have used simple cross-sectional correlations between prior behavior and current perceptions to study the effect of legal threats on social control. Such designs are inadequate because they: (1) confuse the actual ordering of perceptions and behavior, and (2) fail to take into account other inhibitory factors in an explicit causal model. In an analysis of panel data, the methodological simplicity of earlier studies is shown to have led researchers to reach erroneous conclusions. Our data suggest that past studies report an experiential effect, not a deterrent effect, and that the effect of perceived sanctions on criminal involvement is minimal once social definitional factors (moral commitment, informal sanctions) are controlled.

**Location:** ATO Catalogue: P47

Title: A note on tax evasion as a function of the quality of information about the magnitude and credibility of threatened fines: Some preliminary research  
 Author(s): Friedland, N.  
 Publication: Journal of Applied Social Psychology, 12(1), 54-59, 1982  
 Abstract: In a game-simulation context, tax evasion behavior of 13 subjects was observed. The probability that tax evasion will be detected and fined appears to be a more effective deterrent than the size of such fines, although both the magnitude of fines and their probability affect tax evasion. Vague information about the probability that fines will be imposed enhances the deterrent power of low probability audits and small fines.  
 Location: ATO Catalogue: P2

Title: Tax evasion and mechanisms of social control: A comparison with grand and petty theft  
 Author(s): Grasmick, H. G., & Scott, W. J.  
 Publication: Journal of Economic Psychology, 2, 213-230, 1982  
 Abstract: Schwartz and Orleans' (1967) study of the deterrent effect of sanctions on tax evasion is considered one of the seminal studies in contemporary deterrence theory. In their first experiment, conducted in cooperation with the Internal Revenue Service, the authors compared the effectiveness of threats of legal sanctions and "appeals to conscience" in extracting compliance with taxpaying laws. While both strategies appeared to increase compliance, the appeal to conscience seemed more effective than the threat of legal sanctions.  
 Location: ATO Catalogue: P96

### **1971 – 1980**

Title: The deterrent effect of perceived severity of punishment  
 Author(s): Grasmick, H. G., & Bryjak, G. J.  
 Publication: Social Forces, 59, 471-491, 1980  
 Abstract: Previous findings from perceptual studies of deterrence lead to the conclusion that perceived certainty of punishment (but not perceived severity of punishment) is inversely related to involvement in illegal behavior. The conclusion concerning the severity is inconsistent with the rational image of man in utilitarian thought, the philosophy framework in which modern deterrence theory is grounded. We question the validity of previous measures of perceived severity and argue that the appropriate hypothesis never has been tested with a valid measure. In our own analysis we use a refined measure which we believe is more consistent with the utilitarian perspective. The results supports the hypothesis that perceived severity, at relatively high levels of perceived certainty, has a significant deterrent effect.  
 Location: ATO Catalogue: P125

Title: The internal revenue service; measuring tax offenses and enforcement response  
 Author(s): Long, S. B.  
 Publication: U.S. Department of Justice, National Institute of Justice, 1980  
 Abstract: This case study of federal income tax violations data illustrates both the strengths and limitations of current data sources on white collar offenses. This report assesses the availability of statistical data on federal tax violations from IRS records. It examines how such data might be combined to measure the extent of tax violations and enforcement actions, and their distribution and changing character over time.  
 Three direct and three indirect measurement techniques for estimating offense prevalence are examined in depth: (1) the "random investigation" method, (2) self-reports, (3) cross-validation matching third-party reports with self-report data, (4) criterion-based predictive formula from tax data, (5) non-criterion based estimates from monetary data, and (6) residual estimators based upon differences between national income and tax series.  
 Special attention is directed at the importance and difficulties of separating criminal and other serious tax violations from violations in general, as well as to problems created by the nature of statutory law and its changing requirements and coverage.  
 The report concludes with an examination of available information on enforcement activities and sanction levels from IRS's management information systems. Problems of data reliability and the difficulties of matching information across separate data systems are assessed.  
 Location: CTSI Catalogue: 216

Title: A story of admitted income tax evasion  
 Author(s): Mason, R., & Calvin, L. D.  
 Publication: Law and Society, 13, 1978  
 Abstract: A sample survey of 800 Oregon adults showed that nearly one in four admit they practice evasion. Higher percentages were found for people who were young, with low income, male, and who believed their chance of getting caught was low. Occupational prestige and belief that the tax system is unfair were unrelated to noncompliance. Differential opportunities to practice evasion is a promising explanation, and the deterrent effect of penalties seems uncertain. The evidence suggests conceptualizing tax evasion as a white-collar crime by the nature of the violation and not by the characteristics of the offender.  
 Location: ATO Catalogue: P37

Title: Compliance with rules: Some social determinants  
 Author(s): Thibaut, J., Friedland, N., & Walker, L.  
 Publication: Journal of Personality and Social Psychology, 30(6), 792-801, 1974

**Abstract:** Adherence to rules was studied as a function of patterns of independence inherent in rulemaker-individual interactions as well as of properties pertaining to rule enforcement procedures. Individuals were found to observe rules more closely in correspondent than in noncorrespondent rulemaker-individual interactions. In the former, adherence to rules was found to be positively related to the extent of individuals' participation in the rulemaking procedure and negatively related to the specificity with which rules were defined. These two trends were reversed in a noncorrespondent rulemaker-individual interaction. Finally, an effect attributable to the presence or absence of surveillance was found in the noncorrespondent conditions but not in the correspondent conditions.

**Location:** ATO Catalogue: P39

### **MISSING DATE**

**Title:** Prospects, risks and tax cheating: Preliminary analyses

**Author(s):** Weigel, R. H.

**Publication:** Draft

**Abstract:** In an earlier article (Weigel et al., 1987), a theoretical model was proposed that conceptualized tax evasion behavior as the outcome of interacting instigation and constraints operating both within the individual and within the confronting situation. In this context, it was augured that variation in withholding status (i.e. refund versus balance due) produced different "decision frames" (i.e. the subjective experience of an impending financial gain or loss) which, in turn, were important determinants of tax cheating.

**Location:** ATO Catalogue: P121

## PART 3

### SOURCES OF INFLUENCE

#### 2001 –

Title: Tax practitioners and tax compliance: New evidence from IRS audits  
 Author(s): Hite, P., Hasseldine, J., Al-Khoury, A., James, S., Toms, S., & Toumi-Mejia, M.  
 Publication: Contemporary Issues in Taxation Research, in A. Lymer & D. Salter (Eds.), Aldershot, Ashgate, forthcoming 2004  
 Abstract: This study analyses a random selection of IRS office audits from October 1997 to July 1998. Audit adjustments were analysed to test whether there were significant less additional tax assessments on paid preparer returns than on self-prepared returns than on self-prepared returns. This proposition was supported. Furthermore, in contrast to assertions in prior research that CPAs are associated with aggressive tax reporting, the hypothesis that CPA-prepared returns result in less audit adjustments than non CPA-prepared returns was supported. These results suggest that tax practitioners, specifically CPAs, are contributing to overall levels of taxpayer compliance. Furthermore, the major difference is a function of the deduction adjustments. Type of preparer does not affect the level of income adjustments. Instead, having a Schedule C or F increase the likelihood of an income adjustment regardless of preparation mode. Lastly, a penalty was less likely to be assessed on a paid preparer return, but only if the tax return did not include a Schedule C or F. When a Schedule C or F was involved the likelihood of a penalty assessment did not vary between CPA, non CPA prepared, and self-prepared returns.  
 Location: CTSI Catalogue: 300

Title: Building Consensual Institutions: Networks and the National Estuary Program  
 Author(s): Schneider, M., Scholz, J., Lubell, M., Mindruta, D. & Edwardsen, M.  
 Publication: American Journal of Political Science, 47(1), 143-158, 2003  
 Abstract: Currently, many approaches to solving policy problems seek to create community-based, less coercive solutions that are creating the conditions for the birth of new regional governmental institutions. We argue that networks form the core of these emergent structures and that federal programs can play a positive role in developing local networks. Our empirical work compares networks in estuaries included in National Estuary Program with networks in comparable estuaries that were not. We find that the networks in NEP areas span more levels of government, integrate more experts into policy discussions, nurture stronger interpersonal ties between stakeholders, and create greater faith in the procedural fairness of local policy, thus laying the foundation for a new form of cooperative governance.  
 Location: CTSI Catalogue: 366

- Title: New Zealanders' attitudes towards tax evasion: A demographic analysis  
 Author(s): Birch, A., Peters, T., & Sawyer, A.  
 Publication: New Zealand Journal of Taxation Law & Policy, 9(1), 65-109, 2003  
 Abstract: The tax compliance behavioural literature indicates that, among other factors, demographic variables play an important role on the compliance behaviour of taxpayers. This study investigates the relationship between demographic variables and New Zealanders' attitudes towards tax evasion. A survey of 333 tertiary students was conducted. This study revealed that eight out of ten demographic variables analysed: course, age, ethnicity, qualification, occupation, income, work experience and tax return filing experience, held statistically significant relationships with the acceptability and incidence of tax evasion behaviour. The two demographic variables that failed to show a statistically significant relationship were gender and employment status. An increased understanding of the key demographic influences on New Zealanders' attitudes towards tax evasion, as contained in this study, provides useful and important information to tax policy makers and revenue collecting authorities.
- Location: CTSI Catalogue: 355
- Title: The impact of outcome orientation and justice concerns on tax compliance: The role of taxpayers' identity  
 Author(s): Wenzel, M.  
 Publication: Journal of Applied Psychology, 87(4), 629-645, 2002  
 Abstract: Previous research has yielded inconsistent evidence for the impact of justice perceptions on tax compliance. This article suggests a more differentiated view on the basis of 2 congenial theories of procedural and distributive justice. The group-value model and a categorization approach argue that taxpayers are more concerned about justice and less about personal outcomes when they identify strongly with the inclusive category within which procedures and distributions apply. Regression analyses of survey data from 2,040 Australian citizens showed that 2 forms of tax compliance (pay-income reporting and tax minimization) were determined by self-interest variables. For 2 other forms (nonpay income and deductions), inclusive identification had an additional effect and moderated the effects of self-interest and justice variables as predicted.
- Location: CTSI Catalogue: 367
- Title: The ethical attitudes of New Zealand tax practitioners – still “barely passing”?  
 Author(s): Attwell, R., & Sawyer, A.  
 Publication: New Zealand Journal of Taxation Law and Policy, 7(2), 2001  
 Abstract: Tax non-compliance is a major issue confronting all revenue authorities. The literature suggests that tax practitioners are in a unique position to influence taxpayer compliance. A survey was employed to determine the ethical problems faced by, and the ethical attitudes of, tax practitioners in New Zealand. The results of the study are consistent with a comparable study conducted by Tooley

in 1992, and suggest that the level of tax practitioner ethics is “barely passing” (i.e. just over 60%, although a score well over the usual passing level of 50%), using Song and Yarborough’s standard developed in 1978. The results also suggest that chartered accountants have more ethical attitudes than lawyers and other taxation agents.

Location: CTSI Catalogue: 188

Title: Social identification as a determinant of concerns about individual, group, and inclusive-level justice

Author(s): Wenzel, M.

Publication: Social Psychology Quarterly, in press

Abstract: Extending concepts of micro and macrojustice, 3 levels of justice are distinguished. Individual, group, and inclusive-level justice are defined in terms of the target of justice concerns: one’s individual treatment, one’s group’s treatment, and the distribution in the collective (e.g., nation), respectively. Individual-level justice permits a more narrowly defined frame of reference (group), whereas the other two levels imply a wider “inclusive category” (nation). Levels of identification with both the target and the relevant inclusive category were predicted to determine justice concerns. In the area of tax compliance, findings suggested no justice concerns when both group and national identification were weak, individual-level concerns when only group identification was strong, group-level concerns when both subgroup and national identification were strong, and inclusive-level justice concerns when only national identification was strong.

Location: CTSI Catalogue: 370

Title: An analysis of norm processes in tax compliance

Author(s): Wenzel, M.

Publication: Journal of Economic Psychology, in press

Abstract: While research has consistently found evidence for the impact of taxpayers’ personal norms (individual ethics and morality of tax paying) on levels of tax compliance, findings for the role of social norms (ethics and morality attributed to other taxpayers) on tax compliance have been more ambiguous. The present paper argues for a theoretically more refined analysis of norm processes, based on self-categorisation theory. Specifically, social norms should elicit concurring behaviour when taxpayers identify with the group to whom the norms are attributed; they then internalise the social norms and act accordingly. In contrast, social norms should be ineffective when identification is weak; social norms might then even backfire when they contrast with one’s internalised norms. Data from a survey with Australian citizens (listwise N = 1306) yielded empirical support for these predictions. Limitations and implications of the study are discussed.

Location: CTSI Catalogue: 369

**1991 – 2000**

- Title: A multidimensional analysis of Tax Practitioners' ethical judgments  
Author(s): Cruz, L. A., Shafer, W. E., & Strawser, J. R.  
Publication: Journal of Business Ethics, 24, 223-244, 2000  
Abstract: This study investigates professional tax practitioners' ethical judgments and behavioural intentions in cases involving client pressure to adopt aggressive reporting positions, an issue that has been identified as the most difficult ethical/moral problem facing public accounting practitioners. The multidimensional ethics scale (MES) was used to measure the extent to which a hypothetical behaviour was consistent with five ethical philosophies (moral, equity, contractualism, utilitarianism, relativism, and egoism). Responses from a sample of 67 tax professionals supported the existence of all dimensions of the MES other than egoism. Regressions of ethical judgments and behavioural intentions on the MES dimensions indicate that ethical decision-making is most heavily influenced by the moral equity dimension, followed by the contractualism dimension. In contrast, the utilitarianism and relativism dimensions were only related to ethical judgments and behavioural intentions in isolated instances.  
Location: CTSI Catalogue: 183
- Title: The tax auditing game: A comparative analysis of UK tax officers and tax advisers  
Author(s): Hansford, A., & Hasseldine, J.  
Publication: Draft, November, 2000  
Abstract: Auditing plays a dominant role in taxation systems throughout the world. Despite the significant resources expended in this activity, there is virtually no research that describes the tax audit process from the perspective of auditors employed by a tax authority. This study examines the attitudes of both Tax Advisors and Tax Officers to the tax audit that currently operates in the UK. Using both qualitative and quantitative research methods, we document strongly differing attitudes between these two groups on three key stages of the tax audit process (the initial interview, data gathering, and selling the adjustments via a final interview). The results suggest that more effort on the part of tax authorities and practitioner organizations would mitigate the adversarial approach that exists between Tax Advisors and Tax Officers. If Tax Advisors and Tax Officers can agree on the conduct of tax audits, (as opposed to the results of the audit), then this would likely lower the administrative and compliance costs of tax audits – both monetary and psychological, to tax authorities, tax practitioners, and importantly, taxpayers.  
Location: CTSI Catalogue: 301

Title: Social Networks and Citizen Response to Legal Change  
Author(s): Roch, C. H., Scholz, J. T., & McGraw, K. M.  
Publication: American Journal of Political Science, 44(4), 777-791, 2000  
Abstract: Our goal is to extend the research on the political importance of social networks by investigating the role of networks in shaping citizen responses to changes in the law. We emphasize the development of special-purpose social networks to cope with changing legal requirements and analyze these networks from a problem-solving perspective. The empirical focus of the work is taxpayers' adaptation to the 1986 Tax Reform Act. The results from a panel survey of 475 taxpayers demonstrate that specialized, weak-tie networks play a critical role in shaping responses to legal change. More important problems (i.e., tax increases) stimulate search among broader networks. Broader networks, in turn, lead to greater knowledge about the 1986 Tax Reform Act. Network search is biased by both taxpayer attitudes and motivation: taxpayers seek like-minded discussants, and bigger tax increases lead to more noncompliant weak-tie discussants. Finally, the attitudes of weak-tie discussants produce changes in taxpayers' attitudes about compliance, confirming the important role of networks in shaping compliance behavior.  
Location: CTSI Catalogue: 364

Title: The theory of reasoned action and its application to tax compliance behaviour  
Author(s): Smart, M., & Sawyer, A.  
Publication: Unpublished dissertation, 2000  
Abstract: The results of this exploratory study on the applicability of the Theory of Reasoned Action (TRA) model to behavioral tax compliance research provide some promising outcomes. Most of the constructs in the model were found to be significantly related, as predicted by Ajzen and Fishbein's (1976) Theory of Reasoned Action. As predicted by the TRA, attitudes towards behaviour and subjective norms are strongly related to behavioural intent. The results, although significant, must be treated with caution. Further studies will have to be undertaken before any firm conclusions can be drawn about the TRA model's applicability to tax compliance behaviour.  
Location: CTSI Catalogue: 310

Title: Taxpayers' preference for type of advice from tax practitioner: A preliminary examination.  
Author(s): Tan, L. M.  
Publication: Journal of Economic Psychology, 431-447, 1999  
Abstract: Tax practitioners play an important role in tax compliance. The tax literature shows that they assist the government to enforce tax law when it is unambiguous but assist taxpayers to exploit tax law when it is ambiguous. Tax practitioners, however, assert that it is the taxpayers who insist on aggressive tax reporting. On the contrary, some studies conducted in North America found that taxpayers

prefer conservative advice. This study found that taxpayers, who are predominantly small business owners, agree more with the conservative advice given by tax practitioners. Interestingly, they also agree, although not strongly, with aggressive advice from their practitioners. The results show that there is a tendency for those who disagree with their practitioner's advice to terminate their service, although there is no clear evidence to indicate that this only occurs when their desire for conservative advice is not met.

Location: CTSI Catalogue: 185

Title: An empirical study of the nature and extent of ethical issues confronting tax practitioners, and the influence of selected variables on their ethical perceptions: Western Australian evidence

Author(s): Marshall, R.L.

Publication: Doctoral dissertation, Murdoch University, Australia, 1999

Abstract: This study was conducted to explore the perceptions of tax practitioners regarding ethical environment in which they practice; and to investigate the effect of selected variables on ethical decision making in tax practice.

Location: CTSI Catalogue: 373

Title: Efficiency, Equity, and Politics: Democratic Controls Over the Tax Collector

Author(s): Scholz, J. T., & Wood, D.

Publication: American Journal of Political Science, 43(4), 1166-1188, 1999

Abstract: A tradeoff among the principles of efficiency, equity, and political responsiveness is often alleged but seldom analyzed empirically in public administration. We show that the tradeoffs among these principles, implicit in the allocation of resources across different jurisdictions, can be explicitly modeled in terms of an agency utility function. We then use a SUR regression model to estimate the relative impact of each principle on district-level audit allocation by the IRS for the periods 1963-1980 and 1982-1991. The results indicate that efficiency has by far the greatest influence on the allocation of IRS audits, with equity and direct political responsiveness playing lesser roles. The relative emphasis on efficiency is also responsive to historical and partisan changes in national politics. Before 1981, the IRS increased its concern with equity when Democratic influence increased. However, after the 1981 Reagan tax cut and consequent revenue shortfalls, the direction of partisan impact reversed as Democrats became more concerned with efficiency and Republicans with equity. Furthermore, efficiency and political responsiveness both increased in importance relative to equity as deficits and partisan differences over tax and spending policies grew following 1981.

Location: CTSI Catalogue: 365

Title: An investigation of tax preparer effects on the decision-making processes of government investigators  
 Author(s): Hite, P., & Sawyer, A.  
 Publication: Advances in Taxation, 10, 145-166, 1998  
 Abstract: Government investigators from the New Zealand Inland Revenue Department participated in a behavioural experiment to examine whether the tax audit likelihood was higher for practitioner-prepared tax returns than for self-prepared returns and whether the tax audit likelihood was higher for tax returns prepared by chartered accountants than for tax returns prepared by commercial tax service preparers. Results from the between-subject design indicate that the audit likelihood for commercial tax service preparers was significantly lower than for returns prepared by chartered accountants when using a hypothetical case.  
 Location: CTSI Catalogue: 189

Title: The ethical environment of tax practitioners: Western Australian evidence  
 Author(s): Marshall, R., Armstrong, R., & Smith, M.  
 Publication: Journal of Business Ethics, 17, 1265-1279, 1998  
 Abstract: This study examines Australian tax agents' perceptions of the ethical environment in which they practice, within the context of an income tax system based on self-assessment principles. The research identifies and ranks an inventory of ethical issues in terms of perceived frequency of occurrence and importance to WA tax agents. In addition, the extent and influence of ethical concerns in the profession are evaluated. The study has determined that the most frequently cited ethical issue is the failure to make reasonable enquiries where information or documentation provided by a client appears to be inaccurate or incomplete. The most important ethical problem is a failure to ensure confidentiality with regard to privileged client information. When the frequency of occurrence and importance means are compared, inadequate technical competence, failure to make reasonable enquiries/conduct research, continuing to act for a client where there is incorrect information, and conflicts in distinguishing between tax planning and tax avoidance emerge as the 'high frequency/high important' issues. Although acknowledging the potential for unethical actions in tax practice, WA tax agents consider that they carry out their professional activities within an ethical environment.  
 Location: CTSI Catalogue: 143

Title: Characteristics of individuals income tax nonfilers  
 Author(s): Ho, C.  
 Publication: IRS, 1997  
 Abstract: Most research on tax compliance has involved analysis of underreporting by filers of tax returns. Less is known about those individuals who do not file tax returns at all – sometimes referred to as “ghosts” by academics and policy makers. As this name suggests, the identities and characteristics of these

individuals have been shrouded in mystery and have, therefore, been the subjects of analysis. Traditional IRS studies of nonfilers have been based on delinquent individual returns located and secured by IRS revenue officers as part of the Taxpayer Compliance Measurement Program (TCMP). However, the characteristics of identified nonfilers who were not located have remained elusive. This article attempts to change the focus of nonfiler research by estimating the attributes of both located and unlocated nonfilers. Using a regression technique, factors such as the presence of information documents, prior filings of individual returns, and age are investigated for their effects on the likelihood of locating a nonfiler. These estimated probabilities, in turn, are used to adjust the sample weights attached to located nonfilers so that characteristics of all nonfilers can be assessed. Based on this method, I estimate three sets of characteristics pertaining to the entire nonfiler population: average income for various sources, average itemized deductions, and occupations. Wage income is the largest income source and business income constitutes a relatively large share of total income in comparison to other non-wage income sources. Only 10 percent of nonfilers could have benefited from itemization of deductions and nearly a half of the itemizable deductions came from home mortgage interest payments. The findings also indicate a high proportion of manual labour and service occupations for nonfilers. Notably, the regression technique estimates that 8.4 million taxpayers who were required by law to file tax returns for 1988 did not do so. This is about 3.4 million more tax returns than would be reported under the traditional measurement approach that does not adjust for nonfiler cases closed as unlocatable.

Location: ATO Catalogue: P83 (CRB-4)

Title: The determinants of tax professionals' aggressiveness in ambiguous situations

Author(s): Carnes, G. A., Harwood, G. & Sawyers, R.

Publication: Advances in Taxation, 8, 1-26, 1996

Abstract: The role that the tax professional plays in the tax filing process has come under scrutiny in recent years. One area of importance that has emerged is understanding the manner in which tax professionals resolve ambiguous tax issues. This paper investigates whether preparer-specific factors explain variation in aggressive behaviour among tax professionals for scenarios with varying levels of ambiguity. We presented 18 ambiguous scenarios to tax partners and managers to determine the type of advice they would render. Previous research has shown that the correlates of aggressiveness vary for ambiguous and non-ambiguous scenarios. However, professionals face many different levels of ambiguity in client situations. We demonstrate that the preparer-specific correlates of aggressiveness differ for scenarios with varying levels of ambiguity. Variables achieved their greatest significance for scenarios that had high ambiguity. Professionals' risk propensities are associated with aggressiveness regardless of the ambiguity level. Significant results also are

reported for firm type, CPA status, and education level, contingent on the ambiguity level of the underlying scenario.  
Location: CTSI Catalogue: 150

Title: Tax knowledge and attitudes towards taxation: A report on a quasi-experiment  
Author(s): Eriksen, K., & Fallan, L.  
Publication: Journal of Economic Psychology, 17(3), 387-402, 1996  
Abstract: Examined the influence of specific tax knowledge on attitudes toward taxation in a pre-post test design with a group of students (mean age 21.5 yrs) who chose marketing as an elective in the 2nd year of their BA, and an age matched group of students who had selected tax law instead. Ss completed a questionnaire in which tax knowledge and attitudes toward taxation were important parts. The pre-test was taken at the start of the academic year, and the post-test was taken at the end of the year. Results indicate significant changes in the tax law students' attitude to one's own tax evasion and attitude to fairness of the tax system. Following increases in tax knowledge, Ss considered their own tax evasion as more serious, the perceived fairness in taxation increased, and attitudes toward other people's tax evasion became stricter. It is recommended that teaching tax law and tax knowledge be a compulsory part of social science education.  
Location: CTSI Catalogue: 64

Title: Leveling the playing field: Prestige and representation in tax audits  
Author(s): Kinsey, K., & Stalans, L. J.  
Publication: American Bar Foundation, Chicago, Ill, KF6320 .K56, 1996 (published in the Law & Society Review, 33, 993-1023, 1999)  
Abstract: Socio-legal theories of why 'haves' might come ahead in the legal system have emphasized legal mobilization and the use of legal representation. Small group research points to interpersonal status processes of social influence and deference as other potential explanations for status advantage. This study tests these explanations in the context of state income tax audits, utilizing occupational prestige as its measure of status. The results indicate taxpayers of higher occupational prestige do not come out ahead in tax audits. Auditors were more likely to invite further discussion of tax issues and accept oral testimony from high-prestige taxpayers and were less likely to assert changes and assess additional taxes on their returns. However, prestige effects were concentrated among unrepresented taxpayers: when tax practitioners were involved in audits, status advantages disappear. Further analyses indicate that tax practitioners level the playing field by disrupting social influence and deference processes.  
Location: CTSI Catalogue: 243

Title: True positives and false alarms in the detection of tax evasion  
Author(s): Antonides, G., & Robben, H.

- Publication: Journal of Economic Psychology, 16, 617-640, 1995  
 Abstract: Examined the effect of individual taxpayers' compliance behavior on the probability of detecting tax evasion behavior by the administration, using an estimation model. 188 taxpayers in Netherlands (1987-90) were interviewed regarding the circumstances, motives, and perceptions involved in tax evasion. Information on Ss' tax returns was also collected from the tax administration. Results show that self-reported evasion did not significantly contribute to the estimated probability of evasion. The evaluation of tax payment, level of education, and opportunity to conceal income might have influenced taxpayers' decision to comply with or evade taxes. Findings suggest that both social and psychological conditions were determinants of income tax evasions.  
 Location: CTSI Catalogue: 6
- Title: Explaining the growth in usage of tax agents by Australian personal income taxpayers  
 Author(s): Baldry, J., & McKinstry, K.  
 Publication: Paper presented at the Compliance Research Conference "Measurement, Evaluation and Risk Management", Canberra, December, 1995  
 Abstract: This paper examines the reasons behind the significant growth in the use of tax agents in Australia over the past 2 decades. It concentrates on 2 broad influences. First, changes in tax rates and real incomes which are like to be important influences on the demand for agent services. A second set of potentially important influences consists of changes in the law and procedures relating to the collection of tax, and change in the techniques used to enforce compliance.  
 Location: CTSI Catalogue: 239
- Title: The cultural grounding of tax issues: Insights from tax audits  
 Author(s): Smith, K. W.  
 Publication: Law and Society Review, 29(3), 1995  
 Abstract: Income tax laws are the primary motivation for many to learn & use the basics of accounting. Three stages of preparing tax returns – collecting records, organizing the information into tax & accounting categories, & abstracting the information on tax returns – successively draw individuals further into the culture of accounting. The issues raised during tax audits provide a window into the problems taxpayers have understanding & following accounting concepts & procedures. An analysis of the stages of return preparation provides insights into how issues are handled during audits & how the accounting skills of taxpayers may affect their outcomes. Regression analysis of 962 issues from a sample of 466 OR state audits generally confirm the hypotheses & illustrate the grounding of taxpaying in accounting. Tax laws may draw individuals into this culture, but the information taxpayers collect & process to meet the needs of the government often, after the fact, has utility for the taxpayers themselves. 2 Tables, 4 Figures, 1 Appendix, 31 References. Adapted from the source document.

Location: CTSI Catalogue: 36

Title: The influence of ethical attitudes on taxpayer compliance

Author(s): Reckers, P. M. J., Sanders, D. L., & Roark, S. J.

Publication: National Tax Journal, 47(4), 825-36, 1994

Abstract: The development of tax decision-making models has focused on economic behavioral factors affecting compliance. A possible explanatory factor that has been overlooked in these decision-making models is tax ethical beliefs. This study examines the influence of ethical beliefs on tax compliance decisions. Specifically, the research empirically tests whether an individual's ethical beliefs about tax compliance mediate withholding effects (overwithheld or tax due) and tax rate effects (low or high) in tax evasion decisions. The results indicate that tax ethics is highly significant in tax evasion decisions and may be a missing variable in decision-making models

Location: CTSI Catalogue: 35

Title: An examination of tax practitioner decisions: The role of preparer sanctions and framing effects associated with client condition

Author(s): Newberry, K. J., Reckers, P. M. J., & Wyndelts, R. W.

Publication: Journal of Economic Psychology, 14(2), 439-452, 1993

Abstract: Tax practitioners play an important role in the voluntary compliance system. Not only do professionally prepared returns account for a significant percentage of the tax returns filed in the U.S., but empirical evidence suggests that practitioners help taxpayers lower their tax liabilities by taking advantage of ambiguous features of the tax law. This study investigates whether selected factors influence the decisions made by professional tax preparers. The subjects include 107 experienced tax practitioners who are certified public accountants. The results reflect that there is a significantly greater likelihood that the tax practitioners would sign tax returns containing a large deduction associated with an ambiguous tax issue if (1) the signing decision is made in relation to an existing client (a loss decision frame in the context of the study) or (2) tax preparer penalties are communicated with high enforcement intent.

Location: CTSI Catalogue: 47

Title: The Superannuation Guarantee Charge: What do we know about its aggregate impact?

Author(s): Bateman, H., & Piggott, J.

Publication: School of Economics, University of Sydney, September, 1992

Abstract: This paper assesses our knowledge about the impact of Australia's recent superannuation guarantee charge (SGC) legislation on three important economic aggregates: labour costs, saving, and revenue cost.

Location: ATO catalogue: P57

- Title: Determinants of tax compliance: A contingency approach  
Author(s): Milliron, V., Collins, J. H., & Toy, D.  
Publication: The Journal of the American Taxation Association, 14(2), 1992  
Abstract: An approach for segmenting noncompliant taxpayers based on a contingency model framework is explored. The effect of the contingency factors of taxpayer objective (correct return or minimize taxes) and tax preparation mode (self-preparation versus use of a professional preparer) on the relation between taxpayer characteristics and noncompliance behaviour is examined. The scope of US taxpayer characteristics tested is expanded to include personality variables, tax knowledge, and anticipated benefits of noncompliance. The relations between the predictor variables and noncompliance behaviour varied across the subgroups identified by the contingency factors. The additional predictor variables of tax knowledge, anticipated benefits of noncompliance, and the personality characteristics were especially helpful in distinguishing the profiles of the different groups of noncompliant taxpayers.  
Location: CTSI Catalogue: 198
- Title: Will taxpayers ever like taxes? Responses to the U. S. Tax Reform Act of 1986  
Author(s): Scholz, J. T., McGraw, K. M., & Steenbergen, M. R.  
Publication: Journal of Economic Psychology, 13(4), 625-656, 1992  
Abstract: The US 1986 Tax Reform Act (TRA) provided an opportunity to study attitudinal and behavior responses to law. Public evaluations of the TRA became increasingly negative after passage, while general support for the tax system became more positive in response to the changes. To explain this puzzle, the Author(s) propose a dynamic model of taxpayer attitudes that is consistent with an observed loose linkage between logically connected concepts. They review the political context, objectives, and impacts of the TRA and present studies testing the impact of self-interest, prior beliefs, and social discussion on changes in attitudes and behavior. Ss were 471 adult New York State taxpayers interviewed in person around January 1988, prior to working on their 1987 tax returns, and reinterviewed by telephone in summer 1988. Also analyzed were IRS-provided tax return data from 1984 to 1987 for 6,692 New York State taxpayers.  
Location: CTSI Catalogue: 5
- Title: Expert intermediaries and legal compliance: The case of tax preparers  
Author(s): Klepper, S., Mazur, M., & Nagin, D.  
Publication: Journal of Law and Economics, 34, 205-229, 1991  
Abstract: Model predicts the expert's participation will discourage non-compliance on legally unambiguous income sources but encourage compliance on ambiguous sources.  
Location: CTSI Catalogue: 43

Title: Appeals to civic virtue versus attention to self-interest: Effects on tax compliance

Author(s): McGraw, K. M., & Scholz, J. T.

Publication: Law and Society Review, 25(3), 471-498, 1991

Abstract: Prior to filing the 1987 tax year return (the first affected by the 1986 Tax Reform Act [TRA]), 154 27-77 yr old taxpayers viewed 1 of 2 videotapes (one emphasizing the social consequences of the TRA and normative duties, the other emphasizing the personal consequences of the TRA and strategies to reduce tax liability) or received no information. Data on attitudes, beliefs, and self-reported compliance were collected at 3 points during the tax season. Tax return data from the Internal Revenue Service were also obtained. Results indicate that the normative and personal consequences messages had predictable and persistent effects on tax-specific attitudes. These effects did not translate into changes in basic values or compliance, as reflected by either the self-report or the official tax return data.

Location: CTSI Catalogue: 9

Title: Can Brute Deterrence Backfire? Perceptions and Attitudes in Taxpayer Compliance

Author(s): Sheffrin, S., & Triest, R.

Publication: Draft, Department of Economics, University of California, 1991 (published in J. Slemrod (Ed.), Why people pay taxes: Tax compliance and enforcement, (pp. 193-218). Ann Arbor: University of Michigan Press, 1992)

Abstract: This paper investigates the role of attitudes and perceptions in taxpayers' compliance decisions. Results from estimation of a latent variables model of taxpayer behaviour suggest that attitudes are important determinants of compliance. Having a negative attitude toward the tax system and perceiving other taxpayers as dishonest both significantly increase the likelihood a person will evade taxes. Increases in the perceived probability of detection are found to decrease the likelihood of evasion. Surprisingly, personal knowledge of someone who has had difficulties with the IRS decreases the perceived probability of detection. Experimental results are presented which suggest that publicity concerning the overall extent of noncompliance may cause significant changes in taxpayers' perceptions of the probability of detection and the honesty of others.

Location: CTSI Catalogue: 133

Title: Listening to different voices: Formation of sanction beliefs and taxpaying norms

Author(s): Stalans, L. J., Kinsey, K. A., & Smith, K. W.

Publication: Journal of Applied Social Psychology, 21(2), 119-138, 1991

Abstract: Examined how income sources that provide an opportunity to avoid official detection shape the amount and sources of communication about IRS

enforcement effectiveness by surveying 1,043 adults. Ss with economic exchanges that provide the opportunity to cheat without detection received significantly more information about tax issues and IRS enforcement, especially from co-workers. Communication with co-workers lowered the perceived likelihood of IRS detections for overstating deductions, lowered the perceived severity of informal sanctions for tax cheatings, and lowered the perceived fairness of tax laws and positive personal norms toward compliance with tax laws. Communication with family members enhanced the perceived fairness of tax laws and positive personal norms toward compliance with tax laws. Findings are interpreted in the framework of social comparison theory.

Location: CTSI Catalogue: 20

Title: Tax compliance and the rule of law: From Legalism to administrative procedure?

Author(s): Tomasic, R., & Pentony, B.

Publication: Australian Tax Forum, 8(1), 85-116, 1991

Abstract: This article reports on the perceptions of Australian tax practitioners and tax officials about the Taxation Ruling and Advance Opinion Systems. It is based upon a national, Criminology Research Council funded, survey of tax practitioners and staff of the Australian Tax Office (ATO) conducted during 1989 and 1990.

Location: ATO Catalogue: P51

Title: Taxation law compliance and the role of professional tax advisers

Author(s): Tomasic, R., & Pentony, B.

Publication: Australia and New Zealand Journal of Criminology, 24, 241-257, 1991

Abstract: Tax Practitioners play a pivotal role in the Australian taxation system. Not only do they act as intermediaries between the Australian Taxation Office (ATO) and the majority of taxpayers, especially business taxpayers, but they also influence the ethical climate and level of compliance with taxation laws. This article discusses this role by reference to data derived from an empirical study of tax practitioners and tax officials from around Australia. The study sheds light on the nature of the compliance problem and the factors which affect the administration of Australian taxation law generally.

Location: ATO Catalogue: P52

### **1981 – 1990**

Title: Defining Acceptable Tax Conduct: The role of professional advisers in tax compliance

Author(s): Tomasic, R., & Pentony, B.

Publication: Report, Criminology Research Council, Canberra, 1990

**Abstract:** Tax practitioners play a pivotal role in the Australian taxation system. Not only do they act as intermediaries between the ATO and the majority of taxpayers, especially business taxpayers, but they also influence the ethical climate and level of compliance with taxation laws. This article discusses this role by reference to data derived from an empirical study of tax practitioners and tax officials from around Australia. The study sheds light on the nature of the compliance problem and the factors which affect the administration of Australian taxation law generally.

**Location:** CTSI Tax 334

**Title:** The economic benefits of regulation evidence from professional tax preparers

**Author(s):** Ayres, F. L., Jackson, B. R., & Hite, P.

**Publication:** The Accounting Review, 64(2), 1989

**Abstract:** An area of concern to tax policymakers is the role of third-party tax preparers in income tax reporting. The degree of consistency in the judgments of tax preparers subject to differing degrees of governmental regulation is examined. Economic theory of regulation indicates that certified public accountants (CPA), who are subject to a higher degree of governmental regulation, would be expected to recommend and justify more protaxpayer positions in ambiguous areas of tax law than would unlicensed preparers. This hypothesis is tested by administering a set of 5 tax cases with a high degree of uncertainty regarding the correct tax status to groups of CPAs and non-CPA tax practitioners. CPAs are found to be consistently more pro-taxpayer in their judgments than non-CPAs. Current attempts to reduce the latitude of the practitioner signal a move by government officials to reduce the benefits of regulation to regulated tax practitioners.

**Location:** CTSI Catalogue: 319

**Title:** A positive approach to taxpayer compliance

**Author(s):** Hite, P. A.

**Publication:** Public Finance, 44(2), 1989

**Abstract:** Rather than emphasizing penalties, the government should explore positive approaches to increasing taxpayer compliances such as emphasizing where the taxpayer can get help. The government's traditional reliance on penalties is analogous to the evolution of economic models of tax evasion. The original work of Allingham and Sandmo [1972] illustrated how penalties were perceived as a cost in a purely economic decision to comply. Since that work, numerous researchers have modified the traditional model. Crane and Nourzad [1985] added inflation and interest rates to the model, and more recently researchers have begun to add noneconomic factors. Baldry [1987] concluded that the presence of a fair economic gamble does not necessarily lead to tax evasion because there are "moral costs" to be considered. Falkinger [1988] theoretically analyzed the social psychology argument that an inequitable government-

taxpayer exchange increases noncompliance. While he suggests that the equity issue is an ex post – rationalization, his analysis describes the result as an ambiguous one. Hence, compliance researchers as well as tax administrators are beginning to recognize the influence of noneconomic factors. The present study is a behavioral experiment that compares the effectiveness of presenting penalty information, a traditionally economic factor, to the effectiveness of presenting information about free taxpayer services, a noneconomic factor.

Location: ATO Catalogue: P121

Title: Role of specialist advisors in influencing compliance – Bowral Workshop

Author(s): Tomasic, R., & Pentony, B.

Publication: Paper prepared at the Tax Compliance Workshop conducted by the Taxation Business and Investment Law Research Centre, University of New South Wales, 1989

Abstract: The notion of tax compliance is a social construct. There is no objective standard of what is the appropriate level of compliance. Compliance is a product of negotiation of the law. This involves a number of processes in addition to that of legal interpretation. Organizational factors within the regulatory agency as well as the content of prevailing legal and cultural values will affect the perception of what constitutes an acceptable level of tax compliance. Because there is no objective criterion of what is an acceptable level of tax compliance, the notion of compliance is a political one and consequently, what is perceived to be an acceptable level of compliance at one time may not be acceptable at another. The ambiguity and complexity of tax laws, as well as the range of discretions which are invested in tax officials accentuate the level of uncertainty regarding what constitutes an acceptable level of compliance. In this situation, the role of professional tax advisers will inevitably be crucial. Not only will they act as a channel of communication between the taxpayer and the tax agency, but they will also be likely to influence the very form and content of tax laws themselves.

Location: ATO Catalogue: P21

Title: Do high interest rates encourage property tax delinquency?

Author(s): Deboer, L., & Conrad, J.

Publication: National Tax Journal, 41(4), 555-560, 1988

Abstract: When the interest rate rises above the penalty rate on delinquent property taxes, taxpayers have an incentive to delay their property tax payments, using their local governments as cheap credit sources. Property tax delinquency as a percent of the tax levy should rise with increases in the interest rate. We test this proposition using delinquency data for 12 large Indiana counties during 1969-86, and find that a rise in the interest rate causes a significant rise in the delinquency rate. We also find that higher unemployment increases delinquency while higher inflation reduces it.

Location: CTSI Catalogue: 316

Title: Norms, social commitment and citizens adaptation to new laws  
 Author(s): McGraw, K., & Scholz, J. T.  
 Publication: Lawyers on Psychology and Psychologists, in P. J. van Koppen, D. J. Hessing & G. van den Heuvel, (Eds.), (pp. 101-125). Berwyn, PA: Swets North America, 1988.  
 Abstract: (from the chapter) in this paper, we report the preliminary results of an experiment testing responses of taxpayers to videotaped messages emphasizing normative issues and personal consequences related to taxes / the experiment replicates several aspects of the Schwartz and Orleans (1967) field experiment that documents a positive effect of normative messages on compliance behaviour / we will briefly review the Schwartz and Orleans results and outline our model for analyzing the dynamics of how messages affect tax behaviour by changing tax schema – the tax-related beliefs and attitudes associated with tax behaviour / then we will describe our experiment, present the findings and discuss implications for our model.  
 Location: CTSI Catalogue: 59

Title: Self-interest, social commitment, and citizen adaptation to new laws: An experiment in media effects  
 Author(s): McGraw, K., Scholz, J., & Carroll, J.  
 Publication: Paper presented at the Law and Society Annual Meeting, Vail Colorado, June 9-12, 1988  
 Abstract: This study presents the theoretical framework and initial findings from a large, multiphase investigation of how taxpayers adapt to the major changes introduced by the 1986 Tax Reform Act. The study extends the Schwartz and Orleans (1967) experiment, which found that reminders of social commitment significantly increased tax reports, while reminders of the deterrence threat did not. In our experiment, middle and upper income taxpayers were randomly assigned to a control group and to two conditions, watching a video that emphasized either the positive social effects of the new tax law or the self-interested strategies one could take to reduce individual taxes. Two surveys, one immediately after the experiment and one two weeks later, were used to measure the effects on perceptions about the fairness of the new law, the emphasis on normative versus self-interest factors in compliance decisions, and on self-reported future compliance intentions. Initial findings suggest that knowledge and fairness judgments about the tax law were influenced as expected, but that commitment to obey was not.  
 Location: CTSI Catalogue: 10

Title: Correlates of tax evasion  
 Author(s): Porcano, T. M.

- Publication: Journal of Economic Psychology, 9(1), 47-67, 1988  
Abstract: Tax evasion has increased in the US. Estimates of evasion indicate that the amount of federal income taxes evaded equals the federal deficit. Thus controlling tax evasion should be a major concern of future tax policy decisions. This study analyzed the effects of 18 variables that might affect tax evasion. 142 taxpayers were surveyed to determine the extent of their evasion and to obtain a measure of each variable. Independent variables were ranked by discriminant analysis. Only opportunity to evade-income source, perceptions of existing evasion, and honesty were significant variables across 3 discriminant functions. Results indicate that the variables affected different types of tax evasion differently, and that all variables do not significantly influence tax evasion.  
Location: CTSI Catalogue: 54
- Title: The Compliance Project – A preliminary report  
Author(s): Singleton, S.  
Publication: Draft, 1988  
Abstract: Why people cheat or perhaps more interestingly, why they do not even when presented with opportunities to do so is a question that has perplexed social scientists and policy makers alike. This project sees to test the notion that compliance and noncompliance are linked with perceptions of the terms and execution of the social contract. As originally formulated, the initial objective of the project was to do a longitudinal study of variation in rates of compliance with social security regulations.  
Location: CTSI Catalogue: 251
- Title: Tax Practitioners and Tax Compliance  
Author(s): Reinganum, J., & Wilde, L. L.  
Publication: Social Science Working Paper 666, California Institute of Technology, March 1988  
Abstract: We develop a model in which taxpayers, tax practitioners and a tax agency all interact to determine the extent of tax compliance. Assuming a quadratic enforcement cost function, in the case where practitioners control the reporting decision we show that either one or two equilibria exist. In the former case, more income tax is reported than would be if taxpayers did not use the practitioner, and the tax agency devotes less enforcement effort to practitioner-filed returns than to taxpayer-filed returns. Furthermore, in this case that tax agency prefers that taxpayer use practitioners. When two equilibria exist, the tax agency's preferred equilibrium has these same properties and is always weakly Pareto optimal, so, in principle, the problem of attaining the "right" equilibrium reduces to one of coordination. However, if taxpayers and the practitioner jointly control the reporting decision, less income is reported than would be if the taxpayers did not use the practitioner.  
Location: ATO Catalogue: P34

Title: The role of tax practitioners in the tax system  
 Author(s): Internal Revenue Service, Washington, DC  
 Publication: Paper presented at the IRS conference on “The role of tax practitioners in the tax system”, November 16-17, 1987  
 Abstract: ... The purpose of this study was to gain a better understanding of how tax practitioner’s perceptions, attitudes, and behavior impact on taxpayer compliance behavior. Based on the results of this study, the Internal Revenue Service is making recommendations to improve the lines of communications between the Service and the practitioner community.  
 Location: ATO Catalogue: P64 (CRB-10)

Title: Taxpayer attitudes to tax avoidance of evasion  
 Author(s): Wallschutzky, J. G.  
 Publication: Australian Tax Research Foundation, Sydney, Australia, 1985  
 Abstract: This is the first commissioned research study published by the Australian Tax Research Foundation. The study was conceived as part of the Foundation’s inaugural research programme which involves a number of studies designed to investigate one of the major recommendations of the Taxation Review Committee (the Asprey Committee) that Australia should place less reliance on the income tax and more reliance on indirect taxes. This investigation has three main elements – possible improvements to the income tax, the appropriate balance between direct and indirect taxes, and the choice of the means of levying an indirect tax.  
 Location: ATO Catalogue: P42 (also in CTSI Catalogue: 98)

Title: Taxes and economic behaviour: Some interview data on tax evasion in Sweden  
 Author(s): Warneryd, K., & Walerud, B.  
 Publication: Journal of Economic Psychology, 2, 187-211, 1982  
 Abstract: The article describes a survey carried out with a sample of 426 Swedish male adults. In telephone interviews questions were asked on attitudes of taxation, attitudes to tax crimes, the respondent’s economic situation, tax evasion in the sense of underreporting income and overstating deductions, black payments, and tax planning, i.e., attempts to reduce the tax burden by legal means. Multivariate analyses of the data indicated that younger people had more opportunity for tax evasion than people in general, more negative attitudes than the average, and that lenient attitudes to tax crimes were significant factors for explaining tax evasion and black payments. Financial strain was not a significant factor, since those who admitted tax evasion judged their economic situation more favourably than the rest of the sample.  
 Location: CTSI Catalogue: 129

**1971 – 1980**

- Title: Tax ethics and taxpayer attitudes: A survey  
Author(s): Song, Y. D., & Yarborough, T. E.  
Publication: Public Administration Review, 38, 442-452, 1978  
Abstract: This study is an attempt to explore the tax attitudes of the people who pay taxes to government – directly or indirectly, knowingly or, in some cases, unknowingly. A discussion of the survey method employed in this study will be presented then the main focus of the paper will be on the ‘tax ethics’ of taxpayers.  
Location: CTSI Catalogue: 141
- Title: Taxation and public opinion in Sweden: An interpretation of recent survey data  
Author(s): Vogel, J.  
Publication: National Tax Journal, 27, 499-513, 1974  
Abstract: This paper analyses the findings of a survey of taxpayer attitudes and perceptions in Sweden, with particular attention to income tax evasion and the factors that explain it.  
Location: CTSI Catalogue: 156

## PART 4

### CASH ECONOMY

#### 2001 –

- Title: Factors influencing compliance behaviour of small business entrepreneurs  
 Author(s): Mottiakavandar, R., Ramayah, T., Haron, H., & Jilli, A.  
 Publication: Tax Nasional, 12(1), 20-26, 2003  
 Abstract: This paper identifies factors influencing compliance behaviour of small business entrepreneurs. The factors studied are amount of tax knowledge possessed by small entrepreneurs, attitudes towards compliance by other taxpayers, attitude toward effectiveness of the Inland Revenue Board (IRB) and attitude towards fairness of the tax system. Attitude towards own compliance was used as the dependent variable in this study. Information was collected from 312 respondents who participated in interviews and responded to the questionnaire. The results of this study show that there is no relationship between attitude towards own compliance and amount of tax knowledge as well as attitude towards towards effectiveness of the IRB. However the results show that there is a positive relationship between attitude towards own compliance and attitude towards own compliance and attitude towards other taxpayers' compliance as well as attitude towards fairness of the tax system. Implications of the findings are furtehr discussed.  
 Location: CTSI Catalogue: 356
- Title: The value added of underground activities: Size and measurement of the shadow economies of 110 countries all over the world  
 Author(s): Schneider, F.  
 Publication: Paper presented at the Centre for Tax System Integrity (CTSI) Workshop at the Australian National University, Canberra, Australia, July 17, 2002  
 Abstract: Using various methods estimates about the size of the shadow economy in 110 developing, transition and OECD countries are presented. The average size of the shadow economy (in percent of official GDP) over 1999-2000 in developing countries is 41%, in transition countries 38% and in OECD countries 18.0%. An increasing burden of taxation and social security contributions combined with rising state regulatory activities are the driving forces for the growth and size of the shadow economy (labor force).  
 Location: CTSI Catalogue: 337
- Title: Honesty is the best policy – but not for me. Research into motivations for Taxpayer compliance  
 Author(s): Coleman, C., Freeman, L., & Wang, P.  
 Publication: Paper presented at the Australasian Tax Teachers' Association Conference, 2001

- Abstract:** All stakeholders in the Australian Tax System acknowledge that the current climate is adversarial. The style of the present reform measures in the Review of Business Tax is very familiar to people who were involved in the tax system prior to 20th September 1985. There is no systemic reform – there is endless complicated legislation and the “unintended consequences” are gradually revealed.
- This research was funded by the Institute of Chartered Accountants in Australia to investigate whether it was possible to discover a “trigger” which would encourage taxpayers to comply voluntarily. There is always an opportunity to avoid so this research was interested in investigating whether it was possible to achieve attitude and behavioural change in all involved in the tax system.
- Qualitative research was conducted to gain further insights into taxpayers' attitudes in order to ascertain what strategies might be effective in achieving change. The findings were presented at the Atax Tax Administration Conference held in April 2000 in a paper entitled How do you want to play – honest? (Cynthia Coleman and Maggie Wilkins). The findings revealed very diverse attitudes in all stakeholders who participate in the Australian tax system. The project proceeded to quantitative research. The main aims of this research were:
1. to obtain a better understanding of why change might be difficult to achieve
  2. to assist in ensuring that resources are directed to areas where they will have the most effect.
- Telephone interviews were conducted with 225 respondents who were all in small business. The results obtained were equally diverse and confirmed previous findings from the work of Coleman and Freeman. At the time the research was conducted (May 2000) the attitude of taxpayers to the Goods and Services Tax was aligned with their attitude to income tax.
- Location:** CTSI Catalogue: 335

### **1991 – 2000**

- Title:** Estimates of the underground economy
- Author(s):** Bajada, C.
- Publication:** The Economic Record, 75(231), 369-384, 1999
- Abstract:** In an age of tighter government regulation, many individuals and businesses are distorting our notion of the size of the Australian economy by actively participating in the underground economy. The consequences are clear: policy makers have imperfect knowledge on the state of economic affairs. Although there exists considerable international literature on the size of the underground economy, academics and public officials alike appear to have paid little attention to the extent of illicit economic behaviour in Australia. The aim of this paper is to provide the first known time-series estimate of the size of the Australian underground economy and to illustrate that its existence has implications for the nature of the business cycle in Australia.
- Location:** CTSI Catalogue: 134

Title: Shadow economies around the world – size, causes and consequences  
Author(s): Schneider, F., & Enste, D.  
Publication: Johannes Kepler University of Linz, Linz-Auhof, Austria, 1999  
Abstract: Using various methods (currency demand, physical input (electricity) method, model approach), which are discussed and criticized, estimates about the size of the shadow economy in 76 developing, transition and OECD countries are presented. The average size of the shadow economy (in percent of GDP) over 1989-93 in developing countries is 39 percent, in transition countries 23 percent and in OECD countries 12 percent. An increasing burden of taxation and social security contributions combined with rising state regulatory activities are the driving forces for the size of the shadow economy. According to some findings, a growing shadow economy has a negative impact on official GDP growth, however, a positive impact of corruption on the size of the shadow economy can be found, that is, the bigger the corruption, the larger is the shadow economy.  
Location: CTSI Catalogue: 114

Title: Tax communication and social influence: evidence from a British sample  
Author(s): Sigala, M., Burgoyne, C., & Webley, P.  
Publication: Journal of Community and Applied Social Psychology, 9, 237-241, 1999  
Abstract: An in-depth, semi-structured, interview study was conducted with 23 British employed and self-employed taxpayers in various occupations. The study points to factors discouraging tax communication and proposes social norms as an alternative way of investigating social influence on taxpaying behaviour.  
Location: CTSI Catalogue: 81

Title: Modeling the hidden economy and the tax-gap in New Zealand  
Author(s): Giles, D. E. A.  
Publication: Econometrics Working Paper #9810, Department of Economics, University of Victoria, Canada, 1998  
Abstract: In most countries, some degree of tax revenue is foregone by the official gathering agencies, and by the government, as a result of an element of hidden and unmeasured economic activity. This activity can take many forms, and occur at the personal or institutional level. The underlying driving forces which determine the extent of this activity, and the associated tax loss, vary to some degree from country to country, and may of course also vary over time for a particular country. None the less, there are certain key variables which are generally regarded as being among the most important general ones in the determination of the size of the “Hidden” or “Underground” economy. These variables, and the arguments for singling them out for special attention are discussed in detail in the next three sections of this report. Based on data relating to these variables, the purpose of the research which is described here is to develop and implement an econometric modeling methodology which yields a time-path measuring the size of the underground economy for New Zealand.

From this time-path, measures of the implied “Tax-Gap” (the difference between actual and potential tax revenue) then can be obtained on a period-by period basis.

Location: CTSI Catalogue: 315 (also in ATO Catalogue P100 CRB5)

Title: Differential taxation and tax evasion by small business

Author(s): Joulfaian, D., & Rider, M.

Publication: Office of Tax Analysis Paper #77, 1998 (published in the National Tax Journal, 51(4), 675-687, 1998)

Abstract: This paper examines the compliance pattern of small businesses using pooled 1985 and 1988 Taxpayer Compliance Measurement Program data. Specifically, the authors focus on the voluntary reporting compliance of income from proprietorship, farm, and rental real estate activities. They find that differential taxation due to self-employment taxes plays an important role in explaining the observed disparity in voluntary reporting compliance among sources of self-employment income.

Location: CTSI Catalogue: 318

Title: Self-employment and Social Security

Author(s): Eardley, T., & Bradbury, B.

Publication: Social Policy Research Centre (SPRC) Reports, #133, 1997

Abstract: During the last two decades most industrialized societies have experienced important changes in the nature of work and the structure of labour markets. One of the key components of this change has been the growth of so-called ‘atypical’ or ‘non-standard’ work (Blackwell, 1994). Atypical work may be defined as that which deviates from the traditional model of full-time, permanent, waged employment outside the home (Campbell, I., 1991), thus encompassing part-time, temporary, contracted and franchised work, as well as much of that carried out from the home. The movement towards non-standard working patterns is also associated with the growing participation by women in the labour force. Indeed, it can be argued that many of these employment patterns are not atypical at all for women; what has changed is that more women are in the labour force and an increasing proportion of men are also experiencing non-standard work.

Location: ATO Catalogue: P72

Title: Causality between the measured and underground economies in New Zealand

Author(s): Giles, D. E.

Publication: Applied Economics Letters, 4, 63-67, 1997

Abstract: We investigate some characteristics of the underground economy in New Zealand by testing for Granger causality between measured and ‘hidden’ real GDP in that country. We find clear evidence of causality from measured to hidden economic activity, but only weak evidence of causality in the reverse

direction. This poses a dilemma for policy makers who wish to stimulate economic growth and also minimize the size of the 'tax gap'.

Location: CTSI Catalogue: 148

Title: Predicting small business success

Author(s): Clark-Murphy, D., & Gray, J.

Publication: Draft, Small Enterprise Association of Australia and New Zealand, 1996

Abstract: This collaborative research comprises two independent sponsored studies by Judy Gray and David Clark-Murphy. The contribution by Judy Gray, "Entrepreneurial decision making style and small business success in Australia" was presented at the ANZAAM conference, Townsville, Qld., Dec 1995. This study examines one aspect of the entrepreneurial process, decision making style, of which there are three distinct dimensions: convergent, divergent, and inventive. Results indicated that entrepreneurs who survived the establishment phase appear to use a significantly different style of decision making from those who are no longer in business. The instrument developed could also differentiate between growth and non-growth businesses and assist in the selection of training for potential entrepreneurs.

David Clark-Murphy's contribution "Training needs analysis for managers" was sponsored by the West Australian Dept. of Training. His study examines relationships between the cognitive and decision making styles of individual managers, and their decision making performance within differentially complex environments. Results indicate a curvilinear relationship between cognitive style and decision making performance within environments of differential complexity. Similarly, this study indicated a less significant relationship between four decision making styles and decision making performance within environments of differential complexity.

A collaborative approach and validation of these integrated research findings are expected to provide a more comprehensive instrument for predicting small business success.

Location: ATO Catalogue: P97

Title: Small business, policy research and the business school – A natural partnership?

Author(s): Gibb, A.

Publication: Paper presented at the Small Enterprise Association of Australia and New Zealand (SEAANZ) Conference, Perth, 1996

Abstract: This paper focuses upon the value of small business research in practice to policy makers and to managers in the total 'stakeholder' environment conditioning the 'level playing field' for small enterprise development. It explores this issue via a definition of policy research and its relationship with the conventions of academic research. It then considers some of the broad areas of opportunity that exist in this field, but also some of the problems relating to recent research. It argues that Business Schools in particular ought to be in a

strong position to play a major role but are being driven into narrow definitions of excellence which make it difficult for them to respond to the opportunity. The paper concludes with reference to the opportunities for change.

Location: ATO Catalogue: P97

Title: Strategies to improve skills acquisition and skills development within small business

Author(s): The Better Business Center

Publication: Draft, National Training Strategies for Small Business Enterprises: Phase 2, 1996

Abstract: It is widely recognized that there are growing pressures on small business to increase its skill levels to remain competitive, or in some cases, to survive. Factors impacting on the levels of skills required, as identified by the Employment and Skills Formation Council in the report *The Shape of Things to Come: Small Business Employment and Skills* (NBEET 1994: xiii-xiv), include:

- the pursuit of quality goods and service;
- the increasing number of small and medium enterprises competing in international markets with high quality, customized products;
- the emerging use of new technologies in product and process innovation; and
- an increase in the number of small businesses undertaking research and development.

Despite these pressures on small business and the subsequent need to increase skill levels, there are well documented problems associated with the development of skills in small enterprises. The Employment and Skills Formation Council (NBEET 1994:xiv) found that only 18% of small businesses have expenditure for training incurred off-the-job. Coopers and Lybrand (1994) in their study found a similar reticence to be involved in activities typically used to assess the propensity to train.

Location: ATO Catalogue: P97

Title: Simplifying the Tax Law: Some implications for small business

Author(s): Bardsley, P.

Publication: Paper presented at the Compliance Research Conference on "Measurement, Evaluation and Risk Management", Canberra, 1995

Abstract: Australia, in common with a world wide trend, is engaged in a process of simplifying the tax code, redrafting the law to make it simpler and easier to understand. Compliance costs impinge on small business and a reduction in compliance costs should have a relatively expansionary effect on that sector. In addition, the effect of tax complexity is regressive. High liability taxpayers pay less than their share of tax, low liability taxpayers pay more. Apart from being unfair, this means that tax complexity introduces a bias into the economy in favour of larger rather than smaller firms. Tax simplification should reduce that

- bias, leading to an expansion at the smaller end of the small business sector and a relative contraction of the larger end.
- Location: CTSI Catalogue: 260
- Title: Skills for success in small and medium enterprises  
Author(s): Dunlop, W., & Gibson, B.  
Publication: Proceedings of the 40th World Conference of the International Council for Small Business, 1995  
Abstract: not applicable  
Location: ATO Catalogue: P99
- Title: Compliance in small industries  
Author(s): Goss, N.  
Publication: Paper presented at the Compliance Research Conference on “Measurement, Evaluation and Risk Management”, Canberra, 1995  
Abstract: The objective of the project was to measure compliance or changes in compliance among a small, homogeneous group of taxpayers in an industry unsuitable for project based audits. This project was an experiment to assess the feasibility of a non-PBA approach on an industry basis.  
Location: CTSI Catalogue: 225
- Title: The effect of practitioner recommendations on the tax judgments of small business owners and managers  
Author(s): Hite, P. A., & Stock, T.  
Publication: Law & Policy, 17(2), 161-187, 1995  
Abstract: This study addresses conflicting results between prior research documenting a client demand for aggressive practitioner-prepared returns and research establishing taxpayer preferences for accurate returns and cautious reporting behavior. Rather than rely on practitioner reports of client aggressiveness, the tax reporting preferences of clients are examined in a field experiment mailed to small businesses across the country. After subjects had indicated ex ante beliefs about the likelihood of independent contractor status, they significantly altered their behavioral intentions in the direction of a preparer’s recommendation. This implies that prior results with practitioner samples may have been biased by the practitioners’ personal views. Nonetheless, some aggressive subjects were not as willing to follow the preparer’s advice as were the conservative subjects. Evidence is presented on variables that correlate with aggressive tax decision making.  
Location: ATO Catalogue: P91

Title: Understanding small business taxpayers: Their sources of information and level of knowledge of taxation.

Author(s): McKerchar, M.

Publication: Australian Tax Forum, 12, 25-41, 1995

Abstract: Research was undertaken on a sample population of 200 small businesses in a rural community to establish their sources of information and level of knowledge of taxation. The study found that while many small business taxpayers believed they had a satisfactory level of knowledge of taxation, their responses to a broad range of relevant technical questions indicated otherwise. The same group of taxpayers had limited contact with sources of taxation information, although high levels of satisfaction with their sources were expressed. It was concluded that small business taxpayers may be unintentionally noncompliant as a result of their apparent unawareness of their taxation knowledge shortfall. Knowledge levels can be improved provided that small business taxpayers can be convinced of their “need to know”. However, it may be that educating taxpayers is not the most effective strategy for improving taxpayer compliance.

Location: CTSI Catalogue: 196

Title: A note on the tax-evading firm

Author(s): Yaniv, G.

Publication: National Tax Journal, 48(1), 113-120, 1995

Abstract: This note develops a general model of tax evasion applicable to any form of evasion that might be practiced by the firm. It shows that the firm’s activity level is always separable from the evasion decision; that a tax rate increase must always decrease the firm’s statement deviation from the true value of its tax base (or of a magnitude deductible from its tax base); and that the amount of tax evaded can never increase – at most, when the firm acts as a withholding agent, it will remain unchanged. The results are applied to the case of payroll tax evasion.

Location: ATO Catalogue: P73

Title: Small business and taxation: The people factor in tax compliance

Author(s): Bird, S.

Publication: Paper presented at the 7th Small Enterprise Conference, 1994

Abstract: Small Businesses are generally run by the people who own them. These people make and implement the business decisions and are the ones who benefit or suffer from those decisions and subsequent actions. This paper examines ATO projects and research activities and identifies ways in which the people factor influences compliance with taxation legislation. Small business peoples’ knowledge, attitudes and behavior are looked at from the following perspectives:

- market based research;
- audit activity; and
- the standard of records maintained.

By examining the ways small business people comply and fully meet their obligations, and also identifying where non-compliance with taxation legislation and responsibilities is a “people factor”, small business and the Australian Taxation Office may be able to introduce both “people factor” and “system based” solutions or remedies.

Location: ATO Catalogue: P91

Title: Taxing small business

Author(s): Wallschutzky, I., & Gibson, B.

Publication: Australian Accountant, 14-22, 1994

Abstract: For some time now, senior Australian Taxation Office (ATO) staff have been concerned with the general issue of compliance costs for all taxpayers. The only major research in this area in Australia has been that conducted by Pope and Pope et al (discussed later in this article). Senior ATO staff have expressed some doubts about the validity of the methods used in that study and the reliability of the results obtained. Furthermore, that research did not identify specific items which could be targeted to reduce compliance costs.

Location: ATO Catalogue: P60

Title: Collusive income tax evasion in small business: A theoretical analysis

Author(s): Baldry, J. C.

Publication: Paper presented at the 49th Congress of the International Institute of Public Finance, Berlin, 1993

Abstract: For income concealment (and tax evasion) to have any chance of success when tax administration utilizes income matching, tax withholding, and similar techniques, there must be collusion between the payer and recipient of an income payment. Collusion makes tax evasion a much more complex matter than is commonly portrayed in “standard” evasion models of the Allingham-Sandmo type. This paper develops a model of collusive tax evasion in a small-business setting where wages are taxed under Pay-As-You-Earn (PAYE) arrangements, and applies it to an evaluation of standard deterrence results. Even under fairly strict conditions, it is difficult to generate the standard results in this setting.

Location: ATO Catalogue: P120

Title: How small business perceives the new superannuation guarantee charge

Author(s): Sinha, T., & Benedict, R.

Publication: Discussion Paper #50, (School of Business, Bond University), 1993

Abstract: Small business has been treated differently by the new legislation on superannuation that came into effect on July 1, 1992: The Superannuation Guarantee Charge. We investigated the views of small business (Benedict and Sinha, 1992 and forthcoming) about superannuation immediately prior to this new legislation. Our research has highlighted several issues which warrant

further investigation: (1) lack of knowledge by business owners about superannuation requirements and forthcoming changes, (2) hostility to compliance, (3) lack of business planning to cover superannuation costs thus reducing economic viability and job generation, and (4) the need to investigate directions that will increase compliance and reduce hostility to mandatory superannuation.

Location: ATO Catalogue: P59

Title: Small business cost of tax compliance

Author(s): Wallschutzky, I. G., & Gibson, B.

Publication: Australian Tax Forum, 10, 511-543, 1993

Abstract: This paper reports findings from the analysis of data collected as part of a multiple case study project conducted in Australia and concerned with taxation compliance issues in small businesses. Twelve participants were involved in a series of semi-structured interviews between November 1991 and November 1992. It was apparent that most small businesses faced problems with tax. Some faced more problems than others and some taxes created a greater number of problems. However, results from this research indicate that generally the problems encountered are with the taxes themselves and not with the way they are administered. Of the taxes which caused problems during the period under review, most problematic was sales tax. Few serious problems were encountered with other taxes.

Location: CTSI Catalogue: 197

Title: The deterrent effects of audits on noncompliance by sole proprietors

Author(s): Christian, C.

Publication: Paper presented at the Internal Revenue Research Conference, Washington DC, November, 1992

Abstract: The objective of this paper is to briefly summarize prior empirical research on the effects of audits on noncompliance and to present the results of a test for audit rate effects from the most recent TCMP survey of individual returns. The test is based on a regression analysis of compliance by sole proprietors in reporting gross receipts and audit rates at the five-digit zip code. The results are consistent with a deterrent effect: returns from zip codes with higher audit rates are more compliant than others even after controlling for differences in a variety of economic, socio-demographic, and tax administration factors thought to be associated with compliance.

Location: CTSI Catalogue: 100 (also see ATO Catalogue: P121)

Title: New estimates of cash-based income tax evasion in Australia

Author(s): Hepburn, G.

- Publication: Research Paper #323, Department of Economics, University of Melbourne, 1992 (published in the Australian Economic Review, 31-39, 1992)
- Abstract: In discussions of reform of the Australian tax system the issue of tax evasion is often raised as a major concern. Yet the level of this discussion is limited by a lack of information relating to income tax evasion in Australia. For an informed discussion some knowledge of the extent of evasion and of what factors influence an individual's decision to evade income tax are necessary. This paper provides estimates of the size of the "cash economy" and hence of cash-based income tax evasion over the period 1950/51 to 1989/1990. Cash-based income tax evasion refers to the omission of assessable income from an individual's tax return through concealed, that is "cash in hand", payments which are not reported to the taxation authorities.
- Location: ATO Catalogue: P60

### **1981 – 1990**

- Title: The meaning and measurement of the underground economy
- Author(s): Feige, E.
- Publication: The Underground Economies: Tax Evasion and Information Distortion, in E. Feige (Ed.). Cambridge University Press, New York, 1989
- Abstract: The aim of this chapter is to develop a taxonomic framework of definitions and nomenclature for characterizing different types of underground activities and to review and evaluate alternative methods for estimating the size and growth of this elusive phenomenon. The taxonomic framework presented in what follows is germane to the institutional setting of developed Western nations, and the empirical investigation focuses on major methods that have been employed to estimate the magnitude and temporal development of the unobserved sector in the United States.
- Location: CTSI Catalogue: 108
- 
- Title: Creative accounts: Evidence on tax evasions by small corporations
- Author(s): Rice, E. M.
- Publication: Draft, 1989
- Abstract: Although a substantial body of theoretical and empirical literature has arisen around the issue of personal tax evasion, corporate tax compliance remains entirely unexplored. This paper develops several propositions that are central to understanding corporate tax evasion, and tests them econometrically using 1980 micro-data made specially available for this project from the IRS' Taxpayer Compliance Measurement Program. If these IRS data are to be believed, two-thirds of corporations are non-compliant, and the amounts of unreported income are large relative to profits. The econometric analysis reveals that the fact of being publicly-traded and the degree of industry regulation correspond with better compliance. Worse compliance is associated with firm size, with the

marginal tax rate, with having a relationship to a tax haven country, and with being located in certain geographical areas which the IRS believes demonstrates inherently poor compliance. I find no certain compliance effect corresponding with profitability, service industries or the use of an outside CPA for tax preparation.

Location: ATO Catalogue: P19

Title: Unreported economy

Author(s): Compliance Research Division, Ottawa

Publication: Paper presented at the 10th Executive Meeting, Revenue Canada, Taxation, 1988

Abstract: The term “unreported economy” can be defined as income unreported on which tax could be payable. The activities associated with this term can be divided into three components:

- illegal economic activity, eg. drugs, fraud, gambling and prostitution;
- legal non-market activity, such as housework, the voluntary sector, do-it-yourself crafts or repairs, and homegrown produce;
- legal market activity to the extent that it is not reported as required by the Income Tax Act, or is underreported, such as unreported sales.

Location: ATO Catalogue: P1

Title: The size of the underground economy: problems and evidence

Author(s): Carter, M.

Publication: Paper presented at the Conference on “Taxation and Underground Economy”, Sydney, Australia, June, 1987

Abstract: A necessary precondition to measurement of the underground economy has agreement on its definition. A cursory review of the literature reveals that the underground economy means different things to different people. Definitions are almost as numerous as the multitude of names which have been applied to the phenomenon. Some definitions focus on tax losses, others emphasize shortcomings in the traditional measurement of GDP, while still others would encompass a much broader range of economic activities.

Location: ATO Catalogue: P2

Title: Invisible earnings

Author(s): Selwood, A.

Publication: Taxation, 8, 120-122, 1987

Abstract: Is it fact or fiction, a reality or a myth? It is large or small; is it growing, diminishing or disappearing altogether? Is it a moral sore or a positive social benefit, an economic advantage or a huge economic loss? Is it a chameleon of changing colour, chimera made up of parts derived from all its many aspects or a Protean form which constantly alters shape to elude the grasp of those seeking to understand and classify it? These and many other such questions on the “black

economy” continue to occupy the attention of newspapers and periodicals, both serious and popular, and to invite the comments of all those who are interested in the economic, moral and social problems of the day.

Location: ATO Catalogue: P1

Title: The unrecorded economy: Concepts, approach and preliminary estimates for Canada, 1981

Author(s): Berger, S.

Publication: Canadian Statistical Review, 1986

Abstract: Concern has been expressed that there may be a parallel economy which eludes statistical coverage and is not included in Gross National Product (GNP). A wide variety of names have been used to describe activities of this parallel economy. A partial list would include: underground, irregular, subterranean, clandestine, unreported, informal, cash, black, twilight, gray, shadow, marginal, dual, and second.

Location: ATO Catalogue: P17

Title: Estimating the size of the Danish shadow economy using the currency demand approach: An attempt

Author(s): Schneider, F.

Publication: Scandinavian Journal of Economics, 88(4), 643-668, 1986

Abstract: The currency demand approach provides some insights into the size and development of the shadow economy in Denmark. Currency demand is statistically affected by tax rates. The difference in currency demand is calculated by comparing the actual tax burden over time to the lowest tax burden in the period 1952-82. The shadow economy grew steadily to 10 per cent (of GNP) in 1977 and then fluctuated between 7-10 per cent (of GNP) for the period 1978-82. The calculated size fits nicely with the results obtained using the same method for Norway, Sweden and West Germany.

Location: ATO Catalogue: P1

Title: An alternative view of the underground economy

Author(s): Reed, M.

Publication: Journal of Economic Issues, XIX(2), 1985

Abstract: Over the last decade or so, economists and others concerned with the analysis of economic activity have attempted to explain the decline in U.S. growth rates. The slowdown in the U.S. economy has not been confined solely to this country nor has it been solely an economic phenomenon. The other industrialized countries, and indeed, the entire world, have experienced these declines, albeit at different rates.

Location: ATO Catalogue: P1

Title: The underground economy: An introduction  
Author(s): Carson, C. S.  
Publication: Bureau of Economic Analysis, July, 1984  
Abstract: Recent discussion of the underground economy has raised important questions: How large is it? Is it growing faster than the rest of the economy? How much tax revenue is lost because of it? Are government policies miscued because it distorts major economic statistics?  
Location: ATO Catalogue: P17

Title: Issues in the hidden economy – A survey  
Author(s): Carter, M.  
Publication: The Economic Record, 209-221, 1984  
Abstract: This paper discusses a number of questions concerning the so called hidden economy. What is the hidden economy? How big is it? Is it really growing? Does it matter? What should we do about it? The paper is not an exhaustive survey of the literature on the hidden economy. Its objective is more modest—namely to present an overview of the state of research, identify the major themes and issues and provide a framework for further work.  
Location: ATO Catalogue: P2

Title: Raising revenue in the underground economy  
Author(s): Cox, D.  
Publication: National Tax Journal, 37(3), 283-88, September 1984  
Abstract: The income tax gap is thought to be the tax due on income earned in the “underground economy.” The income tax gap relates to a large assortment of errors and misrepresentations, including over- and understatement of income. The existence of the tax gap: 1. decreases revenues, 2. increases deficits for a given level of expenditures, and 3. affects equity among taxpayers. The tax gap is defined as the amount of income tax owed but not willingly paid. The compliance provisions of the Tax Equity and Fiscal Responsibility Act of 1982 will draw additional revenues from the tax gap mine. Through the present enforcement effort and recent legislation, much of the tax gap has been collected and put in the bank. Clotfelter (1983) has demonstrated that marginal tax rates and noncompliance are directly related. Using data from the Internal Revenue Service Taxpayer Compliance Measurement Program survey of individual tax returns for 1979, it is shown that the least compliant taxpayers on the average are those with the lowest incomes and the highest incomes. The compliance data do not show a connection between tax rates and compliance that can be used in design of the US tax system.  
Location: ATO Catalogue: P2

Title: The hidden economy  
Author(s): Emerson, C.  
Publication: Tax Avoidance and the Economy, in D. J. Collins (Ed.). Australian Tax Research Foundation, Sydney, 1984  
Abstract: Overseas evidence points to the existence of a large and rapidly expanding hidden economy in many countries. It is widely believed that Australia, too, has a flourishing hidden economy, though, until recently, at least, this belief has been based upon remarkably little empirical evidence. Frequently the growth in the hidden economy has been linked with the increasingly heavy burden of taxation. Growing public concern about revenue losses associated with tax evasion has raised questions about policy measures to counter the hidden economy.  
Location: ATO Catalogue: P83 (CRB-4)

Title: Proposals to deter and detect the underground cash economy  
Author(s): Feffer, G. A., Timbie, R. E., Weiner, A. J., & Ernst, M. L.  
Publication: A report of the ABA section of taxation invitational conference on income tax compliance, in P. Sawicki (Ed.), (pp. 293-316). American Bar Association, Washington, D. C., 1983  
Abstract: A major area of tax noncompliance is the so-called underground economy or, more precisely, those persons outside the tax system who deal in currency. This chapter analyzes certain areas of the underground economy and explores alternative solutions for improving compliance in these areas, short of outlawing the use of cash. The primary focus is on making cash transactions more visible and on making failure to report such transactions more difficult and more costly to the payer and the payee. While there is no doubt that a substantial portion of the underground economy involves illegal activities, such as drug trafficking, prostitution, and gambling, our topic here is otherwise legal activities that are not properly reported for tax purposes.  
Location: ATO Catalogue: P91

Title: Essay on the unrecorded economy by the fiscal approach and its incidence on income in Belgium  
Author(s): Frank, M.  
Publication: Paper prepared at the 18th General Conference, Luxembourg, August 21-27, 1983  
Abstract: There are numerous definitions of the underground (as opposed to the official) economy, otherwise known as the unobserved or informal economy. The criterion adopted by some is whether the operations are legal or illegal, whereas for others, it depends on whether the operations are recorded by official statistics or not; for a further group, it depends on whether the operations are declared to the authorities or not. Similarly, there are numerous methods for measuring the extent and evolution of the U.E. These methods are partially dependant on the U.E. concept adopted.

Location: ATO Catalogue: P17

Title: What produces a hidden economy? An international cross section analysis.

Author(s): Frey, B. S., & Weck, H.

Publication: Southern Economic Journal, 49(3), 822-832, 1983

Abstract: Recently, the hidden or underground economy has received rapidly increasing attention by economists. The phenomenon has been discussed for a long time by politicians and the public in Mediterranean countries such as Italy (where it is known as “lavoro nero”), and in developing countries. It is, however, quite new for it to be seriously studied by professional economists. Gutmann’s estimate that the hidden economy currently comprises at least 10% of officially measured GNP in the United States has received wide attention in the press and in Congressional committees. Feige comes up with a corresponding figure of 33% (!) of GNP for 1978 and has more recently lowered it to 27% of official GNP for the same year. These two authors, as well as many others, point to the “revolutionary consequences” of the existence of a hidden economy of such size. In particular, the official statistics provide mistaken signals to the public decision makers: they are led to think that there is wide-spread unemployment because of the official unemployment statistics, while in fact a considerable amount of those “unemployed” do indeed work. Similarly, there may be an underestimate of the rate of growth in income, and an overestimate of the rate of inflation. The importance of the untaxed hidden economy for public revenues is obvious. The official measures leaving out (or considering only in part) the hidden economy, may also lead to systematically biased estimates of econometric models at the micro and macro level.

Location: ATO Catalogue: P2

Title: The size of the informal economy in the United States

Author(s): Smith, J. D.

Publication: Paper presented at the 18th General Conference on “International Association for Research in Income and Wealth”, Luxembourg, 1983

Abstract: This study was undertaken to produce estimates of the value of goods and services passing through the “informal economy”. For this study the informal economy was defined as a sub-economy of what one might call the “non-formal economy”: all those economic market activities legal and illegal that elude the national income accounts because vendors’ operating styles are such that the formal counting mechanisms of the national income accountants do not detect them.

Location: ATO catalogue: P17

Title: The underground economy: The causes and consequences of this worldwide phenomenon

Author(s): Tanzi, V.  
 Publication: Finance & Development, 1983  
 Abstract: In recent years, a growing number of observers of the economic scene have called attention to a phenomenon described by a variety of terms, of which the most common is “underground economy”. A range of names are used to describe this phenomenon, including “parallel”, “unofficial”, and “black”. Regardless of the appellation, the phenomenon relates to activities ranging from relatively legal to totally criminal that somehow escape official attention and may distort official statistics and lead to erroneous policies.  
 Location: CTSI Catalogue: 244

Title: An assessment of the informal labour market in Australia  
 Author(s): Fisher, N.  
 Publication: Working Paper No. 7, June, Bureau of Labour Market Research, Canberra, 1982  
 Abstract: There is increasing anecdotal evidence that “informal” working arrangements could be becoming a more significant feature of labour market operations. If the statistical coverage of the labour market is diminishing, the implications for analysis and policy could be serious. Even if the coverage is substantially affected, a diminishing confidence in the reliability of key labour market data could also have major undesirable effects.  
 Location: ATO Catalogue: P83 (CRB-4)

Title: The underground economy in Australia  
 Author(s): Tucker, M.  
 Publication: The Underground Economy in the United States and Abroad, in V. Tanzi (Ed.), 1982  
 Abstract: The problems posed by the underground economy have been with society since time immemorial. With its various labels – underground, black, subterranean, hidden, unrecorded – the level of such activity is causing increasing concern to governments worldwide.  
 The underground economy cannot easily be defined. However, for the purpose of this chapter it is defined as the sum of those legal and illegal transactions involving cash, checks, or the bartering of goods or labor which either go unreported to the appropriate authorities or are not detected by conventional statistics. One estimate is that it amounts to nearly \$11 billion in Australia, or 10 percent of gross domestic product (GDP).  
 Location: ATO Catalogue: P83 (CRB-4)

Title: Tax financing and the shadow economy  
 Author(s): Weck, H., & Frey, B. S.

- Publication: Paper presented at the 38th Congress of the International Institute of Public Finance on “Public Finance and the Quest for Efficiency”, Copenhagen, 313-327, 1982
- Abstract: Over the last twenty years, the burden of taxation in all industrial countries has greatly increased. The rising burden of taxation is commonly taken to be one of the dominant reasons for the existence and growth of the shadow or underground economy. The shadow economy may be defined as that part of income creating (value adding) economic activities which is presently not included in official statistics.
- Location: ATO Catalogue: P6

### **1971 – 1980**

- Title: Tax evasion and the self-employed: An examination of the evidence
- Author(s): O’Higgins, M.
- Publication: British Tax Review, 1980
- Abstract: In a paper in the previous issue of this Review I examined a number of aggressive measures of tax evasion and concluded that they were not yet so adequately developed as to allow a confident statement about the overall magnitude or trend of tax evasion in the United Kingdom. In this paper I turn to one specific area of economic activity – self-employment – to see if the available data are more revealing.
- Location: ATO Catalogue: P1

- Title: Taxation and the small firm in Australia
- Author(s): Johns, B. L., Dunlop, W. C., & Sheehan, W. J.
- Publication: Asprey Report (Chapter 9), 1975
- Abstract: (from the chapter) A number of references have been made in previous paragraphs of this report to the costs incurred by business enterprises in complying with taxation requirements. These costs include the fees, wages and salaries paid in obtaining assistance and advice on taxation matters, as well as in carrying out the detailed accounting and clerical work involved in furnishing the returns required by law. It will be shown that there is strong evidence that economies of scale exist in complying with taxation requirements.
- Location: ATO Catalogue: P63

### **MISSING DATE**

- Title: A new deal for small business: The coalition’s small business policy
- Author(s): Liberal, Australia
- Publication: Report

**Abstract:** The Small Business policy places a high priority on freeing Australia's 860,000 small businesses from the constraints of crippling taxes and red tape.

**Location:** ATO Catalogue: P83

## PART 5

### POLICY

#### 2001 –

Title: Towards evidence-based tax administration  
 Author(s): Wenzel, M., & Taylor, N.  
 Publication: Australian Journal of Social Issues, 38(3), 409-430, 2003  
 Abstract: An evidence-based approach is being promoted and adopted in many public service areas, but tax authorities have so far only sporadically subscribed to it. We, first, present arguments for an evidence-based approach to tax administration and outline its main features. Second, studies on the effects of tax-reporting schedules are considered to illustrate the logic, potential challenges and outcomes of such an approach. Third, we discuss the main principles of an evidence-based approach, as well as its practical and political obstacles in the context of taxation. An evidence-based approach means basing administrative practices and strategies on an understanding of relevant processes that is obtained from systematic, theorydriven and cumulative research, using various appropriate methodologies including experimental and quasi-experimental evaluation designs. However, an evidencebased approach needs to consider the challenges posed by short-term orientation and risk-averse defensive postures that result from political agendas, public media scrutiny and intraorganisational dynamics.  
 Location: CTSI Catalogue: 368

Title: A profile of older taxpayers  
 Author(s): Gist, J.  
 Publication: AARP Public Policy Institute, Washington, D.C., September, 2002  
 Abstract: Several recent tax proposals, such as deductions for long-term care insurance, caregiving exemptions and credits, health insurance tax credits, and catch-up pension contributions have been targeted at midlife and older persons. However, fewer than two-thirds of all persons aged 65 or older file tax returns, only about half of them have any income tax liability, and fewer than one third have itemized deductions. Therefore, the intended beneficiaries may not benefit at all from these targeted tax “preferences” unless their design considers the structure of the provision (deduction, exemption, exclusion, credit, etc.) and whether those targeted can avail themselves of it.  
 Location: CTSI Catalogue: 328

Title: Handling non-filer cases – Part I: The first meeting  
 Author(s): Tax and Business Professionals Inc., Manassas  
 Publication: Tax & Business Insights, 14(1), January/February, 2002

- Abstract:** Some of the most difficult cases for many professionals to handle are Non-Filers, individuals who have not filed state or federal tax returns, often for many years. While Tax and Business Professionals, Inc., does not directly handle Non-Filer cases, we will present the insights of a tax attorney who has handled numerous non-filing cases, some involving non-filing for up to 20 years. Non-Filers are a diverse bunch, often including CPA's, politicians, military and police officers, to name but a few of the unlikely types who fail to file. One 20-year Non-Filer was a commercial photographer who received 1099s each year from Fortune 500 firms. Prior to retaining an attorney he had never been contacted by the IRS. While the common perception is that the IRS computers will catch such non-filers, the opposite is often true. Anecdotal experience is that many Non-Filers escape detection, often for quite some time.
- Location:** CTSI Catalogue: 325
- 
- Title:** Delinquent filer voluntary compliance program  
**Author(s):** U.S. Department of Labor  
**Publication:** [http://www.dol.gov/pwba/newsroom/0302fact\\_sheet.html](http://www.dol.gov/pwba/newsroom/0302fact_sheet.html), 2002  
**Abstract:** The Delinquent Filer Voluntary Compliance (DFVC) Program is designed to encourage voluntary compliance with the annual reporting requirements under the Employee Retirement Income Security Act (ERISA). The DFVC Program gives delinquent plan administrators a way to avoid potentially higher civil penalty assessments by satisfying the program's requirements and voluntarily paying a reduced penalty amount. To increase incentives for delinquent plan administrators to voluntarily comply with ERISA's annual reporting requirements, the department is further reducing penalties under the DFVC program, and updating and simplifying the rules governing participation in the program.
- Location:** CTSI Catalogue: 322
- 
- Title:** Searching for ghosts: Who are the nonfilers and how much tax do they owe?  
**Author(s):** Erard, E., & Ho, C.  
**Publication:** Journal of Public Economics, 81(1), 25-50, 2001  
**Abstract:** This paper is about 'ghosts' – individuals who fail to comply with their income tax filing requirements. As their name suggests, the identities and characteristics of these individuals are shrouded in mystery. In this paper we attempt to demystify the issues surrounding ghosts and examine their role in the compliance process. We begin by extending a standard model of tax evasion to account for the existence of ghosts. We then examine the empirical significance and policy relevance of our extension using a unique data set containing detailed tax and audit information for both filers and nonfilers of U.S. federal income tax returns.
- Location:** CTSI Catalogue: 323

Title: The individual income tax in the world  
 Author(s): Kenny, L. W., & Winer, S. L.  
 Publication: Paper presented at the National Tax Association Conference (Ninety-fourth Annual Conference), Baltimore, Maryland, 2001  
 Abstract: Over the past two decades or so, considerable progress has been made in modeling tax structure in democratic countries. Most of the empirical testing of this theory has been based on time series or cross sectional variation in tax structure within a country, and does not take advantage of tremendous variation that exists across countries. The empirical literature also rarely recognizes that the bundle of taxes is jointly determined and pays little attention to the role that the political regime plays. In Kenny and Winer (2001), we attempt to remedy these deficiencies by examining the determination of the tax mix as a whole in a large, pooled cross-country data set that includes democratic, socialist, and other non-democratic regimes. This note is intended to illustrate the analysis in the full paper by examining the determinants of the reliance on just one source of revenue – the individual income tax – when that tax source is regarded as part of the larger fiscal system. The data we use consist of 246 observations from 96 countries for three aggregate time periods (1975-1980, 1981-1985, 1986-1992). In the next section we very quickly sketch the framework used as a basis for estimating equations. This is followed by discussion of explanatory variables, presentation of empirical results and a brief conclusion.  
 Location: CTSI Catalogue: 343

Title: Risk Management – Practice Note  
 Author(s): OECD Committee of Fiscal Affairs Forum on Strategic Management, Sweden  
 Publication: OECD – Centre for Tax Policy and Administration, 2001  
 Abstract: The purpose of this paper is to encourage discussion and further research into risk management, and to encourage the sharing of information on, and approaches to, revenue risk management methodologies and data.  
 Location: CTSI Catalogue: 265

### **1991 – 2000**

Title: Improving tax compliance in the cash economy  
 Author(s): Cash Economy Task Force  
 Publication: Report, April, 1998  
 Abstract: ... Overall, the Task Force considered that a mix of strategies is required to address tax evasion in the cash economy. Importantly, the mix needs to be tailored to the issues and dynamics of particular industries and cash practices. To ensure that this is achieved the Task Force recommended that the ATO develop a model of compliance behaviour, which complements the Taxpayers' Charter, to

- help guide the development of compliance improvement strategies in the cash economy.
- Location: CTSI Catalogue: 332
- Title: A profile of non-filers
- Author(s): Cilke, J.
- Publication: Office of Tax Analysis Paper #78, July, 1998
- Abstract: ... The first section of this paper discusses why a profile of the non-filing population is important. The next two sections briefly describe the exact match study and the steps I have taken to determine whether a CPS person was required to file. The last section contains the results of a series of probit econometric equations. Among persons not required to file, the equations predict, for each person, the likelihood of being a non-filer.
- Location: CTSI Catalogue: 329
- Title: Evaluating the performance of tax administrators – A strategic risk management perspective
- Author(s): Wickerson, J.
- Publication: Asia-Pacific Tax Bulletin, 4(3), March 1998
- Abstract: ... Section II provides a brief discussion of what might constitute a tax administration's commonly agreed "central role", and the extent to which this has been a focus of interest in the literature. Section III then introduces the notion of "strategic risk management". It is argued that this notion provides an appropriate set of benchmarks for assessing a tax administration's general approach to performing its central role, however this might be defined. These benchmarks focus on how major decisions are made and resources allocated, as well as on how particular functions have been performed. Next, Section IV compares two different approaches for applying the notion of "strategic risk management" in a practical decision-making environment. It is argued that the most user-friendly, robust and hence effective approach is likely to be the one which encourages a broad view to be taken of what constitutes "a risk". Finally, Section V provides an overview of the experience gained by one of the Australian Tax Office's Business Lines (Small Business Income) in applying the notion of "strategic risk management", taking a broad view of what constitutes "a risk".
- Location: ATO Catalogue: P100 (CRB5)
- Title: Taxpayers pay up to avoid internet publicity about tax delinquencies
- Author(s): Adams, S.
- Publication: State Tax Review, 27, 1997
- Abstract: According to Gene Gavin, Connecticut Commissioner of the Department of Revenue, Cybershame, the posting of the names of the top 100 delinquent

taxpayers on Connecticut's home page, has succeeded in actively, affirmatively resolving tax delinquencies at a rate averaging in excess of \$4 billion per month since its activation on January 15, 1997.

Location: CTSI Catalogue: 317

Title: On the possibility of a no-return tax system

Author(s): Gale, W. G., & Holtzblatt, J.

Publication: National Tax Journal, 50(3), 475-486, 1997

Abstract: Recent events have stimulated interest in reducing or eliminating the annual filing requirements in the income tax. Thirty-six countries already allow "no-return" systems for some of their taxpayers. Moving to a no-return system creates trade-offs in the structure of tax policy as well as the administration of the tax system. A study estimates that roughly ½ of US taxpayers could be placed on a no-return system with relatively minor changes in the structure of the income tax. The benefits and costs of a no-return system hinge on a number of issues that are currently unresolved.

Location: ATO Catalogue: P96

Title: Regulatory policy when behaviour is addictive: Smoking, cigarette taxes and bootlegging

Author(s): Licari, M. J., & Meier, K. J.

Publication: Political Research Quarterly, 50(1), 5-24, 1997

Abstract: Regulatory policy generally offers three policy instruments – command and control regulation, incentives, and information – yet efforts to test the comparative effectiveness of these instruments have been lacking. Using a simple theory derived from the economics of supply and demand, this study presents a hypothesis that information policies will interact with incentives and lessen their impact. If incentives policies are not uniform across the nation, they can also create compliance problems. These hypotheses are tested with pooled data set on cigarette regulation. While both information policies and incentives are effective at reducing cigarette consumption, they interact so that the total impact is less than the sum of the individual effects. State tax rates also interact with each other creating the incentive to avoid compliance by bootlegging cigarettes.

Location: CTSI Catalogue: 41

Title: Regulatory Thresholds and Compliance

Author(s): Milham, R.D., & Kelly, C.

Publication: Paper presented at the Compliance Research Conference on "Measurement, Evaluation and Risk Management", Canberra, December, 1995

Abstract: Many tax laws contain thresholds which separate different regulatory provisions. Crossing some thresholds may impose marginal costs, as well as marginal

benefits. However, both may lead to efficiency losses which are not normally included in compliance cost studies but may be significant. This paper argues that policy-makers designing regulatory systems based on thresholds should be aware of the full marginal costs and benefits of crossing the threshold. Tax auditors could find reasonable pay-offs in examining the returns of firms which manage to arrange their affairs to be just on the 'right' side of the threshold.

Location: CTSI Catalogue: 261

Title: Managing Risks: The small business income approach

Author(s): Mitchell, V.

Publication: Paper presented at the Compliance Research Conference on "Measurement, Evaluation and Risk Management", Canberra, December, 1995

Abstract: Commonwealth departments and agencies are now expected to put the practice of risk management onto a more explicit and systematic basis than has typically been the case in the past. This paper provides an overview of the approach towards managing 'the risks to the revenue' that we have been developed in the Small Business Income (SBI) business lines since its formation some eighteen months ago. This paper is very much in the way of a progress report. Hopefully, the issues encountered and lessons learnt will be of interest to other risk management practitioners faced with similar challenges

Location: CTSI Catalogue: 236

Title: Compliance Research in the Inland Revenue Department

Author(s): Scotney, T.

Publication: Paper presented at the Compliance Research Conference on "Measurement, Evaluation and Risk Management", Canberra, December, 1995

Abstract: This presentation highlights the progress made recently in the measurement and management of risk in Inland Revenue New Zealand; the major research underway which will advance our understanding of taxpayer behaviour and compliance; and the direction of research for the next few years. Part 2 outlines the recent restructuring of the Taxpayer Audit programme. This restructuring led to the establishment of a dedicated research function within the Inland Revenue's Taxpayer Audit programme. Part 3 describes the range of research projects currently underway. Part 4 highlights some general issues encountered in both measuring and managing risk.

Location: CTSI Catalogue: 228

Title: Understanding Compliance: Getting a better return on our data collection investment

Author(s): Sutton, T.

Publication: Paper presented at the Compliance Research Conference on "Measurement, Evaluation and Risk Management", Canberra, December, 1995

**Abstract:** This paper reports findings from a 1995 study that forms part of the Child Support Agency (CSA) research program. It aims to provide insight into what key business processes and other factors influenced the level of child support collections, to what extent and at what cost. The data contained in the 1995 monthly CSA performance management reports was utilised. The report uses the branch office as the unit of analysis and as such can be viewed as repeated cross-sectional grouped data. A multiple regression technique was used to help explain the observed differences in collections between branch offices. Some of the results were further validated by results from project based studies in particular branch offices. The results indicated that a number of key factors including client service levels, applications cycle time, socio-economic status, tracing and employer withholding practices explained over 90% of the observed variation in collections. The results have important implications for the design of some of CSA's key business processes, the mix of help and enforcement activities, resource distribution, performance measurement and the value of undertaking research that utilises existing management information

**Location:** CTSI Catalogue: 218

**Title:** Evaluation of the Tax Law Improvement Project: Stages 1 & 2 Research

**Author(s):** Wallschutzky, I., & Muston, M.

**Publication:** Paper presented at the Compliance Research Conference on "Measurement, Evaluation and Risk Management", Canberra, 1995

**Abstract:** The Tax Law Improvement Project is now in its second year. The new substantiation provisions have been enacted by parliament, a comprehensive Bill including the structure of the new Act is about to be tabled in Parliament, and much more work is well underway. This project is aiming to reduce taxpayer compliance costs and improve compliance; these are held as the primary objectives for the project. Government has committed over \$10 million of taxpayer funds to the project, so there will be considerable pressure to demonstrate that these outcomes have been achieved. The Tax Law Improvement Project (TLIP) team is quite confident that the project will be successful, although it is recognized that quantitatively demonstrating this process will be difficult.

**Location:** CTSI Catalogue: 15

**Title:** Ensuring fairness of the income tax system: Detection of Non-Filers and Special Investigations

**Author(s):** Auditor General in Canada

**Publication:** Report, Revenue Canada, 1994

**Abstract:** Filing a tax return is central to the Canadian income tax system. It establishes the amount of tax owing and puts taxpayers on the tax roll so they can be monitored by Revenue Canada's enforcement programs, such as the Non-Filer Program.

The purpose of the Non-Filer Program is to identify taxpayers who have failed to file current tax returns and to secure the required returns from them.

Revenue Canada generated 509,000 tax returns through its Non-Filer Program, bringing in \$124 million in income tax, plus an additional amount in interest and penalties. Over half of these returns were received as a result of reminder notices issued by the automated non-filer system. The remainder were obtained from follow-up by departmental staff of non-filers identified by the automated system, the document matching program, internal referrals and information from external sources. The Department has increased its use of external sources and is continuing its efforts to access other sources.

Due to missing social insurance numbers, the Department could not use automated document matching for millions of T5 slips. Limited manual tests of these slips, however, indicated that most taxpayers properly reported their T5 slips on tax returns. While there is a small penalty for failure to provide a social insurance number, no penalties have been assessed. Instead, the Department is consulting with financial institutions on a plan for action, either separate or joint, to improve social insurance number compliance. It intends to review the results of this effort before it reconsiders the need for a withholding requirement if a social insurance number is not provided.

The Non-Filer Program has resulted in hundreds of thousands of returns and millions of dollars of tax revenue due under the Income Tax Act , but the Department does not know how effective it has been in enhancing taxpayer compliance. For example, it does not know yet how many non-filers who are caught begin to file tax returns voluntarily thereafter. The Department is currently developing an automated system designed to capture information for an evaluation of the subsequent compliance of non-filers.

Location: CTSI Catalogue: 321

Title: The new IRS approach to nonfilers and nonpayers

Author(s): Dalton, T.

Publication: CPA Journal, December, 1994

Abstract: The IRS has taken a carrot-and-stick approach toward improving tax compliance. The agency now offers assistance to all delinquent taxpayers who file on their own initiative before the IRS notifies them of the unfiled returns. One of the special assistance provides the taxpayers with copies of old tax forms and records of previous years' income reported to the agency. The IRS also helps taxpayers in negotiating installment agreements, penalty abatements and compromise offers. Lastly, the nonfiler initiative gives assurances that there will be no criminal prosecution of nonfilers as long as the income in question is derived from legal sources and that the taxpayers initiate contact with the IRS. On the other hand, if taxpayers continue to evade payment of their taxes despite these incentives, the agency will mount an aggressive campaign of investigation and criminal prosecution against the persons involved.

Location: CTSI Catalogue: 320

Title: Representing the non-filer  
Author(s): Fleming, D. A.  
Publication: Massachusetts CPA Review, 68(30), 1994  
Abstract: The Internal Revenue Service (IRS) has recently undertaken a nationwide effort to encourage the estimated 10 million taxpayers who have failed to file annual income tax returns to file their overdue returns. This endeavor, called the Non-Filer Program, is designed to attract compliance by non-filers by assuring them that, in most cases, criminal prosecution will not be pursued, criminal penalties will not be imposed, civil penalties may be waived if reasonable cause for not filing exists, and the IRS will cooperate in creating manageable tax payment schedules. To date, the IRS has upheld its promise not to prosecute non-filers who meet the requirements. However, many of the other assurances are widely disregarded by overzealous IRS personnel. Tax practitioners should warn clients that they can expect civil penalties and publicly filed liens on real property.  
Location: CTSI Catalogue: 326

Title: Managing Regulatory Enforcement in the United States  
Author(s): Scholz, J. T.  
Publication: Draft paper [appeared in the Handbook of Regulation and Administrative Law, in D. H. Rosenbloom & R. D. Schwartz (Eds.). New York: Marcel Dekker, Inc., 1994]  
Abstract: The history of regulatory prices in America goes back to the beginning of the country. Regulatory enforcement in its current form, however, really goes back only a few decades. Although enforcement was always a necessary part of any attempt to regulate behavior, until recently there were a relatively small number of enforcement officials. The last several decades has witnessed a dramatic growth in the number of inspectors hired by the public and private sectors to enforce regulations of all sorts. Consequently, systematic knowledge about how enforcement agencies should and actually do behave is relatively undeveloped. The primary purpose of this article is to integrate and interpret the scattered literature that has studied enforcement and enforcement agencies from the perspective of regulatory managers and policymakers. What do we know about enforcement behavior, what can be done to improve its efficiency, and how can we improve the scientific basis for managing agencies and setting enforcement policies?  
Location: ATO Catalogue: P120

Title: Policy implications arising from compliance cost of taxation research  
Author(s): Pope, J.  
Publication: Paper presented at the 1993 Australian Taxation Research Conference on Taxpayer Compliance, Canberra [Published in Australian Tax Forum, 11 (1), 1994]

**Abstract:** Over the last five years, a series of five major studies estimating the compliance costs of taxation in Australia has been undertaken. These studies have now been developed, extended and updated, with estimates of the major Commonwealth taxes being derived for a common year, 1990/91. Related research has investigated tax agents' attitudes to simplification and the effect of the ATO lodgment programme/deadline system. This paper discusses the major policy implications arising from this research, such as the magnitude and distribution of compliance costs (between taxes; different groups of taxpayers); the relationship of administrative and compliance costs; tax deductibility and revenue effects; taxpayer's charter and monitoring. The paper also provides a brief overview of estimates for those unfamiliar with the earlier studies. The findings are placed in an international context (citing recent studies from the USA, Canada, New Zealand and the UK). However, the emphasis is firmly on raising policy issues with a view to stimulating debate.

**Location:** ATO Catalogue: P91

**Title:** Negotiating strategies for tax disputes: Preferences of taxpayers and auditors

**Author(s):** Smith, K. W., & Stalans, L. J.

**Publication:** Law and Social Inquiry, 19(2), 337-368, 1994

**Abstract:** Disputes between officials and citizens during tax enforcement differ from most civil disputes between citizens in several ways: they are initiated when the official claims the citizen has not followed the law; they are fundamentally about the correct interpretation of the law; and the official has the formal power to end the dispute within the enforcement arena by making a decision that is legally binding on the citizen. Using data from pre-audit interviews with taxpayers and state tax auditors, we explore how these characteristics of tax disputes, the roles of the parties, citizens' perceptions of the attitudes and orientations of the officials, and other contextual factors drawn from regulatory and procedural justice research affect the strategies officials and citizens prefer for resolving disputes. We close with some evidence on the predictive relevance of the strategic preferences of the parties in combination with their roles: for new resolutions to emerge, the party with the power must be open to them, and the subordinate party must have the assertiveness to present them. We also explore how the analysis may be extended to other enforcement and regulatory settings.

**Location:** CTSI Catalogue: 33

**Title:** Did the tax reform act of 1986 improve compliance? Three studies of pre- and post-TRA compliance attitudes

**Author(s):** Kinsey, K. A., & Grasmick, H. G.

**Publication:** Law & Policy, 15(4), 239-325, 1993

**Abstract:** The Tax Reform Act of 1986 rewrote the federal income tax code, bringing it closer to policy professional vision of what constitutes an equitable and efficient income tax. Research on tax compliance suggest the law might have effected

taxpayer compliance in 3 ways: by reducing opportunities to overstate deductions, by changing perceptions of fairness, and by altering tax liabilities. Changes in taxpayer perceptions, attitudes, and non-compliance intentions were examined in 3 bodies of survey data, each containing pre and post reform data from independent samples of the same population. The results show an improved normative climate for taxpayer compliance and point to both the feasibility and the importance of examining the effects of substantive tax policies on taxpayer perceptions, attitudes and behavioural intentions.

Location: CTSI Catalogue: 19

Title: The compliance costs of taxation in Australia and tax simplification: The issues

Author(s): Pope, J.

Publication: Australian Journal of Management, 18(1), 1993

Abstract: This paper identifies six phases in the development of the compliance costs of taxation, in an Australian context. Estimates of the compliance costs of personal and public companies' income taxation are presented, and an international comparison cautiously made. Major policy issues related to compliance costs are considered. Cost-reducing measures are identified and classified. Specific proposals for Australia's income – tax system are considered. The paper concludes that the compliance costs of income taxation in Australia are high, and that simplification of income tax is likely to lead to significant economic resource savings. The prognosis for reform is mixed, but the overall view is not optimistic.

Location: CTSI Catalogue: 314

Title: An economic perspective on tax evasion

Author(s): Skinner, J., & Slemrod, J

Publication: National Tax Journal, 38(3), 345-353, 1993

Abstract: This paper focuses on efficiency aspects of tax evasion, such as tradeoffs between enforcement efforts and strict penalties; examines issues of horizontal equity (among taxpayers of equal income) and vertical equity (among taxpayers of differing income) in the practice of tax evasion and enforcement of the tax law; discusses policy issues concerning tax evasion, and differentiates between the demand side of tax evasion, in which citizens respond to incentives to evade or not evade the tax code, and the supply side of tax evasion, in which the government weighs competing goals of equity and efficiency in designing the tax code and enforcement structure.

Location: CTSI Catalogue: 91

Title: Taxation and democracy: Swedish, British and American approaches to financing the modern state

Author(s): Steinmo, S.

- Publication: New Haven: Yale University Press, 1993  
 Abstract: This book examines the structure, politics and historical development of taxation policies in several countries. Comparing three quite different political democracies – Sweden, Britain and the United States – the book provides an account of the way that these democracies have managed to finance the development of the modern welfare state despite widespread public resistance to taxes.  
 Location: CTSI Catalogue: 201
- Title: Compliance policies in Social Security  
 Author(s): Weatherley, R.  
 Publication: Draft, 1993  
 Abstract: This report was prepared with the assistance of a research grant from the Australian Department of Social Security, through the auspices of the Administration, Compliance & Governability Program, Research School of Social Sciences, Australian National University. The purpose of the study was to provide an independent assessment of the historical genesis, implementation and impact of the Department's compliance measures, and to review what is known about the reasons for non-compliance and how voluntary compliance might be improved. The study is based on interviews of DSS staff, representatives of advocacy groups and a survey of clients.  
 Location: ATO Catalogue: P64 (CRB-10, B19)
- Title: Measuring taxpayer compliance: Issues and challenges facing tax administrations  
 Author(s): Wickerson, J.  
 Publication: Compliance and Industry Research Unit, Taxpayer Audit Group, 1993  
 Abstract: This paper provides an overview of some of the fundamental challenges facing tax administrations in their efforts to measure the extent to which individual taxpayers correctly report their tax liabilities.  
 Location: CTSI Catalogue: 177
- Title: Achieving compliance  
 Author(s): Wallschutzky, I.  
 Publication: APTIRC Bulletin, April, 1992  
 Abstract: Dubin et al. observe that in the United States audits historically have been the main means by which the Internal Revenue Service has achieved enforcement of income tax laws. Audit rates, however, have declined with respect to individuals from around 6% in the early sixties to about one percent in the eighties. Similar declines have been detected for high income individuals, corporations and partnerships.  
 Location: ATO Catalogue: P124

Title: Closing the tax gap: Alternatives to enforcement  
 Author(s): Internal Revenue Service, Washington, D.C.  
 Publication: Conference report: "Closing the tax gap: Alternatives to enforcement", Washington, D.C., November, 14-15, 1991  
 Abstract: (from Executive Summary) The Internal Revenue Service conducted its ninth annual research conference, "Closing the tax gap: Alternatives to enforcement" on November 14-15, 1991 in Washington, D.C. ... Although it was conceded that some business people play fast and loose with the tax law, the majority is confused by its complexities and would be more willing to comply if the law were simplified by the Congress and the IRS offered them a broader array of assistance and services.  
 Location: ATO Catalogue: P64 (CRB-10)

Title: Encouraging tax compliance with positive incentives: A conceptual framework and research directions  
 Author(s): Smith, K. W., & Stalans, L. J.  
 Publication: Law & Policy, 13(1), 35-53, 1991  
 Abstract: Drawing on learning and social psychological research, we identify the processes by which positive incentives induce compliance with regulatory laws, using tax as a specific example. We evaluate the likely effects of various positive incentives on four different dimensions of compliance decisions: instrumental consequences, normative considerations, internalised motivation, and allegiance to authorities and requires authorities to monitor citizens and to distinguish between compliant and non-compliant behaviours. The alternative is to present the incentives as an attempt by the enforcement authorities to cooperate with citizens. This method is less likely to invoke cost/benefit calculations; requires less intervention by authorities; and increases intrinsic motivation, consideration of normative issues, and allegiance to authorities. Prior research suggests that respectful treatment and praise may be more effective incentives for inducing long lasting compliance than are materialistic incentives because people have a strong tendency to reciprocate actions they receive from authorities. Our analysis leads to proposals for program implementation and evaluation and raises some theoretical questions that need additional research.  
 Location: CTSI Catalogue: 38

### **1981 – 1990**

Title: Amazing grace: Tax amnesties and compliance  
 Author(s): Alm, J., McKee, M., & Beck, W.  
 Publication: National Tax Journal, XLIII(1), 1990  
 Abstract: Does a tax amnesty raise or lower compliance over time? This paper uses experimental methods to analyze the long run impact of an amnesty. The results indicate that the average level of compliance falls after an amnesty. However, a

well-designed amnesty may be able to overcome this decline. If post-amnesty enforcement efforts increase, then aggregate compliance actually increases. In fact, post-amnesty compliance is higher when an amnesty is accompanied by increased enforcements efforts than when enforcement increases without an amnesty. An amnesty may therefore be an effective tool for easing the transition to a tougher tax regime.

Location: CTSI Catalogue: 117 (also in ATO Catalogue P45)

Title: Analyzing income tax evasion using amnesty data with self-selection correction: The case of Michigan tax amnesty program

Author(s): Crane, S. E., & Nourzad, F.

Publication: Draft prepared for the Office of Tax Policy Research Conference on Tax Compliance and Tax Law Enforcement, University of Michigan, December 7-8, 1990

Abstract: Since the classic work by Allingham and Sandmo (1972), the standard approach to analyzing individual's evasion decision has been to use a portfolio-choice framework in which the optimal level of evasion is obtained from maximizing expected utility of income after taxes and penalties. Using this approach, four factors have been commonly found to affect the decision to evade. These are the individual's true income, the tax rate, the probability that the evader is detected, and the penalty rate to which detected evaders are subjected. In most cases, a positive relationship between the level of evasion and the individual's true income, and negative relations with both of the compliance policy tools are obtained. With respect to the tax rate, however, most models have been unable to determine an unambiguous relation due to potentially opposing income and substitution effects.

Location: ATO Catalogue: P60

Title: Blending economic deterrence and fiscal psychology models in the design of responses to tax evasion: The New Zealand experience

Author(s): Hasseldine, D. J., & Bebbington, K. J.

Publication: Journal of Economic Psychology, 12, 299-324, 1990

Abstract: This article reviews recent research into tax evasion and outlines a framework of responses available to governments and/or revenue authorities in the context of economical deterrence and fiscal psychology models. The wide-ranging tax reforms set in place in New Zealand between 1984 and 1990 are described and evaluated within this framework. A brief discussion is given to the role of professional tax advisors in encouraging compliance and specifically to the issue of tax preparer penalties. The conclusion of this article is that tax policy makers must necessarily consider a blend of response options from economical and psychological models, thereby implicitly embracing both short- and long-term viewpoints of these international social problems.

Location: ATO Catalogue: P96

Title: Compliance without control: Notes from a study of tax avoidance  
 Author(s): McBarnett, D.  
 Publication: Paper presented at the Office of Tax Policy Research Conference and Tax Law Enforcement, University of Michigan, 7-8 December, 1990  
 Abstract: The major concerns of this conference are how to secure tax compliance and deter non-compliance. Tax research has been dominated by the issue of non-compliance. This paper suggests, however, that deterring non-compliance and securing compliance may not be enough; that compliance, far from being a solution to regulatory problems, can itself pose a major problem for tax policy and enforcement, that we can secure compliance without control. The paper reports some of the findings of an empirical research project on tax avoidance, and argues that the research agenda must move beyond its preoccupation with non-compliance and confront the problematic nature and regulatory challenge of compliance itself.  
 Location: ATO Catalogue: P75

Title: Policy options for combating tax noncompliance  
 Author(s): Nagin, D.S.  
 Publication: Journal of Policy Analysis and Management, 9(1), 7-22, 1990  
 Abstract: The Internal Revenue Service estimates that the “tax gap”, the difference between taxes owed and taxes voluntarily paid, is approaching \$100 billion. This article examines seven categories of enforcement instruments for combating noncompliance. The discussion has two objectives: (1) to summarize what is known about the effectiveness of each type of instrument in reducing noncompliance, and (2) to delineate criteria for evaluating the desirability of enforcement interventions of each type. Suggested criteria differ across classes of instruments, but several themes are repeatedly emphasized. One is that a relevant dimension of effectiveness is equity; a second is that private costs matter, particularly when incurred by the already compliant and independent third parties.  
 Location: CTSI Catalogue: 40 (also in ATO Catalogue: P75)

Title: Governmental policies to reduce tax evasion: Coerced behavior versus services and values development  
 Author(s): Snavey, K.  
 Publication: Policy Sciences, 23, 57-72, 1990  
 Abstract: Governments generally have at their disposal two types of tax compliance policies. One set of policy options coerces tax compliance by increasing risks for practicing tax evasion, while a second set of policies emphasizes development of supportive taxpaying values among citizens through service improvement and informational strategies. Tax agencies tend to favor coercive policies, but empirical research suggests that such policies are not in themselves fully adequate to fight tax evasion. Four hypotheses are offered which suggests the

utility of service and values based policies and the need for increased investment in those areas of tax administration.

Location: ATO Catalogue: P96

Title: Reforming a tax system to reduce opportunities for tax evasion

Author(s): Wallschutzky, I.

Publication: Paper presented at the International Tax Program, Harvard Law School, December 11, 1990

Abstract: Traditionally tax systems have been required to achieve a number of purposes including raising revenue, redistributing income and/or wealth, encouraging efficiency in the use of resources, acting as an incentive in one way or another, and influencing economic activity. Tax reforms are proposed and judged on the basis of how well they achieve these or other purposes and meet other criteria. Those other criteria can include certainty, simplicity, ease of administration and neutrality. Reforms which seek to achieve one purpose, however, often do so at the expense of another.

Location: ATO Catalogue: P124

Title: Reforming a tax system to reduce opportunities for tax evasion

Author(s): Wallschutzky, I

Publication: Paper presented at the International Tax Program, Harvard Law School, 11th December, 1990

Abstract: Traditionally tax systems have been required to achieve a number of purposes including raising revenue, redistributing income and/or wealth, encouraging efficiency in the use of resources, acting as an incentive in one way or another, and influencing economic activity. Tax reforms are proposed and judged on the basis of how well they achieve these or other purposes and meet other criteria. Those other criteria can include certainty, simplicity, ease of administration and neutrality. Reforms which seek to achieve one purpose, however, often do so at the expense of another.

Location: ATO Catalogue: P124

Title: Marketing principles in tax administration

Author(s): Godfrey, B

Publication: CPD paper, Audit group, Australian Taxation Office, September, 1989

Abstract: Particularly since the introduction of self assessment, there has been a drive to conduct our operations in the way which will maximize voluntary compliance by the taxpaying community. This drive to voluntary compliance is having a profound effect on the method of operation of each organizational group within ATO and on the way in which the groups relate to each other.

This paper examines the relevance of marketing principles and approaches to issues of organization, planning and resource allocation within the tax

administration, as a means of improving cost effectiveness and improving voluntary compliance. It examines the issues involved in matching ATO efforts as a whole to the varied needs of different taxpayers in order to maximize compliance and minimize costs of collection.

Location: ATO Catalogue: P18

Title: The meaning of income tax fairness

Author(s): Kinsey, K. A.

Publication: Paper presented at the IRS Conference on “The Impact of the Tax Reform Act of 1986”, Washington, DC, November, 1989

Abstract: Klott (1986) describes the Tax Reform Act (TRA) of 1986 as “the most sweeping change in the 73-year history of the federal income tax.” Although changes in federal tax law are common, the TRA was unique in that it represented a fundamental rethinking of the basics of American federal income taxation. The primary political rationale for tax reform was to restore fairness to the tax system. Public opinion polls have consistently found that citizens believe the federal income tax system to be unfair (Darnell and Gallaher, 1985), and fairness has been routinely invoked in policy debates over the years.

Location: ATO Catalogue: P20

Title: Paying taxes: An agenda for compliance research (Volume 1)

Author(s): Roth, J. A., Scholz, J. T., & Witte, A. D.

Publication: A National Academy of Sciences Report, Philadelphia: University of Pennsylvania Press, 1989

Abstract: According to Internal Revenue Service (IRS, 1988) estimates, individuals failed to report between \$70 and \$79 billion in federal taxes due on legal income they received in 1986, amounting to nearly 20 percent of federal personal income taxes due and 40 percent of the federal deficit in that year. Other forms of non-compliance – for example, by organizations, by those who fail to pay the income tax they do report, and by those who receive illegal income – probably push the annual “non-compliance tax gap” above \$100 billion. Since the IRS manages to recover at most an estimated 10-15 percent of the non-compliance tax gap through all its enforcement activities (IRS, 1986b), it has a pragmatic interest in learning why some people comply with reporting requirements, while others fail to do so. The question has also intrigued scholars from several disciplines, as well as the community of practitioners who prepare tax returns and advise clients concerning tax matters. This panel was created in response to an IRS request to the National Academy Of Sciences to critically review previous research on the factors that influence taxpayer compliance with reporting requirements. The panel was asked to state the conclusions that can be drawn from this literature, to identify the gaps in knowledge that future research may be able to fill, and to suggest how the needed research might be carried out.

Location: CTSI Catalogue: 93

Title: The effectiveness of Tax Office enforcement activities in achieving taxpayer compliance

Author(s): Wallschutzky, I

Publication: Taxation in Australia, February, 1989

Abstract: According to the report from the House of Representatives standing committee on expenditure (September 1986): non-detection of income by the Australian Taxation Office had led to significant taxation revenue losses ... conceivably several billion dollars each year.

Over the years the Commissioner of Taxation has responded to such criticism. In 1986-87, for example, the Commissioner reported that \$771 million was directly credited to tax revenue as a direct result of tax audit activities. In his annual reports for 1985-86 and 1986-87 and in comments made elsewhere the Commissioner outlined a number of initiatives which suggests that the Tax Office has now developed a strategy to combat non-compliance in a positive manner. ... This article evaluates the likely effectiveness of Tax Office enforcement activities in achieving taxpayer compliance.

Location: ATO Catalogue: P1

Title: Change and complexity as barriers to taxpayer compliance

Author(s): Internal Revenue Service, Washington, D.C.

Publication: Conference report (Change and complexity as barriers to taxpayer compliance) November 17-18, 1988, Washington, D.C.

Abstract: (from Executive Summary) The Internal Revenue Service's Research Division conducted its sixth research conference, "Change and complexity as barriers to taxpayer compliance" during November 17-18, 1988 in Washington, D.C. ... Conferees examined the impact of a constantly changing tax law – 28 times in 27 years – and the resulting impact on the tax code. Conferees also looked at ambiguity and its effect on decision-making related to taxes.

Location: ATO Catalogue: P64 (CRB-10)

Title: Taxpayer compliance and the taxation office

Author(s): Speed, R.

Publication: Taxation in Australia, May, 1988

Abstract: If all the taxpayers in America filed complete and accurate returns and paid all the taxes they owed, the American budget deficit for 1987 would have been halved. This tax gap is estimated to have reached US\$100 billion per year.

The significance of the tax gap is appreciated with the realization that America has one of the highest voluntary compliance levels in the world; approximately 81% of the tax owed on income is voluntarily reported and paid. Further, this tax gap is calculated from legal sources of income and takes no account of illegal sources.

The issue now being debated in America is how to reduce the gap by improving voluntary compliance.

It is timely to consider this issue with the Statement published by the Commissioner of Taxation on the future directions for the Australian Taxation Office. The Statement is the first attempt to identify in a broad way where the Taxation Office wants to be in five years from now.

Location: ATO Catalogue: P1

Title: The effects of tax reform on tax evasion

Author(s): Wallschutzky, I

Publication: Australian Tax Research Foundation, Research Study #54, 1988

Abstract: Tax evasion occurs not simply because some taxpayers have opportunities to evade tax. It also requires a desire or motivation on the part of taxpayers to exploit those opportunities. In 1982 information was gathered so that various hypotheses about taxpayers' motivations could be tested. Since then, there have been both administrative and substantive reforms to the Australian tax system. Some of these reforms are likely to have had an impact on tax evasion. The purpose of this research was to repeat the survey work conducted in 1982 to see what effects the reforms might have had on tax evasion.

Location: CTSI Catalogue: 138

Title: Report and recommendations on taxpayer compliance

Author(s): American Bar Association

Publication: American Bar Association, 329-392, 1987

Abstract: In 1983 the American Bar Association formed a Commission on Taxpayer Compliance, consisting of lawyers, certified public accountants, social scientists and business executives. The Commission's purpose is to recommend ways of improving compliance with federal income tax laws, with the goal of reducing the tax gap. This report presents the Commission's analysis of the problem, together with its conclusions and recommendations to achieve that goal.

Location: CTSI Catalogue: 92

Title: Amnesty, enforcement and tax policy

Author(s): Leonard, H. B., & Zeckhauser, R. J.

Publication: National Bureau of Economic Research Working Paper #2096, Cambridge, December, 1986

Abstract: Amnesties are widely used in society to rehabilitate past sinners, to collect resources, such as library books, that would otherwise be unrecoverable, and to make enforcement easier by reducing the ranks of delinquents. Over the past four years, tax amnesties have emerged as a major instrument of state revenue policy. Twenty states conducted amnesties. Record collections were made by New York (\$360 million) and Illinois (income tax amnesty dollars 3.4% of collections). Amnesties took in dollars that would probably have escaped otherwise, and tax rolls were bolstered. Tax amnesties also have costs, however.

They may anger honest taxpayers, diminish the legitimacy of the tax system by pardoning past evasion, and decrease compliance by making future amnesties seem more likely.

Should the federal government, aswirl in tax reform and suffering from an estimated \$100 billion tax evasion problem, now offer an amnesty of its own? What type of federal program would most likely be offered? What would it be likely to accomplish? State tax amnesties have generally been coupled with enhanced enforcement efforts, a feature intended to preserve the legitimacy of the tax system. The amnesty/enforcement combination twists the penalty schedule, lowering it now raising it later, in that way encouraging prompt payment. With no past sins to hide, future compliance also becomes less costly, hence more probable. Any federal amnesty, we predict, would be accompanied by a strengthening of enforcement. After reviewing the state experience, we speculatively estimate that a federal amnesty/enforcement program might collect \$100 billion initially and yield a continuing increment to annual revenues in the order of \$10 billion.

Location: CTSI Catalogue: 327

Title: Maximizing tax revenue while minimizing political costs

Author(s): Rose, R.

Publication: Journal of Public Policy, 5(3), 289-320, 1985

Abstract: Tax revenue is a function of laws and administration as well as economic activity. Four different theories purport to explain revenue-raising in contemporary Western nations: universal abstractions about economic systems; national culture; tax-specific characteristics; avoiding political costs through political inertia. OECD data in taxation in Western nations since 1955 show that national tax systems do not have sufficient in common to validate universalistic generalizations. Tax-specific influences can be identified only for a few major sources of revenue. The inertia persistence of substantial national distinctiveness reflects a non-decision making approach to tax policy by politicians. The strategy is to rely primarily upon revenue-buoyant taxes authorized by past legislation rather than risk the political blame for introducing new taxes to raise large amounts of needed additional revenue.

Location: ATO Catalogue: P126

Title: Voluntary compliance and regulatory enforcement

Author(s): Scholz, J. T.

Publication: Law and Policy, 6(4), 1984

Abstract: Enforcement strategies that encourage "voluntary compliance" can improve regulatory efficiency by reducing unnecessary enforcement and compliance costs associated with legal confrontation between firms and agencies. This article analyzes the enforcement dilemma that causes confrontation and describes a "Tit for Tat" strategy capable of increasing socially beneficial cooperation. The

strategy requires agencies to be reasonable toward cooperative firms, vengeful toward cheaters, unrelenting in pursuit of chronic evaders, but conciliatory toward repentant firms. Reforms in this neglected and poorly understood part of the regulatory process could yield considerable social benefits.

Location: ATO Catalogue: P124

Title: Measuring and combating income tax evasion

Author(s): Holland, D. M.

Publication: Paper presented at the 38th Congress of the International Institute of Public Finance, Copenhagen, 1982

Abstract: This paper is concerned with that portion of income tax evasion traceable to underreporting of legal income on tax returns. We do not address the underground economy, nor do we take up other sources of tax evasion, for example overstating deductions and exemptions. That form of tax evasion that we do cover is a primary source of revenue loss. In the United States, on whose experience our discussion is based, it has been estimated that in 1981, the personal income tax revenue lost because of income underreporting by those who filed tax returns was 79 percent of revenue loss due to all forms of tax evasion (measured only for the legal sector), and between 71 and 74 percent when the illegal sector is taken into account (Egger, 1982).

Location: ATO Catalogue: P6

### **1971 – 1980**

Title: Changes in the strategic positions between the IRS and tax practitioners: Impact of the disclosure of information

Author(s): Walter, D. H.

Publication: The Tax Magazine, 58(12), 815-828, 1980

Abstract: The tax practitioner is an intermediary, in the sense that he stands between the IRS and the taxpayer. In order to come to terms with (or at least to try to understand) the changing strategic positions between the Internal Revenue Service and the tax practitioner, it is necessary to take one step back and consider the principal types of dealings that taxpayers have with the IRS, some of the tensions that currently exist in those relationships, and how these relationships are affected and shaped by the disclosure of information.

Location: ATO Catalogue: P8

Title: Income tax “Loopholes” and political rhetoric

Author(s): Bittker, B. I.

Publication: Michigan Law Review, 71(6), 1099-1128, 1973

Abstract: During the 1972 presidential campaign, federal income tax reform came unexpectedly to the foreground as a political issue in the Democratic primaries

and promised for a few weeks to play an important role in the election itself. It was soon elbowed aside by the prospect of peace in Viet Nam, charges of political espionage and corruption, and attacks on the personal attributes of the two candidates, but for a short time it actually succeeded in crowding school bussing off the front pages. To the cynic, this might in retrospect seem to be the principal accomplishment, if not the purpose, of the vivid charges that the Internal Revenue Code is riddled with loopholes and that millionaires sometimes pay less in taxes than blue-collar workers. I am inclined, rather, to believe that these grievances continued to smoulder below the surface, like the issue of school bussing, even after President Nixon and Senator McGovern turned their attention to other questions.

Location: ATO Catalogue: P37

### MISSING DATE

Title: Strategies for filing delinquent income tax returns

Author(s): Fleming, D. A.

Publication: <http://www.flemingoneill.com>

Abstract: The IRS has undertaken a nationwide effort to encourage the estimated 10 million taxpayers who have failed to file annual income tax returns to file their overdue returns, pay their tax liabilities and return to the system. This endeavor, called the Non-Filer Program, is designed to attract compliance by non-filers by assuring them that, in most cases, criminal prosecution will not be pursued, criminal penalties will not be imposed, civil penalties may be waived if reasonable cause for not filing exists, and the IRS will cooperate in creating manageable tax payment schedules and/or compromising the liability.

Location: CTSI Catalogue: 324

Title: Making it stick: Enforceability analysis

Author(s): not available

Publication: Administrative Analysis, 48-86

Abstract: Making rules is one thing. Enforcing them is another. Part of the commonsense understanding of what administration is about is carrying out decisions or enforcing rules against potential resistance or evasion. And public administration, in so far as it involves the public power and services with public good features about them, is in large part about compelling people to do what they would not do voluntarily. We saw that in the flood-control story with which we began. Chapter 1 left V's story at the point at which the provision of two services basic to human existence could hardly be secured without some degree of compulsion in requiring payment and appropriation of land.

Location: ATO Catalogue: P2

## PART 6

### THEORETICAL

#### 2001 –

Title: Introduction: Voices for change: Australian perspectives on taxation administration.

Authors: Rawlings, G., & Braithwaite, V.

Publication: Australian Journal of Social Issues, 38(3), 263-268, 2003

Abstract: This special issue seeks to reinforce recent calls for a more open and inclusive public debate about the tax system, what it should do and how it can be reformed. The voices that feature in this issue are neither representative nor exhaustive of the voices that need to be heard. But they do showcase some of the reasons why taxation gives rise to so many passions hope, despair, anger, outrage, defiance, frustration, disdain, suspicion, and deference. In neither the academic nor popular press do emotion and relationships loom large as concepts used to explain the motivations of taxpayers. But underlying all these papers lies a story about relationships between taxpayers and between taxpayers and the tax office and the thinly veiled emotions that define where these players stand in relation to each other. Institutions tend to lock actors into these positions, their views of each other and their ways of interacting becoming entrenched and habitual. Current accounts of dialogue between taxpayers and tax officers revolve around such positional plays. Consultation forums are structured around interest groups or stakeholders, the unwritten assumption being that groups should be rationally driven by outcomes that favour their own group, quite possibly at the expense of others.

Location: CTSI Catalogue: 377

Title: Cultural Narratives of Taxation and Citizenship: Fairness, Groups and Globalisation

Author: Rawlings, G.

Publication: Australian Journal of Social Issues, 38(3), 269-306, 2003

Abstract: This paper explores the relationship between culturally mediated narratives of fairness, conceptions of the state, group and individual identities, citizenship and debates about globalisation in Australian perspectives on tax administration. It is based on a qualitative analysis of 2,374 responses to a survey of attitudes to the Australian tax system. This paper emphasises that taxpayers' statements can be read as cultural acts that enrich our understanding of how people give meaning and significance to their lives. The majority of respondents reported that taxation should be levied fairly across social groups. However, this sense of fairness is being eroded by the widespread perception that the wealthy are avoiding their "fair share" of taxes. Although citizens view tax administration as increasingly unfair, there is no evidence of wholesale disengagement from the system. The majority of people believe that the tax system has legitimacy and that it can be

- reformed. There is still scope for policy innovation that reinstates a sense of fairness, equity and balance to the tax system.
- Location: CTSI Catalogue: 378
- Title: Public Wealth, Public Health and Private Stealth: Australia's Black Market in Cigarettes
- Author(s): Geis, G., Cartwright S., & Houston, J.
- Publication: Australian Journal of Social Issues, 38(3), 363-378, 2003
- Abstract: Taxes on tobacco provide a significant income for the Australian government \$5.1 billion in 2001. At the same time, health officials are making strenuous efforts to reduce smoking, particularly among teenagers. Some economists suggest that raising taxes on tobacco will produce more revenue while at the same time lowering smoking rates, particularly among youths who have less discretionary spending power than adults. But a by-product of excise tax in Australia has been the emerging market in “chop-chop,” tobacco diverted from legal channels by growers who receive considerably higher prices for a part of their yield than they can obtain from legal manufacturers. The article details this situation and suggests that only bold solutions may be able to reduce tensions in tax policies, smoking rates and the “chop-chop” black market.
- Location: CTSI Catalogue: 380
- Title: Giving tax advice: Some ethical, professional and legal considerations
- Author(s): Gould, F. J.
- Publication: Tax Notes, 209-226, 2002
- Abstract: Recent publicity regarding aggressive tax transactions, particularly transactions that have been widely “marketed” to companies, have called into question once again the ethical, professional, and legal limitations that are imposed on tax practitioners – whether accountants, financial advisers, or lawyers – in giving tax advice. Do these transactions evidence deteriorating ethical standards or inadequate professional standards? Alternatively, are these transactions simply an outcome of a tax system that encourages – whether by design or inadvertance – aggressive tax transactions? The article does not answer these questions but raises the questions in the context of existing ethical and professional standards and in the context of the tax penalty provisions of the Internal Revenue Code.
- Location: CTSI Catalogue: 345
- Title: The concept of tax culture
- Author(s): Nerre, B.
- Publication: Paper presented at the Ninety-fourth Annual Conference conducted by the National Tax Association, Baltimore, Maryland, 2001
- Abstract: In view of today’s globalisation and international coordination, and the clash of cultures and divergent tax systems they have produced, one would think national

“tax culture” to be a fashionable topic of economics and public finance (particularly of taxation). Contrary to all expectations, this is not the case. While business administration makes extensive use of the latest findings from sociology and psychology, for example, it has not been easy for “time-honoured” economics to follow this trend. The topic of tax culture introduced in this paper appears precisely at the intersection of the disciplines of economics, sociology, and history. So, as one might expect, the term tax culture is rarely found in economic literature. To fill this research gap, a working definition of tax culture will be developed, followed by a discussion of possible disturbances of tax culture.

Location: CTSI Catalogue: 344

Title: Australia’s tax treaties: A critical appraisal

Author(s): Sherman, T., & Mowbray, J

Publication: Australian Taxation Office document, 27 pages, <http://uttrfo1/uawtp+1347/-/fagview/1%20/xret1/-/ATO>, 2001

Abstract: Since the end of World War II, Australia’s approach to regulating international tax issues has been to conclude a series of bilateral treaties largely based on the OECD Model Double Taxation Convention on Income and on Capital (“the Model Treaty”). To a large extent, this approach has been a great success. However, as the effects of globalisation increase the volume of transactions with international tax implications at an exponential rate, it is important to examine whether the current system meets Australia’s needs. This paper critically examines Australia’s current approach to international tax issues by examining problems with the current system and then analysing possible solutions to those problems. It begins by asking the fundamental question of whether a series of bilateral tax treaties is in fact the best approach to Australia’s international tax issues. It then identifies specific problems with Australia’s current treaties, focusing on five areas: (1) Implications of source tax reductions; (2) Categorisation of income; (3) Problems arising from the development of e-commerce; (4) Problems associated with the “separate entity” principle; and (5) Treaty shopping issues.

Location: CTSI Catalogue: 281

Title: Frictions as a constraint on tax planning

Author(s): Schizer, D. M.

Publication: Columbia Law Review, 101, 1312-1409, 2001

Abstract: The government often uses narrow tax reforms to target specific planning strategies. Sometimes the targeted transaction is stopped. But in other cases, taxpayers press on, tweaking the deal just enough to sidestep the reform. The difference often lies in transaction costs, financial accounting and other “frictions”, which are constraints on tax planning external to the tax law.

This Article contributes a methodology for determining whether frictions will block end runs, and illustrates the effect of frictions by comparing the constructive sale rule of section 1259 with the constructive ownership rule of section 1260. These reforms use the same statutory language to target tax motivated derivatives transactions, but taxpayers have responded differently. Theoretically, taxpayers can avoid either rule through relatively modest changes in economic return. Although the strategy is common for section 1259, however, it is rarely used for section 1260 because securities dealers cannot supply the necessary derivative. Thus, if a friction blocks a transaction, the tax law does not have to block it, too. More attention to frictions is warranted, and legal academics should offer great assistance. Without a grounding in frictions, narrow reforms are unlikely to play a constructive role.

Location: CTSI Catalogue: 290

### **1991 – 2000**

Title: Harmonization of corporate income taxation in the EU

Author(s): Genser, B., & Haufler, A.

Publication: Aussenwirtschaft , Austria, 319-348, 1999

Abstract: The paper reviews the reforms in national corporate income tax systems during the past two decades and the harmonisation measures proposed and adopted in the European Union so far. It then surveys the recent empirical evidence on corporate tax competition in the EU and links it to selected theoretical results. On this basis we conclude that a recently adopted non-discrimination measure (Code of Conduct) and further efforts at curbing profit shifting strategies in multinational enterprises are desirable forms of coordination. In contrast, a harmonisation of corporate tax systems in the EU does not seem to be warranted by the empirical evidence available to date.

Location: CTSI Catalogue: 289

Title: Villages, islands and tax havens: The global/local implications of a financial entrepot in Vanuatu.

Author(s): Rawlings, G.

Publication: Canberra Anthropology, 22(2), 37-50, 1999

Abstract: This paper explores ideas of isolation, insularity and the condition of islanders whose sense of separateness has been simultaneously undermined and reinforced with the conversion of their islands into tax havens in the late twentieth century. In 1971 the British colonial authorities in the former New Hebrides (Vanuatu) implemented policies modelled on legislation in the Cayman Islands and Bermuda to turn the territory into an offshore finance centre. Between 1972 and 1974 Vanuatu's capital, Port Vila, boomed. Thirteen multi-national banks opened their offices, trust companies and international accountancy firms were established, international hotels were built and air travel facilities were greatly

enhanced. This event had profound effects on Vila's peri-urban villages such as Pango, where the author conducted fieldwork from 1995 to 1997. The use of island states as offshore financial entrepôts is a prime example of delocalisation characteristic of the contemporary globalization of capital and can therefore serve usefully as a trope in an anthropology of the post-Fordist economy. Recognising the salience of islands as discrete conduits of global capital, the author argues that the methodological shifts outlined by Marcus (1995) can provide important insights when mapping the separate, but connected, terrains of the space, place and time of islands.

Location: CTSI Catalogue: 304

Title: Enforcement Policy and Corporate Misconduct: The Changing Perspective of Deterrence Theory

Author(s): Scholz, J. T.

Publication: Law and Contemporary Problems, 60, 253-268, 1998

Abstract: The law and economics approach featured in this essay rejects the notion that misconduct is primarily a simple matter of right and wrong to be controlled by deterring misconduct. The design of legal institutions is premised on the broader goal of channeling corporate behavior in ways that enhance the general welfare. To achieve this goal, the basic assumptions of the simple deterrence model – fully informed corporations, unambiguous rules, legal penalties, and well-behaved enforcement agencies – need to be extended in the directions discussed above.

My goal is not to confirm or contradict the specific conclusions of the Calkins article, but rather to provide four additional perspectives for considering the important issues he raises. Policy debates can seldom be settled conclusively when considered from only one perspective. Each perspective emphasizes different problems, with policy implications that may conflict with implications from the other perspectives. As Calkins' essay demonstrates, the appropriate assumptions for analyzing any given problem depend on the particular characteristics of the problem and on the relative strengths and weaknesses of institutions involved in the problem setting. Designing public institutions and policies to deal with the problems of corporate error correction, cooperative enforcement, voluntary compliance, and agency accountability deserve the serious attention of practitioners and scholars alike.

Location: CTSI Catalogue: 381

Title: Tax compliance

Author(s): Andreoni, J., Erard, B., & Feinstein, J.

Publication: Journal of Economic Literature, 36(2), 818-860, 1998

Abstract: This paper provides a review of the major findings in the economics literature on tax compliance. It focuses exclusively on the personal income tax, examining both the theory and the empirical work on enforcement and compliance with the tax laws.

Location: CTSI Catalogue: 86

Title: Tax evasion and tax compliance

Author(s): Franzoni, I.

Publication: Encyclopedia of Law and Economics, in B. Bouckaert & G. de Geest (Eds.). Ghent, Edward Elger and University of Ghent, 1998

Abstract: This essay offers an overview of the theoretical and empirical research on tax evasion, delineating the variety of factors affecting noncompliance and examining possible remedies. Particular emphasis is placed on the institutional and procedural rules governing the tax enforcement policy.

Location: CTSI Catalogue: 116

Title: Influencing the prospects of tax evasion

Author(s): Elffers, H., & Hessing, D. J.

Publication: Journal of Economic Psychology, 18, 289-304, 1997

Abstract: Two proposals to enhance tax compliance are discussed within the context of the Dutch income tax. Both proposals use prospect theory and are supported by empirical data. First, it is argued that deliberate over-withholding of income taxes will further the tendency to comply. Secondly, it is demonstrated that offering the taxpayer a choice between a full, itemized deduction or a considerable overall standard deduction will enhance compliance as well as considerably reduce the efforts needed by the tax authorities to prevent income tax evasion.

Location: CTSI Catalogue: 65

Title: A critical review of the empirical research on Canadian tax compliance

Author(s): Erard, B.

Publication: Working Paper #97-6 prepared for the Technical Committee on Business Taxation, Carleton University, September, 1997

Abstract: This paper reviews the evidence on tax non-compliance and the "underground economy" in Canada, with an emphasis on the reporting activities of self-employed individuals and businesses. Indirect methods of estimating the size of the unrecorded sector are found to generate widely varying, and in a number of cases implausible, estimates of underground activity. More direct evidence from enforcement activities indicates that non-compliance varies across classes of taxpayers according to the same basic patterns observed in the United States. A major share of all tax non-compliance appears to be attributable to businesses. For both incorporated and unincorporated small businesses, much of the observed non-compliance from audits is in the form of unreported net income. In contrast, most observed non-compliance for larger corporations pertains to aggressive interpretations of the tax laws rather than income understatements.

Location: CTSI Catalogue: 331

- Title: Self-assessment and the tax audit lottery: the Australian experience  
 Author(s): Marshall, R., Smith, M., & Armstrong, R. W.  
 Publication: Managerial Auditing Journal, 12(1), 9-15, 1997  
 Abstract: This paper suggests that, as the UK moves to a system of self-assessment for determining income tax liability, it is instructive to look at the experience of Australia, where such a system has operated for the last 10 years. This paper also reports that the Australian experience identifies significant changes in the operations of accountants, the ethical pressures to which they are subject and the rise of the 'tax agent' as a specialised tax practitioner, all of which we might anticipate to be mirrored in the UK  
 Location: CTSI Catalogue: 158
- Title: Selected research methods and their application to the study of tax compliance: Some implications for policy research in the Australian Taxation Office  
 Author(s): Wearing, A.  
 Publication: University of Melbourne, 56, 1996  
 Abstract: This paper has four goals; to review some of the more widely used methods used in the study of tax compliance; to examine a selection of studies of compliance from a methodological perspective, to consider how information gained from studies of taxpayer compliance can be analysed to assess in the making of policy, and finally, to indicate briefly some possible implications of this discussion for the ATO research program.  
 Location: CTSI Catalogue: 179
- Title: An integrative model of small firm regulatory compliance  
 Author(s): Jones, S. C.  
 Publication: Michigan Christian College, 1996  
 Abstract: This paper integrates theories from Robert Merton, Icek Ajzen, Martin Fishbein and researchers in crime deterrence to help explain why firms may choose specific compliance strategies regarding legal regulation. The case of small firms is of special interest because of the intensity of pressure facing them regarding resources, regulatory overburden and industry practices.  
 Location: CTSI Catalogue: 330
- Title: Issues in Research Methods: With Reference to Income Tax Research  
 Author(s): Wallschutzky, I. G.  
 Publication: Draft, 1996  
 Abstract: "Social scientists from a variety of disciplines have sought to discover, through theoretical and empirical research, why people comply or fail to comply with federal income tax reporting requirements. The research suggests that considerations of both self interest – including both financial incentives and social sanctions – and moral commitment affect levels of compliance... Much

more work is needed...” [Roth, J.A. et al., Taxpayer Compliance Volume 1: An agenda for research, University of Pennsylvania Press, 1989, Philadelphia.]. The above extract still represents the state of play with compliance research. Much has been done but much remains to be done. Before more is attempted it might be useful to take stock of what has been achieved. In particular it might be wise to review both the approach to research in general and the research methods that have been used in compliance research.

Location: CTSI Catalogue: 95

Title: Measuring compliance levels in large business income

Author(s): Alemis, P., Balik, T., & Jackson, M.

Publication: Paper presented at the Compliance Research Conference: Measurement, Evaluation and Risk Management, Canberra, December, 1995

Abstract: This paper outlines a framework that will enable common standards and compliance measures to be understood and consistently applied by the Large Business Income line specialist teams of the ATO.

Location: CTSI Catalogue: 226

Title: Some aspects of the trade-off between due process, efficiency and equity in tax administration

Author(s): Burgess, P.

Publication: Paper presented at the Compliance Research Conference on “Measurement, Evaluation and Risk Management”, Canberra, December, 1995

Abstract: This paper is the story of two cultures: that of the economist/public administrator on the one hand and the lawyer/civil libertarian on the other. In the tax system of a democracy these cultures compete for dominance and the balance between them is constantly changing. The optimum balance, like the rainbow, is always receding into the distance yet participants in the tax system seem not to be able to resist chasing it. The tax system is of course driven by politics as well as economics and the legal system and all three driving forces are interconnected. In this paper however, politics is put to one side. Instead the relationship between efficient goals in the running of the system and considerations of due process and fairness is examined with particular reference to some recent examples.

Location: CTSI Catalogue: 222

Title: Make them happy to join the complier club

Author(s): Elffers, H.

Publication: Paper presented at the Compliance Research Conference on “Measurement, Evaluation and Risk Management”, Canberra, December, 1995

Abstract: Compliance research focuses on two topics: (1) the prevalence of non-compliance, and (2) explanation of non-compliance. This paper can be placed

in the latter tradition. Why do people comply? We propose to discuss this question in the framework of a model that is called the ‘the three thresholds model of willing-being able-daring’.

Location: CTSI Catalogue: 224

Title: Research and risk assessment: A methodology

Author(s): Nelson, M.

Publication: Paper presented at the Compliance Research Conference on “Measurement, Evaluation and Risk Management”, Canberra, December, 1995

Abstract: The importance of a service orientation which is responsive to market needs has been recognised and acknowledged by the ATO for a number of years. This orientation implies a recognition that taxpayers are clients and that the market place has distinctive characteristics which can be used to improve compliance and revenue collection. Related to this is the concept that client groups have specific needs in relation to their ability to complete their tax obligations.

To assist Large Business Income specialisation conduct comprehensive and consistent risk assessments of their industry and client groups, to manage those risks and develop strategies to address them, a model or methodology has been developed. This paper outlines the conceptual framework of the model, the role research plays in applying the methodology and anticipated corporate outcomes.

Location: CTSI Catalogue: 229

Title: Research and development at the Dutch tax and customs administration: Organisation, topics and trends

Author(s): Peereboom, S.

Publication: Paper presented at the Compliance Research Conference on “Measurement, Evaluation and Risk Management”, Canberra, December, 1995

Abstract: This paper describes the organization and the topics of Research and Development in Dutch Tax and Customs Administration (DTCA). The first chapter is dedicated to the history and composition of the Research Department and its position within the DTCA. In the next chapters a description is given of the different types of research, describing its global approach. Among the considered topics are the evaluation of tax laws, risk analysis, fraud research, communication research and research information systems.

Location: CTSI Catalogue: 259

Title: Taxpayer compliance standards and penalties: Version II signifies progress

Author(s): Sawyer, A. J.

Publication: Bulletin of the Bureau of International Fiscal Documentation, 49(11), 510-521, 1995

Abstract: In August 1994, The New Zealand Government released a discussion document entitled “Taxpayer Compliance, Standards and Penalties” (“the first discussion

document”). A commentary was provided by this author on that discussion document. The first discussion document was issued as part of the Generic Tax Policy Process, where consultation is the hallmark of tax policy refinement. The conclusion in the earlier article was that the philosophy underlying the proposals in the first discussion document was correct and that the higher penalties envisaged were needed to help raise the level of tax compliance in New Zealand. Several deficiencies were identified, including a failure to address many of the issues on the tax compliance literature.

Location: ATO Catalogue: P125

Title: A note on the tax-evading firm

Author(s): Yaniv, G.

Publication: National Tax Journal, 48, 113-120, 1995

Abstract: This note develops a general model of tax evasion applicable to any form of evasion that might be practiced by the firm. It shows that the firm’s activity level is always separable from the evasion decision, that a tax rate increase must always decrease the firm’s statement deviation from the true value of its tax base (or of a magnitude deductible from its tax base), and that the amount of tax evaded can never increase; at most, when the firm acts as a withholding agent, it will remain unchanged. The results are applied to the case of payroll tax evasion.

Location: ATO Catalogue: P73

Title: Economic analysis and taxpayer compliance: Time for a new agenda

Author(s): Baldry, J.

Publication: Australian Tax Forum, 11, 45-62, 1994

Abstract: It is 21 years since economists launched the serious study of tax evasion. In that time, there has been a good deal of refinement of theoretical models based largely on a Benthamite view of illegal behaviour, and a number of important insights into the impact of tax evasion on social welfare have been forthcoming. However, there has been little empirical assessment of the formal models, and the economic approach to the question of tax compliance seems to have had little effect on policy. This paper surveys some of the major achievements and failures of economists in this area of analysis, considers the reasons for the failures, and suggests a number of changes which are needed to make the analysis more relevant to current tax compliance issues. Most importantly, the economic models must recognise and incorporate the variety of control devices used by tax administrations, and economists should give the question of empirical assessment a higher priority. Equally though, tax administrators need to provide better information about access to data, and should let the broader academic community know of the questions it wishes to see analysed.

Location: CTSI Catalogue: 89

- Title: Administrative and compliance costs of the vat: A review of the evidence  
Author(s): Cnossen, S.  
Publication: Tax Notes, 1609-1624, June 1994  
Abstract: The value added tax (VAT), like other taxes, involves costs, both for the tax department to operate and enforce it (administrative costs) and for businesses to carry out the obligations of calculating and paying the tax (compliance costs). The magnitude of administrative and compliance costs should be an important consideration in weighing the advantages and disadvantages of the VAT and in designing the tax once the decision to adopt it has been made. These costs should also be kept under review regarding ongoing VATs. After all, as Adam Smith, in a much-quoted but highly relevant passage, noted: "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little a possible over and above what it brings to the treasury of the state."  
Location: ATO Catalogue: P64
- Title: A primer on tax evasion  
Author(s): Tanzi, V., & Shome, P.  
Publication: Bulletin, 328-337, June/July 1994  
Abstract: Tax evasion is a universal phenomenon. It takes place in all societies, in all social classes, in all professions, in all industries, in all religions and in virtually all economic systems....This paper surveys some of the sources of tax evasion and recounts how economist have attempted to provide a theoretical underpinning to them. It also discusses some of the limitations of this theoretical literature. Section III reviews the role of tax administration and sanctions in limiting tax evasion, and mentions, briefly, the relation between society at large and tax evasion. Section IV provides some concluding remarks. They are followed by an appendix that lists some of the methodologies developed for estimating tax evasion.  
Location: CTSI Catalogue: 104 (also in ATO Catalogue: P124)
- Title: Non-PAYE employment and the growth of 'independent' contractors in Australia: A review of evidence and research  
Author(s): Vandenneuvel, A., & Wooden, M.  
Publication: The National Institute of Labour Studies, The Flinders University of South Australia, 1994  
Abstract: This report represents the first stage of a larger study concerned with quantifying the extent and growth of contractor employment in Australia and providing a better understanding of the factors influencing these trends. This report sets the scene for the later work through a review of existing literature and data.  
Location: ATO Catalogue: P91

Title: Themes and issues in tax simplification  
Author(s): Cooper, G. S.  
Publication: Australian Tax Forum, 10(4), 417-460, 1993  
Abstract: ... The purpose of this paper is to review that literature [simplification] to draw out its major issues and themes. In the course of that process, I will try to identify what, in my opinion at least, are the principal shortcomings of this literature and then go on to suggest directions for future research. In other words, this paper will try to elaborate several aspects of the simplification debate to take it beyond the two areas which have dominated the agenda: the plain English movement, and the compliance cost literature.  
Location: ATO Catalogue: P70

Title: How do revenue audits affect taxpayer compliance?  
Author(s): Hasseldine, J.  
Publication: Bulletin for International Fiscal Documentation, 424-435, July-August, 1993  
Abstract: Summarizes, evaluates and reports on the existing professional and research literature on what tax audit strategies are likely to be most effective in enhancing tax compliance. Attempts to define compliance in relation to taxpayer filing of accurate tax returns in a timely manner. The effects of revenue audits on taxpayer compliance are analyzed through the following studies or models; (1) Analytical (economic deterrence) model, based on behavioral responses, (2) regression modeling, based on US data base analysis, (3) experimental studies to test propositions, (4) Survey studies, identifying actual perceptions and attitudes about relevant variables, and (5) professional literature review. Concludes that while there are limitations to transferring international research findings into other countries, research strongly suggests that people who are audited are more likely to comply than those who have not been audited, and therefore an audit program should be an integral part of efforts to encourage compliance.  
Location: ATO Catalogue: P60

Title: Self-enforcing constitutive regulation  
Author(s): Hopkins, A.  
Publication: Paper presented at the Compliance Program Workshop, Australian National University, 1993  
Abstract: The debate over the relative merits of command and control regulation and, market strategies, as means of achieving public policy goals, is misleading, since markets themselves must be constituted by regulation. This regulation must be enforced by the authorities. Market-constituting regulation will be a useful addition to the regulatory armory to the extent that it is self-enforcing, that is, if it requires relatively little effort on the part of regulators to ensure compliance. This paper looks at two arenas in which market-constituting regulation is in operation: the market in tradable emission rights in the United States and the workers' compensation system in Australia. The market-constituting regulation

in the former case is shown to be not self-enforcing, while in the latter case it is highly self-enforcing. Conclusions are drawn about the circumstances in which market-constituting regulation is likely to be self-enforcing and thus useful from the regulatory point of view.

Location: ATO Catalogue: P57

Title: Globalisation: The implications for tax policies

Author(s): Owens, J.

Publication: Fiscal Studies, 14(3), 21-44, 1993

Abstract: This article addresses only one small part of the broad theme of globalisation and tax. That is, how should governments deal with tax competition for resources which are not tied to any specific location and what measures are available to coordinate national tax policies to deal with such tax competition. This issue will be addressed from the perspective of the OECD and other highly developed countries. This perspective is appropriate since many of the problems discussed can only be resolved on a global rather than regional level.

Location: CTSI Catalogue: 248

Title: Institutional uncertainty and taxpayer compliance

Author(s): Alm, J., Jackson, B., & McKee, M.

Publication: The American Economic Review, 82(4), 1018-1026, 1992

Abstract: The standard prescription for increased tax compliance has long been more frequent audits and more stringent penalties. Recently, however, another potential government strategy has begun to emerge from theoretical analysis of the compliance decision: taxpayer uncertainty about enforcement and tax policies. This paper questions the conclusion that taxpayer uncertainty increases compliance.

Location: CTSI Catalogue: 72

Title: On measuring tax evasion

Author(s): Elffers, H., Robben, H. S., & Hessing, D. J.

Publication: Journal of Economic Psychology, 13(4) 545-567, 1992

Abstract: Reports on the measurement problem in studying tax evasion behavior of individuals. The 3 most frequently used methods in researching tax evasion (self-reports, tax officers' classification, and experimental methods) are presented. Having observed a lack of association between self-report evasion behavior and officers' classifications in a previous study (Elffers, Weigel, & Hessing, 1987), the Author(s) report a study in which the 3 measures were used on a sample of 918 Dutch taxpayers. Not only was the lack of association between self-reported behavior and officers' classifications replicated, but evasion in the experiment did not correlate with either of these. Tax evasion appears to consist of at least 3

conceptually independent aspects that need to be assessed by 3 independent measures.  
 Location: CTSI Catalogue: 50

Title: Detection probability and taxpayer compliance: A literature review  
 Author(s): Fischer, C., Wartick, M., & Mark, M.  
 Publication: Journal of Accounting Literature, 11, 1-46, 1992  
 Abstract: Concern about taxpayer noncompliance by politicians, social theorists, and scholars is not misplaced. From a policy perspective, the magnitude of the problem is considerable. The 1988 difference between taxes owed and taxes paid (the tax gap) was more than 50% of the total budget deficit for that year. Past research on how detection probability affects taxpayer compliance is reviewed and directions for future research are suggested. The 2 basic models of taxpayer compliance are the financial self interest model and the expanded model that includes non-economic variables. Many different research studies directed at learning more about the relationship between probability of detection and compliance behaviour are reviewed. It appears these studies, which used different methods, generally point in the same direction and strengthen the hypothesis that increasing the probability of detection will result in less non-compliant behaviour.  
 Location: CTSI Catalogue: 88

Title: Developing a dynamic research strategy for the economic psychological study of taxation  
 Author(s): Groenland, E. A.  
 Publication: Journal of Economic Psychology, 13(4), 589-596, 1992  
 Abstract: Three studies on taxation and tax evasion are discussed and their merits highlighted. Given the design of the studies and their implications, it seems that they call for a new paradigm of research into taxation, a Dynamic Process Tracing Approach, which takes into account both the behavioral process of becoming a tax evader and the heterogeneity of this behavioral process.  
 Location: CTSI Catalogue: 49

Title: Legitimate rackets: Tax evasion, tax avoidance, and the boundaries of the law  
 Author(s): McBarnet, D.  
 Publication: The Journal of Human Justice, 3(2), 1992  
 Abstract: Corporate crime is not the only means by which business can escape legal control. Law and legal definitions can also be used and manipulated to legally avoid both control and penalties or stigma associated with outright crime. This article analyses such 'legitimate rackets' via a study of tax avoidance practices among business and 'high net worth' individuals. It describes some of the techniques employed, analyses the difference between tax evasion (an offence)

and tax avoidance, explores the 'grey area' at the boundaries, and draws out the implications for theory and policy.  
 Location: CTSI Catalogue: 131

Title: The costs and benefits of regulation: Review and synthesis  
 Author(s): Hahn, R. W., & Hird, J. A.  
 Publication: Yale Journal of Regulation, 8(1), 233-278, 1991  
 Abstract: Hahn and Hird provide the first comprehensive analysis of the costs and benefits of federal economic and social regulation. They assess several alternative methods of measuring the effects of regulatory policies, noting the advantages and drawbacks of each. They find that previous estimates of the costs of economic regulation probably overstated the true costs by failing to distinguish between transfer payments and net charges in economic efficiency. Their study separates transfers from efficiency costs for each estimate and updates the figures for sixteen industries and seven areas of social regulation. Overall, they find that the efficiency cost due to economic regulation is large and that the benefit from social regulation is positive but small. Their study also finds a huge variation in estimates of the costs and benefits of particular regulatory policies, particularly in the transportation sector and in environmental protection. This variation indicates that most estimates may be merely "guesstimates". Nevertheless, Hahn and Hird argue that since the current political climate has increased the pressure on Congress to add regulatory burdens, the need to introduce such information into policy making has never been greater.  
 Location: ATO Catalogue: P63

Title: Blending economic deterrence and fiscal psychology models in the design of responses to tax evasion: The New Zealand experience  
 Author(s): Hasseldine, J., & Bebbington, K. J.  
 Publication: Journal of Economic Psychology, 12(2), 299-324, 1991  
 Abstract: Reviews research into tax evasion and outlines a framework of responses available to governments and/or revenue authorities in the context of economic deterrence and fiscal psychology models. The wide-ranging tax reforms set in place in New Zealand between 1984 and 1990 are described and evaluated within this framework. A brief discussion is given to the role of professional tax advisers in encouraging compliance and specifically to the issue of tax preparer penalties. It is concluded that tax policy makers must necessarily consider a blend of response options from economic and psychological models, thereby implicitly embracing both short- and long-term views of this problem.  
 Location: CTSI Catalogue: 51

Title: Taxpayer compliance: Setting new agendas for research  
 Author(s): Long, S. B., & Swingen, J. A.

Publication: Law and Society Review, 25(3), 637-683, 1991  
 Abstract: This paper reviews the rapidly expanding body of research concerning taxpayer compliance. The first section discusses recent studies undertaken by government agencies and professional societies, and sketches some parameters of the US federal income tax system. It then considers specific and definitional and measurement issues encountered by compliance researchers. Lastly, the implications of these are assessed for interpreting past studies and framing new research agendas.  
 Location: CTSI Catalogue: 11

Title: Equilibrium enforcement and compliance in the presence of tax practitioners  
 Author(s): Reinganum, J. F., & Wilde, L. L.  
 Publication: Journal of Law, Economics and Organization, 7(1), 163-181, 1991  
 Abstract: Professional income tax preparers account for over half of all individual income tax returns filed and an even greater proportion of complex returns filed (Jackson and Milliron). Of these preparers, a significant proportion are qualified to represent clients before the Internal Revenue Service. The American Bar Association Commission on Taxpayer Compliance refers to these individuals as tax practitioners: "Like preparers, practitioners can prepare and sign returns, but the term is used to distinguish them from preparers who cannot represent clients during Internal Revenue Service audits and other enforcement actions" (56). Practitioners can provide a variety of services in addition to tax preparation; they "are often consulted by taxpayers facing audits, may accompany or represent clients during the audit itself, may participate in appeals of audit decisions within the IRS and in court, and may negotiate tax payment arrangements" (Kinsey:1). Practitioners can also play a role in identifying strategies for minimizing tax liability (Klepper and Nagin).  
 Location: ATO Catalogue: P120

### **1981 – 1990**

Title: Alternative government approaches for increasing tax compliance  
 Author(s): Alm, J., Jackson, B. R., & McKee, M.  
 Publication: Draft, University of Colorado, Boulder, 1990  
 Abstract: Traditional methods for increasing tax compliance have typically emphasized greater probabilities of detection and more severe penalties on evasion. However, because there are factors other than detection and punishment that affect individual compliance decisions, there are alternative approaches available to government. For example, there is some theoretical speculation that taxpayer uncertainty, about tax and enforcement policies can affect tax compliance. In the face of such uncertainty, it is argued that a rational individual may well increase his or her compliance. Another tool that may be used to increase tax compliance is positive inducements to those found to be honest. There is some evidence from

psychology that rewards may be more effective than punishments for eliminating undesired behavior and for motivating desired behavior. Indeed, the recognition that taxes are necessary to financial government expenditures may play a significant role in many individuals' compliance decisions. The existence of these factors suggests that government may be able to affect tax compliance through channels other than greater fines and audits. However, the impact of these various approaches is not known. In fact, the effects of greater audit and penalty rates are also subject to some debate.

Location: ATO Catalogue: P60

Title: How taxpayers think about their taxes: Forms and values

Author(s): Carroll, J. S.

Publication: Draft, University of Michigan, 1990

Abstract: How often have we heard that, "nothing is so certain as death and taxes"? Taxpaying is one of the most ubiquitous activities of modern life, and a major opportunity for most citizens to relate to government. Personal income taxes are a considerable burden, in terms of money, time, and aggravation. Taxation is a major political issue: Presidents try to avoid the public's wrath yet reduce the deficit by advocating "users' fees" and "revenue sources" rather than more "taxes".

Location: ATO Catalogue: P60

Title: Compliance without control: notes from a study of tax avoidance

Author(s): McBarnet, D.

Publication: Paper presented at the Office of Tax Policy Research Conference on "Tax Law Enforcement", University of Michigan, 7-8 December, 1990

Abstract: The major concerns of this conference are how to secure tax compliance and deter non-compliance. Tax research has been dominated by the issue of non-compliance. This paper suggests, however, that deterring non-compliance and securing compliance may not be enough; that compliance, far from being a solution to regulatory problems, can itself pose a major problem for tax policy and enforcement, that we can secure compliance without control. The paper, reports some of the findings of an empirical research project on tax avoidance, and argues that the research agenda must move beyond its preoccupation with non-compliance and confront the problematic nature and regulatory challenge of compliance itself.

Location: ATO Catalogue: P75

Title: Taxing uncertain income

Author(s): Mirrlees, J. A.

Publication: Oxford Economic Papers, 42, 34-45, 1990

**Abstract:** This paper studies nearly optimal income taxation when individuals are uncertain about their wages and when the government observes individual income with errors. Given the distribution of observed wage rates, it asks how the proportion of inequality known ex ante to individuals, or the proportion of observed inequality due to errors of observation, should affect optimal taxes. The taxes compared are nearly optimal for small inequality. First approximations to optimal taxes are found for these problems and also for the many-good optimal commodity tax problems. Among other results, it is found that wage uncertainty usually decreases the optimal earnings-tax rate and that errors of observation always do.

**Location:** ATO Catalogue: P47

**Title:** Tax compliance and the use of tax information

**Author(s):** Prebble, M.

**Publication:** Australian Tax Forum, 7(2), 207-216, 1990

**Abstract:** Tax authorities in many countries commonly argue that the use of income tax information for other purposes (including the administration of welfare benefits) would have a damaging effect on voluntary tax compliance. A theoretical examination, using simple partial analysis, suggests that some effect on tax compliance is possible, but the likely magnitude of the response is small, and almost certainly less than the gains the government may make from reduced fraud in the welfare area. A quick review of experience in several administrations finds no evidence to substantiate a claim that wider use of tax information has a significant effect on tax compliance.

**Location:** ATO Catalogue: P45

**Title:** Integrating three perspectives on noncompliance: A sequential decision model

**Author(s):** Smith, K. W.

**Publication:** Criminal Justice and Behavior, 17(3), 350-369, 1990

**Abstract:** Drawing on decision research, a sequential decision-making model is outlined. The factors emphasized by three perspectives on explaining noncompliance enter the decision process at different stages because they are linked differently to more general effort-reducing procedures and because decision making about them differs in complexity. Norms require little decision effort and constrain the set of options considered in more complex decision making. Structural opportunities for successful noncompliance increase the substantive importance of compliance decisions and allow for differences in normative orientations to be realized. Deterrence decisions about the likelihood of detection are most likely undertaken by those in high opportunity situations with normative orientations toward noncompliance. Hypotheses from the model are supported by survey data on income tax compliance.

**Location:** ATO Catalogue: P120

Title: Will Australia follow the United States with tax audits?  
Author(s): Wallschutzsky, I.  
Publication: Australian Accountant, September, 1990  
Abstract: Tax audits encourage taxpayer compliance. Perhaps the experience of the US Inland Revenue Service can show the ATO how to use them most effectively.  
Location: ATO Catalogue: P48

Title: Moral suasion and taxpayers' compliance  
Author(s): Bardach, E.  
Publication: Law and Policy, 11(1), 1989  
Abstract: Some evidence suggests that certain taxpayers might increase their "voluntary" compliance with the tax laws if presented with the right "moral appeals". If such appeals were relatively inexpensive, compared to hiring more auditors, say, even small improvements in compliance would justify such efforts. However, would such appeals be "justified" in some philosophical, as opposed to economic or psychological, sense? The moral grounds for voluntary cooperation with the tax collection agency turn out, on close scrutiny, to be surprisingly narrow. Though firm, these moral grounds also contain arguably, at least one important exception.  
Location: ATO Catalogue: P34

Title: Tax evasion: Searching for a theory of compliant behaviour  
Author(s): Brooks, N., & Doob, A. N.  
Publication: Draft, 1989  
Abstract: Canadians take considerable pride in the fact that the Canadian income tax system is premised upon voluntary compliance. Whether it is in fact "voluntary" in any meaningful sense might be disputable; however, the tax system does require taxpayers to take the initiative in filing timely returns, in assessing their tax liabilities correctly, and in paying taxes when due.  
Location: ATO catalogue: P23

Title: Understanding regulatory enforcement  
Author(s): Kagan, R.  
Publication: Law & Policy, 11(2), 89-113, 1989  
Abstract: The issue of law and policy adds to the growing body of empirical case studies of decision-making and enforcement styles can be described in terms of two dimensions, one concerning the ways in which regulatory violations are defined and punished, the other concerning outcomes, described in policy evaluative terms. In explaining variation in enforcement style, existing studies point to three sets of factors: characteristics of the regulatory 'legal design'; features of agencies' 'task environment'; and the regulatory 'political environment'. Weighting the relative importance of these factors, however, is difficult because

- of the number and fluidity of variables and the adaptiveness of regulatory agencies.
- Location: CTSI Catalogue: 139
- Title: The meaning of income tax fairness
- Author(s): Kinsey, K. A.
- Publication: Paper presented at the IRS Conference on “The Impact of the Tax Reform Act of 1986”, Washington, November, 1989
- Abstract: Klott (1986) describes the Tax Reform Act (TRA) of 1986 as “the most sweeping change in the 73-year history of the federal income tax”. Although changes in federal tax law are common, the TRA was unique in that it represented a fundamental rethinking of the basics of American federal income taxation. The primary political rationale for tax reform was to restore fairness to the tax system. Public opinion polls have consistently found that citizens believe the federal income tax system to be unfair (Darnell and Gallaher, 1985), and fairness has been routinely invoked in policy debates over the years.
- Location: ATO Catalogue: P20
- Title: Compliance with the Commonwealth Income Tax in Australia
- Author(s): Levi, M.
- Publication: Of Rule and Revenue, in M. Levi. Berkeley, CA: University of California Press, 1988
- Abstract: (from the chapter) This chapter focuses on two very different kinds of compliance: (1) state government compliance with the Australian Commonwealth government’s imposition of a uniform income tax in 1942; (2) Australian citizens’ quasi-voluntary compliance with the payment of that tax. The first resulted from increased relative bargaining power of the central government vis-à-vis the states. The second declined in the 1970’s and 1980’s with increased citizen perception that the tax contract violated existing norms of fairness. By investigating these events, the chapter also deals with the relationship between the bargaining power of contemporary – and democratically elected – rulers and major tax changes.
- Location: ATO Catalogue: P47
- Title: The Compliance Costs of Personal Income Taxation – A Review of the Issues
- Author(s): Pope, J.
- Publication: Journal of Taxation Policy, Law and Reform, 6(2), 1989
- Abstract: The costs of operating an income tax system are widely recognized as comprising the collection costs to the public sector (administrative costs) and the costs imposed upon the private sector (compliance costs). Compliance costs have been referred to in other terms, such as ‘the hidden cost of taxation’ by Sandford and the ‘disguised tax burden’ by Strumpel.

Location: ATO Catalogue: P1

Title: Achieving compliance in developing countries

Author(s): Wallschutzsky, I.

Publication: Bulletin, May, 234-244, 1989

Abstract: It is difficult for tax administrations in developed countries to achieve acceptable levels of compliance with income tax laws so tax administrations in developing countries should not feel badly if they are not achieving high levels of compliance with their tax laws. Tax administrations in developed countries such as the United States have access to all the modern technology, yet only obtain voluntary compliance levels in the order of 80%. This does not mean that tax administrations in developing countries should think that it is impossible for them to achieve high levels of voluntary compliance. By learning from experiences in developed countries and by knowing more about their own taxpayers they can improve their voluntary compliance rates.

Location: ATO Catalogue: P04

Title: What factors affect voluntary compliance? The impact of tax laws, tax administration and taxpayer attitudes on taxpayer behaviour

Author(s): Witte, A. D.

Publication: Paper prepared for the Tax Compliance Workshop conducted by the Taxation Business and Investment Law Research Centre, University of New South Wales, 1989

Abstract: As a well known American once said “taxes are the price we pay for a civilized society”. Unfortunately, some people can’t figure out what price is being asked and others would like to opt out of the payment. As a result, compliance is a central issue for any self assessment tax system. ... I review work dealing with the effect of tax legislation on compliance. Section 3 contains a similar review of the literature that considers the effect of tax administration and Section 4 the research dealing with the way in which taxpayer attitudes and characteristics affect compliance. The final section summarizes the paper and draws conclusions.

Location: ATO Catalogue: P21

Title: Tax evasion and equity: A theoretical analysis

Author(s): Falkinger, J.

Publication: Public Finance, 43(3), 388-395, 1988

Abstract: In empirical research, the impact on tax evasion of perceived equity of the tax payer-government relationship is a much discussed issue. The argument is that a tax payer may view his relation to the government as an exchange relationship where taxes are paid in return for benefits from government expenditures. Tax

- evasion is a means to adjust the corresponding terms of trade with government if they are perceived to be unfair.
- Location: CTSI Catalogue: 127
- Title: Income tax compliance and sanctions in developing countries
- Author(s): Gordon, R. K.
- Publication: Bulletin, (International Bureau of Fiscal Documentation), January, 1988 (also in Bird and Oldman, *Taxation in Developing Countries*, Fourth Ed. Baltimore: Johns Hopkins University Press, 1990, 453-465)
- Abstract: There has been considerable discussion and writing concerning taxpayer sanctions and their effect on income tax compliance. In the United States, where the income tax provides almost all of the federal general revenues (excluding some security), most government officials agree that non-compliance has become a major problem. Numerous studies have indicated considerable taxpayer non-compliance, perhaps even equal to over half of the \$200 billion plus deficit. It has been argued that if compliance with existing law were improved, statutory tax increases would not be necessary. In enacting the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), Congress intended to effect improved compliance, primarily through tougher sanctions against avoidance and evasion, as a major tool in raising substantial new revenues.
- Location: ATO Catalogue: P19
- Title: Tax evasion research: Measurement strategies and theoretical models
- Author(s): Hessing, D. J., Kinsey, K. A., Elffers, H., & Weigel, R. H.
- Publication: Handbook of Economic Psychology, in van Raaij, W. Fred, van Veldhoven, & M. Gery (Eds.) (pp. 516-537). Dordrecht, Netherlands, Kluwer Academic Publishers, 1988
- Abstract: Topics covered in this chapter include: measurement strategies for tax evasion behavior / behavioral simulation measures / self-report measures / behavioral outcome measures / theoretical models of tax evasion / Struempel's model / U.S. IRS' model of taxpayer compliance / Vogel's model of taxpayer compliance / Spicer's model of tax evasion / Song and Yarbrough's model / Westat's model of taxpayer compliance / Lewis' models of income tax compliance / Groenland and Van Veldhoven's model of tax evasion / Weigel, Hessing and Elffers' social psychological model of tax evasion behavior / tax evasion research: the future.
- Location: CTSI Catalogue: 74 (also in ATO Catalogue: P124)
- Title: A note on enforcement uncertainty and taxpayer compliance
- Author(s): Reinganum, J., & Wilde, L. L.
- Publication: The Quarterly Journal of Economics, November, 1988
- Abstract: Some of the best-kept secrets in the U.S. Government are held by the Internal Revenue Service. For example, it is widely known that the IRS uses a "formula"

to help it select returns for scrutiny by examiners. This formula, called the DIF, is based on a series of special line-by-line audits conducted as part of the Taxpayer Compliance Measurement Program (TCMP), and is designed to predict, for any given return, the forthcoming additional tax and penalty, that can be expected to result from an audit; that is, it is based on a “yield criterion”. Attempts to force the IRS to reveal the DIF, or even information relating to its computation, have failed.

Location: ATO Catalogue: P120

Title: Tax practitioners and tax compliance

Author(s): Reinganum, J., & Wilde, L. L.

Publication: Special Science Working Paper #666, The California Institute of Technology, March, 1988

Abstract: We develop a model in which taxpayers, tax practitioners and a tax agency all interact to determine the extent of tax compliance. Assuming a quadratic enforcement cost function, in the case where practitioners control the reporting decision we show that either one or two equilibria exist. In the former case, more income tax is reported than would be if taxpayers did not use the practitioner, and the tax agency devotes less enforcement effort to practitioner-filed returns than to taxpayer-filed returns. Furthermore, in this case the tax agency prefers that taxpayers use practitioners. When two equilibria exist, the tax agency’s preferred equilibrium has these same properties and is always weakly Pareto optimal, so, in principle, the problem of attaining the “right” equilibrium reduces to one of coordination. However, if taxpayers and the practitioner jointly control the reporting decision, less income is reported than would be if the taxpayers did not use the practitioner.

Location: ATO Catalogue: P34

Title: Will the real noncompliance please stand up? Complexity and the measurement of noncompliance

Author(s): Smith, K.W.

Publication: American Bar Foundation, 1988

Abstract: The complexity and ambiguity of the tax laws makes measuring noncompliance problematic and in some cases indeterminate. There is general agreement that it is often difficult to determine the correct amount of tax, but the implications of this fact for research and measurement have generally been overlooked or underestimated. The author distinguishes two forms of compliance that roughly parallel facts and legal interpretation of facts.

Complexity of the record keeping requirements reduces regulatory compliance and introduces incomplete and inaccurate information. As a result there is increased uncertainty and ambiguity about the factual basis of tax determination. The ultimate criteria for measuring compliance should be what would ultimately be determined by the courts if the matters were to be litigated. Thus, compliance

measurement becomes a probability estimate of the outcome of a hypothetical litigation. Many issues of possible noncompliance fall clearly at one end or another, but researchers need to take seriously and develop means to deal with those issues in the middle of distribution. Similar problems exist in research on compliance with other regulatory laws.

Location: CTSI Catalogue: 208

Title: Are we a nation of tax cheaters? New econometric evidence on tax compliance

Author(s): Dubin, J. A., Graetz, M. J., & Wilde, L. L.

Publication: The American Economic Review, 77(2), 240-245, 1987

Abstract: In 1982, then Commissioner of Internal Revenue Roscoe Egger reported to Congress that legal sector noncompliance with the Federal Income Tax statutes generated an "income tax gap" of \$ 81 billion in 1981, up from \$ 29 billion in 1973. He further projected a gap of \$120 billion for 1985 (US Congress, 1982). Perceptions of accelerating noncompliance inspired a crisis mentality within the Internal Revenue Service, Congress, and the tax bar. The theoretical basis for the economic approach to tax compliance has, at least until recently, been inadequate, and the limited empirical work based on it is seriously flawed. In this paper we briefly review both, as well as new theoretical and, especially, empirical work on the tax compliance problem.

Location: CTSI Catalogue: 71

Title: The optimal size of a tax collection agency

Author(s): Slemrod, J., & Yitzhaki, S.

Publication: Scandainavian Journal of Economics, 89(2), 183-192, 1987

Abstract: The condition that characterizes the optimal size of a tax collection agency is derived and then given a simple interpretation in terms of excess burden. The paper clarifies an earlier finding of Sandmo which suggests that the optimal degree of enforcement is higher than a simple cost-benefit calculation would indicate. The appropriate condition is that, at the margin, the resource cost of increasing enforcement should equal the saving of excess burden due to the decline in exposure to risk. The increased revenue gained from stricter enforcement does not enter the expression because it merely represents a transfer among the economy's identical agents.

Location: ATO Catalogue: P124

Title: Understanding taxpayer behavior: A conceptual framework with implications for research

Author(s): Smith, K. W., & Kinsey, K. A.

Publication: Law and Society Review, 21(4), 639-663, 1987

Abstract: Taxpaying is a primary nexus between individual and state, and tax laws and exemplar of purposive administrative law. Our framework for research on

taxpaying emphasizes that compliance is as problematic as noncompliance, that individuals have different opportunities for both compliance and noncompliance, and that taxpaying does not necessarily involve deliberate decisions. Both the process of decision-making and the content of decisions must be studied. Four clusters of factors affecting the content of compliance decisions are material consequences, normative expectations, socio-legal attitudes and beliefs, and expressive factors. How individuals subjectively 'frame' the factors depends upon their social situations. The framework has several implications for research on tax noncompliance.

Location: CTSI Catalogue: 37 (see also ATO Catalogue: P52)

Title: Tax evasion research: A critical appraisal and theoretical model

Author(s): Weigel, R., Hessing, D., & Elffers, H.

Publication: Journal of Economic Psychology, 8(2), 215-235, 1987

Abstract : If social science is to contribute to an understanding of tax evasion behavior, it must develop accurate measures of evasion at the individual level, identify the variables associated with evasion, and construct compelling explanatory models. Toward this end, past research on tax evasion and noncompliance is reviewed with an emphasis on distinguishing between those variables that instigate the behavior and those that act as constraints against its occurrence. The conclusions of this review suggest the potential value of a social psychological model of tax evasion behavior that specifies a set of situationally defined instigations and constraints and their logically analogous counterpart within the individual.

Location: CTSI Catalogue: 263

Title: The enforcement of tax compliance: Some theoretical issues

Author(s): Boyd, C. W.

Publication: Canadian Tax Journal, 34(3), 1986

Abstract: The cost of tax evasion has been estimated to be between 5 and 20 per cent of potential revenue. There are two main ways of fighting evasion: by improving taxpayers' attitudes towards taxation, or by increasing a tax authority's ability to deter evasion. This article deals with the optimal management of one aspect of deterrence namely, expenditure on inspection.

Location: ATO Catalogue: P19

Title: Enforcement discretion and taxation offences

Author(s): Freiberg, A.

Publication: Australian Tax Forum, 3(1), 55-91, 1986

Abstract: Despite a widespread belief to the contrary, deviant behaviour is not confined to a small segment of the community but is distributed across the community. Tax evasion in Australia over recent years has operated at 2 levels – low level evasion and large-scale, organised avoidance. If little is known about the extent

of tax evasion in Australia then even less in known of the criteria for enforcement of the law, of why some cases are selected for prosecution and others are not. This article is an attempt to examine some of these discretions, their exercise and ramifications.

Location: CTSI Catalogue: 242

Title: The tax compliance game: Toward an interactive theory of law enforcement

Author(s): Graetz, M., Reinganum, J., & Wilde, L.

Publication: Journal of Law, Economics and Organization, 2(1), 1-32, 1986

Abstract: Tax noncompliance suggests at least three reasons for concern. First, revenue losses from noncompliance become particularly significant at a time of substantial budget deficits. Second, tax noncompliance may be creating a nation where citizens' disrespect for the tax laws will expand disrespect for other laws. Third, compliance is desirable because fairness in taxation requires that equals should pay equal taxes.

Location: CTSI Catalogue: 128

Title: Tax compliance research: Findings, problems, and prospects

Author(s): Jackson, B., & Milliron, V.

Publication: Journal of Accounting Literature, 5, 125-165, 1986

Abstract: Tax compliance raises issues relevant to a broad range of social science researchers in the disciplines of accounting, economics, sociology, and political science. The purpose of this paper is to facilitate future research on these issues. This paper has three objectives. The first is to design a framework for understanding past tax compliance research. The second is to discuss methodological problems that are evident from the preceding review of past compliance studies and to suggest options for improving tax compliance research. The third objective is to explore theoretical areas that may be useful for establishing a more conceptual basis for conducting future tax compliance research. In conjunction with this objective, prospect theory, deterrence theory, cognitive structure theory, and agency theory are discussed.

Location: CTSI Catalogue: 103

Title: Civilization at a discount: The problem of tax evasion

Author(s): Spicer, M. W.

Publication: National Tax Journal, 39(1), 13-20, March, 1986

Abstract: The paper seeks to review research on tax evasion undertaken in a number of disciplines. The nature and extent of the tax evasion problem is examined and the factors underlying the tax evasion decision are discussed in light of theoretical and empirical research. It is argued that economic models of evasion fail to account for empirical findings which suggest the importance of non-maximizing behavior and social norms of compliance. A simple model of tax

evasion which incorporates these concepts is discussed. Finally, implications for future research and for tax administration and policy are suggested.

Location: ATO Catalogue: P19

Title: The taming of the shrewd: identifying and controlling income tax avoidance  
 Author(s): Cooper, G.  
 Publication: Columbia Law Review, 85(4), 1985  
 Abstract: Though the income tax has been with us for over seventy years, income tax avoidance has persistently prevented the tax from reaching its ideals of equity and efficiency. Yet there has been remarkably little done to systematically study and develop an understanding of the avoidance process. A large part of studying these issues has been one of definition yet there are also issues of uncertainty. This paper addresses these issues of definition and uncertainty in relations to tax issues.

Location: CTSI Catalogue: 250

Title: The General Theory of Tax Avoidance  
 Author(s): Stiglitz, J. E.  
 Publication: National Tax Journal, 38(3), 325-338, 1985  
 Abstract: Tax laws constantly alter the opportunities for tax avoidance, but there remain 3 basic principles of tax avoidance within an income tax: 1. postponement of taxes, 2. tax arbitrage across individuals in different tax brackets, and 3. tax arbitrage across income streams facing different tax treatment. So powerful are the opportunities for tax avoidance within the current US tax structure that, under a perfect capital market hypothesis, individuals could risklessly eliminate all taxes on capital, and, with little extra effort, perhaps even eliminate all their tax liabilities. Four ways to do this are: 1. postponement of capital gains, 2. arbitraging between short-term and long-term capital gain rates, 3. indebtedness, and 4. rollovers. Tax avoidance is analyzed within a partial equilibrium model. Further analysis focuses on some of the more important general equilibrium effects, and some of the implications of the analysis for tax reform are discussed.

Location: ATO Catalogue: P04

Title: Controlling abusive tax shelters  
 Author(s): Fayle, R. D.  
 Publication: Paper presented at the Australian Tax Forum Symposium sponsored by Monash University Law School, Melbourne, 1984  
 Abstract: The paper first distinguishes between the concept of a "tax shelter" and that of "taxation expenditures". It then traces the historical development of the income tax legislation giving rise to tax shelters. The philosophy of the justification for tax shelters as a redistributive or policy matter, in the context of tax neutrality, is then canvassed. Some presently existing tax shelters are discussed. A subjective

analysis of which, if any, may abuse the system then follows. Finally, the paper provides some thoughts on the control of tax shelters.

Location: ATO Catalogue: P2

Title: Survey data on tax compliance: A compendium and review  
 Author(s): Kinsey, K.  
 Publication: American Bar Association, 1-51, 1984  
 Abstract: Public opinion polls have consistently found that dissatisfaction with taxes and the tax system has been high throughout the 1970s and 1980s. IRS audit results also indicate that a sizable proportion of returns are in noncompliance with the law, and that about 90% of return errors reflect under-compliance. Because of the scope and dimension of this problem, it is important that social scientists identify factors which affect noncompliance and evaluate potential policy alternatives for improving compliance. This paper describes the survey literature to date, focusing primarily on studies which directly measured noncompliance.

Location: CTSI Catalogue: 132

Title: Models for structuring taxpayer compliance  
 Author(s): Blumstein, A.  
 Publication: A report of the ABA section of taxation invitational conference on income tax compliance, in P. Sawicki (Ed.). American Bar Association, Washington, D. C., 159-172, 1983  
 Abstract: In this paper we set out a variety of structural concepts that characterize taxpayer compliance behaviour. The taxpayer is viewed as a “rational” person, in the sense that he is concerned with costs and benefits. Some of these costs and benefits are economic, in the strict sense of that word, but many may be associated with non-economic rewards and punishments. The taxpayer is then viewed as making decisions – especially with regard to compliance or noncompliance – to maximize his net benefits. The underlying concept is that public policies can bring about a shift towards greater compliance by manipulating the components contributing to those net benefits – for example, by changing the risk or the perception of risk of noncompliance, or by changing the level of punishment resulting from noncompliance, or by changing marginal tax rates.

Location: ATO Catalogue: P3

Title: Taxation and tax resistance  
 Author(s): Braak, H. V. D.  
 Publication: Journal of Economic Psychology, 3, 95-111, 1983  
 Abstract: In recent years social and behavioral sciences have extended their interest to topics not normally thought to be within their province. One of these topics of current interest is tax resistance, old problem indeed that continues to plague the

modern welfare state. People are perfectly willing to benefit from government services but increasingly restive about paying for them. How to cope with this tax-welfare backlash is a crucial problem for all democratic governments. Growing government deficits, for example, may in part be due to the erosion of the tax base which results from a shift to unobserved activities. The main purpose of this article is to offer a theoretical framework for their definition and explanation of tax resistance. To this end, research findings about tax compliance and tax mentality as well as theoretical work on free-riding, exchanging and gift-giving will be presented and discussed.

Location: ATO Catalogue: P122

Title: A summary of what can be learned from the experience of other countries with income tax compliance problems

Author(s): Boidman, N.

Publication: Draft (published in the Bulletin for International Fiscal Documental, 1983)

Abstract: The problem of noncompliance with national tax laws is hardly a problem unique to the United States. Virtually all of the major industrialized countries of the West, as well as advanced nations in other parts of the world, face a similar problem. Although precise figures on the extent of noncompliance in other countries are hard to come by, estimates suggest that it may be considerable.

Location: ATO Catalogue: P3

Title: Tax Avoidance and The Economy: Introduction

Author(s): Collins, D. J.

Publication: Paper presented at a conference organised by the New South Wales Branch of the Economic Society of Australia, March 4, 1983

Abstract: Public and political awareness of the existence of tax avoidance has increased in recent years, and the late 1970s and early 1980s have seen attempts by Federal Governments of both political persuasions to limit the revenue losses resulting from avoidance. It is probably fair to say the political concern with avoidance has resulted mainly from that revenue loss. The broader implications of avoidance for the efficiency of economic policy-making and for the fairness of the distribution of the tax burden have not been considered in any detail, even though ignorance of the economic implications of avoidance will certainly hinder the formulation of policies designed to correct for any effects perceived by the community to be undesirable.

Location: ATO Catalogue: P124

Title: Evasion and avoidance of U.S. taxation through foreign transactions – Some issues

Author(s): Gordon, R. A.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 339-350). American Bar Association, Washington, D. C., 1983

Abstract: This paper briefly describes the problems and issues involved in international enforcement of domestic tax laws. Although some suggestions for improvements are made, it does not appear practical at this time to pursue improvements which are not likely to occur, such as a significant increase in the resources devoted to foreign compliance.

Location: ATO Catalogue: P3

Title: A brief history of American resistance to taxation

Author(s): Haws, R. J.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 113-123). American Bar Association, Washington, D. C., 1983

Abstract: Resistance to taxation has a long history in the United States. The nation was born in the midst of a tax revolt, and the discontent over taxes has repeatedly altered the direction of American life. The cultural environment of the United States seems to have provided particularly fertile ground for tax resistance. There is a strong tradition of hostility toward government coercion, and this tradition has been aided by a history of economic growth which has limited the public's need to rely on government.

Location: ATO Catalogue: P3

Title: Non compliance with US tax law – evidence on size, growth, and composition

Author(s): Henry, J. S.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 15-112). American Bar Association, Washington, D. C., 1983

Abstract: This paper sets out to review the available evidence on the size, growth and composition of noncompliance with tax laws in the United States, in order to indicate the limits of our current knowledge, the most fruitful areas for further research, and the need for attention to corrective policies.

Location: ATO Catalogue: P3

Title: The role of sanctions in taxpayer compliance

Author(s): Mansfield, H. K.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 217-234). American Bar Association, Washington, D. C., 1983

Abstract: The variety of sanctions available to the government against tax-payers who are delinquent or worse is astounding. They range from imposition of interest

charges for underpayments through civil penalties to criminal penalties, including fines and jail sentences. A 1975 study of civil penalties catalogued sixty-four of them, and they have since been significantly increased.

Location: ATO Catalogue: P3

Title: Tax compliance versus individual privacy: A conflict between social objectives

Author(s): Miller, A. R.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.). American Bar Association, Washington, D. C., 173-190, 1983

Abstract: How can anyone disagree with the proposition that everyone should comply with the nation's tax laws? If billions of dollars in legitimate tax obligations are slipping through cracks in the collection system, it seems obviously in every taxpayer's interest that they be collected. To the law-abiding taxpayer it seems axiomatic that "since I pay my taxes, everyone else should pay theirs". This is true, even though realistically, there may be no direct advantage to the individual taxpayer.

Location: ATO Catalogue: P3

Title: On the office of taxpayer and the social process of taxpaying

Author(s): Moore, M. H.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 275-292). American Bar Association, Washington, D. C., 1983

Abstract: Defense of the liberty is the core of the American political creed. A crucial part of the creed is that individual citizens should not take too great an interest in, or expect too much from, their fellows. Since one man's scrutiny and expectations become another man's implied obligation, minding one's own business in the pursuit of liberty becomes a virtue. Gossips, noseyparkers, and tattle-tales are objects of scorn.

Location: ATO Catalogue: P3

Title: Information reporting and withholding as stimulants of voluntary compliance

Author(s): Vitez, T. G.

Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 191-216). American Bar Association, Washington, D. C., 1983

Abstract: In a study released in 1979, the IRS estimated that individual taxpayers failed to pay \$13 to \$17 billion in income taxes due on income derived from legal pursuits in 1976. This constitutes an underpayment of taxes due of about 8 to 11 percent. Unpaid taxes on income from illegal sources were estimated at \$6 to \$9 billion. Last year, IRS Commissioner Egger said that the income tax gap attributable to

the legal sector alone had tripled from \$29 billion in 1973 to \$87 billion in 1981, and he went on to say that in the absence of remedial measures the gap attributable to income from illegal activities grew from \$2.5 billion in 1973 to \$8 billion in 1981, and that, if unchecked, that gap will increase to \$13 billion by 1985.

Location: ATO Catalogue: P3

Title: What we know about the factors affecting compliance with the tax laws  
 Author(s): Witte, A. D., & Woodbury, D. F.  
 Publication: A report of the ABA section of taxation invitational conference on Income Tax Compliance, in P. Sawicki (Ed.), (pp. 133-148). American Bar Association, Washington, D. C., 1983

Abstract: In this paper we survey the literature on the factors that determine compliance with the laws on taxation of personal income. This literature includes [1] efforts to devise theoretical models to explain underreporting of income, [2] empirical analyses on the effects of personal attitudes and socioeconomic and demographic variables on taxpayer behavior that utilize data from surveys or game simulations, and [3] empirical studies of actual taxpayer behavior, using data obtained from the IRS and state revenue departments. We examine these three types of studies; then, in the final section of the paper, we summarize the insights of the literature, draw conclusions about compliance trends, and suggest further research.

Location: ATO Catalogue: P124

Title: Problems of tax avoidance in Australia  
 Author(s): Grbich, Y.  
 Publication: Paper presented at a Conference organized by the Centre of Policy Studies, Monash University, Australia (appeared in J. G. Head (Ed.), Taxation Issues of the 1980s, (Chapter 21), 413-432, 1982

Abstract: (from the chapter) ... The objective of this paper is to outline our remarkable recent tax avoidance history in Australia and critically to analyze Government tactics. It will then go on to use this as a basis for developing anti-avoidance strategies and more general strategies for practical tax reform.

Location: ATO Catalogue: P34

Title: Cheats at work: An anthropology of workplace crime  
 Author(s): Mars, G.  
 Publication: Boston: Allen & Unwin, 1982

Abstract: This is a book about crime at work. It is not, however, about crime in the normal sense. First, most of the 'criminals' do not regard what they are doing as remotely blameworthy and secondly, they appear in all respects to be no different from other people. And nor are they-since self-report studies show that between 75 and 92 per cent of us regularly add to our incomes in ways that are

technically against the law (Cort, 1959; Horning, 1970; Laird, 1950; Zeitlin, 1971).

Location: ATO Catalogue: P63

Title: A tax evasion model with allowance for retroactive penalties

Author(s): Rickard, J. A., Russell, A. M., & Howroyd, T. D.

Publication: Economic Record, 58(163), 379-85, 1982

Abstract: Discrete models of tax evasion are considered when evasion has occurred over a period of several years. Allowance is made for growth in income, investment of illicit gains from successful evasion, and the imposition of retroactive penalties. Retroactive penalties increase deterrence of evasion if introduced at a point where evasion has been continuing for some years, since the utility gain from continuing successful evasion is unaffected, whereas the utility loss increases regardless of attitude to risk. Prohibitive penalty rates are determined, and a range of penalty rates are given in which some dishonest taxpayers may become honest. The formulation of the basic model and consequent conclusions are relevant to the current Australian taxation scene.

Location: ATO Catalogue: P45

Title: The tax practitioner and professional negligence

Author(s): Baxt, R.

Publication: Taxation in Australia, 15, 582-613, 1981

Abstract: It seems there is a conspiracy on foot. The professional person – whether he was an accountant, a solicitor, a barrister, or someone occupying a more specialized position such as a merchant banker or a so-called tax adviser – might well have felt fairly secure in his or her position in the area of negligence prior to 1963. In that year the momentous and far reaching decision of Hedley Byrne Ltd. V. Heller and Partners Ltd. (referred to as Hedley Byrne) was handed down by the House of Lords. One could be forgiven (especially if one is not a lawyer) for assuming that the decision was totally irrelevant to this issue, as in that case the merchant bankers were held not liable for negligence. For they had opted out of their responsibilities by including in the advice that they had provided a clause which said that they were not responsible for the information given. But the House of Lords in an unanimous decision held that where a person in a professional capacity (and here I am interpolating slightly to “suit” my audience) gave advice, whether for reward or otherwise, to another person who expected that advice to be reliable, and the provider of the advice knew that the person receiving it was likely to rely on it, the provider would be liable for his negligence.

Location: ATO Catalogue: P40

Title: Taxation transfer pricing and the high court of Australia: A case study of the aluminum industry  
 Author(s): Crough, G. J.  
 Publication: Transnational Corporations Research Project, Faculty of Economics, the University of Sydney. Research Monograph, 14(90), 1981  
 Abstract: Between 1976-1980 a number of courts and boards were involved in a hearing between the Commonwealth Aluminum Corporation Ltd and the Commissioner of Taxation in Australia. The decision was found in favour of the company, and is one which effectively weakened the power of the Commissioner to deal with transfer pricing by transnational corporations in Australia. This paper attempts to summarise the essentials of the case and discuss some of the most important implications.  
 Location: CTSI Catalogue: 205

### **1971 – 1980**

Title: A theory of regulatory enforcement  
 Author(s): Diver, C. S.  
 Publication: Public Policy, 28(3), 1980  
 Abstract: Contemporary critics of regulation have focused primarily on the policymaking phase of the regulatory process, to the comparative neglect of the equally important enforcement function. The twin norms of due process and allocative efficiency that animate most current theories of regulatory failure provide an incomplete foundation for a theory of regulatory enforcement. Viewed from the top of the agency looking down, enforcement policy consists of behavioral adjustments to the value indeterminacies and goal ambiguities that impede the application of a rationalist paradigm. Viewed from the bottom of the agency looking up, enforcement is a process of sequential screening operations driven by the necessity to “produce” violations. That process imposes its own inherent discipline on the agency’s performance. Combining the two perspectives enables policymakers to make more discriminating use of structural, procedural, and behavioral strategies to enhance enforcement effectiveness.  
 Location: ATO Catalogue: P121

Title: Optimal tax evasion: Risk-neutral behaviour under a negative income tax  
 Author(s): Sproule, R., Komus, D., & Tsang, E.  
 Publication: Public Finance, 35(2), 1980  
 Abstract: The theoretical literature on tax evasion has two principle facets. The first identifies the general properties of tax schemes and audit procedures which optimize the detection and deterrence of tax evasion behaviour, and hence maximize government tax revenues. For example see Allingham and Sandmo [2], Kolm [4], Srinivasan [7], McCaleb [5], and Nayak [6]. The second defines

optimal tax evasion behaviour under different assumptions of risk preference. Allingham and Sandmo [2] and Yitzhaki [8] define optimal, risk-averse behaviour under a positive income tax (PIT) system. Definitions of risk-neutral behaviour under different PIT functions are provided by Srinivasan [7] and Nayak [6]. ... This paper extends Ashenfelter's definition. Included in this paper is a portrayal of the properties of the administrative system which are necessary to the operation of a NIT system, and the effect of changes in this system's parameters on the level of optimal tax evasion.

Location: ATO Catalogue: P75

Title: A note on evidence of attitudes to evasion from a sample survey

Author(s): Miller, R.

Publication: Tax Avoision, in A. Seldon (Ed.). The Institute of Economic Affairs, London, 1979

Abstract: For 10 years or more there has been increasing awareness of the growth of tax evasion and anxiety by politicians, tax-gatherers and moralists about its consequences. Its forms are generally known: payment in kind rather than in cash or cheque, payment by cash rather than cheque (or more unusually payment by cheque made payable to cash), double pricing, double (or treble) bookkeeping, moonlighting, even barter. The growth of a submerged, or grey, economy outside the familiar world of recording and accounting for income and payment of tax has recently become a subject for study and analysis by social scientists.

Location: ATO Catalogue: P39

Title: Tax avoision: Its costs and benefits

Author(s): Myddelton, D. R.

Publication: Tax Avoision, in A. Seldon (Ed.). The Institute of Economic Affairs, London, 1979

Abstract: The term 'tax avoision' includes all actions, whether legal or illegal, intended mainly to reduce tax payments. Thus giving up cigarettes for health reasons would not count as tax avoision, since avoiding the excise tax would be incidental to the main purpose. But emigrating to save capital transfer tax on death would be avoision, even if it also brought other benefits such as a warmer climate. Tax avoision can be classified in six ways, depending on the government's attitude.

Location: ATO Catalogue: P39

Title: Avoision: The moral blurring of a legal distinction without an economic difference

Author(s): Seldon, A.

Publication: Tax Avoision, in A. Seldon (Ed.). The Institute of Economic Affairs, London, 1979

Abstract: One of these new subjects to which economists have been giving increasing attention is tax avoidance and evasion. First, the legal distinction between the two is unambiguous: efforts within the law to minimize tax payments are described as tax avoidance: efforts outside the law to minimize taxes are described as tax evasion. Second, the moral distinction is, or was thought to be, equally clear.

Location: ATO Catalogue: P39

Title: A note on optimal taxation and administrative costs

Author(s): Yitzhaki, S.

Publication: American Economic Review, 69(3), 1979

Abstract: The literature on optimal commodity taxation deals with the tax rates that minimize the deadweight loss (or excess burden) of a tax system that raises a given amount of tax liabilities. A crucial assumption in this literature is that the number of taxed commodities is both given and less than the total number of commodities. This assumption partitions the set of commodities in two sets, the taxed and the untaxed. Thus, by imposing a tax the government changes the prices of every taxed commodity relative to the untaxed commodities. The tax causes a substitution effect unless the demand for the taxed commodities is completely inelastic. Optimal taxation theory finds the tax rates that minimize the effect of this substitution effect. Obviously, the minimum deadweight loss is a nonincreasing function of the size of the set of taxed commodities. In the extreme case where all commodities are taxed they can all be taxed at the same rate, so that relative prices do not change and we end up with a zero deadweight loss.

Location: ATO Catalogue: P124

Title: Tax avoidance, horizontal equity, and tax reform: A proposed syntheses

Author(s): Goetz, M.

Publication: Southern Economic Journal, 44(4), 798-812, 1978

Abstract: Few concepts in the area of taxation can generate more discussion and controversy than tax avoidance and tax reform. Debate over these issues is customarily framed in terms of the desire for or the departure from the criteria of horizontal and vertical equity. Irrespective of the usefulness of horizontal and vertical equity as guiders for policy, the concepts command a wide degree of popular acceptance and support. Recent papers by Feldstein [9; 10] and Musgrave [21] have argued that horizontal equity be reformulated in terms of utility rather than the ability to pay. Some of the implications of this reformulation are examined in this paper. In particular, it can be demonstrated that questions of tax avoidance and tax reform are inseparable from the definition of horizontal equity by employing the expenditure function [7; 18].

Location: ATO Catalogue: P42

Title: A note on income tax evasion, labor supply, and nonlinear tax schedules  
Author(s): Pencavel, J. H.  
Publication: Journal of Public Economics, 12(1), 115-124, 1977  
Abstract: The existing literature on income tax evasion lays claim to two important implications: one is that higher tax rates induce greater income declarations and the other is that increases in gross income induce a fall in the fraction of income declared. The purpose of this paper is to examine the robustness of these results with respect to three modifications of the standard model. The first involves relaxing the assumption of linear income tax schedules. The second modification is to consider an alternative form for the penalty function. Thirdly, we consider the consequences of the tax payer making a joint hours of work-income declaration decision.

Location: ATO Catalogue: P75

Title: On the theory of Tax Reform  
Author(s): Feldstein, M.  
Publication: Journal of Public Economics, 6, 77-104, 1976  
Abstract: This paper focuses on the difference between de novo tax design and the reform of existing tax laws. Issues of efficiency and equity in optimal tax reform are discussed. Principles for balancing horizontal equity and efficiency are discussed. The paper also examines critically the utilitarian criterion of social choice that has been the basis of recent theoretical studies of optimal tax design. The Haig-Simmons standard, as a principle of either design or reform, is criticized as both inefficient and inequitable in the light of optimal tax theory and the theory of tax incidence.

Location: ATO catalogue: P126

Title: Sanctions of deviance: Evidence of remaining questions  
Author(s): Tittle, C. R., & Logan, C. H.  
Publication: Law and Society Review, 7, 371-392, 1973  
Abstract: The last few years have witnessed a resurgence of interest among social scientists in the possible effects of negative sanctions in producing conformity to norms. During the first half of this century deterrence ideas were often the object of debate and research. Debate, however, was usually conducted on an ideological level, and the extant research generally suggested that punishment was of minor importance as a behavioral influence (Ball, 1955; Tappan, 1960: 243-255). As a result, many social scientists came to regard the question as either theoretically uninteresting or as empirically non-problematic.

Location: ATO Catalogue: P37

Title: Income tax evasion: A theoretical analysis  
 Author(s): Allingham, M.G., & Sandmo, A.  
 Publication: Journal of Public Economics, I, 323-338, 1972  
 Abstract: Theoretical analysis of the connection between taxation and risk taking has mainly been concerned with the effect of taxes on portfolio decisions of consumers, Mossin (1968b) and Stiglitz (1969). However, there are some problems which are not naturally classified under this and which, although of considerable practical interest, have been left out of the theoretical discussions. One such problem is tax evasion. This takes many forms, and one can hardly hope to give a completely general analysis of all these. Our objective in this paper is therefore the more limited one of analyzing the individual taxpayer's decision on whether and to what extent to avoid taxes by deliberate underreporting. On the one hand our approach is related to the studies of economics of criminal activity, as eg. In the papers by Becker (1968) and by Tulkens and Jacquemin (1971). On the other hand it is related to the analysis of optimal portfolio and insurance policies in the economics of uncertainty, as in the work by Arrow (1970), Mossin (1968a) and several others.  
 Location: ATO Catalogue: P75 (also in CTSI Catalogue: 152)

### MISSING DATE

Title: Willingness to pay: Taxation and tax compliance  
 Author(s): Mitchell, C. N.  
 Publication: The Memphis State University Law Review, 15, 127-178  
 Abstract: Tax authorities in many countries commonly argue that the use of income tax information for other purposes (including the administration of welfare benefits) would have a damaging effect on voluntary tax compliance. A theoretical examination, using simple partial analysis, suggests that some effect on tax compliance is possible, but the likely magnitude of the response is small, and almost certainly less than the gains the government may make from reduced fraud in the welfare area. A quick review of experience in several administrations finds no evidence to substantiate a claim that wider use of tax information has a significant effect on tax compliance.  
 Location: ATO Catalogue: P11

Title: "Voluntary self-assessment"? The unwilling extraction of taxpayer information  
 Author(s): Berger, C. J.  
 Publication: University of Pittsburgh Law Review, 42, 759-  
 Abstract: The 1980 tax season has produced more than 95 million individual returns. This annual tax-paying ceremony might well be viewed as a uniquely American ritual. We – citizen taxpayers – religiously gather our records, compute our liability, and send off our returns and final payment. Justice Blackmun recently extolled this unparalleled example of good citizenship. He wrote of the "good faith

and integrity” of every potential taxpayer. Our collective honesty, he suggested, provides the essential lubricant for the revenue-reaping machine. Without it, our government would not have the means to operate.

Location: ATO Catalogue: P2

Title: Alignment of taxable income with accounting profit

Author(s): Porcano, T. M., & Tran, A. V.

Publication: Draft manuscript (published in Australian Tax Forum, 10(4), 475-509)

Abstract: Conformity of tax and financial accounting appears to be a desirable objective. Potential benefits are increases in simplicity, certainty and equity. However, the opposite results are possible, increases in complexity, uncertainty and inequity. Other variables also are affected. This paper explores various conformity issues. It presents a brief overview of the objectives of tax and financial accounting and a brief historical review of the issue in the U.S.A. and Australia. The literature review provides an overview of studies which might affect the conformity issue and based on this review implications of conformity are discussed.

Location: ATO Catalogue: P122

## PART 7

### CTSI RELATED

#### 2001 –

Title: A Social Categorisation approach to distributive justice: Social identity as the link between relevance of inputs and need for justice

Author(s): Wenzel, M.

Publication: British Journal of Social Psychology, 40, 315-355, 2001

Abstract: What are relevant inputs or criteria for judging entitlements in a given situation? As will be argued, an answer to this central problem of distributive justice must consider the perceiver's self-definition and structuring of the social context, in terms of social categorisations. The construal of the primary category of potential recipients is particularly important as its prototypical dimensions are likely criteria for entitlement judgements. Its representation depends on the perceiver's salient identity. Two studies yielded support for this perspective. In study 1, students regarded their psychology department's distinctive quality as more important for psychologists than an outgroup's quality. When highly identified, they perceived a psychologist who outperformed another on the ingroup quality to have a higher entitlement to a job. In study 2, German participants regarded the European Union's (EU) denial of EU membership to Turkey as more just, the more prototypically European they thought Germany was, in contrast to Turkey; and, in turn, they did so, the more strongly they identified as Germans. The findings suggest that relevance of inputs and, thus, the justice motive, are based on identity concerns.

Location: CTSI Catalogue: 294

Title: Public trust and confidence in legal authorities: What do majority and minority group members want from the law and legal institutions?

Author(s): Tyler, T.R.

Publication: Behavioral Sciences and the Law, 19, 215-235, 2001

Abstract: Discussions of public trust and confidence in the police and the courts often assume that the key to public feelings is the public's evaluation of the outcomes that the public receives from these legal authorities. In the case of the courts, discontent is often assumed to be linked to issues of cost and delay – instrumental concerns about the outcomes delivered to the public by the courts. In the case of the police, the inability to effectively control crime is frequently seen as driving public evaluations. This article presents an alternative procedural justice based model that links public trust and confidence to views about public evaluations of institutions and authorities. It is argued that the key issue that shapes public views is a process based evaluation of the fairness of the procedures that the police and courts use to exercise their authority. Analyses from several studies exploring the basis of public views support this procedural

justice based model of public evaluation. In addition, the results provide suggestions about the elements of procedures that are central to public judgments about their fairness.

Location: CTSI Catalogue: 264

Title: Trust and law abidingness: A proactive model of social regulation

Author(s): Tyler, T.R.

Publication: Boston University Law Review, 81(2), 361-406, 2001

Abstract: The purpose of my research is to look at how members of the public experience the social regulatory activities of the police and the courts. In particular, I am concerned about the experiences of the members of two minority groups – African American and Hispanics. My goal is to explain the implications of my findings for models of policing and of court administration. These models focus of finding effective ways to regulate social behavior.

Location: CTSI Catalogue: 263

Title: Conflicts, diplomacy and the psychology of justice

Author(s): Wenzel, M., & Mikula, G.

Publication: Diplomacy and Psychology: Prevention of Armed Conflict after the Cold War, in T. Garling, G. Backeurok-Osako, B. Ekehammer, & Johnson, L. (Eds.). Cambridge, Cambridge University Press, 2001

Abstract: It is argued that justice plays multiple roles in the dynamics and diplomacy of international conflicts; namely as a trigger that elicits conflict, an argument in the course and resolution of conflicts, and a basis for commitment to the resolution. These functions are discussed with respect to 3 key areas of conflict prevention: early warning and early action, mediation and reconciliation. Perceptions of justice involve categorization processes and attributions that link justice with social identity. Parties with contrasting roles and identities are likely to disagree about justice. An analysis of their intergroup relations may provide early warning cues and suggest early actions. Reference to justice implies a shared inclusive identity. Where such an inclusion is not given, too threatening or unattainable, mediation may focus on a pragmatic resolution through exchange of concessions. When an inclusive identity can be assumed, mediation needs to focus on its consensual representation, implying a shared understanding of justice. Justice of the resolution process and outcome increases acceptance and commitment to the resolution. Where the ending of the conflict was not based on justice notions, a consensus on justice and inclusive identity need to be addressed in a subsequent process of reconciliation.

Location: CTSI Catalogue: 293

**1991 – 2000**

Title: Justice and social conflict  
 Author(s): Mikula, G., & Wenzel, M.  
 Publication: International Journal of Psychology, 35(2), 126-135, 2000  
 Abstract: This article analyzes possible effects of ideas of justice, and the use of justice arguments on the emergence, course, and resolution of social conflicts. Four functions of justice are identified: (1) ideas of justice and perceptions of injustice can elicit or evoke social conflicts; (2) justice arguments and rhetorics can be used to support one's own position in a dispute; (3) the basic value and the principles and rules of justice can restrict social conflicts and help to generate ways of conflict resolution; (4) the labeling of conflict resolutions as just can increase the acceptance of the resolution. The analysis is illustrated by making reference to a recent case of international conflict and diplomatic controversy.  
 Location: CTSI Catalogue: 292

Title: Justice and identity: The significance of inclusion for perceptions of entitlement and the justice motive  
 Author(s): Wenzel, M.  
 Publication: Personality and Social Psychology Bulletin, 26(2), 157-176, 2000  
 Abstract: After considering the role of identity in justice concerns, predictions derived from a categorization approach to distributive justice and Tyler et al.'s group value theory of procedural justice were tested. Both approaches stress the role of one's identity in terms of an inclusive self-category. In a longitudinal study, set in the context of the German unification process, East Germans (n=179) were interviewed at two time points at an interval of 1 year. Cross-sectional and cross-lagged panel analysis yield empirical evidence for the categorization approach. Perceived entitlement was based on the inclusive self-categorisation as Germans, and at the second time point, perceived injustice led more to social protest the more strongly respondents categorized themselves as Germans. The predictions of group value theory were not supported. Explanations for the results focus on the role of the wider social context and contextual meanings of inclusive social categories.  
 Location: CTSI Catalogue: 295

Title: Social identity, personality and the self-concept: A self-categorisation perspective.  
 Author(s): Turner, J., & Onorato, R.  
 Publication: The Psychology of the Social Self: Applied Social Research, in T. Tyler, R. Kramer, M. Roderick & O. John (Eds.), (pp. 11-46). Hillsdale, NJ, Lawrence Erlbaum: 1997  
 Abstract: Considers the implications of self-categorization theory for the problem of conceptualizing the structure and functioning of the social self. The authors first

summarize some major themes (assumptions, hypotheses) in the currently dominant view of the self in social psychology. They then seek to show how self-categorization theory qualifies, rejects, or otherwise challenges these ideas, as a way of outlining a different view or model of the self. Finally, the authors consider the extent to which the self-categorization analysis of the self deals with or is contradicted by the evidence that sustains the existing view. Specific issues addressed include: the self as personality; the self in intergroup relations; social identity and self-categorization theories; a self-categorization perspective on the self; and individuality, stability, and consistency in self-conception.

Location: CTSI Catalogue: 118

Title: Can Government Facilitate Cooperation? An Informational Model of OSHA Enforcement

Author(s): Scholz, J. T., & Gray, W. B.

Publication: American Journal of Political Science, 41, 693-717, 1997

Abstract: Direct participation in regulatory enforcement allows complainants to control bureaucratic activities without reducing efficiency. Worker-initiated OSHA inspections reduce workplace injuries by 4-6%, while OSHA-initiated inspections reduce injuries by 3-4%. But direct participation depends on a secure citizenry – workers with more job security in larger, unionized plants complain more frequently with greater impact. Furthermore, efficiency depends on politics, since political opposition prevents OSHA from gathering workplace injury data that could double the impact of OSHA-initiated inspections.

We compare the impact of inspections on the injury experience of 6,842 plants during 1979 – 1985 in order to analyze alternative institutional arrangements affecting collective choice about workplace safety. We synthesize the political empowerment and market-failure theories of regulation using Hirschman's concepts of exit and voice: complaint inspections strengthen workers voice within the workplace, while programmed inspections strengthen exit or price mechanisms by focusing managerial attention on price-related aspects of safety.

Location: CTSI Catalogue: 362 (also in ATO Catalogue: P125)

Title: A survey to investigate the decision-making processes of government investigators

Author(s): Hite, P. A., & Sawyer, A.

Publication: Draft, 1996

Abstract: The following is a summary of the descriptive statistics for each question presented in the survey given to employees of the Inland Revenue Department during June 1996. All of the variables were examined to see if responses differed by work assignment (Business Link, Business Direct, personal Customer Service, and Corporates), by region (Northern, Southern, Central, and Waikato), by gender, by experience as a team leader (yes or no), and by years of experience with IRD (below the 10 year median or 10 years and above). Overall, these

- factors did not have a strong impact on results. Nonetheless, whenever statistically significant differences ( $p < .05$ ) were found, they are reported.
- Location: CTSI Catalogue: 299
- Title: Punishment and behaviour change: An Australian Psychological Society Position Paper
- Author(s): Sanson, A., Montgomery, B., Gault, U., Gridley, H., & Thomson, D.
- Publication: Australian Psychologist, 31(3), 157-165, 1996
- Abstract: In view of recent trends in Australia and overseas towards an increased reliance on punishment as a primary response to crime, this paper reviews the psychological research evidence on the efficacy of punishment, and considers alternatives to present trends. It discusses the circumstances under which punishment has positive and detrimental effects, and the limited ability of the justice system to deliver punishment in a manner which might achieve the goals of rehabilitation and deterrence against re-offence.
- Location: CTSI Catalogue: 111
- Title: Self-esteem and shame: Unlocking the puzzle
- Author(s): Scheff, T.
- Publication: Individuality and Social Control: Essays in Honor of Tamotsu Shibutani, in R. Kwan (Ed.), (pp. 143-165). Greenwich JAI Press, 1996
- Abstract: (from the Chapter) Scheff focuses on the emotional components of self-esteem. Existing studies leave out this component, implying that self-esteem is entirely cognitive and behavioural. Scheff questions how it is possible that emotion could be left out of both popular and scientific studies of self esteem and he argues that ignoring emotions has been established as an institution in Western civilization. His definition of self-esteem seeks to overcome this practice, by centering on emotion.
- Location: CTSI Catalogue: 112
- Title: The compliance costs of taxation
- Author(s): Talib, A. A.
- Publication: Bulletin for International Fiscal Documentation, 50(9), 418-421, 1996
- Abstract: Tax compliance research is an important research area for policy making. Notwithstanding this, studies on the compliance costs of taxation have until lately attracted only a few academic researchers. Possible reasons are the high financial costs and the length of time involved in conducting surveys of taxpayers and analyzing the ensuing data. Since the costs, in terms of time and money, are high, the quality of output also needs to be high for such research to be worthwhile.
- Location: ATO Catalogue: P69

Title: Games of engagement: Postures within the regulatory community  
 Author(s): Braithwaite, V.  
 Publication: Law & Policy, 17 (3), 1995  
 Abstract: This paper seeks to advance understanding of compliance through identifying the constituent elements of four empirically derived postures of regulatees: resistance and disengagement (associated with non-compliance), and managerial accommodation and capture (associated with compliance) (V. Braithwaite et al. 1994). The nature of these postures is investigated through two theoretical frameworks, Meidinger's (1987) notion of regulatory culture (and the construct of social bonds) and Merton's (1968) modes of adaptation (and the construct of commitments to institutional goals and means). Social bonds and commitments to goals and means are important for explaining resistance, disengagement and managerial accommodation. In the case of capture of the regulatees, social bonds are more important than commitments to goals and means. The findings counsel regulatory agencies to establish trust and respect in the regulatee-regulator relationship.  
 Location: CTSI Catalogue: 260

Title: Using non-governmental resources to foster regulatory compliance  
 Author(s): Grabosky, P. N.  
 Publication: Governance, 8(4), 527-50, October 1995  
 Abstract: The 20th century has seen a drastic change in the face of the public sector. Governments have become increasingly reliant upon private forms for the conduct of public business. The concern which this has caused amongst some observers is not misplaced; the risk of failure and erosion of accountability was noted above. But with these risks come new potentials and opportunities: the possibility of achieving more efficient, effective and democratic outcomes.  
 Location: CTSI Catalogue: 371

Title: Informal sanction threats and corporate crime: Additive versus multiplicative models  
 Author(s): Elis, L. A., & Simpson, S. S.  
 Publication: Journal of Research in Crime and Delinquency, 32(4), 399-424, 1995  
 Abstract: Examined the degree to which decisions to engage in corporate crime are affected by perceived informal sanction threats. Survey data from 81 MBA students measured S's intent to commit a violation described in a scenario (price fixing, bribery, manipulation of sales statistics, violation of emission standards), which included a set of dimensions with specific levels (e.g., characteristic of the manager) thought to influence corporate crime judgments. Perceived formal sanction threats at the individual and firm levels and moral beliefs concerning the illegal activity were included as control variables in the analysis. Results suggest that the perceived risk of informal detection and the perceived social costs of informal detection do not decrease levels of intended behavior in either

an additive or multiplication fashion. Informal saction certainty, perceived immorality of the act, and several individual- and firm-level characteristics were significantly related to offending decisions.

Location: CTSI Catalogue: 22

Title: Compliance research: Interest income

Author(s): Jungwirth, R.

Publication: Paper presented at the Compliance Research Conference on “Measurement, Evaluation and Risk Management”, Canberra, December, 1995

Abstract: Compliance on interest income prior to the mid-1980s was generally based on broad estimates of revenue forgone by non-disclosure, from information gathered over a number of years by the ATO. The Compliance and Industry Research Unit has since run a research project to measure taxpayer’s voluntary compliance on interest income for the income year that ended 30 June 1986. In order to measure changes in compliance a similar exercise was run in regard to the 1992 income year.

Location: CTSI Catalogue: 220

Title: Behavioural research synopsis

Author(s): Williams, R.

Publication: Australian Taxation Office, Sydney, 1995

Abstract: This paper summarises and evaluates some of the significant compliance behaviour research literature that has been published over the last 20 years with particular emphasis on research that is relevant to large corporations. Its purpose is to provide a base of knowledge which can be used as a springboard for future LBI behavioural research.

Location: CTSI Catalogue: 170

Title: Estimating deterrence effects: A public choice perspective on the economics of crime literature

Author(s): Benson, B. L., Kim, I., & Rasmussen, D. W.

Publication: Southern Economic Journal, 61(1), 161-168, 1994

Abstract: The simultaneous equations models employed in the economics-of-crime literature often yield results that some critics use to justify rejection of the deterrence hypothesis. Specifically, the probability of arrest frequently is not positively related to aggregate police resources even though crime rates are negatively related to the probability of arrest. However, this literature has ignored police bureaucrats’ incentives, the tremendous range of activities police perform, and the discretion police have in allocating their resources. Consideration of these factors implies that an increase in aggregate police resources does not necessarily increase the probability of arrest for any particular crime categories.

Location: ATO Catalogue: P124

Title: Regulatory styles, motivational postures and nursing home compliance  
 Author(s): Braithwaite, V., Braithwaite, J., Gibson, D., & Makkai, T.  
 Publication: Law & Policy, 16(4), 1994  
 Abstract: Using Kagan and Scholz' (1984) typology of regulatory noncompliance, this study examined the perceptions of regulators and regulatees toward the regulatory encounter to predict subsequent compliance with nursing home quality of care standards. Appraisals of both regulators and regulatees were not driven by motivational analyses of each other's actions, but rather by assessments of performance and social group identity.

Location: CTSI Catalogue: 261

Title: Estimating the impact of regulatory program enforcement: Practical implications of positive political theory  
 Author(s): Langbein, L. I.  
 Publication: Evaluation Review, 18(5), 543-573, 1994  
 Abstract: The most common model for estimating the impact of regulatory program enforcement on intended outcome is based on a standard version of deterrence theory. The corresponding estimating equation regards the amount of noncompliance by a firm as a linear function of enforcement by the regulatory agency, holding a variety of other variables constant. This article shows, based on recent theories in formal political science about how regulatory programs are likely to be implemented, that an equation of this form is likely to produce biased estimates. Specifically, the literature implies that the function should probably be a second-degree polynomial; that it should be two simultaneous equations, with one for compliance and one for enforcement; and that relevant equations should include variables that characterize the political coloration of the local area in which enforcement and compliance decisions are made. The general conclusion is that theory and method cannot and need not be separated. Evaluators of regulatory programs who overlook formal models of regulatory program implementation and who rely on outmoded models of deterrence will produce incorrect findings about the effectiveness of those programs.

Location: ATO Catalogue: P85

Title: The Superannuation Guarantee Charge: What do we know about its aggregate impact?  
 Author(s): Bateman, H., & Piggott, J.  
 Publication: Discussion Paper, School of Economics, University of New South Wales, 1993  
 Abstract: This paper assesses our knowledge about the impact of Australia's recent superannuation guarantee charge (SGC) legislation on three important economic aggregates: Labour costs, saving, and revenue cost.

Location: ATO Catalogue: P57

Title: Equality as a decision heuristic

Author(s): Messick, D.

Publication: Psychological Perspectives on Justice: Theory and Application, in J. Barron & B. Mellers (Eds.), (pp. 11-31). Cambridge, Cambridge University Press, 1993

Abstract: In this chapter, Messick proposes to examine the concept of equality or equal division as a heuristic that is used to facilitate decision-making in situations involving the allocation of good and bad. The focus of the chapter is the individual cognitive processes involved when a person must make a decision about how some resource or cost should be allocated.

Location: CTSI Catalogue: 126

Title: Fairness in groups: Comparing the self-interest and social identity perspectives

Author(s): Tyler, T., & Dawes, R.

Publication: Psychological Perspectives on Justice: Theory and Application, in J. Baron & B. Mellers, (Eds.), (pp. 87-108). Cambridge, Cambridge University Press, 1993

Abstract: The central question to which this chapter is addressed is whether attitudinal and behavioural constraints can be explained in terms of egoistic incentives. One possibility is that individual and cultural acceptance of fairness norms involves the sacrifice of small egoistic payoffs in order to achieve the larger egoistic gains that can be accrued by living in a society in which the actions of all are constrained by the norms of fairness.

Location: CTSI Catalogue: 124

Title: The design and stability of the social contract and incentives to obey the law

Author(s): Weikard, H.

Publication: Paper presented at the 49th Congress, International Institute of Public Finance, Berlin, 1993

Abstract: A social contract is a general agreement on the institutions of society. An important part of it deals with the resolution of conflicts. Two basic types of conflict situations can be distinguished: conflicts in long-standing relationships and conflicts in "one-shot" situations. The role of the state is different in both situations. In long-standing relationships it is possible for the individuals to reach efficient agreements. The agreements reached will reflect the differences in power of the conflicting parties. The role of the state is to limit the use of power in the bargaining process. The state acts as an arbitrator of bargaining positions in order to guarantee standards of fairness. In one-shot situations inefficiencies are likely to occur. A well-known example is the prisoners' dilemma. A general rule to cooperate will not be viable unless it is enforced from outside. Here, the state is an enforcement agency. The threat to be punished gives an incentive to cooperate. The state's concern is to find an optimal

punishment scheme which should take into account fairness and efficiency considerations. This issue is dealt with by analysis of a formal model.  
 Location: ATO Catalogue: P121

Title: Trust, cooperation and human psychology  
 Author(s): Blackburn, S  
 Publication: Trust and Governance, in V. Braithwaite & M. Levi (Eds.), (pp. 28-45). Russel Sage Foundation, New York, 1992

Abstract: Trust and cooperation concern everyone. A search in the major journals database under the two words gives results from journals of architecture, dentistry, economics, education, law, and music as well as politics, psychology, and philosophy. Why philosophy? It may not at first be clear what specifically philosophical questions such concepts raise. In thinking about them we seem to be in the domain of the social psychologist, who can do empirical research on the existence of trust, or the economist, who can measure its effects, for instance, on the costs of making various transactions. But there are deep currents in the modern world that suggest that cooperative relations are in some way surprising, unnatural, and in need of explanation, whereas there is nothing surprising or difficult to understand about adversarial relations. Part of this sense, of course, is the legacy of a century of the mutual interaction of popular Darwinism, with its metaphors of competition and struggle, and neoclassical economics, with its model of the self-interested consumer. But part is the result of a certain conception of rationality. This conception may, indeed, grow only in the soil of the Darwinian ideology, but it then exerts its own authority.

Location: CTSI Catalogue: 121

Title: Trust in the public sector: individual and organizational determinants  
 Author(s): Carnevale, D. G., & Wechsler, B.  
 Publication: Administration and Society, 23 (4), 471-494, 1992

Abstract: Trust has major theoretical and practical significance for the study of public organizations (Nachmias, 1985). For example, scholars have suggested that trust is an integrative mechanism that creates and sustains solidarity in social systems (Barber, 1983; Blau, 1964) and provides the "lubrication" that makes it possible for organizations to work (Bennis & Nanus, 1984). Specifically, research shows that groups possessing high levels of trust are more effective in problem-solving situations (Zand, 1972). Trust enables effective performances because it encourages the exchange of relevant information and determines whether team members are willing to allow others to influence their decisions and actions (Boss, 1978). In short, trust is essential for facilitating group accomplishment (Friedlander, 1970).

Location: ATO Catalogue: P126

Title: Corporate governance and the impact of legal obligations on decision making in corporate Australia  
Author(s): Tomasic, R., & Bottomley, S.  
Publication: Australian Journal of Corporate Law, 8 (1), 1992  
Abstract: This article reports upon an empirical study of the place of law and legal duties in the governance of Australian public companies. The debate concerning the legal duties and obligations of management of corporations has become quite heated in Australia and elsewhere following the corporate excesses of the 1980s and the collapse of numerous corporations which took advantage of the ready availability of debt and equity funds during that time. These corporations also exploited the looseness of the legal rules for the control of business and weak regulatory structures to the disadvantage of shareholders, creditors and the ordinary taxpayer. This article therefore examines a variety of issues related to corporate governance in Australian public companies and the impact upon these companies of wider notions of corporate citizenship and social responsibility.  
Location: ATO catalogue: P77

Title: Large-scale fraud and organised crime  
Author(s): Duyne, P.  
Publication: Paper presented at the 2nd Liverpool Conference on “Fraud, Corruption and Business Crime”, University of Liverpool, 1991  
Abstract: Organized crime has been increasingly attracting the attention of governments and law enforcement agencies in industrialised countries. They have focused their attention on world wide drug trafficking of international criminal organisations such as the Mafia. This paper suggests that this focus is very one-sided, and that empirical research suggests that the image of a highly organised and hierarchical drug syndicate is questionable. Instead, drug trafficking is less well organised and other branches of criminal activity should be included. The author thus argues that organized business crime should not be considered as different from other forms of organised crime as it requires well structured criminal organization.  
Location: CTSI Catalogue: 202

Title: Legal ambiguity and the politics of compliance: Affirmative action officer's dilemma  
Author(s): Edelman, L. B., Petterson, S., Chambliss, E., & Erlanger, H. S.  
Publication: Law and Policy, 13(1), 73-97, 1991  
Abstract: Equal employment opportunity and affirmative action mandates, like many other laws regulating organizations, do not clearly define what constitutes compliance. Thus compliance depends largely on the initiative and agenda of those persons within organizations who are charged with managing the compliance effort: in the case of civil rights, “affirmative action officers.” This paper draws on case studies of affirmative action officers to suggest that the political climate within

which affirmative action officers work, together with the officers' interpretations of the law, their role conceptions, and their professional aspirations have important implications for the nature and extent of organizational compliance with the law. We conclude that compliance should be understood as a process that evolves over time rather than as a discrete event or non-event.

Location: CTSI Catalogue: 69

Title: The choice of target populations

Author(s): Ingram, H., & Schneider, A.

Publication: Administration and Society, 23(3), 333-356, 1991

Abstract: Public policy almost always seeks to change the behavior of one or more target populations who are ostensibly linked to the problems the policy is seeking to address. This paper argues that statutory designers and agency officials almost always have a choice from among several potential target groups, and that institutional factors often influence them to make inappropriate choices. Statutory designers, who it is assumed are sensitive to electoral conditions, will tend to oversubscribe, excluding some target groups who would contribute considerably to achievement of policy goals. The institutional conditions and incentives faced by agencies differ from those of elected officials. Therefore, they tend to target policies differently. Under some conditions, agencies will attempt to correct problems introduced by statutory designers when agencies have a high degree of professionalism and receive budgets and other rewards on the basis of "value added" evaluations.

Location: ATO Catalogue: P124

Title: Cooperative regulatory enforcement and the politics of administrative effectiveness

Author(s): Scholz, J. T.

Publication: American Political Science Review, 85(1), 1991

Abstract: Even when political interests control bureaucratic outputs, the control of policy outcomes is complicated by trade-offs between controllable versus effective implementation strategies. I use a nested game framework to explain why a cooperative strategy can increase enforcement effectiveness in the narrow administrative game and why principal-agent control problems and collective action problems associated with the strategy lead policy beneficiaries to oppose the effective strategy in the broader political games. Analyses of state-level Occupational Safety and Health Administration enforcement provide evidence that cooperation does not enhance the impact of enforcement in reducing workplace injury rates but that policy beneficiaries oppose and sabotage cooperation. The interactions between administrative effectiveness and interest group politics in this and other implementation situations require that both be analyzed simultaneously, and the nested game framework can provide a systematic approach to such analyses.

Location: ATO Catalogue: P120

Title: The nature of interactions in regulatory settings and their effects on citizens' evolutions and decisions

Author(s): Smith, K., Stalans, L., & Kinsey, K.

Publication: American Bar Association, 1991

Abstract: Using Felstiner, Abel, and Sarat's (1981) framework for the transformation of disputes, we propose to test hypotheses drawn from two competing perspectives on encounters between citizens and authorities in regulatory and bureaucratic settings. These hypotheses concern how the styles of authorities and citizens shape the nature of their interactions, the outcomes of the encounters, citizens' evaluations of procedural justice, and their decisions about appealing. Both perspectives recognize that authorities and citizens bring certain propensities and expectations to the encounter; they differ on the stability of the authorities' propensities once the interaction begins. The research on procedural justice and some of that on regulation focus on the effects of authorities' enforcement styles on outcomes and citizens' evaluations. This research implicitly has a "dispositional" perspective which assumes that the authorities have stable styles of interaction that are exogenous to specific encounters. In contrast, the "interactive" perspective found in the conflict resolution literature and some of the regulatory literature assumes that authorities' styles may be endogenous. This perspective places greater emphasis on the reactivity of the parties in a dispute, the match between participants' interpersonal styles and goals, and the effects of contextual factors such as ambiguity.

Location: ATO Catalogue: P124

Title: Tax evasion in theory and in practice

Author(s): Webley, P., Robben, H., Elffers, H., & Hessing, D.

Publication: Tax evasion: An experimental approach, in P. Webley, H. Robben, H. Elffers, D. Hessing. Cambridge, Cambridge University Press, 1991

Abstract: Taxation and evasion have always gone together and income-tax evasion – the subject of this monograph – is as old as income tax itself. In fact, in William Pitt's speech introducing income tax in Britain in 1799, the problem of evasion occupied centre stage. It was 'to prevent all evasion and fraud' that 'a general tax shall be imposed on all the leading branches of income' (Wright, 1819). Ironically even though tax rates in Victorian England were set at levels that now seem unbelievably low (when reintroduced in the 1942 budget, income tax was set at 2.9%), there were complaints about evasion from the outset. In 1866 it was estimated that the average taxable income declared was less than half of what it should have been. In Exeter, where there was a special report in 1971, only 20% of those liable to income tax made returns that were satisfactory to the Revenue Service (Sabine, 1966).

Location: CTSI Catalogue: 305

**1981 – 1990**

- Title: Amazing grace: Tax amnesties and compliance  
Author(s): Alm, J., McKee, M., & Beck, W.  
Publication: National Tax Journal, XLIII(1), 1990  
Abstract: Does a tax amnesty raise or lower compliance over time? This paper uses experimental methods to analyze the long run impact of an amnesty. The results indicate that the average level of compliance falls after an amnesty. However, a well designed amnesty may be able to overcome this decline. If post amnesty enforcement efforts increase, then aggregate compliance actually increases. In fact, post amnesty compliance is higher when an amnesty is accompanied by increased enforcement efforts than when enforcement increases without an amnesty. An amnesty may therefore be an effective tool for easing the transition to a tougher tax regime.  
Location: CTSI Catalogue: 117
- Title: The antecedents of compliant behavior  
Author(s): Tyler, T.  
Publication: Why people Obey the Law, in T. R. Tyler. Yale University Press, New Haven and London, 1990  
Abstract: Authorities in social groups recognize that their effectiveness depends on their ability to influence the behavior of the groups' members. In the case of legal authorities effectiveness depends on the extent to which they are able to influence the public's behaviors toward the law. Laws and the decisions of legal authorities are of little practical importance if people ignore them. Because of the centrality of compliance to effectiveness as a legal authority, understanding why people follow the law is a central issue in law and the social sciences.  
Location: ATO Catalogue: P124
- Title: Corporate Risk Management  
Author(s): Dickson, G. C. A.  
Publication: London: Witherby, for the Institute of Risk Management, 1989  
Abstract: What is Risk Management? Is it risk identification and risk control? Is it a sophisticated form of insurance management or is it more to do with safety and loss control? What risk management means to each individual is probably dictated in large part by the attitude his company has or indeed the attitude the individual would like his company to have. There are so many different views and it is difficult to say which is correct and which is not. It would even be unwise to suggest that one method, successful in one situation, is a good model for the practice of risk management in a completely different environment.  
Location: ATO Catalogue: P126

Title: Commerce, the common law and morality  
Author(s): Finn, P.  
Publication: Melbourne University Law Review, 17, 1989  
Abstract: A significant wind-change has occurred in Australia's common law as it applies to voluntary and consensual dealings. The older inspiration of self-reliance and individual responsibility is being qualified by a newer concern: that parties deal with each other fairly and in good faith. Neighborhood-like duties are on emerging phenomena in dealings. This article describes this change and its reflection in evolving common law and equitable doctrine.  
Location: ATO Catalogue: P40

Title: The construction and destruction of contingent consent  
Author(s): Levi, M.  
Publication: Draft, UW, 1989  
Abstract: Citizens, even normally law abiding citizens, do not always obey the laws of their societies. Nor do corporations always subscribe to the regulations that cover them. When there is wide-spread noncompliance with government rules and regulations, the laws themselves are called into question. The noncompliance of citizens and corporations compels a response from the institution of the state, or at least that part of the state under attack. Sometimes the result is repression, sometimes reform. In either case, a change is likely to take place in the way in which the state carries out its business.  
Location: ATO catalogue: P10

Title: Crime seriousness and punitive severity: an assessment of social attitudes  
Author(s): Durham, A.M.  
Publication: Justice Quarterly, 5(1), 131-153, 1988  
Abstract: American penal policy appears to be shifting away from practices based upon the rehabilitative ideal and toward those consistent with the retributively based justice model. Yet, despite the appearance of a variety of reforms based upon desert, several problems associated with the model have yet to be resolved. This paper focuses on the difficulty of identifying a basis for the development of a scale of proportionality between crime and punishment. The use of public sentiment as a basis is considered and the results of a survey of attitudes regarding appropriate punishment for crime are discussed. The results of this assessment appear to provide little evidence that citizens agree on the appropriate punitive response for criminal activity.  
Location: CTSI Catalogue: 249

Title: Exploring the limits of self-reports and reasoned action: An investigation of the psychology of tax evasion behavior  
Author(s): Hessing, D. J., Elffers, H., & Weigel, R. H.

- Publication: Journal of Personality and Social Psychology, 54(3), 405-413, 1988  
 Abstract: We explored the limitations of self-reports as substitutes for observation of deviant behavior. Results of a study conducted in The Netherlands indicated negligible correspondence between respondents' self-reports of tax evasion and officially documented behavior. Non-significant correlations were obtained despite the fact that all government claims against the respondents had been settled, unprotested, before this study began and despite the respondents' awareness that the accuracy of their self-reports could be checked against their tax records. In addition, the results suggest that different explanatory variables may be correlated with each type of behavioral measure. In this instance, attitude toward the act (A-sub(act)) measures and subjective norm measures exhibited significant correlations with the self-report data but not with officially documented behavior, and measures of more broadly focused personal dispositions predicted actual behavior but not self-reports. Such outcomes suggest that the explanatory power of the theory of reasoned action may not extend to the domain of socially proscribed behaviors where self-presentation concerns are likely to prompt both misrepresentations of past behavior and reports of attitudes and perceived norms consistent with those misrepresentations.
- Location: CTSI Catalogue: 3
- Title: An examination of the impact of subject selection on hypothetical and self-reported taxpayer noncompliance  
 Author(s): Hite, P. A.  
 Publication: Journal of Economic Psychology, 9(4), 445-466, 1988  
 Abstract: Determined whether self-reported taxpayer compliance rates and hypothetical reporting decisions correspond to government-reported compliance rates and whether self-reported compliance rates correspond to hypothetical reporting decisions. The relationships were positively correlated in data from 8 groups with a total of 263 subjects, including graduate and undergraduate students, tax preparers, prospective jurors, residences in a telephone directory and on a city map, members of a Chamber of Commerce listing, and residences on a national mailing list. Results were influenced by the method of sample selection for the Ss. Findings provide additional insight to help researchers interpret results from behavioral tax studies.
- Location: CTSI Catalogue: 53
- Title: Information processing and decision making: Cognitive aspects of economic behaviour  
 Author(s): van Raaij, F.  
 Publication: Handbook of Economic Psychology, in F. van Raaij, G. van Veldhoven, & K. Warneryd (Eds.), (pp 74-106). Dordrecht, Kluwer Academic Publishers, 1988

**Abstract:** (from the preface) The aim of this book is to give an overview of psychology as applied in the study of economic problems, notably economic behavior. The Handbook offers reviews of important areas of psychology and social psychology such as cognition, attitudes, motivation, and social influence with special consideration of and examples from the applications to economic behavior. It also reviews the most current research in a number of problem areas for example related to use of leisure, household decision making, fiscal problems, income and wealth and so on. The Handbook is in the first place aimed at two types of audiences: psychology students and students of marketing.

**Location:** CTSI Catalogue: 84

**Title:** The psychology of risk  
**Author(s):** Brehmer, B.  
**Publication:** Risk and Decisions, in W. T. Singleton & J. Hovden (Eds.). John Wiley & Sons Ltd., 1987

**Abstract:** There is often disagreement between experts and lay people about the level of risk for various activities, particularly for new technologies. Such disagreements may lead to mutual distrust: experts point to misunderstanding and misinformation about the real characteristics of a new technology on the part of the public and consider the public irrational, while the public will note that experts often disagree, that the risk estimates they provide are often based on judgment rather than fact and will call them subjective and biased. This points to two important fields for psychological research in the area of risk: that of how people in general perceive or judge risk and how expert judgments of risk are made. This paper will be concerned with the former problem. Roughly speaking, psychological research on risk falls into two categories: studies of individual differences in risk-taking and studies of how people perceive risks. This paper will be concerned with the second kind of approach, but a few words about the individual differences approach may nevertheless be in order.

**Location:** ATO Catalogue: P118

**Title:** Enforcement discretion and taxation offences  
**Author(s):** Freiberg, A.  
**Publication:** Australian Tax Forum, 3(1), 55-91, 1986

**Abstract:** Despite a widespread belief to the contrary, deviant behavior is not confined to a small segment of the community. Rather, deviant behavior, that is, behavior that fails to conform to social or legal norms, is distributed across the community. What does tend to differ between various societal groups, however, is the legal response to such behavior.

**Location:** ATO Catalogue: P126

**Title:** Regulatory enforcement in a federalist system

Author(s): Scholz, J. T., & Wei, F. H.  
 Publication: American Political Science Review, 80(4), 1986  
 Abstract: Federal agencies integrate federal, state, and local political demands at the operational level of service delivery. They balance conflicting political demands and task requirements as they attempt to develop feasible enforcement routines capable of attracting support and resources in multiple arenas without undermining central support for budgetary resources and statutory authority. Our regression analysis of annual enforcement data from 1976 through 1983 for all 50 states indicates that even the relatively isolated enforcement procedures of the Occupational Safety and Health Administration respond significantly to state-level political and task differences. Enforcement activities responded most consistently to daily enforcement contracts with interest groups. State differences in task condition particularly workplace accident and unemployment rates – also elicited instrumental responses, while differences in the party and ideology of elected officials elicited more symbolic actions. State agencies, with their smaller size and greater flexibility, were even more responsive than the federal agency to political and task differences. This integrative function of bureaucracy needs further attention in democratic theory.  
 Location: ATO Catalogue: P125

Title: Alternative images of the citizen: Implications for public policy  
 Author(s): Tyler, T., Rasinski, K., & Griffin, E.  
 Publication: American Psychologist, 41(9), 970-978, 1986  
 Abstract: Argues that in attempting to understand socially significant political issues and problems, political scientists and other policy makers have made heavy use of psychological models of the citizen. It is argued that instead of drawing such models from psychology, their efforts have utilized the psychological models of the citizen suggested by economic theory. As a result, the potential effects of citizens' concerns with distributive and procedural fairness – factors typically excluded from economic theories – have been ignored in studying citizens' political evaluations and behaviors. Evidence is given to show (1) that political evaluations and behaviors are influenced by justice-based concerns and (2) the need to broaden the image of the psychology of the citizen to include the influence of citizens' concerns about fairness.  
 Location: CTSI Catalogue: 135

Title: Ideology and the interpretation of personal experience: Procedural justice and political quiescence  
 Author(s): Tyler, T., & McGraw, K.  
 Publication: Journal of Social Issues, 42(2), 115-128, 1986  
 Abstract: Objectively disadvantaged groups in American society often fail to take political actions that would rectify their disadvantaged state. Scholarly treatments of this failure to mobilize have traditionally examined the beliefs of the disadvantaged

about distributive fairness, ie. about the fair distribution of money or opportunities across members of society. This paper explores citizens' beliefs about the fairness of the procedures by which outcome distributions are made. We argue that procedural evaluations are a key input into evaluations of the political system and, through such evaluations, into political actions. In fact, people's beliefs about procedures are often more important than their beliefs about the fairness of procedures focus on opportunities to speak rather than on actual control over decisions. This focus on voice probably results from socialization. People's societal values may override their experiences with their current objective situation in the development of their views about society. As a result, objectively unjust procedures may be viewed as fair.

Location: CTSI Catalogue: 122

Title: Cheats at work : An anthology of workplace crime

Author(s): Mars, G.

Publication: George Allen and Unwin, London, 1982

Abstract: This is a book about crime at work. It is not, however, about crime in the normal sense. First, most of the 'criminals' do not regard what they are doing as remotely blameworthy and secondly, they appear in all respects to be no different from other people. And nor are they – since self-report studies show that between 75 and 92 percent of us regularly add to our incomes in ways that are technically against the law (Cort, 1959; Horning, 1970; Laird, 1950; Zeitlin, 1971).

Location: ATO Catalogue: P63

Title: Procedural Rationality and Regulatory Decision-Making: A Decision Framework Approach

Author(s): Tuohy, C. J.

Publication: Law & Policy, 7(3), 1985

Abstract: This paper presents the methodology and some preliminary findings from an ongoing study of the procedural rationality of regulatory decision making in the occupational health arena. The author employs the concept of procedural rationality in the sense used by Herbert Simon to refer to the logic of decision making as it is shaped by institutional constraints. Of particular interest here is the impact of provisions for the involvement of affected interests in and public scrutiny of the regulatory process. The methodology presented involves a charting of the "decision frameworks" adopted by participants in the process at various stages. The methodology is illustrated through its application to the particular case of the development of a regulation governing occupational exposure to inorganic lead in the Canadian province of Ontario.

Location: ATO Catalogue: P121

Title: Organised Crime  
 Author(s): Meagher, D.  
 Publication: Paper presented at the 53rd ANZAAS Congress, Perth, Australian Government Publishing Service, Canberra, 1983  
 Abstract: ... .. deals with the capacity of our law enforcement agencies and the legal system, to deal with the problem.  
 Location: CTSI Catalogue: 206

### **1971 – 1980**

Title: The importance of being honest  
 Author(s): Kemp, M. C., & Yew-Kwang, N. G.  
 Publication: Economic Record, 55(148), 41-46, 1979  
 Abstract: All forms of cheating (stealing, short weighting, overcharging and quality dilution) have in common the implication that some individuals (the thieves, short weighters, quality dilutors) pay lower prices (or receive higher prices) than do other individuals. This raises the following question: Given individual propensities to cheat, should those propensities be thwarted by law and law-enforcement and, if so, in precisely what manner and degree? This question contains two sub-questions: What volume of resources should be devoted to law enforcement? What penalties, if any, should be imposed on convicted cheats?  
 Location: ATO Catalogue: P40

Title: Attitude-behavior relations: A theoretical analysis and review of empirical research  
 Author(s): Ajzen, I., & Fishbein, M.  
 Publication: Psychological Bulletin, 84(5), 888-918, 1977  
 Abstract: Research on the relation between attitude and behavior is examined in light of the correspondence between attitudinal and behavioral entities. Such entities are defined by their target, action, context, and time elements. A review of available empirical research supports the contention that strong attitude-behavior relations are obtained only under high correspondence between at least the target and action elements of the attitudinal and behavioral entities. This conclusion is compared with the rather pessimistic assessment of the utility of the attitude concept found in much contemporary social psychological literature.  
 Location: ATO Catalogue: P126

Title: Social class and criminality  
 Author(s): Title, C. R., & Villemez, W. J.  
 Publication: Social Forces, 56(2), 474-502, 1977

**Abstract:** Social class variations in self-reported criminality are examined using data from a comprehensive sample of adults in three states. The results prove to be contrary to any current theories concerning the relationship between social class and deviance, particularly the most popular ones that postulate an inverse relationship between the two. But it is shown that these findings are actually consistent with the bulk of previous research which shows the relationship to be problematic. The extant evidence seems to mandate reconceptualization of theories of deviance to minimize social class as a variable.

**Location:** ATO Catalogue: P39

**Title:** Managing regulatory enforcement in the United States

**Author(s):** Scholtz, J. T.

**Publication:** Where the Law Ends: Social Control of Corporate Behavior, in C. Stone (Ed.), Chapter 15. Prospect Heights, Illinois: Waveland, 1975

**Abstract:** (from the chapter) The history of regulatory policies in America goes back to the beginning of the country. Regulatory enforcement in its current form, however, really goes back only a few decades. Although enforcement was always a necessary part of any attempt to regulate behavior, until recently there were a relatively small number of enforcement officials. The last several decades have witnessed a dramatic growth in the number of inspectors hired by the public and private sectors to enforce regulations of all sorts. As a consequence, systematic knowledge about how enforcement agencies should and actually do behave is relatively underdeveloped. The primary purpose of this chapter is to integrate and interpret the scattered literature that has studied enforcement and enforcement agencies from the perspective of regulatory managers and policy-makers. What do we know about enforcement behavior? What can be done to improve its efficiency? And how can we improve the scientific basis for managing agencies and setting enforcement policies.

**Location:** ATO Catalogue: P124

**Title:** Judgment and uncertainty: Heuristics and biases

**Author(s):** Tversky, A., & Kahneman, D

**Publication:** Science, 1124-1131, 1974

**Abstract:** Describes 3 heuristics employed to assess probabilities and to predict values: (a) representativeness, (b) availability of instances, and (c) adjustment from an anchor. Biases to which these heuristics lead are enumerated, and the implied and theoretical implications are discussed. It is concluded that a better understanding of these heuristics and their resulting biases could improve judgments and decisions in situations of uncertainty.

**Location:** CTSI Catalogue: 115

## **Pre 1971**

Title: On legal sanctions  
 Author(s): Schwartz, R., & Orleans, S.  
 Publication: University of Chicago Law Review, 34, 274-300, 1967  
 Abstract: Sanctions are officially imposed punishments aimed at enforcement of legal obligations. They are said to constitute the core, if not the defining characteristic, of the legal order. Inadequate sanctions are blamed for the failures of legal control in such divergent areas as international law, domestic crime, and civil rights. Despite the presumed importance of sanctions in the legal process, however, serious attention has rarely been paid to the topic. This paper examines sanctions from the perspective of the social sciences. It consists of two parts: a brief review of existing knowledge relevant to legal sanctions, and a preliminary report of a field experiment aimed at generating more information on the subject.  
 Location: CTSI Catalogue: 142 (also in ATO Catalogue: P42)

Title: The use of criminal sanctions in the enforcement of economic legislation: A sociological view  
 Author(s): Ball, H. V., & Friedman, L. M.  
 Publication: Stanford Law Review, 17, 197-223, 1965  
 Abstract: Concern over the use of criminal sanctions in the enforcement of business legislation is by no means new. As late as 1961, however, Whiting remarked that “the history of antitrust enforcement to date should not cause undue alarm to the corporate executive.” Two recent prosecutions have intensified the discussion and called Whiting’s conclusion into question. In *United States v. McDonough Co.* one president and three vice presidents of several comparatively small garden tool manufacturing firms received ninety-day jail sentences and a fine of \$5,000 for deliberate price fixing and market rigging. The defendants entered pleas of *nolo contendere*. The Government felt that a fine would be “a sufficient deterring factor”; the defendants argued against a jail sentence, pointing out that no jail sentence had been imposed in *nolo contendere* cases during the 59-year life of the Sherman Act. The judge ignored both the Government and the defendants. His position was that Congress would not have provided for imprisonment in the original act and retained it thereafter unless that penalty was intended to be used whenever a sentencing court believed jail sentences proper.  
 Location: ATO Catalogue: P42

Title: Compliance, identification, and internalisation: Three processes of attitude change  
 Author(s): Kelman, H.  
 Publication: Journal of Conflict Resolution, 2, 51-60, 1958  
 Abstract: A crucial issue in communication research relates to the nature of changes that are brought about by a particular communication or type of communication. It is not enough to know that there has been some measurable change in attitude;

usually we would also want to know what kind of change it is. Is it a superficial change, on a verbal level, which disappears after a short lapse of time? Or is it a more lasting change in attitude and belief, which manifests itself in a wide range of situations and which is integrated into the person's value system? Or, did the communication produce public conformity without private acceptance, or did it produce public conformity coupled with private acceptance? This paper discusses the nature of attitude changes produced by communications on social issues (specifically in the area of race relations).

Location: CTSI Catalogue: 119

Title: Income taxes and incentives to work: An empirical study

Author(s): Break, G. F.

Publication: The American Economic Review, 47(5), 529-549, 1957

Abstract: The question of how incentives to work are affected by high and steeply progressive income taxes has long been approached with caution by tax economists, whose answers have been full of tantalizing ambiguities. It has encountered no such reticence, however, on the part of the great bulk of financial experts and journalists who with ready clarity on the point have had no difficulty convincing the public of the truth of the axiom that high taxes inevitably mean a reduction in the aggregate work supply. This has frequently been cited as one of the major causes of Great Britain's present economic tribulations and has been held up as a warning to our lawmakers to beware bringing the same fate to this country.

Location: ATO Catalogue: P39

**PART 8****ECONOMETRIC****2001 –**

- Title: Income inequality and tax evasion: A synthesis.  
 Author(s): Bloomquist, K. M.  
 Publication: Draft, 2003  
 Abstract: How income distribution influences tax evasion has been the subject of much speculation. Behavioural research suggests growing economic disparity contributes to taxpayer stress, thus increasing the propensity to evade. Economists point to the reduced visibility of transactions among low and high-income earners. This paper tests the hypothesis that rising income inequality contributes to tax evasion in the United States. Empirical analysis for the period 1947-99 finds a positive correlation between a measure of income inequality (Gini coefficient) and the underreporting rate for wage and salary income. This finding suggests that policies aimed at reducing income tax evasion may not achieve the desired outcome in an environment of increasing inequality and, depending on the remedy proposed, may have the opposite effect.  
 Location: CTSI Catalogue: 357

**1991 – 2000**

- Title: Tax evasion and orders of risk aversion  
 Author(s): Bernasconi, M.  
 Publication: Journal of Public Economics, 67, 123-134, 1998  
 Abstract: The classic Allingham and Sandmo's (1972) portfolio choice approach to income tax evasion has been increasingly criticised because it requires an 'excess' degree of risk aversion to explain the observed rate of tax compliance. In this paper we argue that there may not necessarily be 'excess risk aversion'; and that the evidence can be explained by the distinction between orders of risk aversion, as defined by Segal and Spivak (1990) and considered in regard to the same problem of anomalous 'excess risk aversion' in financial and insurance markets.  
 Location: CTSI Catalogue: 147
- Title: Why people pay taxes: From a conventional economic model to a model of social convention  
 Author(s): Cullis, J. G., & Lewis, A.  
 Publication: Journal of Economic Psychology, 18, 305-321, 1997  
 Abstract: This paper compares "chauvinistic" models of tax (non)compliance derived from mainstream neo-classical economics with the "softy" approach of some psychologists, sociologists and other interested parties. A "third way" is

developed which takes preferences over conformity to social conventions into account, is more process orientated and less deterministic than traditional economic models yet maintains their characteristic deductive stance.

Location: CTSI Catalogue: 78

Title: Income tax compliance and evasion: A graphical approach

Author(s): Linster, B. G.

Publication: Southern Economic Journal, 63(3), 788-796, 1997

Abstract: Although income tax evasion has been analyzed, the implications of heterogeneity in risk aversion have not been examined. This paper explores the ramifications of diversity in the population. Although using homogeneous populations is clearly problematic, it made the tax compliance problem tractable. This analysis applies graphical techniques to this question, yielding more robust results. Interestingly, the equilibrium proportion of individuals who evade their tax liability is independent of the distribution of risk aversion while the audit probability is not. Further, increasing the penalty for evasion has an indeterminate effect on equilibrium audit probability. Other comparative static results are discussed.

Location: CTSI Catalogue: 67

Title: Tax compliance games with imperfect auditing

Author(s): Bardsley, P.

Publication: Public Finance, 51(4), 473-489, 1996

Abstract: Tax compliance is modelled as a Bayesian Nash equilibrium in a costly state verification game with imperfect auditing. Neither the taxpayer nor the auditor can measure the taxpayer's true liability precisely: they observe independent noisy signals. The compliance interval is bounded and the audit strategy is non-trivial under weak assumptions on the errors, the distribution of types and the penalty function. Solutions to the model are easy to calculate and have an appealing geometric interpretation. The effect of audit uncertainty is regressive, and some taxpayers with a small liability may actually over-comply. A reduction in uncertainty, for example, through simplifying the tax code, makes the tax system fairer but it has an indeterminate effect on total compliance: some taxpayers comply more and some less.

Location: ATO Catalogue: P122

Title: Self-selection with measurement errors: A microeconomic analysis of the decision to seek tax assistance and its implications for tax compliance

Author(s): Erard, B.

Publication: Journal of Econometrics, 81, 319-356, 1996

Abstract: A joint analysis of tax preparation mode and federal income tax noncompliance is performed using individual level audit data. To control for the nonrandom

allocation of taxpayers to their chosen modes of tax preparation, an endogenous switching specification is employed. The framework is then extended to control for two separate forms of measurement error. First, although behavioural models of tax noncompliance typically account only for deliberate misreporting, audit-based measures of noncompliance include both deliberate and unintentional reporting violations. A statistical procedure is developed to distinguish between these two alternative sources of noncompliance. Second, auditors are not always successful in uncovering noncompliance when it is present. A detection controlled estimation procedure is employed to account for detection errors.

Location: CTSI Catalogue: 45

Title: Tax evasion, inflation and stabilisation

Author(s): Fishlow, A., & Friedman, J.

Publication: Journal of Development Economics, 43, 105-123, 1994

Abstract: This paper focuses on the public resort to tax evasion in developing countries as an adjustment tactic during economic downturn. We show, using a theoretical model of inter-temporal consumption, that tax compliance declines when current income declines, expectations about future income improve, or inflation rises. We then apply the model empirically to the cases of Argentina, Brazil and Chile, three countries which have long experience with tax evasion and inflation over the last 40 years, and find confirmation.

Location: CTSI Catalogue: 42

Title: A fairness approach to income tax evasion

Author(s): Bordignon, M.

Publication: Journal of Public Economics, 52(3), 345-62, 1993

Abstract: The tax that a taxpayer wishes to evade is determined on the basis of his perception of the fairness of his fiscal treatment, with respect to both governmental supply of public goods and the perceived behavior of other taxpayers. The coercive powers of the state and the taxpayer's attitude toward risk determine the extent to which this desired level is undertaken in practice. This approach is able to produce implications for the relationship between public expenditure, tax rates, and tax evasion that are more consistent with empirical evidence than the results of the conventional portfolio choice approach.

Location: CTSI Catalogue: 39

Title: Taxation with representation: An analysis of the role of tax practitioners in tax compliance

Author(s): Erard, B.

Publication: Journal of Public Economics, 52(2), 163-197, 1993

Abstract: In this paper, a framework is developed for the joint analysis of tax preparation mode and tax non-compliance. Estimation is performed using micro-level audit

data from the Internal Revenue Service. Although the availability of tax practitioners undoubtedly reduces many of the informational and computational barriers to tax compliance, the results indicate that their use, particularly the use of CPAs and attorneys, is associated with increased tax non-compliance, which may have negative implications for both tax equity and tax efficiency.

Location: ATO Catalogue: P125

Title: The effect of audits and socioeconomic variables on compliance

Author(s): Beron, K. J., Tauchen, H. V., & Witte, A. D.

Publication: Why people pay taxes: Tax compliance and enforcement, in J. Slemrod (Ed.). Ann Arbor, Michigan, University of Michigan Press, 1992

Abstract: The study of tax compliance promises important scientific and policy insights. From a scientific point of view, the reporting of tax liabilities provides an arena in which we can observe the compliance behavior of most of the adult population. This contrasts markedly with economists' studies of most criminal behavior (e.g., murder or property offences) where a small, and possibly aberrant, portion of the population is at risk. At this time of large budget deficits, understanding compliance behavior also offers the possibility of "painlessly" reducing the deficit. The potential richness of the tax arena has not escaped the research community and studies of tax compliance behavior have burgeoned. Yet progress has been somewhat disappointing. Researchers report seemingly contradictory results and empirical research on tax compliance has only recently moved beyond approaches used to study the deterrence of general criminal offences. We believe that at this juncture, it is useful to assess the currently published research findings and try approaches consistent with some recent theoretical developments in compliance research. A critical approach seems particularly valuable at this time because of the extensive research that is underway on this topic. In this essay, we begin by synthesizing the currently published econometric literature on tax compliance. This task is important because existing studies report quite different estimates of the effects of audit and socioeconomic variables on compliance. We also estimate a three-equation model for taxpayers' reported income and tax liability and for the probability of an audit. This work reflects the insights of recent game-theoretic models of compliance. It also provides new results and suggests explanations for some of the seemingly contradictory findings that appear in the literature.

Location: ATO Catalogue: P121

Title: Tax evasion and inequity

Author(s): Cowell, F. A.

Publication: Journal of Economic Psychology, 13(4), 521-543, 1992

Abstract: A number of concepts of inequity are examined in a model that incorporates tax-enforcement parameters, personal resources, personal attributes, and perceived inequity. The role of risk aversion and its interaction with attitudes toward

inequity, interaction with other tax evaders, and the means that each person has of influencing inequity are considered as determinants of individual tax-compliance decisions.

Location: CTSI Catalogue: 79

Title: How do taxes affect occupational choice?

Author(s): Pestieau, P., & Possen, U.

Publication: Public Finance, 47(1), 108-119, 1992

Abstract: This paper analyzes changes in both occupational choice and labor supply which result from variations in the tax structure within a setting of uncertainty and of tax evasion. Given the complexity of the problem, we rely on numerical calculations which provide optimal taxation results as well as welfare improvement directions.

Location: ATO Catalogue: P122

Title: Enforcement costs and the optimal magnitude and probability of fines

Author(s): Polinsky, A. M., & Shavell, S.

Publication: Journal of Law and Economics, 35, 1992

Abstract: Some of the costs of enforcing laws are “fixed” – in the sense that they do not depend on the number of individuals who commit harmful acts – while other costs are “variable” – they rise with the number of such individuals. This article analyzes the effects of fixed and variable enforcement costs on the optimal fine and the optimal probability of detection. It is shown that the optimal fine rises to reflect variable enforcement costs; that the optimal fine is not directly affected by fixed enforcement costs; and that the optimal probability depends on both types of enforcement costs.

Location: ATO Catalogue: P122

Title: The regressive bias in tax enforcement

Author(s): Scotchmer, S.

Publication: Public Finance, 47(Suppl), 366-371, 1992

Abstract: When taxpayers correctly perceive how the probability of audit depends on reported income, and when they report the income that minimizes expected payments, the resulting pattern of expected payments will be more regressive, as a function of true income, than the stipulated tax code. This fact is independent of how the audit policy is chosen; it holds even if the enforcement policy is chosen with equity in mind, provided the enforcement budget is not large enough to achieve full compliance.

Location: ATO Catalogue: P124

Title: Evasion, partial detection and optimal tax policy  
Author(s): Wadhawan, S.  
Publication: Paper presented at the 47th Congress of the International Institute of Public Finance on "Public finance in a World of Transition", Petersburg, 1991 (published in Public Finance, 47(Suppl), 372-383, 1992)  
Abstract: Tax evasion has generally been modeled on the assumption that if a taxpayer is audited then the tax authority always detects the full extent of evasion. This paper shows that there is always some residual tax evasion in the economy under the realistic assumption of partial detection. Residual tax evasion results from the rational behavior of a revenue-maximizing tax authority who must consider the costs of audit. The model outlines the requirements for an audit policy that maximizes the expected net revenues.  
Location: ATO Catalogue: P121

Title: Choices that increase compliance  
Author(s): Edwards, P. R.  
Publication: Policy Studies Review, 10(4), 6-25, 1991/92  
Abstract: A compliance model is developed and tested using a survey of corporate officials and the regulatory arena of equal employment opportunity. Findings support the economic model of compliance in its conclusion that probability of detection and probable level of sanctions influence compliance decisions. Results also indicate that adjustments to the model that account for bounded rationality are valid. The key outcome, however, is that although all types of investigations play some role in enhancing compliance, those that stress sanctions and thus severity rather than certainty of detection may have the greatest positive influence on compliance. Enforcement programs attempting to operate simply as investigators of small-scale complaints will have less success than those with different types of investigations or a balanced type of single investigation. The results also suggest a more complex cognitive process on the part of regulated individuals than initially theorized.  
Location: ATO Catalogue: P126

Title: An econometric analysis of income tax evasion and its detection  
Author(s): Feinstein, J. S.  
Publication: RAND Journal of Economics, 22(1), 14-35, 1991  
Abstract: This article presents an econometric analysis of income tax evasion and its detection based in individual-level data drawn from the Internal Revenue Service 1982 and 1985 Taxpayer Compliance Measurement Programs. I specify a model consisting of two equations: the first measures the extent of evasion; the second, the fraction of evasion detected. The empirical analysis explores the effects of income, the marginal tax rate, and various socioeconomic characteristics on filer evasion behavior, and it assesses the variability in detection rates among IRS examiners. Finally, I use the empirical estimates to construct new estimates of

- the income tax gap; the new estimates are very close to the previous IRS estimates.
- Location: ATO Catalogue: P121 (also in CTSI Catalogue: 90)
- Title: Tax reporting game under uncertain tax laws and asymmetric information  
Author(s): Jung, W.  
Publication: Economic Letters, 37, 323-329, 1991  
Abstract: This study models a game played by a tax enforcement agency and a taxpayer who is only partially informed about her true taxable income due to complexity of tax laws. A signaling equilibrium is shown to exist in which the taxpayer's report is monotone increasing in her private information about taxable income. Investigated also is the effect of changes in uncertainty on reporting decisions and the agency's expected revenue.  
Location: ATO Catalogue: P125
- Title: Tax evasion and financial equilibrium  
Author(s): Landskroner, Y., Muller, E., & Swary, I.  
Publication: Journal of Economics and Business, 43, 25-35, 1991  
Abstract: Income tax evasion, the deliberate unreporting or underreporting of income, is a phenomenon of increasing economic importance and public concern. Despite empirical problems in measurement, recent estimates suggest that the problem is quite significant. This article extends the literature on tax evasion by presenting a new approach in the modeling of the decision to evade income taxes. The main innovation and contribution of the article is to introduce the option of investing in a risky asset as an alternative to tax evasion. The analysis of tax evasion is integrated with a model of financial market equilibrium.  
Location: ATO Catalogue: 126
- Title: The economics of taxpayer compliance  
Author(s): Pyle, D. J.  
Publication: Journal of Economic Surveys, 5(2), 163-98, 1991  
Abstract: There is a great deal of evidence to suggest that tax evasion is now fairly extensive throughout Western Europe and North America. Academic economists have shown considerable interest in various aspects of tax evasion. In this article we examine the literature on two particular issues. First, why do individuals evade their tax obligations and second, what policies should governments pursue in attempting to reduce or eliminate evasion? We concentrate on income tax evasion which has been the major preoccupation in the literature. We first show that the compliance costs of income tax evasion are quite substantial. We then examine theoretical attempts to model individual taxpayers behavior. Here we find that it is extremely difficult to make unambiguous predictions concerning the affects of changes in important variables, such as income tax rates. Next, we

review the empirical ‘evidence’ obtained from (i) attitudinal surveys, (ii) tax games, and (iii) econometric analysis of individuals’ tax returns. All of these studies are found to be flawed in certain major respects.

Finally, we consider a number of policy options available to tax authorities. Given the difficulty of determining a socially optimal level of evasion, governments are likely to pursue suboptimal policies aimed at entirely eliminating tax evasion. However, even here there is considerable disagreement about the design of an efficient policy.

Location: ATO Catalogue: P124

Title: The economics of tax amnesties

Author(s): Malik, A. S., & Schwab, R. M.

Publication: Journal of Public Economics, 46, 29-49, 1991

Abstract: This paper examines some of the economic implications of tax amnesties. We present a model where individuals are initially uncertain about the disutility from tax evasion when they file their tax returns. If they later learn that they would like to be more honest than they have been, an amnesty gives them an opportunity to report additional income. We also show that as the probability of an amnesty rise, people report less income. As a consequence, an optimal collection policy requires the government to balance the cost of lost tax revenue against the gains from an amnesty.

Location: ATO Catalogue: P125

### **1981 – 1990**

Title: Optimal taxation with costly enforcement and evasion

Author(s): Kaplow, L.

Publication: Journal of Public Economics, 43, 221-236, 1990

Abstract: This paper analyzes the relationship between optimal taxation and optimal tax enforcement. A central question concerns the extent to which revenue should be raised through higher tax rates, which distort behaviour, or greater enforcement, which distorts behaviour and also entails direct resource costs. In the models examined, some expenditure on enforcement may be optimal despite its resource cost, its distortionary effect, and the availability of other revenue sources having no enforcement costs. Rules for optimal tax rates and enforcement expenditures are derived, which also indicate the marginal cost of government funds and optimal enforcement priorities for a tax collection agency.

Location: CTSI Catalogue: 283

Title: On the desirability of tax evasion: Conventional versus constitutional economic perspectives

Author(s): Spicer, M. W.

- Publication: Public Finance, 45(1), 1990
- Abstract: Discussions concerning the economic desirability of tax evasion on grounds of efficiency have centered around whether or not the uncertainty inherent in the tax evasion gamble is a benefit or a cost to tax evaders. Weiss [1976] and Stiglitz [1980] have suggested that opportunities for income tax evasion may actually be desirable because such uncertainty may reduce the distortionary effect associated with an income tax. Yitzhaki [1987], taking issue with Weiss, argues that the uncertainty of income tax evasion increases inefficiency. While there is disagreement here in regard to the desirability of tax evasion, these models share three important assumptions. Firstly, tax revenues are held constant, the presumption being that government seeks some fixed target of revenues. The consequences of tax evasion is not a loss of tax revenues but higher tax rates. Secondly, the models assume that the goal of society is to maximize the well-being of both evaders and honest taxpayers. Preferences for tax evasion activities are counted in the social welfare function, even though such activities are illegal and therefore presumably violate, at least to some extent, prevailing social norms and values. Thirdly, the models, in measuring the benefits and costs of tax evasion, ignore any psychic costs which might arise for tax evaders and others as a result of taxpayers engaging in illegal activities. This paper argues that all three of these assumptions are open to serious question and that an economic analysis of the desirability of tax evasion is better framed within a constitutional perspective. Such a perspective is developed drawing upon the work of Brennan and Buchanan [1977].
- Location: ATO Catalogue: P48
- 
- Title: Tax evasion under differential taxation: The economics of income source misreporting
- Author(s): Yaniv, G.
- Publication: Journal of Public Economics, 43(3), 327-337, 1990
- Abstract: If different income sources are subject to different rates of taxation, a taxpayer may find it worthwhile to evade taxes by declaring part of his higher-taxed income as stemming from a lower-taxed source. This paper inquires into the determinants of income source misreporting, focusing on the relationships between misreporting and taxation under alternative penalty schemes. Allowing the taxpayer the choice between source misreporting and pure underreporting, the paper also examines the relative amount of tax escaping the tax collector through the alternative forms of evasion and determines the conditions under which one will be preferred to the other.
- Location: ATO Catalogue: P122
- 
- Title: Income tax evasion: An intersectoral analysis
- Author(s): Kesselman, J. R.

- Publication: Journal of Public Economics, 38, 137-182, 1989  
Abstract: This paper develops an intersectoral model of income tax evasion with general equilibrium effects. Key elements of the model are imperfectly substitutable outputs from the compliant and evading sectors and workers with heterogeneous evasion costs. The model allows for biased public expenditures, a wide range of behavioural responses, and both legitimate and criminal activities evading tax as well as tax-avoidance activities. Qualitative and quantitative assessments are undertaken for the effects of tax rate changes on evasion activity, relative output prices, and real tax revenues. This approach offers useful findings for taxation policy and is amenable to further analytical extensions.  
Location: ATO Catalogue: P125
- Title: Who profits from taxpayer confusion?  
Author(s): Scotchmer, S.  
Publication: Economics Letters, 29, 49-55, 1989  
Abstract: When taxpayers are uncertain of true taxable income, they must decide whether to resolve their uncertainty by seeking tax advice, and then decide how much taxable income to report. Since tax advisors must sign their advisees' tax returns, the audit policy can depend on whether tax advice was sought. In the optimal audit policy, some taxpayers will not resolve their uncertainty, and the optimal policy yields higher net revenue with uncertainty than without.  
Location: ATO Catalogue: P124
- Title: Randomness in tax enforcement  
Author(s): Scotchmer, S., & Slemrod, J.  
Publication: Journal of Public Economics, 38, 17-32, 1989  
Abstract: When there is tax evasion, increased randomness about how much taxable income an auditor would assess generally leads to higher reported income and more revenue. When reducing randomness is costly, optimality requires some randomness in assessed taxable income. Even if reducing randomness is costless, taxpayers may prefer some randomness when the increased revenue can be rebated, so that the government's revenue stays fixed.  
Location: ATO Catalogue: P124
- Title: An empirical analysis of federal income tax auditing and compliance  
Author(s): Dubin, J. A., & Wilde, L. L.  
Publication: National Tax Journal, XLI(1), 1988  
Abstract: This paper provides empirical evidence on the relationship between compliance with the Federal Income Tax and auditing by the Internal Revenue Service. It combines a cross-section data set related to 1969 individual returns assembled by the IRS with data taken from the Annual Report of the Commissioner of Internal Revenue. We find support for an economic approach to tax compliance that

incorporates the IRS as a strategic actor. Moreover, after allowing for the simultaneous determination of audit rates and compliance levels, we find significant deterrent effects of auditing on noncompliance.

Location: ATO Catalogue: P120

Title: A cross-section analysis of IRS auditing

Author(s): Ereksom, O. H., & Sullivan, D. H.

Publication: National Tax Journal, 41(2), 175-189, 1988

Abstract: We develop and estimate an economic model of patterns of tax return audits by the IRS. The empirical results, using a data set provided by the IRS, are interpreted based on IRS goals of deterrence, tax justice, and revenue maximization.

Location: ATO Catalogue: P120

Title: Tax practitioners and tax compliance

Author(s): Reinganum, J., & Wilde, L. L.

Publication: Caltech Social Science Working Paper #666, 1988

Abstract: We develop a model in which taxpayers, tax practitioners and a tax agency all interact to determine the extent of tax compliance. Assuming a quadratic enforcement cost function, in the case where practitioners control the reporting decision we show that either one or two equilibria exist. In the former case, more income tax is reported than would be if taxpayers did not use the practitioner, and the tax agency devotes less enforcement effort to practitioner-filed returns than to taxpayer-filed returns. Furthermore, in this case that tax agency prefers that taxpayer use practitioners. When two equilibria exist, the tax agency's preferred equilibrium has these same properties and is always weakly Pareto optimal, so, in principle, the problem of attaining the "right" equilibrium reduces to one of coordination. However, if taxpayers and the practitioner jointly control the reporting decision, less income is reported than would be if the taxpayers did not use the practitioner.

Location: ATO Catalogue: P34

Title: Withholding and non-withheld tax evasion

Author(s): Yaniv, G.

Publication: Journal of Public Economics, 35(2), 183-204, 1988

Abstract: Most of the literature on tax evasion ignores the fact that the major part of a wage earner's tax liability is usually deducted at source by withholding regulations. However, while eliminating a wage earner's option of evading taxes through underreporting, a withholding system might give rise to evasion of nonwithheld taxes through nonfiling of individual returns, as well as induce employers to remit to the government less than the amounts withheld. This paper

investigates the employer and employee tax fraud activity under a withholding system, and the system's effect on the amount of tax escaping the tax collector.  
 Location: ATO Catalogue: P122

Title: Tax evasion and strategic behavior of the firms  
 Author(s): Marrelli, M., & Martina, R.  
 Publication: Journal of Public Economics, 37, 55-69, 1988  
 Abstract: The purpose of this paper is to analyse the optimal tax evasion decision in the context of an oligopolistic market with quantity setting firms. It is shown that the optimal amount of tax evasion for each firm depends not only on the degree of collusion in the market but also on the relative market shares of the firms; increasing collusion, however, leads to a larger amount of tax evasion in the market. It is proved that, with constant probability of detection, separability between shifting and evasion decisions holds, whereas it might fail to hold if the probability of detection is a function of the declared tax base. In this case, a probability function which decreases with the declared tax base will lead to lower evasion and lower shifting.  
 Location: ATO Catalogue: P125

Title: On the excess burden of tax evasion  
 Author(s): Yitzhaki, S.  
 Publication: Public Finance Quarterly, 15(2), 123-137, 1987  
 Abstract: While tax evasion generally is regarded as leading to welfare loss, economists have not attempted to formalize this relationship until now. The causes of tax evasion were examined using a model similar to that of Allingham and Sandmo (1972). Conclusions from this model include: 1. Marginal tax rate does not affect the existence of tax evasion. 2. Marginal tax rate does effect the extent of evasion through an income effect. The definition of excess burden resulting from tax evasion was formulated and the assumption of a given true income was relaxed by allowing variable labor supply. Conclusions from these models are: 1. The excess burden of tax evasion and the tax rate are sometimes additive. 2. The combination of the 2 is usually greater than the effect of the tax burden alone. Weiss (1976) has suggested that societies may benefit from allowing cheating by taxpayers. The results of these models, while not disproving Weiss' theory, show that the examples cited in the theory fail to substantiate it.  
 Location: ATO Catalogue: P122

Title: The economic analysis of taxpayer compliance: Audit classes and tax enforcement policy  
 Author(s): Scotchmer, S.  
 Publication: American Economic Review, 77(2), 229-233, 1987

**Abstract:** Compliance with the legislated tax code cannot be assured without audits and penalties on unreported income. Although compliance can most cheaply be assured with a small probability of audit (since audits are costly) and large penalties, law or social convention may prohibit stringent penalties, and the enforcement agency must then decide on an audit strategy as its sole choice variable.

**Location:** ATO Catalogue: P124

**Title:** Tax evasion and the prisoner's dilemma

**Author(s):** Gottlieb, D.

**Publication:** Mathematical Social Sciences, 10, 81-89, 1985

**Abstract:** This analysis expands the model of tax evasion suggested by Allingham and Sandmo (1972) to include public goods, financed by revenues from taxation and penalties. We argue that this leads to a Pareto inferior equilibrium outcome of individual declarations both in models of competitive and interdependent behaviour, thus linking the paradox to the Prisoner's Dilemma, well known from game theory. It is further claimed that a government led by utilitarian welfare standards will perpetuate tax evasion in the case of positive variable costs of detection.

**Location:** ATO Catalogue: P125

**Title:** Income tax compliance in a principal-agent framework

**Author(s):** Reinganum, J. F., & Wilde, L. L.

**Publication:** Journal of Public Economics, 26, 1-18, 1985

**Abstract:** Previous analyses have modeled income tax evasion as a 'portfolio problem', deriving the optimal consumption of the 'risky asset' (unreported income) assuming a fixed probability of detection. We compare an alternative audit policy to the standard random audit policy. We focus on an 'audit cutoff' policy, in which an agent triggers an audit if reported income is 'too low', and is not audited if reported income is 'sufficiently high'. We find that random audit rules are weakly dominated by audit cutoff rules. Given lump-sum taxes and fines, audit cutoff rules are the least-cost policies which induce truthful reporting of income.

**Location:** ATO Catalogue: P120

**Title:** An empirical test for tax evasion

**Author(s):** Slemrod, J.

**Publication:** The Review of Economics and Statistics, 67(2), 232-238, 1985

**Abstract:** This paper develops a methodology that uses microeconomic data from individual tax returns to test for the presence of tax evasion. The test is then applied to a large sample of taxpayers drawn from the U.S. Treasury tax file for 1977. The frequency of evasion indicated by the test is significantly greater than

zero and within the wide range that other evidence suggests is the extent of evasion. The associations between evasion and characteristics of the taxpayer such as marginal tax rate, income, age, and marital status are also investigated and compared to the findings of earlier studies.

Location: ATO Catalogue: P124

Title: The enforcement of income tax laws: Efficiency implications

Author(s): Baldry, J. C.

Publication: Economic Record, 60(169), 156-159, 1984

Abstract: Complete enforcements of income tax laws, designed to reduce income tax evasion to zero, is shown to be inefficient. Starting from a 'full compliance' policy, it is shown that a marginal reduction in enforcement will always allow for tax reductions, hence increases in the ex-ante utility levels of taxpayers. Only if the tax structure is rigid can full compliance be optimal.

Location: ATO catalogue: P40

Title: Tax avoidance and withholding tax

Author(s): Dickson, D.

Publication: Paper presented at the Monash Law School Seminar on Tax Shelters, Evasion, and Avoidance, November, 1984

Abstract: Withholding was not an essential feature of the proposed method of integration but was included because of two important effects. The first was to address some of the problems of tax and pension income test evasion. The second was to deal with the problems of debit assessments and recouping the overpayment of pensions caused by unintentional or fraudulent non-declaration of income or assets for purposes of the pension or benefit system.

Location: ATO Catalogue: P2

Title: Avoiding tax avoidance: A (repeated) Game-theoretic approach

Author(s): Greenberg, J.

Publication: Journal of Economic Theory, 32, 1-13, 1984

Abstract: We propose an optimal auditing scheme for the tax authorities who face a given tax and penalty functions and a given budget constraint. Under our proposed strategy individuals can be classified into one of our three groups. Each group is characterized by two parameters: (i) the probability of being audited in that group and (ii) into which group will an individual move if (ii.a) he reported truthfully or (ii.b) he cheated. It is then shown that there is a choice of these parameters so that in equilibrium (i.e. when every individual maximizes his payoff given the auditing strategy), the percentage of individuals that cheat is arbitrarily small.

Location: ATO Catalogue: P125

Title: The economics of tax ployment and corporate tax integration  
 Author(s): Norman, N. R.  
 Publication: Paper presented at the Australian Tax Forum Intensive Workshop on “Issues in Tax Planning, Avoidance and Evasion”, Monash University, Melbourne, 1984  
 Abstract: The focus of this paper is the connection between corporate tax integration and tax planning, tax avoidance and tax evasion. This is, at face value, a very narrow and highly technical subject. To set it in proper context requires some appreciation of the approach of economists to tax ployment – my deliberate blurring of planning, avoidance and evasion – and also the reasons traditionally advanced for the adoption in tax structures of the corporate integration concept.  
 Location: ATO Catalogue: P2

### **1971 – 1980**

Title: On how to keep taxpayers honest (or almost so)  
 Author(s): Fishburn, G.  
 Publication: Economic Record, 55(150), 267-270, 1979  
 Abstract: One line of investigation in the problem of tax evasion has been introduced by B. Singh who studied the question of the ‘Optimum probability of detection’ which must be set (or believed to be set) in order to induce the taxpayer to declare income fully (‘complete honesty’). However, detection is costly and the achievement of an ‘optimum rate’ may therefore be ruled out on the grounds of economy. On the other hand, the penalty rate is set by legislative action, which is relatively costless. In contrast to Singh we take the probability of detection as given and study the ‘prohibitive penalty rate’, generally for any desired minimal level of evasion and more extensively where the desired evasion is zero. The formulae for the prohibitive rates are derived for each of three penalty functions, and the corresponding rates calculated for a selection of probabilities of detection on the basis of the current Australian taxation schedules. The calculations involved are simple and may be readily made for other countries.  
 Location: ATO Catalogue: P40

Title: The importance of being honest  
 Author(s): Kemp, M. C., & Ng, Y.  
 Publication: Economic Record, 55, 41-46, 1979  
 Abstract: Given individual propensities to cheat (stealing, overcharging, etc.), the optimality conditions for the amount of resources devoted to law enforcement and for the severity of penalties on convicted cheats are derived. In some interesting cases, the optimal penalty equals the market price divided by the probability of conviction and it is optimal to spend very little on enforcement and impose a severe penalty. These conclusions seem to apply to the practical case of metered parking violation.  
 Location: ATO Catalogue: P40

Title: Allocation by and output of a tax-administering agency  
Author(s): Wertz, K.  
Publication: National Tax Journal, 32(2), 143-156, 1979  
Abstract: The objective of tax administering agencies is to reduce discrepancies between taxpayers' declared liabilities and their true liabilities to produce justice, to keep viable forms of taxation which rely on self-reporting, and to raise additional revenue. In investigating linkages between an agency's choices and operating outcomes when the agency gives first priority to the generation of revenue and second priority to the production of accuracy, it was found that revenue yield rises with the agency's budget and that the effective liabilities of both underpayers, from whom more is dunned, and overpayers, of whom less is refunded, are increased by the same amount, before penalties. Revenue yield varies inversely with the quantity of error which the agency sets out to correct; at the margin, the dollar loss in revenue exceeds the dollar gain in accuracy. When the penalty rate is increased, the revenue yield rises by more than twice the additional liability reported by underpayers.  
Location: ATO Catalogue: P122

## PART 9

### THE CENTRE FOR TAX SYSTEM INTEGRITY WORKING PAPERS

**Title:** The Taxpayers' Charter: Does the Australian Taxation Office comply and who benefits?

**Author(s):** Braithwaite, V., & Reinhart, M.

**Publication:** Centre for Tax System Integrity Working Paper 1. Canberra: The Australian National University, December 2000

**Abstract:** This paper presents initial findings on the Taxpayers' Charter from the "Community Hopes, Fears and Actions Survey". The performance of the ATO is high on most of the standards. Where it is low, there is the possibility of remedial action through making public the ATO's serious commitment to evaluating its own performance on the standards and improving performance where necessary. This paper also shows that when the public perceives the ATO adhering to the principles of the Charter, they also perceive the ATO as having qualities that are necessary for effective governance. The trustworthiness and legitimacy ascribed to the ATO is highest when the ATO is evaluated positively in terms of the principles of the Taxpayers' Charter.

**Location:** <http://ctsi.anu.edu.au/publications.html>

**Title:** The Community Hopes, Fears and Actions Survey: Goals and measures

**Author(s):** Braithwaite, V.

**Publication:** Centre for Tax System Integrity Working Paper 2. Canberra: The Australian National University, March 2001

**Abstract:** The Community Hopes, Fears and Actions Survey was developed to obtain a snapshot of the beliefs, attitudes, values and motivations held by Australian citizens in relation to the Australian Taxation Office (Tax Office), the tax system, Australian democracy, and fellow taxpayers in 2000. The survey was conducted during the introduction of a new tax system when Australia was changing from a country without a goods and services tax (GST) to one with such a tax. [This paper is a user's guide for people referring to the survey findings].

**Location:** <http://ctsi.anu.edu.au/publications.html>

**Title:** Preliminary findings from the Community Hopes, Fears and Actions Survey

**Author(s):** Braithwaite, V., Reinhart, M., Mearns, M., & Graham, R.

**Publication:** Centre for Tax System Integrity Working Paper 3. Canberra: The Australian National University, April 2001

**Abstract:** The Community Hopes, Fears and Actions Survey was mailed to a random sample of Australians between June and October 2000. The purpose of the

survey was to obtain a snapshot of the beliefs, attitudes, values, and motivations that Australian citizens held in relation to the Australian Taxation Office (Tax Office), the tax system, Australian democracy, and fellow taxpayers during the first phase of tax reform. The survey was designed to canvass a broad range of issues relating to taxation in Australia and produced data on some 500 variables (see Braithwaite, 2001). The survey questionnaire was divided into 12 sections. Respondents were encouraged to take breaks, rather than complete the questionnaire in one sitting, and were reminded to do so during the questionnaire.

... The present working paper is divided into two parts. Part 1 (overview) explains what is being measured in each section of the survey and highlights findings from the survey that will be followed up in future working papers. Part 2 (basic descriptive findings) details the breakdown of responses to each of the questions asked in the survey.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: The Community Hopes, Fears and Actions Survey: Survey method, sample representativeness and data quality

Author(s): Mearns, M., & Braithwaite, V.

Publication: Centre for Tax System Integrity Working Paper 4. Canberra: The Australian National University, April 2001

Abstract: This paper describes and discusses the method used to collect data on the hopes, fears and actions of Australians in relation to the tax system in 2000. Data were collected from June through to October 2000 by means of a national survey of Australians who were randomly selected from the publicly available electoral rolls. A response rate of 29% yielded 2040 questionnaires that could be used for further analysis. Diagnostic statistics comparing the sample with Australian Bureau of Statistics population estimates on age, sex, occupation and education suggested that the sample was broadly representative of the population, but with some bias in favour of those involved in occupations in which reading and writing skills are integral. The survey also under-represented younger age groups, a bias that is shared with many other social surveys of this kind. A number of regression models were run to find out if responses were affected by anonymity, time taken to respond to the survey and the introduction of the goods and services tax (GST) during the survey period. No evidence was forthcoming to suggest a direct relationship between any of these variables and tax-related attitudes and behaviours. We conclude that these data provide a satisfactory base for examining the relationships outlined and discussed in the Centre for Tax System Integrity Working Papers No. 2 and No. 3 (Braithwaite, 2001; Braithwaite, Reinhart, Mearns & Graham, 2001).

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Taxpayers' perceptions of the ideal tax adviser: Playing safe or saving dollars?  
Author(s): Sakurai, Y., & Braithwaite, V.  
Publication: Centre for Tax System Integrity Working Paper 5. Canberra: The Australian National University, May 2001  
Abstract: This paper empirically examines Australian taxpayers' perceptions of their tax practitioners and 'ideal' tax practitioners, using a sample of 2040 randomly selected Australian taxpayers who completed the Community Hopes, Fears and Actions Survey (Braithwaite, 2000). This research identifies the basic dimensions that underlie taxpayer judgements of the attributes of their ideal tax practitioner. One kind of tax practitioner sought by certain taxpayers is the 'creative accountant, aggressive tax planning type'. Here the taxpayer is also looking for a practitioner who is well networked and knows what the Australian Taxation Office (Tax Office) is checking at a particular time. This is by far the least popular preference among ordinary individual taxpayers, but clearly one of the greatest concern to tax authorities. A second type of practitioner sought by taxpayers is one who engages in 'cautious minimisation of tax'. Unlike the creative accountants, practitioners of this type avoid conflict, while being sophisticated about identifying opportunity to minimise tax. The most popular type of practitioner with taxpayers is the 'low risk, no fuss' practitioner who is honest and risk averse. The data also show that taxpayers are likely to find tax practitioners who have the attributes they value most highly in a practitioner. Further work is needed to understand the matching process, in particular, how high risk practitioners and high risk taxpayers form their partnerships.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: The impact of outcome orientation and justice concerns on tax compliance: The role of taxpayers' identity  
Author(s): Wenzel, M.  
Publication: Centre for Tax System Integrity Working Paper 6. Canberra: The Australian National University, June 2001  
Abstract: While previous research has yielded evidence for the impact of justice perceptions on tax compliance, the findings were not always consistent. The present paper suggests a more differentiated view on the basis of two congenial justice theories. These theories argue that taxpayers are more concerned about procedural and distributive justice, and less about personal outcomes, when they identify strongly with the inclusive category within which procedures and distributions apply. Regression analyses of survey data from 2040 Australian citizens showed that two forms of tax compliance (pay income reporting and tax minimisation) were determined by self-interest variables. For two other forms (non-pay income and deductions), inclusive identification had an additional effect and moderated the effects of self-interest and justice variables as predicted. Implications for theories of justice motivation and the practice of compliance enforcement are discussed.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: Misperceptions of social norms about tax compliance (1): A pre-study  
Author(s): Wenzel, M.  
Publication: Centre for Tax System Integrity Working Paper 7. Canberra: The Australian National University, June 2001  
Abstract: Taxpayers may justify non-compliant behaviour with the perceived high prevalence (descriptive norm) or high acceptability (injunctive norm) of tax non-compliance in the population. However, their perception may be distorted: their taxpaying behaviour may follow misperceived norms and reflect 'pluralistic ignorance'. In an experimental questionnaire study focusing on the injunctive norm, psychology students were asked, in a first step, about their personal tax-related beliefs and behaviour and the perceived beliefs and behaviour of others. The results confirmed the divergence between average personal beliefs and perceived beliefs of the average. In a second step, participants were given feedback about either this divergence or about a norm-irrelevant finding (control). The intervention significantly improved the perceived tax beliefs of others (injunctive norm) and, mediated by this effect, increased hypothetical tax compliance. The findings encourage tax-regulatory measures based on these theoretical considerations.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: Misperceptions of social norms about tax compliance (2): A field-experiment  
Author(s): Wenzel, M.  
Publication: Centre for Tax System Integrity Working Paper 8. Canberra: The Australian National University, June 2001  
Abstract: Based on insights from an earlier study with a student sample (Wenzel, 2001), the present research evaluated an intervention to increase tax compliance that involved two steps. In step 1, taxpayers were sent a survey about their own personal norms and behaviour as well as others' norms and behaviour concerning taxpaying. In step 2, they were informed about a systematic self-other discrepancy in their perceptions, suggesting that taxpayers wrongly think that most taxpayers hold norms of honesty to a lesser degree (injunctive norm) and act less honestly (descriptive norm) than they themselves do. Feedback about the survey results should encourage taxpayers to correct their perceptions of social norms and thus increase compliance. Deduction claims of four groups of taxpayers (injunctive norm feedback, descriptive norm feedback, survey only, control) were analysed and revealed no treatment effects for claims for work-related expenses, but a significant reduction of claims for other deductions in the injunctive norm feedback condition compared to the control conditions.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: Taxpayers who complain about paying tax: What differentiates those who complain from those who don't?

Author(s): Taylor, N.

Publication: Centre for Tax System Integrity Working Paper 9. Canberra: The Australian National University, June 2001

Abstract: This paper argues that taxpayers who complain about paying tax can be differentiated from those taxpayers who do not complain in terms of attitudes on various tax-related dimensions. Data from the Community Hopes, Fears and Actions Survey is presented, which shows that taxpayers who express complaints about tax perceive greater injustice, feel less pride in being an honest taxpayer and see the government and the Tax Office as less representative of them than those taxpayers who do not complain about tax. It is concluded that complaints about tax are not arbitrary but reflect a meaningful analysis of the tax system as it affects the taxpayer, leading to negative attitudes and resentment. It is proposed that while such perceptions are subjective, they are nonetheless rational, and provide the Tax Office with avenues to pursue in order to change such perceptions.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Principles of procedural fairness in reminder letters and awareness of entitlements: A prestudy

Author(s): Wenzel, M.

Publication: Centre for Tax System Integrity Working Paper 10. Canberra: The Australian National University, June 2001

Abstract: Reminder letters by tax authorities are typically to the point and brisk, if not threatening. While appropriate from a deterrence-based regulatory approach, they may lack qualities conducive to a regulatory approach based on a more cooperative relationship between tax authorities and taxpayers. In particular, they may be considered to violate principles of procedural justice. In an experimental questionnaire study with a student sample, reactions to two alternative reminder letters, designed to incorporate principles of informational justice and interpersonal justice respectively, were compared to the standard letter. Furthermore, the effects of the letters were tested when three different rights (informational, interpersonal, conciseness), as granted in the Taxpayers' Charter, were made salient. It was predicted that respondents would regard a letter as fairer when the salient right was matched in the letter than when it was not. This prediction was confirmed for the two letters that incorporated justice principles. Furthermore, overall the interpersonal letter was regarded most fair; and making respondents aware of the interpersonal right increased their perceptions of fairness. However, while perceived fairness was related to hypothetical compliance, the experimental factors had no influence on compliance. There was only correlational evidence that perceived letter qualities

were related to compliance; for interpersonal justice, this relationship was fully mediated by perceived justice.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: The effects of different letter styles on reported rental income and rental deductions: An experimental approach

Author(s): Taylor, N., & Wenzel, M.

Publication: Centre for Tax System Integrity Working Paper 11. Canberra: The Australian National University, July 2001

Abstract: This paper reports on an experimental study, conducted in collaboration with the Australian Taxation Office (Tax Office), investigating the effects of different letter styles on the rental income reported and rental deductions claimed by 6803 taxpayers with rental property. In June 2000, letters were sent out through the Tax Office to a number of rental property owners. The letters varied in tone (either a 'soft' and cooperative tone or a 'hard' and threatening tone was used) and in content (being informed about completing rental information in the tax return correctly, being sent a Rental Property Schedule (a schedule) to complete and return, being sent a schedule to complete and return, together with an information booklet, or being sent a schedule that did not have to be returned to the Tax Office). The letters were sent to two samples of taxpayers: those who had been sent a schedule to complete in previous years (touched sample); and those who had not previously been sent a schedule (untouched sample). It was found that being sent a schedule and having to return it to the Tax Office was paramount in reducing the amount of deductions claimed for rental property compared with a control group, for both those previously touched and previously untouched. Further, for those previously touched, a hard tone resulted in fewer rental deduction claims than did a soft tone when the schedule had to be returned. This pattern, however, was reversed when the schedule did not have to be returned. A hard tone resulted in more rental deduction claims than did a soft tone. It is argued that reactance may have been aroused when taxpayers felt illegitimately threatened, producing an increase in rental deductions claimed when they were not under surveillance. A further study (beginning June 2001) will investigate further the relationship between illegitimate threat and deduction claims relating to rental property.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Prosecuting non-lodgers: To persuade or punish?

Author(s): Williams, R.

Publication: Centre for Tax System Integrity Working Paper 12. Canberra: The Australian National University, July 2001

Abstract: Prosecution in the court is one of the Australian Taxation Office's (Tax Office's) last resort enforcement procedures for the small numbers of taxpayers who fail to

lodge a tax return. The Tax Office has generally assumed that prosecution will obtain lodgment of the return being sought and, via deterrence, improve longer-term compliance behaviour in the prosecuted individual. This paper examines these assumptions by relating tax return data to the outcomes of court cases of prosecuted individuals. The results show that prosecutions were only moderately successful in obtaining lodgment and that lodgment rates (for prosecuted taxpayers) reduced significantly in subsequent years. Nevertheless, these lodgment rates were still three to four times greater than those of taxpayers who were selected for prosecution but did not receive the summons issued to them. There were also reasonable levels of lodgment when a summons was withdrawn at the request of the taxpayer, suggesting that a full prosecution is not required in every case. The results also show that a large fine is linked to lower levels of lodgment.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Tensions between the citizen taxpaying role and compliance practices

Author(s): Braithwaite, V.

Publication: Centre for Tax System Integrity Working Paper 13. Canberra: The Australian National University, July 2001

Abstract: This paper uses data from the Community Hopes, Fears and Action Survey to measure attitudes of cooperation to the tax system (motivational postures representing commitment, capture, resistance, disengagement and game playing) and compliant actions. The data show high levels of commitment to the tax system, but at the same time, willingness to criticize its operations and to engage in non-compliant behaviours of various kinds. This paper provides a breakdown of self-reported non-compliance in the areas of overstated deductions, under-reporting of income, cash economy activity, and failure to lodge a tax return or pay a tax debt, as well as commitment to engage in tax minimization activities.

Location: not currently available – check <http://ctsi.anu.edu.au/publications.html> for updates

Title: Understanding taxpayer attitudes through understanding taxpayer identities

Author(s): Taylor, N.

Publication: Centre for Tax System Integrity Working Paper 14. Canberra: The Australian National University, July 2001

Abstract: For tax systems which rely on voluntary self-reporting of tax obligations, the need to understand what drives taxpayer attitudes and behaviour is important in ensuring that taxes owed are declared and collected. An understanding of the motivations underlying taxpayer attitudes and behaviour is also beneficial to tax authorities through informing them of which strategies might be most appropriate and effective in achieving greater compliance. Inappropriate strategies are not only costly and ineffective, but may also be counterproductive. Contrary to the understanding of taxpayers as being motivated purely by

personal self-interest, this paper argues that how taxpayers perceive themselves in relation to other taxpayers and tax revenue authorities is fundamental to understanding the motivations which underlie taxpayer behaviour. This paper illustrates, both theoretically and empirically, that taxpayers can think of themselves as members of broader social categories (for example, Pay as You Go (PAYG) versus non-PAYG) and that this qualitatively changes how they think about themselves and what drives their attitudes and behaviour. This has strong implications for compliance strategies currently employed by tax revenue authorities and these implications are discussed.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Organisational capacity for responsive regulation

Author(s): Shover, N., Job, J., & Carroll, A.

Publication: Centre for Tax System Integrity Working Paper 15. Canberra: The Australian National University, August 2001

Abstract: In April 1998, the Australian Taxation Office (Tax Office) adopted a policy of responsive regulation of tax compliance by small firms in the building and construction industry. Known as the Australian Taxation Office Compliance Model (ATO Compliance Model), the new approach is grounded in past research into regulation of business entities. As seen by its promoters, it promises to improve significantly tax compliance in the cash economy. Drawing from survey and interview data, we explore the Tax Office's capacity for successful implementation of the ATO Compliance Model. Specifically, we examine the extent to which it had the leadership and staff commitment to implement the policy successfully. We also explore whether or not project field-level staff saw merit in the program and eventually came to support it. We conclude by examining whether the owners of small building and construction firms changed their perspectives on the Tax Office and tax compliance following introduction of the ATO Compliance Model.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Trust and law-abidingness: A proactive model of social regulation

Author(s): Tyler, T. R.

Publication: Centre for Tax System Integrity Working Paper 16. Canberra: The Australian National University, August 2001

Abstract: The purpose of my research is to look at how members of the public experience the social regulatory activities of the police and the courts. In particular, I am concerned about the experiences of the members of two minority groups – African-Americans and Hispanics. My goal is to explore the implications of my findings for models of policing and court administration. These models focus on finding effective ways to regulate social behaviour.

My argument is that we have a lot to gain by reframing the way we think about the general approach to social regulation that has dominated legal scholarship for

several decades. I propose and defend empirically the value of a proactive model of social regulation that is based upon encouraging and maintaining public trust in the character and motives of legal authorities. The public trust in the police and courts central to this model is sustained by process based policing and process oriented problem solving by the courts. Process is the key issue in each case because public trust in these legal authorities is encouraged when they make their decisions through procedures that members of the public view as fair.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Corporate income taxation in the European Union: Current state and perspectives

Author(s): Genser, B.

Publication: Centre for Tax System Integrity Working Paper 17. Canberra: The Australian National University, August 2001

Abstract: The paper reviews the state and recent changes in corporate income taxation in the European Union (EU) and major Organisation for Economic Cooperation and Development (OECD) countries. It also reviews coordination measures proposed and adopted in the EU so far. This empirical evidence is related to theoretical results on international tax competition. On this basis I conclude that tax competition has contributed to move the system of international capital taxation in an economically desirable direction. Although EU and OECD efforts to promote non-discrimination ('Code of Conduct') and curb international tax engineering strategies in multinational enterprises are desirable, a further harmonisation of corporate tax systems does not seem to be warranted.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: When compliance is not the solution but the problem: From changes in law to changes in attitude

Author(s): McBarnet, D.

Publication: Centre for Tax System Integrity Working Paper 18. Canberra: The Australian National University, August 2001

Abstract: The task of the Centre for Tax System Integrity is to extend understanding of how and why cooperation and contestation occur within the tax system. This goal presupposes a clear distinction between cooperation and contestation. In practice, however, this distinction may be open to creative management, demonstrated clearly in the practice of 'creative compliance'.

Taxpayer compliance with tax law may seem to fall, by definition, into the category of cooperation with the tax system. Indeed, securing compliance with the law is the driving force behind the compliance model of enforcement (Ayres & Braithwaite, 1992) which has been adopted by the Australian Taxation Office (Tax Office) and other regulatory agencies (Hawkins, 1984). Securing compliance is seen as the key, as the solution to the regulatory problem of making policy effective in practice.

Yet compliance with the law can in practice be used, and used very effectively, to frustrate tax policy. This working paper focuses on the issue of compliance, and on the Tax Office's compliance model of enforcement. It asks: what happens to the compliance model when compliance is not the solution but the problem?

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Individual behaviour in Australia's shadow economy: Facts, empirical findings and some mysteries

Author(s): Schneider, F., Braithwaite, V., & Reinhart, M.

Publication: Centre for Tax System Integrity Working Paper 19. Canberra: The Australian National University, September 2001

Abstract: This paper attempts to explain the behaviour that motivates individuals to engage in the shadow economy. Results show that those who fear being caught by tax authorities are less likely to supply or purchase work in the shadow economy. Further, those who earn more money in the 'official' economy, work less in the shadow economy, but purchase more shadow economy work. The results of logistic regressions show that when working in the shadow economy is seen as socially acceptable, shadow economy activities are higher.

Additional findings showed that, on average, a shadow economy worker earned AUS\$2135.31 during 2000, and households spent AUS\$2293.00 for these services. Using micro-data to calculate an overall aggregate figure for the estimated size of the shadow economy in Australia during 2000, it was found that between 4.81% and 8.8% of the gross national income (GNI) was earned in the shadow economy.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Comparing rental income and rental deductions for electronic versus paper lodgers: A follow-up investigation

Author(s): Taylor, N., & Wenzel, M.

Publication: Centre for Tax System Integrity Working Paper 20. Canberra: The Australian National University, November 2001

Abstract: As a follow-up to the study reported in the Centre for Tax System Integrity's Working Paper No. 11 (Taylor & Wenzel, 2001), the study reported in this paper investigated rental income declared and rental deductions claimed by taxpayers who were required to complete a Rental Property Schedule (a schedule). Rental income, rental deductions and net rent were compared between electronic lodgers (who completed a schedule as part of their electronic return), paper lodgers (who were sent a schedule by the Australian Taxation Office (Tax Office) and required to return it) and a control group (who did not complete a schedule). The goal of this investigation was to assess whether the effect of the schedule on paper lodgers (significantly less rental deductions claimed) was due to being personally targeted by the Tax Office to complete and return the schedule ('The Tax Office is watching me'). If the effect was not due to being

personally targeted (deterrence effect) but perhaps due to greater informational assistance, the schedule (and similar schedules in other tax-related domains) could perhaps be included in TaxPack as a cheap and convenient alternative to sending out individual schedules.

The results showed that paper lodgers declared significantly more gross rental income, claimed significantly less rental deductions and declared significantly more net rent than did electronic lodgers, and that electronic lodgers did not differ from the control group on these variables. These results suggest that the effect of the schedule is due to being personally targeted, indicating that the inclusion of the schedule in TaxPack may not achieve the same results as sending it out individually to taxpayers. However, because the electronic lodgers in this study were not randomly selected from the same population as the paper lodgers, it is possible that a number of confounding variables may have led to the differences found between these two groups of lodgers. Electronic lodgers were found to possess significantly different characteristics from non-electronic lodgers (they were younger, lodged earlier and had higher taxable incomes). Further, it is suggested in the discussion that lodging electronically (in and of itself) may result in perceptions of decreased accountability which do not exist for paper lodgers and that, for this reason, electronic lodgments should be further investigated.

Location: not currently available – check <http://ctsi.anu.edu.au/publications.html> for updates

Title: Through the eyes of the advisers: A fresh look at tax compliance of high wealth individuals

Author(s): Braithwaite, J.

Publication: Centre for Tax System Integrity Working Paper 21. Canberra: The Australian National University, September 2001

Abstract: This paper develops a different kind of analysis of the compliance policy of the High Wealth Individuals (HWI) Taskforce of the Australian Taxation Office (Tax Office). It takes as its starting point the perceptions of HWI advisers who report that they have a considerable capacity to secure compliance with the law simply by pointing out to clients that something is illegal. Hence, working with advisers is important. Most advisers say they want more face-to-face communication with analysts. It is concluded that there is a set of good policy reasons for the Tax Office to respond to this concern. When advisers did have contact with HWI Taskforce staff, they overwhelmingly found them fair and professional. There was only one case of a specific complaint of non-compliance with the Taxpayers' Charter from the 27 advisers interviewed.

The majority of advisers are also quite concerned about compliance costs from completing expanded returns. While abandoning the expanded return program would be a major mistake, there are a variety of ways the Tax Office can respond to these concerns. There was a lot of angst among advisers over the atmosphere

of political ‘witch hunt’ that they felt permeated the initial establishment of the Taskforce.

A number of more specific perceptions, future evaluation research ideas and recommendations are listed at the back of this report. The key elements of the Australian Taxation Office Compliance Model (ATO Compliance Model) - understanding taxpayer behaviour, building community partnerships, increasing flexibility of Tax Office operations, and more and escalating regulatory options to enforce compliance - seem to be working to bring about some improvement in HWI compliance.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Tax Compliance by the very wealthy: Red flags of risk

Author(s): Braithwaite, J., Pittelkow, Y., & Williams, R.

Publication: Centre for Tax System Integrity Working Paper 22. Canberra: The Australian National University, September 2001

Abstract: A study of 235 High Wealth Individuals (HWIs) and the entities they control was undertaken on 1997 and 1998 tax returns. From this data, and using a list of 207 candidate issues, five red flags for overall risk of aggressive tax planning by HWIs were identified. These red flags indicated recurrent risks that can be predicted using different kinds of analyses of overall high risk. The red flag issues were:

- trust distributions (especially capital distributions in cash to the HWI);
- capital loss creation (especially through asset sales, but not revenue loss creation);
- use of an offshore entity in a country that may be a tax haven;
- utilisation of revenue losses via transfers within the group controlled by the HWI; and
- other risks that fall between the cracks of the main issues.

To some degree, these results are only of historical interest as some of the risks associated with these issues have been reduced by recent Australian corporate tax reforms. With the exception of the last red flag, it could be said that the red flags highlight fundamental issues rather than issues that are believed to be symptomatic of deeper problems – such as converting activities undertaken for private pleasure into tax deductions (for example pleasure craft, horse breeding and racing).

The surprisingly strong and robust predictive power of ‘other’ issues is not interpreted as an anomaly, but rather as suggesting an evolutionary ecology of aggressive tax planning. Tax planning strategies that everyone, particularly the Tax Office, knows about will not be the most lucrative. While there will be recurrent predation strategies, the best new strategies will be those that are not crowded out by others who use a similar strategy. Minority strategies flourish. We caution therefore against the idea that we can settle in advance all risk categories for aggressive tax planning. We also highlight the importance of intuitive detective work to follow risks that fall between the cracks. This advice

follows not only from the importance of the ‘other’ category, but also the result that the estimated ‘objective’ dollars at risk added little explanatory power to the ability to predict high risk above and beyond that provided by subjective risk ratings by Tax Office analysts.

It is also argued that it may be more important to consider dollars at risk for certain strategic issues that are not normally red flags for systemic risk, rather than to use the dollars at risk as red flags. For example, negative gearing is not a red flag itself, but exceptionally high levels of negative gearing might raise questions.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Meta risk management and tax system integrity

Author(s): Braithwaite, J., & Williams, R.

Publication: Centre for Tax System Integrity Working Paper 23. Canberra: The Australian National University, October 2001

Abstract: Meta risk management means the risk management of risk management. The Australian Taxation Office (Tax Office) has an international reputation as an organisation that is sophisticated in risk management. The aim of this working paper is to understand how it is developing a capability in meta risk management and how it can extend that capability.

Drawing together a number of longstanding themes in the regulation literature with more recent writing on neo-liberal governmentality, Peter Grabosky (1995) developed the theme of meta regulation, which he called ‘meta-monitoring’ - government monitoring of self-monitoring. He elaborated further on these ideas with Neil Gunningham (1998) in *Smart Regulation: Designing Environmental Policy*. The most sustained development of this approach is in Christine Parker’s forthcoming book *The Open Corporation: Self-Regulation and Corporate Citizenship*. The penultimate chapter of that book is entitled ‘Meta-Regulation: The Regulation of Self-Regulation’. Parker jointly explores notions of meta-regulation and meta-evaluation – evaluation of corporations’ self-evaluations of their compliance systems. In this working paper, we seek to give these ideas more of a risk-management orientation and one specifically attuned to tax administration.

According to Ulrich Beck’s (1992) influential book *Risk Society: Towards a New Modernity*, societies have become more reflexive about risk. The Tax Office’s Risk Management System can be seen as an example of tax administration reflexively remaking tax administration in a risk paradigm. To date, however, the Tax Office Risk Management System has been a rather conventional case of a regulatory organisation getting more analytic about the risks the organisation must confront. A further step toward a reflexive risk paradigm is for the Tax Office to monitor and seek to remake the risk management systems of the organisations it regulates. This is a move from the Tax Office developing its own Risk Management System to influencing the risk management systems of other important organisations in its risk environment.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Towards a framework for large business tax compliance

Author(s): Braithwaite, J., & Wirth, A.

Publication: Centre for Tax System Integrity Working Paper 24. Canberra: The Australian National University, November 2001

Abstract: This was an ideas paper prepared in 1998-99 to stimulate what became an ongoing process of reinventing large business compliance policy in the Australian Taxation Office (Tax Office). Some of the ideas in the paper are becoming influential in shaping developments in Australia, others have had no influence. Both kinds of ideas deserve recording, however, for the consideration of tax authorities in other times and places.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Aggressive Tax Planning: Differentiating those playing the game from those who don't?

Author(s): Murphy, K., & Sakurai, Y.

Publication: Centre for Tax System Integrity Working Paper 25. Canberra: The Australian National University, October 2001

Abstract: The study reported in this paper examined a group of Australian taxpayers who have expressed a preference for an aggressive tax agent. The study attempted to understand how high-risk taxpayers and high-risk practitioners form their partnerships by examining aggressive taxpayers' attitudes and perceptions of the Australian tax system. Data were taken from the Community Hopes, Fears and Actions Survey, which tested a random sample of 2040 Australian taxpayers. Results from a series of independent sample t-tests revealed that there are a number of important differences between 'aggressive' and 'non-aggressive' taxpayers. Finally, a stepwise discriminant function analysis was used to determine which variables can most effectively differentiate aggressive taxpayers from other taxpayers. The best predictive model obtained from this analysis indicated that taxpayers involved in aggressive tax planning tend to have higher family incomes and are more status-oriented than other taxpayers. They are also more likely to blame the Australian Taxation Office (Tax Office) if caught for a tax offence, are more likely to be vindictive towards the Tax Office as a result, and are more likely to adopt a resistance posture towards the Tax Office. Not surprisingly, taxpayers with an aggressive tax agent are more likely to be game-players than other taxpayers. These findings are discussed in the regulatory context. Possible solutions for how tax authorities might deal with this high-risk group of taxpayers are suggested.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: The 'Other Nation': Understanding rural taxpayers' attitudes toward the Australian tax system

Author(s): Morgan, S., & Murphy, K.

Publication: Centre for Tax System Integrity Working Paper 26. Canberra: The Australian National University, December 2001

Abstract: The study reported in this paper examined rural taxpayers' attitudes towards both the Australian Taxation Office (Tax Office) and the tax system. Data were taken from the Community Hopes, Fears and Actions Survey (Braithwaite, 2000), completed by a random sample of 2040 Australian taxpayers. Results from a series of independent sample t-tests revealed that rural and urban taxpayers differ on a number of dimensions. A logistic regression analysis was used to determine which variables most effectively differentiated rural taxpayers from other taxpayers. The best predictive model obtained from this analysis indicated that taxpayers who live in rural communities are less educated, less status-oriented and more security-conscious than taxpayers who live in metropolitan centres. They are more likely to question the legitimacy of the Tax Office as a fair institution, and as a result have distanced themselves from the Tax Office and their obligation towards paying tax. In addition, rural taxpayers are more likely to fear being caught for avoiding their taxes. In this paper these findings are discussed in the regulatory context, and possible solutions for how tax authorities might deal with non-compliance among this group of taxpayers are suggested. While the results reveal markers that significantly differentiate rural and urban taxpayers, findings suggest that rural and urban taxpayers may actually have more in common than they have differences. This common ground will also be investigated and implications for the Tax Office discussed.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Small business individuals: What do we know and what do we need to know?

Author(s): Ahmed, E., & Sakurai, Y.

Publication: Centre for Tax System Integrity Working Paper 27. Canberra: The Australian National University, December 2001

Abstract: This study investigates the reasons why Small Business Individuals (SBI) have a poor reputation on questions of tax compliance. Tax related attributes of SBI were compared with private sector employees (PRI), employees in non-profit or government organisations (NPO), and non-working individuals (NWR). Data were taken from the Community Hopes, Fears and Actions Survey based on a random sample of 2040 individuals. A comparison of group means using one-way analyses of variance revealed that while there are numerous similarities in the responses of these groups, there were also critical differences. A stepwise discriminant function analysis was used to determine which variables could most efficiently differentiate SBI from others. The best predictive model obtained from this analysis indicated that SBI were more likely to owe money to the Tax Office and to perceive that they were unfairly treated by the Tax Office when compared with big business. At the same time, they acknowledged paying less

than their fair share of tax. In addition, SBI viewed others as having lower social-ethical norms in relation to paying tax and were more opposed to the government spending tax dollars on welfare issues. Although they placed high importance on personal values of efficiency, SBI acknowledged having inadequate tax knowledge. These findings are discussed in the regulatory context: talking softly with a big stick is likely to work some of the time and be the best starting point. Taking the stick out and being tough, however, is likely to be necessary as a back-up strategy to signal that a credible sanctioning process is in place, and will be used to elicit compliance when necessary.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Championing the compliance model: From common sense to common action

Author(s): Hobson, K.

Publication: Centre for Tax System Integrity Working Paper 28. Canberra: The Australian National University, December 2001

Abstract: The Compliance Model was introduced into the Australian Tax Office (Tax Office) as both a procedural and product-outcome innovation, where it has been met with varying degrees of acceptance and criticism. This paper analyses interviews with 22 Compliance Model ‘champions’, to examine what the Compliance Model meant to them and how they put it into practice. It shows how champions believed the Compliance Model was ‘common sense’. It represented and brought together various trains of thought and ideas they already had about how they wanted to work. Champions were able to put these thoughts into action, as the Model legitimised their beliefs and gave them a new language – or ‘discursive space’ – in which they could try and do things differently. Working from ‘within’ the Model, it became a new way of thinking. They were able to see the positive effects of using the Compliance Model and became committed to using it as a tool for encouraging sound working practices and greater taxation compliance. This suggests that the Compliance Model could be taken forward in the Tax Office by putting into action small, day-to-day, behavioural changes that exemplify the conceptual foundations of the Model, without having to change staff ‘values’ or ‘culture’. By bringing the Compliance Model gradually to life, Tax Office staff could experience first-hand the positive effects of the Model, which, for the champions at least, was the strongest factor in committing them to its validity as a worthwhile form of practice.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: The Under-30 taxpayer: Different from the rest?

Author(s): Smart, M.

Publication: Centre for Tax System Integrity Working Paper 29. Canberra: The Australian National University, forthcoming

Abstract: A significant body of literature suggests that younger age groups are more cynical about various forms of civic engagement, such as the paying of tax. This

question was explored by analysing data from the Community Hopes, Fears and Actions Survey 2000. Testing the social distance hypothesis showed that the under-30s have a weaker commitment to, and a stronger disengagement from, the tax system. The obligation and respect hypothesis test showed that the under-30s have a much weaker sense of obligation towards a tax system, and the worldviews hypothesis showed that although personal and social values were similar across age groups, the under-30s were much less concerned about the health of the tax system. Lacking longitudinal data, the strongly individualistic, non-collectivist sentiments of the under-30s cannot be attributed to either life cycle or inter-generational differences – longitudinal data is required. Tax administrators should take a range of preventative actions to minimise the high non-compliance risks which the data suggest.

Location: not currently available – check <http://ctsi.anu.edu.au/publications.html> for updates

Title: Short-term experience with responsive regulation in the Australian Taxation Office.

Author(s): Job, J., & Honaker, D.

Publication: Centre for Tax System Integrity Working Paper 30. Canberra: The Australian National University, May 2002

Abstract: This paper reports on the perceptions and early experience of staff in the Australian Taxation Office (Tax Office) with responsive regulation. The Tax Office adapted responsive regulation to take the form of the Australian Taxation Office Compliance Model (ATO Compliance Model), which was introduced into the Tax Office in early 1998.

Between December 1998 and July 1999, interviews were conducted with operative staff in Tax Office branch offices to determine the extent of staff acceptance and use of the ATO Compliance Model. These interviews examined perceptions of legitimacy of responsive regulation, and barriers to its adoption. Most of those interviewed thought the Compliance Model ‘made sense’. Generally, interviewees saw the Model as legitimate because it encouraged creativity, increased job satisfaction, improved staff communication, and raised awareness of the needs of taxpayers.

There were both organisational and individual barriers, which resulted in some resistance to the ATO Compliance Model. However, resistance was more than balanced by enthusiasm. Overall, the changes required within the organisation to adopt responsive regulation were cultural, organisational and personal. Operative staff recognised the need for these changes, looked for intrinsic reward and were keen to acquire the skills needed to regulate responsively.

This paper should be read in conjunction with Centre for Tax System Integrity Working Paper No. 28, which reports on interviews with senior Tax Office staff who championed the implementation of the ATO Compliance Model.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: A constitution for knaves crowds out civic virtues  
Author(s): Frey, B.  
Publication: Centre for Tax System Integrity Working Paper 31. Canberra: The Australian National University, June 2002  
Abstract: When discussing constitutional design, economists concentrate on the propensity of individuals to free ride. Preventing opportunistic behaviour by knaves has costs by crowding out civic virtue. Another view emphasises active citizen participation in order to bolster civic virtue. A viable constitution must therefore be strict enough to deter exploitative behaviour. At the same time, the constitution should fundamentally convey trust towards its citizens and politicians. Distrusting public laws risk destroying the positive attitude of citizens and politicians towards the state. Civic virtue can be maintained and fostered by direct citizen participation via popular referenda and initiatives.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: Trust breeds trust: How taxpayers are treated  
Author(s): Feld, L., & Frey, B.  
Publication: Centre for Tax System Integrity Working Paper 32. Canberra: The Australian National University, June 2002  
Abstract: Tax compliance has been studied in economics by analysing the individual decision of a representative person between paying and evading taxes. A neglected aspect of tax compliance is the interaction of taxpayers and tax authorities. The relationship between the two actors can be understood as an implicit or 'psychological' contract. Studies on tax evasion in Switzerland show that the more strongly the political participation rights are developed, the more important the contract is, and the higher tax morale is. In this paper, empirical evidence based on a survey of tax authorities of the twenty-six Swiss states (cantons) is presented, indicating that the differences in the treatment of taxpayers by tax authorities can be explained by differences in political participation rights as well.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: An analysis of norm processes in tax compliance  
Author(s): Wenzel, M.  
Publication: Centre for Tax System Integrity Working Paper 33. Canberra: The Australian National University, July 2002  
Abstract: It is often argued that individual ethics and social norms affect tax compliance. However, for this insight to benefit tax administration, we need to understand better how and when ethics and norms affect taxpaying decisions. This study used survey data to investigate in more detail effects on levels of compliance of personal ethics and social norms. The results suggest that individual ethics are indeed strongly related to tax compliance. Social norms, that is ethical views attributed to a social group, affect tax compliance only when people identify

with that group and, as a consequence, internalise the norms as part of their own ethical beliefs. The findings have interesting implications for compliance management strategies that deliberately or incidentally affect social norms.

The study used data from The Community Hopes, Fears, and Actions Survey (Braithwaite, 2001), involving 2040 Australians. Self-reported tax compliance (aggregated across a number of taxpaying behaviours) was greater when one's personal norms prescribed compliance. In contrast, the effects of perceived social norms, that is ethical beliefs ascribed to most people, depended on participants' levels of identification with Australians. Only when respondents identified strongly as Australians was their self-reported compliance positively related to the perceived social norm. When personal ethics were statistically controlled, this effect disappeared, indicating that identification led to the internalisation of social norms: being internalised, social norms are part of one's ethical make-up and thus affect one's behaviour.

The findings suggest that regulatory strategies to increase tax compliance could refer to ethical beliefs, for instance through persuasive appeals that attempt to increase taxpaying ethics. However, it would be difficult to change each taxpayer's ethics individually. Because personal beliefs are (at least partly) based on social norms of groups with whom taxpayers identify, it would therefore be a better strategy to refer to broader social norms. Persuasive appeals as a means to increase tax compliance should refer to favourable social norms in the public and utilise their 'appeal' to taxpayers. However, their 'appeal' and internalisation as personal beliefs depend on a sufficient level of identification with the group to which the norms are attributed (for example, Australians, occupational groups). That is, appeals that refer to ethical taxpaying norms of a certain group need to ensure that taxpayers identify with that group sufficiently. Normative appeals could be combined with measures that try to increase levels of identification.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: The social side of sanctions: Personal and social norms as moderators of deterrence

Author(s): Wenzel, M.

Publication: Centre for Tax System Integrity Working Paper 34. Canberra: The Australian National University, October 2002

Abstract: This study investigated how personal ethics and social norms interact with deterrence in their effects on tax compliance. In line with earlier research, it is argued and shown that strong personal tax ethics reduce effects of deterrence. Strong tax ethics basically exclude tax evasion from one's behavioural options and no deterrence is required to maintain tax honesty. Such personal ethics are partly based on social norms that are internalised in one's own ethical make-up. In contrast, social norms that are not internalised (for example, because one does not identify with the group holding these norms) can enhance effects of deterrence, because they add social costs to the material costs of sanctions, such as reputation threat and stigma.

The study was based on data from The Community Hopes, Fears, and Actions Survey (Braithwaite, 2001) involving 2040 Australian participants. It investigated three different self-reported acts of tax evasion, namely pay income underreporting, non-pay income underreporting and exaggerations of deductions; and three aspects of deterrence incorporating legal sanctions, namely the perceived probability of detection, the perceived probability of legal consequences and the perceived severity of the consequences. Although the importance of the three deterrence aspects varied somewhat between the three forms of evasion, perceived sanction severity was overall the most relevant aspect. The results showed that personal taxpaying ethics were negatively related to tax evasion, while social norms (beyond those internalised as personal ethics) had no direct effect. Personal ethics moderated the deterring effects of legal sanctions; deterrence was stronger when people's ethics were only weakly opposed to tax evasion. Social norms moderated the effects of deterrence when personal norms were controlled and identification as Australians was weak: the deterring effects of legal sanctions were greater when social norms were strongly opposed to tax cheating.

The study thus provides a strong argument for the investment of much regulatory effort in the establishment of supportive taxpaying norms and culture. In line with the Compliance Model of the Australian Taxation Office, it would be important to nurture personal norms of tax honesty, because this would make any more costly and potentially alienating regulatory activities unnecessary. However, when personal norms fail and regulatory measures would escalate to more stringent levels of enforcement, the effects of deterrence would be greatly supported by a positive tax paying culture; again the nurture of supportive norms is paramount. Finally, by building strong identification with one's community and representative institutions as well as furthering positive taxpaying norms, tax regulators would move taxpayers down to the cooperative base of the compliance model's regulatory pyramid.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Procedural justice and the Australian Taxation Office: A study of tax scheme investors

Author(s): Murphy, K.

Publication: Centre for Tax System Integrity Working Paper 35. Canberra: The Australian National University, October 2002

Abstract: During the 1990s, Australian taxpayers who invested in mass marketed tax schemes enjoyed generous tax breaks until the Australian Taxation Office (Tax Office) told them in 1998 that they abused the system. This paper examines the circumstances surrounding the decision of taxpayers' to invest in scheme arrangements, and investors' perceptions of the way the Tax Office dealt with the schemes issue. In addition, this paper explores why such a large number of investors have chosen to defy the Tax Office's demands that they pay back taxes. Data were taken from interviews conducted with 29 scheme investors, and four

non-investors, living in the Goldfields region of Western Australia. Consistent with the procedural justice literature, the findings revealed that many scheme investors chose to defy the Tax Office's request that they pay back tax because they perceived the procedures that the Tax Office used to handle the situation as unfair. The implications of these findings are discussed and possible solutions for how the Tax Office might prevent a re-occurrence of the situation in the future are proposed.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Financing Australia: A 'post-modern' approach to tax compliance and tax research

Author(s): Hobson, K.

Publication: Centre for Tax System Integrity Working Paper 36. Canberra: The Australian National University, August 2002

Abstract: Promoting compliance is at the heart of Australia's tax regime management. Many factors affect compliance levels and practices, which can be grouped as individual, political, economic and social factors, set within the contextual facets of 'globalisation'. How these affective factors are epistemologically framed should also be considered central to tax compliance and its research. This paper departs from prevailing positivist approaches, arguing there is now room in compliance research to take a more 'post-modern' perspective. This is possible on two fronts. First, there are new compliance tools, such as the Australian Tax Office's Compliance Model (ATO Compliance Model), that embraces some of the tenets of modern social theory by encouraging dialogue, empathy and positive change. Second, qualitative research methods present grounded, in-depth and positioned research, and are able to locate 'intangibilities' missing from other research perspectives. Drawing these two strands together, this paper discusses qualitative research carried out into the experiences and perceptions of the ATO Compliance Model 'champions' in the Australian Taxation Office. It illustrates how effective both the ATO Compliance Model is in promoting deep-seated attitudinal and practice change in champions, and also how qualitative methods can look 'below the line' of usual compliance markers to grasp the subtleties of change. In sum, this paper argues that a 'post-modern' approach does indeed have a place in tax research today.

Location: not currently available – check <http://ctsi.anu.edu.au/publications.html> for updates

Title: 'Say no to the ATO': The cultural politics of protest against the Australian Tax Office

Author(s): Hobson, K.

Publication: Centre for Tax System Integrity Working Paper 37. Canberra: The Australian National University, December 2002

- Abstract:** This paper examines taxpayers' protests against amended assessments received from the Australian Taxation Office (Tax Office), prompted by their alleged involvement in tax effective schemes. Considering this issue through 'social movement' literature, and focussing on the Goldfields region of Western Australia, it aims to explore why some individuals became involved in schemes and why they later felt justified in protesting publicly against the Tax Office. It does not aim to access the 'truth' of claims by investors that they merely wanted to secure their financial future through legitimate investments, versus other's claims they were knowingly practicing tax avoidance. Nor does it aim to make judgments on who is 'right' or 'wrong'. Instead it considers the 'stories' that are motivating protestor's actions now. These stories are important, as they are the moral foundations for subsequent and on-going protests. They also help to understand the ways in which this issue has impacted individuals and communities 'culturally', beyond the obvious financial and legal issues. The main findings are that investors feel their personal and collective identity has been severely infringed by amended assessments. Protests are not just about money but are fundamentally moral claims over their rights and roles as 'honest' Australian citizens. Social movement literature helps to show how these moral claims are not experienced as separate from protestors' financial, self-interested concerns. Rather, they are 'read through the lens' of culture and emotion, providing a 'moral shock' to investors' identity and feelings of security. These findings have implications for governance in Australia. For one, government agencies have in recent times been keen to incorporate the language of fairness and openness into their ambits. However, being seen to then be institutionally inflexible and without a 'human face' when dealing with citizens – a point expressed continually by investors in this case study – can prove hugely damaging in the long term. It may be too late to re-engage these investors into a culture of voluntary compliance. However, being aware of the potential impact that administrative and legal decisions can have on citizens beyond the realms of finance could prove a first step in enabling the reflexive and responsive institutions, which citizens have come to hope for, and even expect, in contemporary Australia.
- Location:** <http://ctsi.anu.edu.au/publications.html>
- Title:** Altering norm perceptions to increase tax compliance
- Author(s):** Wenzel, M.
- Publication:** Centre for Tax System Integrity Working Paper 38. Canberra: The Australian National University, December 2002
- Abstract:** This study tested the effects of an intervention designed to increase compliance and honesty in work-related expenses (WRE) and other deduction claims. The research follows on from earlier work documented in Centre for Tax System Integrity (CTSI) Working Papers No. 7 and 8. Overall, the research adds further empirical support to the usefulness of such a norm-based approach to increase

tax compliance, identifies possible limiting and facilitating conditions and encourages further attempts to apply such a strategy more broadly.

The intervention was based on the assumption that taxpayers overestimate the level of endorsement of tax cheating among Australian taxpayers. People tend to think they themselves have more ethical views about taxpaying than they think most others have. Given the possibility that taxpayers are influenced by what they consider to be the social norm, such an overestimation of tax evasion and its endorsement by fellow Australians could lead to a decline in tax compliance. Therefore, the intervention tested in this study aimed to correct people's misperception of the social norm and thus increase compliance in tax deduction claims.

In this study, 2250 individual taxpayers were randomly assigned to three different experimental conditions. In the norm feedback condition, taxpayers received a letter that informed them about recent survey findings, indicating that people think most others accept tax cheating more than they actually do. Then taxpayers were asked to participate in a survey asking further questions on this finding. The two other conditions served as control groups. In the survey only condition, taxpayers did not receive any information about the previous research findings and were only asked to participate in the survey. In the no survey condition, taxpayers were not contacted at all; no survey data was available. Actual tax return data were compared between all three groups to investigate the effects of the intervention on levels of deduction claims.

The survey data showed that the norm feedback had some effects in altering people's perceptions of the social norm, but these depended on participants' level of income and their degree of identification as Australians. The tax return data showed that WRE claims were significantly lower in the norm feedback condition than in the two control conditions, which in turn did not differ from each other. This effect was not further moderated by income level. In contrast, other deduction claims (gifts/donations and dividends/interest) showed no differences between all three conditions.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: A user's guide to 'The Australian Tax System Survey of Tax Scheme Investors'  
 Author(s): Murphy, K., & Byng, K.  
 Publication: Centre for Tax System Integrity Working Paper 39. Canberra: The Australian National University, December 2002  
 Abstract: Between January and July 2002, researchers at the Centre for Tax System Integrity conducted a national survey of 6000 Australian taxpayers involved in tax planning schemes. According to the Australian Taxation Office (Tax Office) scheme investments were largely funded through tax deductions and relatively little private capital was at risk. The Tax Office therefore believed that these schemes exploited loopholes in the tax law and were designed in such a way to avoid tax. The anti-avoidance provisions of Part IVA of the Income Tax Assessment Act were applied to scheme related investments and action was first

taken against investors in 1998 to recover the tax owing. Approximately 57 000 investors were issued with amended assessments telling them that they had to pay back taxes, interest and appropriate penalties.

Specific issues of interest to the survey researchers were scheme investors' views of the Tax Office, the Australian tax system and how they believed the Tax Office dealt with the schemes issue. The survey was also designed to identify the possible reasons why taxpayers invested in tax minimisation schemes, why there was such widespread taxpayer resistance against the Tax Office's debt recovery procedures, and perhaps more importantly, whether the aggressive tax planning market in Australia is supply or demand driven. This report provides the reader with a guide to using and analysing the survey findings. More specifically, it discusses the methodology of the survey process and presents the scales used to measure various constructs. Also presented at the back of the report is a codebook that details the frequencies, means and standard deviations to each question of the survey.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Preliminary findings from 'The Australian Tax System Survey of Tax Scheme Investors'

Author(s): Murphy, K., & Byng, K.

Publication: Centre for Tax System Integrity Working Paper 40. Canberra: The Australian National University, December 2002

Abstract: Between January and July 2002, researchers at the Centre for Tax System Integrity conducted a national survey of 6000 Australian taxpayers involved in tax planning schemes. According to the Australian Taxation Office (Tax Office) scheme investments were largely funded through tax deductions and relatively little private capital was at risk. The Tax Office therefore believed that these schemes exploited loopholes in the tax law and were designed in such a way to avoid tax. The anti-avoidance provisions of Part IVA of the Income Tax Assessment Act were applied to scheme related investments and action was first taken against investors in 1998 to recover the tax owing. Approximately 57 000 investors were issued with amended assessments telling them that they had to pay back taxes, interest and appropriate penalties.

Specific issues of interest to the survey researchers were scheme investors' views of the Tax Office, the Australian tax system and how they believed the Tax Office dealt with the schemes issue. The survey was also designed to identify the possible reasons why taxpayers invested in tax minimisation schemes, why there was such widespread taxpayer resistance against the Tax Office's debt recovery procedures, and perhaps more importantly, whether the aggressive tax planning market in Australia is supply or demand driven. This report provides a descriptive analysis of some of the more important findings from the survey, followed by a discussion of the key findings and their implications.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: VAT compliance in the United Kingdom  
Author(s): Webley, P., Adams, C., & Elffers, H.  
Publication: Centre for Tax System Integrity Working Paper 41. Canberra: The Australian National University, December 2002  
Abstract: This study aimed to uncover the factors that influence Value Added Tax (VAT) compliance. Small businesses from the catering and flooring/furnishing trades in the United Kingdom were sent a questionnaire designed to elicit their views on VAT and related issues. Responses were obtained from 359 businesses. Results showed that VAT compliance in small businesses shares a number of similarities with private income tax compliance: Social norms, equity, economic factors and personality are all important in predicting compliance.  
Location: <http://ctsi.anu.edu.au/publications.html>

Title: Principles of procedural fairness in reminder letters: An experimental study  
Author(s): Wenzel, M.  
Publication: Centre for Tax System Integrity Working Paper 42. Canberra: The Australian National University, forthcoming  
Abstract: This study tested the effectiveness of different styles of reminder letters that reminded taxpayers of their requirement to lodge Activity Statements (AS) to report about tax instalments and withholding obligations, Goods and Services Tax or other business-related taxes. Specifically, it tested whether reminder letters that were based on principles of procedural fairness would yield more positive reactions from taxpayers and greater rates of compliance compared to the standard letter used by the Australian Taxation Office (Tax Office). Overall, the evidence was weak and inconsistent, however there were some promising results that indicate the usefulness of a procedural justice approach and encourage further work.  
The alternative styles of reminder letters tested in this study were based on the assumption that taxpayers are concerned about the procedural fairness of their treatment by tax authorities. More specifically, one letter was designed to correspond to the principle of informational fairness (transparency and justifications of decisions); another letter was meant to realise interpersonal fairness (consideration and respect); a third letter was the Tax Office standard letter. In addition, letters referred to the Taxpayers' Charter and either explicitly to the Tax Office's commitment to taxpayers' right to informational fairness, their right to interpersonal fairness, or to no specific right. Combining the three letter versions and the three different references to the Taxpayers' Charter, nine different letters were compared altogether. It was predicted that fair letters and the commitment to fairness rights would each contribute to compliance; but a letter matching a corresponding right was predicted to have most positive effects. Each letter was sent to a random sample of 500 taxpayers (excluding large companies and clients registered with a tax agent for AS purposes), who failed to lodge their quarterly AS for December 2001 on time. Subsequent client phone calls relating to the reminder letter were documented and categorised by Tax

Office staff in terms of their prominent issues. Four to five weeks after issuing the reminder letter, tax records were accessed for taxpayers' status as to their lodgment of the AS and, if relevant, payment of taxes owed.

The results were not very consistent. However, both the informational and interpersonal letter yielded greater lodgment compliance of individuals compared to the standard letter. Granting an interpersonal right yielded somewhat greater lodgment compliance of non-individual entities. Moreover, an informational letter matching an informational right yielded fewer accusations and blaming in phone calls and more payment compliance of individuals. However, it yielded somewhat less lodgment compliance of non-individual entities.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: 'Trust me, I'm the taxman': The role of trust in nurturing compliance

Author(s): Murphy, K.

Publication: Centre for Tax System Integrity Working Paper 43. Canberra: The Australian National University

Abstract: Why an institution's rules and regulations are obeyed or disobeyed is an extremely important question for regulatory agencies. This paper discusses the findings of an empirical study that shows that the use of threat and coercion as a regulatory tool—in addition to being more expensive to implement—can actually produce the opposite behaviour from that sought. Using survey data collected from 2301 taxpayers accused of tax avoidance, it will be demonstrated that variables such as trust are just as important for determining compliance. If people trust the motives of authorities, they are more likely to view those authorities as acting fairly, to consider them legitimate, and to defer to their decisions voluntarily. It is therefore argued that to effectively shape desired behaviour, regulators will need to move beyond motivation linked purely to deterrence. Strategies directed at reducing levels of distrust between the two sides may prove particularly effective in gaining voluntary compliance with an organisation's rules and regulations.

Location: <http://ctsi.anu.edu.au/publications.html>

Title: Making tax law more certain: A theory

Author(s): Braithwaite, J.

Publication: Centre for Tax System Integrity Working Paper 44. Canberra: The Australian National University, forthcoming

Abstract: Rules can make tax law certain in simple and stable regulatory domains. A theory of how to make the law more certain is developed for more complex, dynamic domains. Its first step is to define overarching principles and make them binding on taxpayers. One of those overarching principles would be a general anti-avoidance principle.

Next, a set of rules to cover the complex area of tax law is defined. The legislature lays down that in a contest between a rule and an overarching principle, it will not be the rule that is binding. That is, the principle is not merely used to assist in interpreting the rule. Rather it is the principle that is binding with the rules used to assist in applying the principle. Specific sets of rules for the most commonly used types of transactions or business arrangements are also written. This might involve a dozen different sets of rules to regulate concrete arrangements. Such rules actually merely specify examples of how the principles apply. Each of the dozen sets of illustrative rules are followed with an explanation that the reason for the rules being this way in this concrete situation is to honour the overarching principles. This is a way for the legislature to make it clear to judges that it is the principles that are the binding feature of the law. The paper also discusses what to do when judges do not respect this, reverting to old habits of privileging rules. It also discusses how to nurture shared sensibilities around the principles among judges, practitioners and the community.

Location: <http://ctsi.anu.edu.au/publications.html>

#### **Forthcoming CTSI Working Papers:**

- No. 45. Williams, R. Mass Marketed Schemes and Self-assessment: Shifting the Goal Posts?
- No. 46. Cooper, G., & Wenzel, M. Does the Tax Value Method increase ‘certainty’ in dealing with tax? An experimental approach.
- No. 47. Hobson, K. ‘Technologies of the self’ and some contradictions of the enabling state: the case of tax effective schemes in Australia.
- No. 48. Geis, G. Chop-chop: The illegal cigarette market in Australia.
- No. 49. Castillo, J. Non-profit organisations: Psychological and sociological features and their significance to the tax system.
- No. 50. Rothengatter, M. Social networks and tax-compliance in a multi-cultural nation: Emerging themes from a ‘grounded’ focus-group study.
- No. 51. Sakurai, Y. Comparing cross-cultural regulatory styles and processes in dealing with transfer pricing.
- No. 52. Rawlings, G., & Braithwaite, V. Voices for change: Australian perspectives on tax administration.

- No. 53. Rawlings, G. Cultural narratives of taxation and citizenship: Fairness, Groups and Globalisation.
- No. 54. Job, J., & Reinhart, M. Trusting the Tax Office: Does Putnam's thesis relate to tax?
- No. 55. Braithwaite, V. Perceptions of who's not paying their fair share.
- No. 56. Geis, G., Cartwright, S., & Houston, J. Public wealth, public health, and private stealth: Australia's black market in cigarettes.
- No. 57. Murphy, K. Procedural justice and tax compliance.
- No. 58. Wenzel, M., & Taylor, N. Toward evidence-based tax administration.
- No. 59. Savage, M. Small business rural taxpayers and their agents: Has tax reform affected their relationship?
- No. 60. Wenzel, M., Murphy, K., Ahmed, E., & Mearns, M. Preliminary findings from 'The What's Fair and What's Unfair Survey about Justice Issues in the Australian Tax Context'.
- No. 61. Ahmed, E., & Braithwaite, V. When tax collectors become collectors for child support and student loans: Jeopardizing or protecting the revenue base?
- No. 62. Braithwaite, V., & Ahmed, E. Tax evasion among graduates repaying student loans: balancing the books, sending a political message, or flouting the system?
- No. 63. Ahmed, E., & Braithwaite, V. Can justice and shame deter an escalation in tax evasion?

**PART 10****BOOKS / EDITED COLLECTIONS / SERIES / MONOGRAPHS**

- 2003 Braithwaite, V. *Taxing Democracy*. Ashgate Publishing Ltd. U.K.
- 2003 Rawlings, G. & Braithwaite, V. [Eds.]. *Voices for change: Australian perspectives on taxation administration [Special issue]*. *Australian Journal of Social Issues*, 38(3), 261-430.
- 2003 Slemrod, J. & Aaron, H. (Eds.). *The Crisis in Tax Administration*. Washington, D.C.: Brookings Press.
- 2002 Mumford, A. *Taxing Culture: Towards A Theory of Tax Collection Law*. Ashgate: Dartmouth, U.K.
- 2000 Sparrow, M.K. *The Regulatory Craft*. Brookings Institution Press: Washington, D.C.
- 2000 *The Commission on Taxation and Citizenship Taxation. Paying for Progress: A New Politics of Tax for Public Spending*. Fabian Society, U.K.
- 2000 James, S. & Nobes, C. *The Economics of Taxation*. 7<sup>th</sup> Edition. Prentice Hall Europe, London.
- 1999 McBarnet, D. & Whelan, C. *Creative Accounting and the Cross-Eyed Javelin Thrower*. John Wiley & Sons: Chichester.
- 1998 Braithwaite, V. & Levi, M. (Eds.), *Trust and Governance*. New York: Russell Sage Foundation.
- 1998 Evans, C. & Greenbaum, A. *Tax Administration: Facing the Challenge of the Future*. Prospect Media, St Leonards.
- 1994 Sparrow, M. K. *Imposing duties: Government's changing approach to compliance*. Westport, CT: Praeger Publishers.
- 1992 Slemrod, J. *Why People Pay Taxes: Tax Compliance and Enforcement*. Ann Arbor, Michigan, University of Michigan Press.
- 1992 Ayres, I., & Braithwaite, J. *Responsive Regulation*. Oxford University Press: New York.
- 1991 Webley, P., Robben, H., Elffers, H., & Helsing, D. *Tax Evasion: An Experimental Approach*. Cambridge University Press, U.K.

- 1989 Roth, J. A., Scholz, J. T., & Witte, A. D. Taxpayer Compliance, Vol. 1: An Agenda for Research. Philadelphia, University of Pennsylvania Press.
- 1989 Roth, J. A. & Scholz, J. T. Taxpayer Compliance, Vol. 2: Social Science Perspectives. Philadelphia, University of Pennsylvania Press.
- 1988 Levi, M. Of Rule and Revenue. University of California Press, Berkeley.
- 1982 Sears, D.O. & Citrin, J. Tax Revolt: Something for Nothing in California. Cambridge, MASS, Harvard University Press.
- 1982 Slemrod, J. Who Pays Taxes and Why? Tax Compliance and Enforcement. Ann Arbor, MI, University of Michigan Press.
- 1982 Lewis, A. The Psychology of Taxation. Blackwell: Oxford/St Martin's Press: New York.