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Taxpayers' perceptions of joint and several liability and equitable relief under Sec. 6015

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**TAXPAYERS' PERCEPTIONS OF JOINT AND
SEVERAL LIABILITY AND EQUITABLE
RELIEF UNDER SEC. 6015**

by

Karen J. Pierce, B.S., M.B.A., C.P.A.

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

COLLEGE OF BUSINESS
LOUISIANA TECH UNIVERSITY

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by Karen J. Pierce

entitled "Taxpayer Perceptions of Joint and Several Liability and Equitable Relief"

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ABSTRACT

The purpose of this dissertation is to ascertain taxpayers' perceptions of joint and several liability and equitable relief. Congress was aware that joint and several liability is not always fair when they passed the first innocent spouse provisions in 1971. In fiscal years 1999-2001, over 152,000 requests were filed for relief from joint and several liability, and it remains one of the top ten most litigated tax issues. The innocent spouse rules were passed to protect the public, and it is important that we understand how ordinary taxpayers feel about this area of the tax code.

For this study, an internet survey company distributes the questionnaire to a representative sample of the nation's taxpayers. The fairness of joint and several liability is addressed along with the importance of various factors the Internal Revenue Service (IRS) uses in determining who receives equitable relief. A scenario based on an actual case is presented to the participants who assess the importance of the factors in the case and they decide if the individual should receive equitable relief. Two versions of the survey are distributed; the only difference between the two is the gender of the petitioner for equitable relief.

Results show that the participants' beliefs regarding the fairness of the overall tax system affect their views on the fairness of joint and several liability; however, marital status, gender of the study participant, and whether the individual has been divorced do not influence beliefs on this issue. When studying the importance of the threshold

requirements needed to qualify for equitable relief and the factors the IRS uses in determining equitable relief, the results indicate that knowledge of an error on the return and current compliance with the federal tax laws are deemed to be more important than the threshold conditions. In addition, gender has a significant affect on the perceived importance of these variables. When a scenario based on an actual case is presented, the importance ratings on some of these variables change suggesting that each individual case is subjectively analyzed to determine the significance of every individual factor in the case. Using an ordered logit model with denying or granting equitable relief as the dependent variable, the importance of the following factors is significantly related to the decision to deny or grant equitable relief at the 5% level of significance: abuse, benefit, knowledge the tax would be paid, hardship, and other spouse has the legal obligation to pay the tax liability. The perceived importance of tax factors, that is, tax attributable to the other spouse and current compliance with federal tax law, is significantly related to denying or granting equitable relief at the 10% level of significance. In addition, there is a significant interaction between the gender of study participant and gender of the petitioner requesting equitable relief.

Overall, the findings suggest that the process of deciding who receives equitable relief is subjective. The decision is affected by the importance placed on many factors that the IRS uses in determining equitable relief and the interaction between the gender of the petitioner and the gender of the study participant. Furthermore, participants are overwhelmingly supportive of eliminating joint and several liability from the tax code.

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CHAPTER 1

INTRODUCTION

The majority of married taxpayers file joint federal tax returns because this filing status provides them with the most tax benefits. However, many taxpayers may not be aware of the fact that both individuals signing the return are separately responsible for paying the entire amount of tax associated with that return. According to Internal Revenue Code Sec. 6013(d)(3),¹ tax is assessed on total income and liability for the tax is joint and several. For example, if the husband has income that is not included on the tax return and later the Internal Revenue Service (IRS)² notices the omission and requests additional tax and penalty on that omitted income, both the husband and the wife are individually responsible for the additional tax liability. Even in cases where one spouse embezzles money and the other spouse is unaware of the situation, both are liable for the tax and penalties assessed on that illegal income. According to Code Sec. 61(a), gross income includes all income no matter what the source.

¹ The terms Internal Revenue Code, IRC, and Code Section are used interchangeably through this dissertation.

² The terms Internal Revenue Service, IRS, and the Service are used interchangeably through this dissertation.

Joint and several liability can be extremely unfair to the “innocent spouse”,³ particularly when the couple divorces and the innocent spouse receives no benefit from the underreported income. In 1971, Congress passed the *Innocent Spouse Act*, which offered some relief for the innocent spouse.⁴ The relief applied only to omitted income, which had to exceed 25% of the gross income reported on the return.

Code section 6013(e) was revised in 1984 to extend relief to cases involving an erroneously claimed deduction, credit, or basis. Specifically, there had to be a substantial tax understatement on the joint return that was due to “grossly erroneous items of one spouse” (Code Sec. 6013(e)(1)(B)) to obtain relief. Grossly erroneous items consisted of omitted gross income (Code Sec. 6013(e)(2)(A)) and “claim of a deduction, credit, or basis by such spouse in an amount for which there is no basis in fact or law” (Code Sec. 6013(e)(2)(B)). This law still failed to meet the needs of the innocent spouse because the requirements to qualify for relief were hard to satisfy and even the courts disagreed on the interpretation of the statute. As a result, in 1998, Congress repealed Code Sec. 6013(e) and replaced it with Code Sec. 6015. Code Sec. 6015 offers three different types of relief. First, Code Sec. 6015(b) is a modified version of former Code Sec. 6013(e) that reduces some of the requirements of the former section. Second, Code Sec. 6015(c) offers separate liability to those who are divorced, legally separated, or living apart for a year and meet the necessary requirements under this section. Third, Code Sec. 6015(f) offers equitable relief to those who do not qualify for relief under either Section 6015(b) or (c). Under Code Sec. 6015(f), the Internal Revenue Service has the authority to relieve an

³ The innocent spouse is the spouse who did not create the tax liability and did not have knowledge of the error resulting in the tax liability.

⁴ Public Law 91-679, 1971-1 CB 547

individual of liability when it is unfair to do otherwise. To help determine who is eligible, the IRS provides guidance through Revenue Procedures 2000-15 [2000-1 CB 447] and 2003-61 [2003-2 CB 296], which give a nonexclusive list of factors to consider in granting equitable relief. However, there continues to be a controversy on who qualifies for equitable relief. Some taxpayers think that they are entitled to equitable relief, but the IRS refuses their claim. As a last resort, they can challenge the Service's decision by taking the issue to court.

United States General Accounting Office

The United States General Accounting Office issued a report on innocent spouse titled *Tax Administration: IRS's Innocent Spouse Program Performance Improved; Balanced Performance Measures Needed* (GAO-02-558), in April 2002. In this report, they provide background on how the IRS processes innocent spouse cases. First, the staff screens new cases to determine if the basic eligibility requirements have been met. If the basic requirements are not met, the case is closed with written notification given to the taxpayer. On the other hand, when the case meets the basic eligibility requirements, an examiner is assigned to review the taxpayer's request for relief. Where the taxpayer files a claim for more than one tax period or year, each claim is counted as a separate case. Then, the Service attempts to contact the nonrequesting spouse so that he or she will have an opportunity to participate. The IRS can grant full, partial, or no relief. The Service is required to notify the requesting spouse of its decision and inform him or her that an appeal can be filed with the IRS's Office of Appeals within 30 days. If an appeal is not filed or after the appeal is settled, a final determination letter is sent to inform the requesting spouse that he or she has 90 days to appeal the IRS's decision to a federal

court. After all rights to an IRS appeal or court review are exhausted or when the taxpayer accepts the IRS's decision, the Service notifies the nonrequesting spouse of the final outcome. When relief is granted, the IRS must transfer the amount of tax relief from the taxpayers' joint tax account to a separate account of the individual who is responsible for the tax liability.

According to this report (GAO-02-558), 152,942 innocent spouse cases were received in fiscal years 1999-2001. Of the 123,753 decided innocent spouse cases for this time period, 60,272 were ineligible for relief. Of the 63,481 eligible cases, 36% were granted full relief, 9% partial relief and 55% were denied relief.⁵

In June 1999, the Service established a review process whereby a sample of cases is selected and reviewed to ensure that legally required procedures are adhered to and decisions are accurate and consistent. According to the IRS's Quality Review Results reported by the GAO, the quality review staff concurred with 82.5% of the decisions made during fiscal year 2001.

According to this same GAO report (GAO-02-558), the IRS notes that most docketed⁶ cases are resolved before going to trial. The Service's Office of Appeals and the Treasury's Office of Chief Counsel try to settle cases out of court. Of the 216 resolved cases for the fiscal years 1999-May 2001, 55% resulted in granting full relief to the taxpayer, 33% resulted in reduced liability, and 12% of the cases produced no change in liability. Nonetheless, the government insists that this does not mean the IRS examiner was incorrect in the initial determination of innocent spouse relief. An appeals officer can

⁵ This is according to the IRS Innocent Spouse Tracking System and reported by the GAO.

⁶ A docketed case is one that is filed and accepted by the court for review.

settle a case based on the hazards of litigation, that is, concerns that the IRS will not prevail in court. Data from the IRS reveals that from June 1996 through June 2001, 73 innocent spouse cases were litigated in federal courts. Of these, 54 cases were litigated in the Tax Court where denial of relief was upheld in 34 cases, overturned in 13 cases, and partially overturned in seven cases.

Taxpayer Advocate Service

Taxpayer Advocate Service Service
2005 Annual Report to Congress
(IRS 2005)

In the Taxpayer Advocate Service 2005 Annual Report to Congress, they recommend the elimination of joint and several liability. The report states that the wrong spouse is being taxed when tax liabilities are imposed on the spouse who did not earn the income associated with the tax liability. "Because married taxpayers do not always share income equally, taxing one spouse on income earned by the other or holding one spouse liable for tax on the other's income violates the fundamental principle that tax should be imposed in accordance with ability to pay" (IRS 2005, 421). While some relief is available to the innocent spouse, it does not cover many situations such as the following ones cited in the report. (IRS 2005, 407-8).

- 1) A married couple separate, but each spouse's earnings are considered community property. The wife includes all of her earned income on her tax return, but omits her husband's income. The Service concludes that she is responsible for the tax on one-half of the community income. She cannot show that she had no knowledge or reason to know of her husband's income, and therefore, does not qualify for community property relief under IRC Sec. 66(c).

2) A husband has self-employment income which he conceals from his wife and does not include it on the joint tax return. The IRS assesses additional tax on this unreported income and mails out collection notices to both spouses. The husband ignores the additional tax assessment and hides the collection notices. Three years later the wife learns of the understatement. She is no longer eligible for innocent spouse relief because the IRS started collection activity against her more than two years ago.

According to this same report (IRS 2005, 421-2), IRS statistics show that joint and several liability and community property laws frequently require divorced, low-income women with children to pay for their spouse's tax liability. "...65 percent of the taxpayers who request innocent spouse or community property relief make less than \$30,000 per year.⁷ Ninety percent are women."⁸ On average, only 25% of the reported income on a joint tax return is earned by the woman.⁹

Taxpayer Advocate Service 2007
Annual Report to Congress
(IRS 2007)

According to Taxpayer Advocate Service 2007 Annual Report to Congress, joint and several liability is among the most litigated issues with 46 cases reviewed during the period June 1, 2006 through May 31, 2007. Of the 46 cases, 43% (20 of 46) involved procedural issues and 57% (26 of 46) involved an actual decision to grant relief.

⁷ W & I Research, Strategic Forecasting & Analysis, Innocent Spouse Data Summary (Oct. 3, 2005) (statistics based on 2001 data).

⁸ Id.

⁹ Id.

Outcomes for the 26 cases requiring a tax relief decision were mixed with 58% (15) of the petitioners being denied relief and 42% (11) receiving relief.

Summary of the Problem

Congress saw the injustice of joint and several liability in some cases and passed innocent spouse laws to right the wrong. However, relief from joint and several liability is still not available in some situations and judicial decisions reveal that the IRS is not always correct in their assessment of who should receive equitable relief. While it is documented via an analysis of judicial decisions that the Service did not grant relief to deserving individuals, our knowledge of circumstances where the IRS granted relief that would not have been provided by the court is nonexistent because those cases are not litigated. Naturally, one can only speculate that this happens.

What is known is that evaluating each individual innocent spouse case is a subjective process. Even though taxpayers are provided with guidance through the I.R.C. and Rev. Procs. 2000-15 [2000-1 C.B. 447] and 2003-61[2003-2 C.B. 296], the facts in each case are different and must be judged on the overall evidence presented within. Since joint and several liability is such a highly contested issue, it warrants further investigation.

Importance of Taxpayers' Opinions

What do ordinary taxpayers think about this particular area of the Internal Revenue Code? Is it fair to assess joint and several liability on taxpayers filing joint returns? What factors do average taxpayers feel are the most important in evaluating whether to grant equitable relief? This information is very important because most

politicians emphasize that we should have a fair and equitable tax system. In fact, one of the purposes of the *Tax Reform Act of 1986*¹⁰, which provided a major overhaul of the existing tax system, was to promote fairness. According to President Reagan's proposal, *The President's Tax Proposals to the Congress for Fairness, Growth and Simplicity* (1985,1- 2), tax reform needed to be enacted because of the perception that the existing tax code was unfair and the future of the tax system was threatened by taxpayer dissatisfaction.

To illustrate what can happen when taxpayers are upset about a tax they deem unfair, Slemrod (2000) describes riots in London on March 31, 1990, where more than 400 demonstrators and police officers are injured and over 300 people are arrested for assault, looting, and arson. Expensive cars are burnt, store windows are broken and a Renault showroom is demolished. Why did this happen? The people were upset about a poll tax, a flat charge on all adults, which was to take effect the next day, and was to replace real estate taxes that were based on property value. The people's voices were heard and the poll tax was abandoned.

While Americans may not be ready to riot over the joint and several liability tax issue, numerous studies find that taxpayer compliance is associated with perceived fairness of the tax system (Hite and Roberts, 1992; Etzioni, 1986; Spicer and Becker, 1980). Congress knew that joint and several liability was unfair in many instances and enacted legislation to right the injustice. However, we do not know if they have gone far enough with the reforms.

¹⁰ Public Law 99-514.

Fairness

Our tax system depends on citizens voluntarily complying with the tax code, and compliance is strongly linked to perceptions of fairness in some studies. However, fairness is an elusive concept. What is a fair tax system? How do we measure it? Using both tax preparers and individuals, Porcano and Price (1992) find that individuals consider the overall tax system to be less fair than do practitioners. The only common thread between both groups is that equality is the most frequently significant judgment factor used in assessing the fairness of individual tax provisions. Obviously, the two groups must be using different measures of fairness.

Various studies have focused on what determines and influences the assessment of fairness. Gerbing (1988) conducts a study on taxpayers' perceptions of fairness and finds it is a multidimensional concept. By using factor analysis, she determines that overall tax fairness is one dimension taxpayers use to evaluate fairness or equity. Sheffrin (1993) finds that the initial situation has an effect on taxpayer's perception of fairness. Other studies show that self-interest has an effect on perceived fairness of tax systems and tax policies (Bobek 1997; Milliron et al. 1989). Still other studies show that education has an effect on the perception of tax fairness (White et al. 1990; Christensen et al. 1994; Roberts 1994).

Distributive Justice

The concept of distributive justice plays a role in determining the fairness or equity of a tax system. According to the Stanford Encyclopedia of Philosophy (Lamont and Favor 2007), distributive justice principles are normative principles used to provide guidance on the allocations of economic benefits and burdens. Moreover, distributive

principles have many dimensions: what is to be distributed (income, wealth, opportunities, welfare, etc.), who receives the distribution, and what criteria should be used to determine the distribution.

Nicholas Rescher, in *Distributive Justice a Constructive Critique of the Utilitarian Theory of Distribution*, notes that social justice has both a political and economic dimension. Also, he states "...we conceive of distributive justice as embracing the whole economic dimension of social justice, the entire question of the proper distribution of goods and services within the society" (Rescher, 1966). The author further notes that distributive justice consists of the treatment of all people:

- 1) as equals;
- 2) based on their needs;
- 3) according to their ability;
- 4) based on their efforts;
- 5) according to contribution;
- 6) promoting common good; and
- 7) based on the value of their services.

Rescher (1996) goes on to provide that "A rule of strict equality violates the elemental requisities of the concept of justice..." and that inequalities in distribution contribute to distributive justice when they are conducive with the general good.

In addition, Leventhal (1976) discusses the fact that equity theory, which promotes the idea that rewards or punishments should be matched to individual contributions, is a unidimensional justice concept. He supports a multidimensional justice model based on justice rules. Leventhal provides that "Justice judgment theory assumes

that an individual's perception of fairness is based on justice rules. ...a justice rule is defined as an individual's belief that a distribution of outcomes, or procedure for distributing outcomes, is fair and appropriate when it satisfies certain criteria." The main distributive justice rules that can affect a person's perception of fairness are the contributions rule, needs rule, and equality rule (Leventhal 1976). He notes that there is a four stage process used in evaluating the fairness of rewards or punishment: weighing the importance of the justice rules, estimating deserved outcome based on each individual rule, combining the rules, and evaluating the outcome. Leventhal presents the general equation for combining rules as:

$$D_{\text{outcome}} = w_c D_{\text{contributions}} + w_n D_{\text{needs}} + w_e D_{\text{equality}} + w_o D_{\text{other}} \text{ (Leventhal, 1976, 8),}$$

where D_{outcome} = deserved outcome

w_c = weight given to contribution rule,

w_n = weight given to needs rule,

w_e = weight given to equality rule,

w_o = weight given to other rules,

$D_{\text{contributions}}$ = estimate of deservingness based on contributions rule,

D_{needs} = estimate of deservingness based on needs rule,

D_{equality} = estimate of deservingness based on equality rule,

D_{other} = estimate of deservingness based on other rules.

The author believes that individual circumstances are important when assigning weight to rules, and different rules are followed at different times. Where the welfare of others is a major concern, a higher weight will probably be assigned to the needs rule. Leventhal also identifies other additional distribution rules that are pertinent to the topic.

The first is the commitments rule which indicates that fairness is violated if an individual does not receive that which is promised.¹¹ The second is a rule of justified self-interest that notes, in certain circumstances, “it is fair for a person to take as much as possible for himself.”¹² Porcano (1984) also identifies a benefits rule, which he states “... requires taxpayers to make payments in line with the marginal benefits received in public goods and services.”

This study investigates whether the distributive justice rules are pertinent to the decision of granting equitable relief. The needs, benefits, and commitment rules are analyzed by observing the importance (weight) placed on the variables: economic hardship, benefit from unpaid tax liability, and spouse’s legal obligation to pay the tax liability. Also, the contributions rule, which dictates that persons with greater contributions should receive greater rewards, is examined. In an innocent spouse case, the income tax liability is attributable to the other (nonrequesting) spouse. The nonrequesting spouse did not pay the required tax on his or her income. Since he or she did not pay the necessary contributions, it might affect the reward, which in this case would be the decision to deny equitable relief to the requesting spouse. The importance placed on this variable is evaluated. Moreover, self-interest is tested by looking at the effect that marital status and gender have on the granting of equitable relief. A married individual has a more vested interest in the issue of joint and several liability and equitable relief than a single individual and since more petitioners for innocent spouse relief are women, gender could definitely affect the responses to this issue. Finally, an ordered logit regression

¹¹ Leventhal cites (Leventhal, 1976a; Pruitt, 1971, 1972)

¹² Leventhal cites (Lerner, 1971, 1974a)

analysis is used to determine the relationship between the importance of these distributive justice rules and the decision to grant equitable relief.

Innocent Spouse Research

Empirical studies involving innocent spouse relief are quite limited. Specifically, Fleischman and Valentine (2003a) use a random sample of CPAs, divorce attorneys, and human resource managers to evaluate the factors used in granting equitable relief. Using one main scenario they produce five independent scenarios by introducing one factor in each that is used in the decision to grant equitable relief. In addition, they assess ethical and gender issues in the granting of equitable relief. In Valentine and Fleischman (2003), accounting, legal, and human resource professionals are used to examine the relationship between ethical reasoning and the granting of equitable relief. The Fleischman and Valentine (2003b) study on equitable relief using accounting professionals examines the effect that abuse has on the decision to grant equitable relief. Using accounting, human resource, and sales and marketing managers, Fleischman et al. (2007) investigate Rest's (1986)¹³ ethical reasoning process as it relates to equitable relief vignettes. They also examine the effect two factors, knowledge of evasion and abuse, have on the granting of equitable relief.

Englebrecht et al. (2006) perform an analysis of the factors that influence the Tax Court's decision to grant equitable relief. However, no study has directly assessed taxpayers' perceptions of this issue.

¹³ Authors cite: Rest, J. 1986. *Moral Development: Advances in Research and Theory*. New York, NY: Praeger Publishers.

Objectives of the Study

Congress knew there was inequity in the tax system when they passed the first innocent spouse relief in 1971, and later when they made changes to the Internal Revenue Code that enabled more individuals to qualify for tax relief. Prior studies have examined the factors that human resource personnel, lawyers, and CPAs find influence the granting or denying of equitable relief, but we have no information on how the public perceives equitable relief and what importance they place on various factors. Porcano and Price (1992) provide evidence that studies using professionals may not be generalizable to all individuals. Since the innocent spouse code section was enacted to protect taxpayers, their feelings on the issue are very important. In addition, not all of the factors listed in Rev. Procs. 2000-15 and 2003-61 are included in prior studies. Fleischman and Valentine (2003a) note that future research should involve use of multiple factors. The value taxpayers place on these factors will be analyzed along with the relationship that their perceived importance has on the granting of equitable relief. Also, this analysis explores whether certain taxpayer groups are more likely to support equitable relief than others. In addition, this study investigates which justice rules are associated with the decision to grant or deny tax relief. Fleischman and Valentine (2003a) suggest that additional research needs to be done regarding the individual's definition of equity.

Moreover, the participants' decisions in an actual court case are compared to the decision made by the Tax Court. Also, since the participants do not know this is an actual case, their predictions on whether the IRS would grant equitable relief in this case are assessed.

In addition, the perceived fairness of joint and several liability is examined. *The National Taxpayer Advocate 2005 Annual Report to Congress (IRS 2005)* has recommended the elimination of joint and several liability for joint filers, but as of yet, no action has been taken by Congress. The study participants are educated on this issue by presenting them with an actual innocent spouse judicial decision and the effect education has on their perception of joint and several liability is explored. This study addresses the following questions:

- 1) Does an individual's perception of fairness of the current tax system affect his or her thoughts on the fairness of joint and several liability?
- 2) Do women perceive joint and several liability to be less fair than men?
- 3) Does marital status affect an individual's perception of joint and several liability?
- 4) Do divorced individuals perceive joint and several liability differently than individuals who have not been divorced?
- 5) What factors do taxpayers feel are the most important in evaluating whether individuals receive equitable relief?
- 6) Does gender or marital status affect the perceived importance of these factors?
- 7) Does the individual's evaluation of the overall tax system affect his/her view on the issue of innocent spouse equitable relief?
- 8) How do taxpayers perceive the importance of various factors in affecting the decision to grant equitable relief?
- 9) Are divorced individuals more likely to grant relief than individuals who have never divorced and does this interact with gender?

- 10) Is the decision to grant equitable relief affected by the gender of the petitioner for equitable relief, gender of the study participant or an interaction?
- 11) Does marital status affect the decision to grant equitable relief and does it interact with gender?
- 12) Do taxpayers' views on the issue of joint and several liability change after reading an actual case?
- 13) Do the participants' assessments of an actual case differ from the opinion of the Tax Court?
- 14) Do the participants' feelings on whether the IRS should grant equitable relief differ from what they feel the IRS would do in this case?

Organization of the Dissertation

This dissertation is divided into five chapters. Chapter 1 introduces the topic of innocent spouse and the related issues of fairness. Also, the purpose of the study is presented. Chapter 2 presents a historical background of innocent spouse relief and a review of fairness/equity literature. Chapter 3 presents the research methodology. Chapter 4 presents the descriptive statistics of the study and the empirical results. Chapter 5 presents a summary, discussion of the findings, study limitations, and opportunities for future research.

CHAPTER 2

HISTORICAL BACKGROUND AND LITERATURE REVIEW

The purpose of this chapter is to present a historical review of the events and/or legislative acts that led to the passing of the *Innocent Spouse Act in 1971* and subsequent changes made to extend this available relief to the innocent spouse. Last, prior research relevant to this topic is discussed.

Historical Background

Joint Committee on Taxation

The Joint Committee on Taxation, *Present Law and Background Relating to Tax Treatment of “Innocent Spouses”* (JCX-6-98), February 9, 1998, provides a historical background on filing joint returns and joint and several liability. Prior to 1918, a separate return was required for each spouse, but in 1918, married couples were allowed to file a joint return.¹⁴ In 1921, Congress explained that a married couple could file individual tax returns or file a single joint return with tax computed on the total income.¹⁵ However, the *1921 Act* did not tackle the issue of allocation of tax liability on a joint return. In 1923, the Bureau of the Internal Revenue asserted that each individual was independently

¹⁴ Cited *Revenue Act of 1918*, ch. 18, section 223, 40 Stat. 1057, 1074.

¹⁵ Cited *Revenue Act of 1921*, ch. 136, section 223(b)(2), 42 Stat. 227, 250.

responsible for the full amount of tax on the return. The courts disagreed with the IRS on this matter and Congress in 1938 officially enacted joint and several liability¹⁶ which is found in Code Section 6013(d).

Before 1948, most taxpayers did not benefit from filing a joint tax return because there was only one income tax schedule and all individuals were treated as separate filing units. The progressive income tax system gave spouses the incentive to reduce the tax liability by splitting income. The Supreme Court denied contractual attempts to split income,¹⁷ but ruled that income splitting was required for community income in community property law states.¹⁸ Therefore, in community property states, married couples could enjoy the benefits of income splitting which was not allowed in separate property states. However, the *Revenue Act of 1948*¹⁹ established a separate tax schedule for joint returns which was designed so that a married couple would pay double the tax of a single individual who has one-half of their income. This new schedule equalized the treatment of married couples under community property laws and those under separate property laws.

Code Sec. 6013(e)

Congress saw the injustice imposed in some cases by joint and several liability such as when a spouse embezzles money and then deserts the “innocent spouse” leaving him or her responsible for the tax liability. As a result, in 1971, Congress added Code

¹⁶ *Revenue Act of 1938*, ch. 289, Sec. 51(b), 52 Stat. 447, 476 (1938) was cited.

¹⁷ *Lucas v. Earl*, 281 U.S. 111 (1930) was cited.

¹⁸ *Poe v. Seaborn*, 282 U.S. 101 (1930) was cited.

¹⁹ Public Law No. 471

Sec. 6013(e),²⁰ which provided spousal relief from liability. In general, a spouse could be relieved of liability in certain cases where:

- 1) a joint return was filed on which there was an amount omitted from gross income that is attributable to one of the spouses and is greater than 25% of the amount of gross income reported on the return, and
- 2) the other spouse did not know of, or have any reason to know of, this omission of income when signing the return, and
- 3) after examining the benefit received from the income omission and all other facts and circumstances, it is inequitable to hold the requesting spouse responsible for the tax deficiency.

While this was a start to solving the innocent spouse problem, the code section was not broad enough to provide relief to many deserving individuals. That is, it did not cover situations involving fictitious business deductions that were claimed to lower taxable income. Over the years, the code was changed to relieve the spouse of liability in certain cases when:

- 1) a joint return has been filed and on this return there is a substantial understatement of tax due to grossly erroneous items of one of the spouses,
- 2) the claimant did not know of, or have reason to know of, the understatement when he or she signed the return, and
- 3) after considering all the facts and circumstances, it is inequitable to hold the requesting spouse responsible for the tax deficiency.

²⁰ Public law 91-679, 1971-1CB547

A grossly erroneous item is any income item omitted from gross income and any claim of deduction, credit or basis for an amount for which there is no basis in fact or law. The term “substantial understatement” means an understatement greater than \$500. The understatement must also exceed a specified percentage of income if the grossly erroneous item is a deduction, credit or basis. If the adjusted gross income in the preadjustment year is \$20,000 or less, the liability must be greater than 10% of adjusted gross income. When the adjusted gross income in the preadjustment year is greater than \$20,000, the liability must be greater than 25% of such income. When the spouse is married to another person in the preadjustment year, adjusted gross income would include the new spouse’s income. The preadjustment year is the taxable year before the deficiency notice is mailed.

Fleischman and Shen (1999) discuss some of the problems associated with Code Sec. 6013(e)(1). Considerable litigation involved whether the deductions, credits or basis were grossly erroneous because they had no basis in fact or law. “A deduction generally had no basis in fact or in law when it was frivolous, fraudulent or phony”, but a computational error or failure to classify income correctly did not represent a grossly erroneous item. However, the authors note that the issue of knowledge was probably the most litigated factor related to innocent spouse relief. Code Sec. 6013(e)(1) states that the other spouse must establish that he or she did not know or have reason to know of the substantial understatement when he or she signed the return. According to the authors, the factors used to determine a spouse’s ability to know were:

- 1) lavish or unusual expenditures;
- 2) involvement in family finances and the family business;

- 3) claimant's education and business background; and
- 4) the extent to which family financial information was shared with the claimant.

Knight et al. (1994) contend that the dollar limitations on innocent spouse claims are unfair to the underprivileged. Poor individuals may find amounts under \$500 to be substantial and percentage of income requirements for grossly erroneous items of deduction, credit or basis limits the number of individuals who can qualify for relief. Also, they note that inclusion of the new spouse's income into the percentage of income calculation seems unjustified.

The United States General Accounting Office (GAO), February 24, 1998, provided testimony before the Subcommittee on Oversight, of the House Committee on Ways and Means on options for improvement of innocent spouse relief (GAO/T-GGD-98-72). The following problems with the existing law are noted.

- 1) Current innocent spouse laws apply to tax deficiencies; they do not apply to underpayment of taxes.
- 2) To apply for relief, the requesting spouse must meet certain dollar thresholds (as previously indicated).
- 3) The innocent spouse can obtain relief if the deductions, credits or basis have no basis in fact or law, but if they are erroneous, no relief is allowed.
- 4) The knowledge factor is very subjective. It is difficult to prove someone does not know and has no reason to know of a financial transaction.

In summary, the GAO found the existing innocent spouse requirements to be complicated, hard to understand, and result in unfair taxpayer treatment. They felt that repeal of the thresholds conditions needed to qualify for relief and inclusion of relief for

erroneous deductions and underpayments would make the provisions simpler and fairer. Another option would be to replace joint and several liability with a proportionate liability standard whereby taxpayers would be responsible for only the taxes imposed on their own incomes and assets. Taxpayers in community property states would be responsible for the tax on one-half of the community income.

Code Sec. 6015

*The IRS Restructuring and Reform Act of 1998*²¹ addresses some of the problems cited in the federal tax law and expands the availability of relief by repealing Code Sec. 6013(e) and enacting Code Sec. 6015. This new code section provides three types of relief: Code Sec. 6015(b) offers traditional relief, Code Sec. 6015(c) provides separate liability and Code Sec. 6015(f) offers equitable relief.

Code Sec. 6015(b) provides conditions under which an individual who has filed a joint return for the taxable year may seek relief. They are as follows.

- 1) There are erroneous items on the return which caused an understatement of tax;
- 2) The requesting spouse did not know, and had no reason to know, that when he or she signed the return there was an understatement;
- 3) After examining all the facts and circumstances, it is inequitable to hold the requesting spouse responsible for the tax deficiency;
- 4) The requesting spouse files for relief not later than two years after the collection process has begun with respect to him or her.

²¹ Public Law 105-206

Section 6015(c) limits liability for taxpayers who are divorced, legally separated, or living apart. In general, when an individual who filed a joint return is seeking relief under this subsection, the individual's liability is limited to that part of the deficiency properly allocated to him or her. The individual electing tax relief has the burden of proof in establishing the proper allocation of the deficiency. To qualify for relief from joint and several liability under this subsection, the individual must be divorced from, or legally separated from the individual who signed the joint return or not living together during the 12-month period ending on the date the request for relief is filed. In addition, to qualify for relief under this section, the election must be timely and no assets must have been transferred between the individuals in a fraudulent scheme. However, if the individual, when signing the return, had actual knowledge of any item causing the deficiency, this subsection will not cover this deficiency unless the return was signed under duress.

Where the individual does not qualify for relief under Code Secs. 6015(b) and (c), the IRS can grant equitable relief under Code Sec. 6015(f) to a requesting spouse when, considering all the facts and circumstances, it would be inequitable to hold the claimant responsible for the tax deficiency or unpaid tax. Code Sec. 6015(f) provides relief for both tax understatement deficiencies and tax underpayments.

Revenue Procedure 2000-15

Rev. Proc. 2000-15 (2000-1 C.B. 447) was issued to provide guidance for taxpayers seeking equitable relief under Code Secs. 6015(f) and 66(c).²² Section 4.01 of

²² Sec. 66 (c) relieves a spouse of liability when the individual: (1) does not file a joint return, and (2) does not include in gross income an item of community property which under sec. 879(a) would be the other spouse's income, and (3) establishes he or she did not know or have reason to know of this community income, and (4) after considering all the facts and circumstances it is inequitable to include this item in gross income.

this revenue procedure lists seven threshold conditions that must be met to be eligible for equitable relief under sec. 6015(f):

- 1) A joint tax return was filed by the individual for the year for which relief is sought;
- 2) Relief is unavailable under Code Secs. 6015(b) and (c)²³;
- 3) Application for relief is filed is within two years of the Service's first collection activity with regard to requesting spouse;
- 4) Liability is still unpaid. (Exceptions apply);
- 5) Assets were not transferred between the spouses in a fraudulent scheme;
- 6) No disqualified assets were transferred from nonrequesting spouse to the requesting spouse. If disqualified assets were transferred, relief is available only for the portion of the tax liability exceeding the value of those disqualified assets; and
- 7) The return was not filed by requesting spouse with intent of fraud.

Revenue Procedure 2003-61

When Rev. Proc. 2000-15 was superseded by Rev. Proc. 2003-61, item number 4 above (liability is still unpaid) was replaced with:

The income tax liability from which relief is sought is attributable to an item of the nonrequesting spouse unless:

- a. Item is attributable to requesting spouse due to community property law; or
- b. The presumption that an item titled to requesting spouse and therefore, attributable to the requesting spouse is rebutted; or

²³ The first two threshold conditions do not apply to individuals seeking relief under Code Sec. 66 (c).

- c. Nonrequesting spouse misappropriated funds intended for tax payment for his or her own benefit and the requesting spouse did not know or have reason to know of the misappropriation; or
- d. Individual establishes that he or she was abused before the return was signed, and therefore, did not question the items on the return out of fear.

Revenue Procedures 2000-15
and 2003-61

If the threshold conditions are met, Section 4.02 in either Rev. Procs. 2000-15 or 2003-61 (2000-1 C.B. 447, 2003-2 C.B. 296) provides a three-element test under which the IRS will usually grant equitable relief with respect to underpayments. The requirements are:

- 1) Requesting spouse has been divorced, legally separated, or living apart from the nonrequesting spouse for 12 months prior to the date relief is requested.
- 2) Claimant had no knowledge or reason to know the tax would not be paid when he or she signed the return.
- 3) The individual will endure economic hardship if not granted relief.

Relief under Rev. Proc. 2003-61, sec 4.02, applies only to liabilities shown on the return before any IRS adjustment for understatement of tax.

Revenue Procedure 2000-15

When the threshold conditions for equitable relief are met but the three-element test under sec 4.02 is not met, Rev. Proc. 2000-15, sec. 4.03, provides a nonexclusive list of factors to be considered in the determination of whether or not to grant equitable relief. No single factor determines if equitable relief will be granted in a particular case.

- 1) *Marital status*. When the requesting spouse is divorced or separated from the nonrequesting spouse, this factor weighs in favor of granting relief.
- 2) *Economic hardship*. Where the requesting spouse (petitioner) will endure economic hardship if relief is not granted, this is a factor in favor of relief. However, if there is a lack of economic hardship, this factor weighs against granting relief.
- 3) *Abuse*. When the nonrequesting spouse abuses the requesting spouse, but this abuse is not duress, this factor weighs in favor of relief. If it is not present, the factor is neutral.
- 4) *Knowledge or reason to know*. This factor weighs in favor of relief if the requesting spouse did not know and had no reason to know that the tax liability has not been paid or in the case of a deficiency, the petitioner did not know and has no reason to know of the items leading to the deficiency. However, where the opposite is true, this factor weighs strongly against relief.
- 5) *Legal obligation*. This factor weighs in favor of the petitioner when the nonrequesting spouse has the legal obligation through a divorce decree or other agreement to pay the tax liability. Where the petitioner has the legal obligation through a divorce decree or agreement to pay the tax liability, this weighs against relief.
- 6) *Attribution*. When relief is sought for a tax liability that is attributable to the nonrequesting spouse, this factor weighs in favor of granting relief. But the factor weighs against relief if the liability is attributable to the petitioner.

- 7) *Significant benefit.* Where the requesting spouse receives significant benefit (beyond normal support) from the unpaid liability or from the items that cause the tax deficiency, this factor weighs against relief.
- 8) *Compliance with income tax laws.* When the petitioner has not complied with the tax laws in the years subsequent to the year for which relief is requested, this factor weighs against granting relief.

Revenue Procedure 2003-61

Rev. Proc. 2003-61, sec. 4.03, provides a similar set of relevant factors as in Rev. Proc. 2000-15, but adds mental or physical health to the list and deletes attribution, which is now a threshold condition. Also, the factor, knowledge or reason to know is described in more detail and the weight given to this factor is discussed. However, the specific effect marital status, economic hardship, significant benefit, and compliance with income tax laws have on the granting of equitable relief is not discussed. The factors under Rev. Proc. 2003-63, sec. 4.03, are as follows:

- 1) *Marital status.*
- 2) *Economic hardship.*
- 3) *Knowledge or reason to know.*
 - a. In underpayment cases, whether requesting spouse knew or had reason to know that the tax would not be paid by the nonrequesting spouse.²⁴
 - b. In deficiency cases, whether requesting spouse knew or had reason to know of the item causing the deficiency. Reason to know is not given more

²⁴ To determine if the requesting spouse had reason to know, the Service will look at the requesting spouse's: (1) education level, (2) degree of involvement in the activity producing the tax liability, (3) involvement in business and household financial matters, (4) business or financial expertise. In addition, deceitfulness or evasiveness of the nonrequesting spouse will be evaluated along with any unusual or lavish expenditures.

weight than other factors, but actual knowledge is a strong factor against granting relief.

4) *Legal obligation* of nonrequesting spouse. This factor does not weigh in favor of relief if at the time of the agreement the requesting spouse knew or had reason to know the tax would not be paid.

5) *Significant benefit*.

6) *Compliance with income tax laws*.

7) *Abuse*. When the requesting spouse is abused by the nonrequesting spouse, the factor favors the granting of equitable relief and may moderate the effect of the requesting spouse's knowledge or reason to know. If it is not present, the factor will be neutral.

8) *Mental or physical health*. The presence of poor mental or physical health on the date the return was signed or the date the request for relief was filed favors the granting of relief, but the factor is neutral if not present.

Literature Review

Analytical Studies on Innocent Spouse

In an analytical study by Fleischman and Shen (1999), they find that the *1998 law* relaxes the rules making more individuals eligible for innocent spouse relief. All the income and deduction understatement thresholds that stopped many potential innocent spouse claims were eliminated, and, by removing the term 'grossly erroneous' from the tax code, it reduced the need to prove that deductions had no basis in fact or law. The "knowledge" test was retained, but it is no longer an all or nothing proposition.

Robinson and Ferrari (2000) state that Congress intended to make relief from joint and several liability easier to acquire when they passed Sec. 6015. However, over one-quarter of the 79,000 claims that were filed by the end of May 2000 failed to meet the basic requirements to qualify for relief. Nevertheless, the authors find that the Tax Court is interpreting the legislation in a “taxpayer-friendly way” that tries to satisfy the perceived objective of Congress.

Although Rev. Procs. 2000-15, and 2003-61 provide important factors to be considered by the Service in deciding whether to grant innocent spouse equitable relief, most of the factors are subjective. Rice et al. (2003) analyze the courts’ interpretation of economic hardship. This factor is not found to exist when the requesting spouse presents evidence verifying income, but only testifies as to his expenses. In addition, evidence that the petitioner purchased more than \$22,000 from an Internet bidding service leads to the finding of no economic hardship.²⁵ Also, there is no economic hardship when a requesting spouse could refinance a home to pay the tax liability.²⁶ However, a requesting spouse, who owned a condominium, but could not afford to pay the interest on any refinancing, is judged to suffer economic hardship if made to pay the tax liability.²⁷

Englebrecht et al. (2007) examine Tax Court opinions involving the knowledge factor. An individual has a “duty of inquiry” when suspicions exist as to the accuracy of the return. When a nonrequesting spouse, who is overseeing the family’s financial affairs, has a declining mental condition, the Tax Court notes that the requesting spouse should

²⁵ Penfield, TCM 2002-254

²⁶ Mellen, TCM 2002-280

²⁷ Ferrarese TCM 2002-249

have inquired into the family's financial matters.²⁸ Also, when a taxpayer is aware that her spouse is employed, but the tax return does not reflect this income, the court believes the taxpayer should have realized there is an understatement of tax.²⁹ When individuals have a joint checking account into which both incomes are deposited, the Tax Court rules that the taxpayer knew of her spouse's income.³⁰ However, when the nonrequesting spouse is deceitful and assures the taxpayer that the tax liability will be paid, this lack of knowledge supports the granting of equitable relief.³¹

Empirical Research on Innocent Spouse

Fleischman and Valentine (2003a) survey a sample of CPAs, divorce attorneys, and human resource managers to explore if the guidance provided in the revenue procedures is beneficial. They also investigate ethical and gender issues related to the decision to grant equitable relief. The main scenario in the study is based on a modified actual innocent spouse case where the husband does not report \$100,000 of income and the wife knows there is unreported income, but she does not know how much. Five independent scenarios are created, each based on the main scenario plus one of five equitable relief factors: marital status, abuse, significantly benefited, reason to know, and economic hardship. Participants are asked to determine if the additional factor in the case influences their decision to grant or deny equitable relief. The results show that when the couple remains married, individuals are influenced to deny equitable relief. Also, when

²⁸ Feldman TCM 2003-201

²⁹ Startzman TC Summary Opinion 2006-104

³⁰ Young TC Summary Opinion 2005-135

³¹ Keitz, TCM 2004-74

the spouse benefits from the her husband's illegal activity, will suffer no economic hardship if she has to pay the tax, and should know about the understatement of tax, participants in the study are more inclined to deny relief. When abuse is present, subjects are influenced to grant equitable relief. These findings support the guidelines to be used in determining equitable relief. In addition, results show that women are more inclined to grant relief than men.

Fleischman and Valentine (2003b) survey 1,700 accounting professionals during 2002-2003 to gain insight into the importance of the abuse factor in granting equitable relief. Their questionnaire contains two equitable relief scenarios which are identical except one includes emotional abuse. Using ANOVA, the results from the 185 responses show that both male and female participants are more willing to grant relief when there is abuse in the home. In addition, women are found to grant relief more often than men. The gender differences are greater in the scenario that includes emotional abuse. Also, included in the questionnaire are five questions pertaining to different forms of abuse. Women react more strongly than men to all forms of abuse and there is a significant difference between the two groups for four of the five questions. Men feel that the most serious form of abuse is berating and belittling the spouse while women feel verbally threatening your spouse is the most severe form. Both groups feel occasional pushing and slapping are more acceptable than verbal abuse.

Valentine and Fleischman (2003) use CPAs, divorce attorneys and human resource managers in a study to examine the relationship between ethical reasoning and the granting of equitable relief. Results from a path model show that moral intensity marginally increases the awareness of a moral issue and greatly increases ethical

judgment. While issue recognition, moral intensity and ethical judgment influence the equitable relief decision, issue recognition and moral intensity have a negative effect on granting equitable relief. Overall, the results show moral intensity and ethical judgments are more strongly related to the decision to grant tax relief than recognition of an ethical issue.

Fleischman et al. (2007) use a random sample of accounting managers, human resource managers and sales and marketing managers in a study of equitable relief. The questionnaires in the study contain two vignettes that have identical facts except that verbal abuse is added to the first vignette. Both contend that the husband did not report \$100,000 of business income on their joint tax return, and while the wife did not have actual knowledge of the fraud, she should have known of it. Study participants are asked if the wife should be relieved of the tax liability. Their responses are recorded on a seven-point Likert scale with one representing denying relief and a seven indicating granting relief. The mean response for vignette two is 3.57, which is below the midpoint of 4 on the scale. This indicates that the knowledge of tax evasion is associated with denying relief. Meanwhile, the mean for vignette one, which includes emotional abuse, is 3.96. Using a paired samples' t-test, the results show there is a significant difference between the scenarios. Therefore, abuse is an important factor in the decision to grant relief. However, the affect is not strong enough for participants to grant relief when the petitioner should have known of the spouse's underreporting of income.

Englebrecht et al. (2006) study innocent spouse equitable relief in Tax Court cases decided after the enactment of Section 6015(f) in 1998 through March of 2006. Using both discriminant analysis and logistic regression, they find that knowledge,

economic hardship, and liability attributable to the nonrequesting spouse are the most important factors considered in the decision to grant equitable relief. The discriminant analysis model also identifies benefit as a significant factor.

The following section examines the literature on fairness and additional factors that affect the perception of fairness and are relevant to this study. Then distributive justice literature is presented.

Fairness

While individuals may define fairness as just, right, or equitable, their opinions as to what is fair or unfair may differ. Porcano and Price (1992) use a questionnaire to obtain perceptions about the following nine different judgment criteria that might influence beliefs about the fairness of a tax item: complexity, changes often, overtaxes me, provides help for the needy, does not discourage individuals from earning additional income, facilitates economic growth, treats all taxpayers equally, undertaxes certain individuals, and overtaxes some individuals. Also, the participants rate 33 specific tax provisions and the overall tax system as to whether they are fair or unfair. Two groups are involved in the study; practitioners from Ohio certified public accounting firms and individuals from New York City, Chicago, Cincinnati, and suburbs of New York City and Chicago. Results show that individuals and practitioners disagree on the perceived fairness of the 33 provisions and the overall tax system. Practitioners judge 17 items to be fairer than do the individuals, and they consider the general tax system to be significantly fairer. Results for individuals show a significant negative association between providing relief to the needy and the overall system. For both groups, equal treatment of taxpayers

was a frequently significant variable in the models suggesting that it has a strong effect on a group's perception of fairness.

Gerbing (1988) does a study to determine if fairness is a multidimensional concept. Using a sample of names compiled from telephone directories in the Dallas and Ft. Worth area, she conducts a survey which contains 56 fairness attitude items. Factor analysis is used to identify the following dimensions of fairness: overall tax law fairness, exchange with the government, vertical equity as it affects the wealthy, and tax rate structure.

Sheffrin (1993) addresses the public's perception of tax fairness by conducting a survey of 82 "relatively sophisticated individuals" on the issue of taxation of health care benefits. The two scenarios used in the study are the same except they differ in who pays the cost of the health insurance. In the first scenario, the employer pays and in the second scenario the cost of the insurance is split between employee and employer. The question is if health care insurance is taxed is it is fairer to tax the employee, employer, or are both options are equally fair. The results indicate that the initial situation has an effect on a taxpayer's perception of fairness.

Self-Interest Effect on Fairness

Bobek (1997) has respondents compare two tax systems that vary on policy objectives, procedural issues and self-interest. Results show the policy objectives achieved and complexity significantly affected the participants' fairness judgments, but their effects are minor compared to the financial effect. It appears taxpayers' fairness judgments are strongly related to self-interest.

Hite and Roberts (1992) examine the taxpayers' views on *The Tax Reform Act of 1986* (U.S Congress, 1986) to determine if the government was successful in improving the taxpayer perceptions of fairness, simplicity and economic growth aspects of the federal income tax. They surveyed 900 residents of a Midwestern state and received 230 usable responses. Overall, the respondents did not feel the new tax system was improved, fairer, simpler or a help to the economy. In a regression analysis with improved as the dependent variable and the independent variables, fair system, simplicity, and economy, perceived fairness and simplicity of the system are both significantly related to an improved system. In addition, they find that perceptions of fairness are positively related to expectations of tax compliance; however, self-interest is not significantly related to expected honesty in tax reporting.

Milliron et al. (1989) use multidimensional scaling to analyze the criteria used in judging a tax policy. The results show that three constructs; fairness/equity, simplicity, and self-interest account for over half of the variance in the participants' judgment. Economic growth and fairness both load on the equity construct which is found to be the most important of the three constructs.

Education Effect on Fairness

Various studies have examined the effect education has on the perception of tax fairness. White et al. (1990) do a study on whether formal education can change attitudes concerning the fairness of the federal income tax system. Three hundred ninety-three students are asked if the deduction allowance on nineteen expenditure items and exclusion allowance of twenty employee benefits are fair. The results show that a tax course seems to be related to increased fairness ratings on ten of the nineteen expenditure

items. For the employee benefit items, six of the twenty items show an education effect at a p-value less than 0.01.

Christensen et al. (1994) identify the dimensions of tax fairness and examine the effect education has on individuals' perceptions of these dimensions. Two hundred ninety-six undergraduate and post baccalaureate students and 73 students in introductory tax classes complete a tax fairness survey. Using principal component analysis, the following seven factors are identified: overall fairness, personal interest, benefits, tax structure, justification for cheating, complexity, and special items for the wealthy. They suggest that three of these factors are based on the distributive justice theory: benefits, tax structure, and special items for the wealthy. Also, they find that perceptions of fairness related to these three distributive justice factors do not change with additional tax knowledge. However, perceptions of overall fairness and fairness based on self-interest do increase with additional tax education.

Roberts (1994) studies the extent taxpayers' attitudes about the fairness of the income tax can be changed. Students from an introductory accounting course and members of a jury pool are shown three 30-second public service announcements (PSA) addressing concerns expressed by taxpayers in regards to tax fairness. A cognitive approach using charts and graphs and an affective approach involving role playing are used in the videos shown to the participants. The results show that students have significantly more positive feelings about income tax fairness than the jurors. However, the public service announcements improve attitudes about tax fairness for both students and jurors.

Maroney et al. (2002) design an experiment to study whether providing explanations to senior citizens increases the perception of fairness in taxing social security benefits. Participants are given a short explanation on determining the taxable portion of social security income and are randomly assigned to one of four treatment groups. The groups receive either: 1) an exchange equity 2) horizontal equity 3) vertical equity or 4) no explanation justifying the taxation of social security benefits. Results show that for subjects who are currently taxed on social security, the exchange equity explanation is the most acceptable explanation and has a more favorable effect on the perception of fairness in taxing social security than the other explanations. Participants who are not presently receiving taxable social security benefits are more willing to accept the vertical equity explanation, but it did not increase their perception of fairness in taxing social security benefits.

Gender

Considerable research has been done on the difference gender makes in ethical decisions. O'Fallon and Butterfield (2005) review the empirical ethical decision-making literature from 1996-2003. The results remain mixed with 23 studies showing few or no significant gender differences and 16 studies finding that women behave more ethically than men in some situations.

A study finding gender differences is Cohen et al. (1998). They have respondents complete a multidimensional ethics instrument for each of eight ethical decision vignettes and ask "Would you do it", "Would your peers do it", "Is the action ethical?". The results show that there is a significant gender effect for seven of the eight vignettes with females having a stronger perception that the decisions are unethical. In addition, the females

believe they or their peers are less likely to take this same action than the male participants.

However, Smith and Rogers (2000) approach the subject somewhat differently by examining the affect the gender of the person (actor) in the vignette has on the evaluation or assessment of ethical or unethical decisions. The study uses four vignettes where the actor in the vignette makes either an ethical or unethical decision. Two versions of the questionnaire are created, which are identical except for the gender of the person in the vignette. Participants were to 1) evaluate if the individual's actions are ethical and 2) state the likelihood that they would take the same action. The results show differences based on the gender of the subjects with the male subjects having more ethical responses. Also, the results show a difference based on the actor's gender for three of the eight decisions. Participants agreed with the female actor's ethical action more often than those assessing the male actor's ethical decision. When asked the likelihood that they would take the same action as taken in the vignette, more participants agreed with the ethical choice of the female actor. For three of the eight decisions, both males and females gave more ethical responses when the vignette had a female actor.

Schminke (1997) creates two identical questionnaires except for the gender of the manager in the vignettes. The participants are to evaluate the decisions of the managers. The results show that gender plays a role when evaluating the decisions of other managers. When a female manager making a layoff decision retains a less-qualified employee, she is judged much more severely by female participants than by male. However, when a male manager makes the same decision, gender has no effect. Overall,

participants agree more often with the male manager's decision than with the female manager's decision.

Bemmels (1988) studies the effect that the gender of the grievants has on arbitrators' decisions. Using a sample of 104 discharge arbitration cases, three dependent variables are examined. They are whether the grievance is sustained or denied, nature of the award, and length of suspension. The results show gender has a significant influence on whether the grievance is sustained or denied and on the award. When suspension is involved, women receive a shorter suspension than men.

Hardin et al. (2002) analyze the effect of gender on the recruitment of entry-level accountants. Two survey instruments are developed that give information about a potential job candidate (student) such as grade point average and university attended. The only difference between the two instruments is the gender of the applicant. The ratings assigned to the two individuals are statistically the same as are the salary offers. However, female recruiters offer a significantly higher average salary to the male student while the male recruiters offer a higher salary to the female student, but it is not significantly different.

Distributive Justice

Distributive justice involves the proper distribution of things such as income, wealth, welfare or opportunity (Lamont and Favor 2007). Kinsey et al. (1991) states, "Distributive justice research focuses on how people evaluate the fairness of outcomes they and others receive in the course of financial, legal, and social interactions."

Porcano (1984) does an experimental study using distributive justice to determine the perception of a fair tax structure. The participants include students from two different

graduate classes and business school faculty members. They are asked to assign a weight to four justice rules: needs, equality, contributions and benefits. Their responses indicate the most important rules are contributions and needs and the least important is benefits. Then they are asked to determine the appropriate tax payment for three different sets of taxpayers where marital status, age and number of dependents are manipulated and tax payments for each group total \$100,000. The results for both the student group and faculty group show that the number of dependents and income level has a significant effect on the tax payment assigned to the taxpayer.

Distributive Justice and Gender

Jackson et al. (1985) examine the role gender plays in distributive justice. In an experimental setting, subjects are told they will receive a base pay and bonus pay based on the number of points earned by both the participant and co-worker in the study. The researcher gives the subject his or her base pay and a bonus based on the participant's total points (37) and co-worker's total points (22). The participant is to allocate the bonus pay. They find that masculine co-workers receive smaller allocations than feminine co-workers.

Dickinson and Tiefenthaler (2002) do an experimental study with undergraduates in which a third-party decision maker allocates payoffs to two beneficiaries. The following two treatments are used in the study:

- 1) Two individuals are randomly assigned to be Players B and C
- 2) The individual with the highest score on a five-question quiz is designated as Player B and the other is designated as Player C.

The second treatment represents a scenario where Player B has earned a more favorable payoff position. The results show that when the beneficiary earns his or her position, an allocation resulting in equal outcomes is 14% less likely. However, men are more likely to select an allocation that results in maximum output while women are significantly more likely to choose an allocation based on equal outcomes. Therefore, perceptions of fairness differ by gender.

Distributive Justice and Self-Interest

Cole and Flint (2005) study the issue of distributive justice in relation to employee benefits by conducting a survey of employees from seven different Canadian organizations. They examine whether self-interest affects individual perception of fairness concerning life insurance, health insurance, and pension plans. The results show that participants earning lower wages believe that flat-dollar life insurance coverage is fairer and higher-paid participants rate coverage based on salary as fairer. In addition, employees with family health insurance coverage rate the fairness of their plan higher than those with single coverage. On the other hand, there is no difference in the perception of distributive justice between those in a defined benefit retirement plan and those in a defined contribution plan.

Verboon and Vandijke (2007) study the effect that distributive justice and self-interest have on tax compliance. They expect the relationship between a favorable outcome and compliance to be affected by the extent these outcomes are considered fair. They feel fair outcomes make people believe the outcomes will continue into the future and therefore, are predictable. Using two different instruments, they survey Dutch citizens to get their feelings on tax compliance, distributive justice, and outcome

favorability ratings on the taxing authority. Using hierarchical regression, they find favorability of outcomes has no effect on compliance when distributive justice is low, but outcome favorability has a significant, positive effect on compliance when distributive justice is high. Their interpretation is there is less to gain from non-compliance when decisions are favorable and decisions are predictable. Furthermore, they state their research provides evidence that individuals' concerns regarding distributive justice are motivated by self-interest.

Summary

There has been limited empirical research on innocent spouse tax relief. Fleischman and Valentine (2003a, 2003b) and Fleishman et al. (2007) use professionals in their studies to assess their thoughts on how various factors would influence them in the decision to deny or grant equitable relief. Englebrecht et al. (2006) look at the factors that influence the Tax Court in their decision to grant equitable relief. However, no previous empirical study on equitable relief has assessed the feelings of ordinary taxpayers on this issue. The innocent spouse rules were enacted to protect the public when they find themselves in inequitable situations. Therefore, their views on the importance of the factors used in deciding equitable relief have significant value. An analysis of the importance of these factors is performed to determine if any of the distributive justice rules are relevant in the decision to grant equitable relief. Also, after reading an actual case, participants in the study assess many equitable factors at the same time and based on the importance of these factors, they decide whether to grant equitable relief. Their decisions on granting tax relief are compared to the court's determination in this case. Also, since the subjects do not know this is an actual case, they are asked to

give their opinions on the likelihood that the Internal Revenue Service would grant equitable relief.

In addition, study participants assess the fairness of the content of the law. They provide their beliefs on the fairness of joint and several liability and the importance of some of the threshold conditions that must be met to qualify for equitable relief. Then, after reading an actual case, their opinions are analyzed to determine whether they change. Moreover, since self-interest may influence an individual's assessment of this issue, the analysis is broken down by the following: gender, marital status and those previously divorced versus those who have never been divorced.

Last, this study addresses the effect that gender might have on the granting of equitable relief. The effect that both the participant's gender and the gender of the person requesting equitable relief have on the decision to grant equitable relief is explored. Evidence from prior studies is mixed on whether the gender of the participant has an effect on ethical decisions. However, gender does seem to have an effect on the granting of equitable relief (Fleishman and Valentine 2003a, 2003b). In addition, it seems that the gender of the person in the scenario may affect the participant's responses to a situation (Schminke 1997; Smith and Rogers 2000). When one thinks of the term, innocent spouse, usually the wife comes to mind. In this study, two identical surveys are used except the innocent spouse will be a woman in first survey and a man in the second. The differences in reaction to these two surveys are analyzed.

CHAPTER 3

METHODOLOGY

The purpose of this chapter is to review the research questions and present the hypotheses and procedures to be used in examining these questions. Specifically, development of the survey, subject selection, research questions, and data analysis are discussed.

Research Questions

This study addresses the following questions on joint and several liability.

- 1) Does an individual's perception of fairness of the current tax system affect his or her thoughts on the fairness of joint and several liability?
- 2) Do women perceive joint and several liability to be less fair than men?
- 3) Does marital status affect an individual's perception of joint and several liability?
- 4) Do divorced individuals perceive joint and several liability differently than individuals who have not been divorced?

Questions 5 and 6 deal with the importance individuals place on the threshold conditions that need to be satisfied in order to qualify for equitable relief and the factors the IRS considers in making that determination.

- 5) What factors do taxpayers feel are the most important in evaluating whether individuals receive equitable relief?

- 6) Does gender or marital status affect the perceived importance of these factors?

Questions 7-11 focus on what factors influence the study participants' opinions on whether equitable relief should be granted in a specific case.

Questions 7-11 focus on what factors influence the decision to grant equitable relief when participants are given an actual tax court case to analyze.

- 7) Does the individual's evaluation of the overall tax system affect his/ her view on the issue of innocent spouse equitable relief?
- 8) How do taxpayers perceive the importance of various factors in affecting the decision to grant equitable relief?
- 9) Are divorced individuals more likely to grant relief than individuals who have never divorced and does this interact with gender?
- 10) Is the decision to grant equitable relief affected by the gender of the petitioner for equitable relief, gender of the study participant or an interaction?
- 11) Does marital status affect the decision to grant equitable relief and does it interact with gender?

Questions 12-14 address changing perceptions on joint and several liability, differences between participants' views and the Tax Court's decision in this case, and the perceived fairness of the Service.

- 12) Do taxpayers' views on the issue of joint and several liability change after reading an actual case?
- 13) Do the participants' assessments of an actual case differ from the opinion of the Tax Court?

- 14) Do the participants' opinions on whether the IRS should grant equitable relief differ from what they think the IRS would do in this case?

Hypotheses

From the research questions, the following hypotheses are developed and presented in the alternative form.

- H₁: Individuals' perceptions of the fairness of the current tax system affect their perceptions of joint and several liability.
- H₂: Gender influences the perception of joint and several liability.
- H₃: Marital status affects individuals' perceptions of the fairness of joint and several liability.
- H₄: Divorced individuals perceive the fairness of joint and several liability differently than individuals who have not been divorced.
- H₅: There is a difference in the importance of factors used in evaluating the granting of equitable relief.
- H_{6a}: Gender affects the perceived importance of these factors.
- H_{6b}: Marital status affects the perceived importance of these factors.
- H₇: The individual's evaluation of the fairness of the overall tax system affects his or her decision to grant equitable relief.
- H_{8a}: The perceived importance of the factors used by the IRS in determining equitable relief has a significant effect on the granting of equitable relief as indicated in Rev. Procs. 2000-15 and 2003-61.
- H_{9a}: Whether an individual has been divorced affects the decision to grant equitable relief.

- H_{9b}: There is an interaction between gender and divorced/not divorced that affects the decision to grant equitable relief.
- H_{10a}: The decision to grant equitable relief is affected by the gender of the petitioner.
- H_{10b}: The gender of the study participant affects the decision to grant equitable relief.
- H_{10c}: There is an interaction between the gender of the petitioner and the gender of the study participant.
- H_{11a}: Marital status affects the decision to grant equitable relief.
- H_{11b}: There is an interaction between marital status and gender that affects the decision to grant equitable relief.
- H₁₂: Taxpayers' views on joint and several liability change after reading an actual case.
- H₁₃: Participants' assessments of an actual case differ from the opinion of the Tax Court.
- H₁₄: The participants' feelings on whether the IRS should grant equitable relief differ from what they feel the IRS would do in this case.

Survey Instrument

To test these hypotheses, a survey instrument is developed to measure taxpayers' assessments of the overall tax code and issues dealing with joint and several liability and equitable tax relief. First, participants' feelings on the fairness of the overall tax system and their knowledge of the tax code are addressed. Next, the participants are asked their feelings on joint and several liability. Then, they evaluate the importance of certain factors used by the Service in determining the granting of equitable relief. Some of these factors are threshold requirements that must be met for an individual to qualify for

innocent spouse relief. They are randomized to eliminate the possibility of order effect. In the next section, they are given a modified actual court case and are asked to record the importance of the factors present in the case and decide whether to grant equitable relief. Once again, these factors are randomized to prevent order effect. In addition, they record their response to questions regarding is it fair, just, or morally right to hold the “innocent spouse” responsible for the tax liability and they indicate their response as to what the IRS should or would do in this case. In the following section, one factor in the case changes and they are asked the importance of this factor and its affect on the granting of equitable relief. The remainder of the survey focuses on demographic information.

A second survey instrument, which is identical to the first except for the gender of the person requesting equitable relief, is administered to different subjects. The two surveys are dispersed to a nationally representative sample based on income. Only individuals who file a federal income tax return are asked to participate in the survey.

Case Selection

The main survey instrument employs a scenario that is used to determine the importance of various factors applied in deciding equitable spouse relief. As in Roberts (1988), this scenario is based on a court case, but is modified to conceal the actual case. All of the innocent spouse Tax Court cases from the time after Code Sec. 6015(f) was enacted in 1998 through 2006 are analyzed to obtain a case that contains as many factors listed in Rev. Proc. 2003-61, sec 4.03, as possible while still being representative of a typical innocent spouse case. A second survey instrument is developed that makes one change; the innocent spouse is now a male. The surveys are pretested in an undergraduate

tax class and modifications are made to the original document to increase the understandability of the instrument.

Subjects

Since taxpayers' perceptions of the Internal Revenue Code are being assessed, individuals who file federal income tax returns are needed for this study. Zoomerang, a division of MarketTools, Inc., with a survey panel of over two million participants, is chosen to provide the sample and administer the survey. An e-mail invitation to participate in the survey is sent to a nationally representative sample based on income. In total, 10,000 surveys are sent to panel members with an expectation that 20% will be screened out of the survey either because they do not give their consent to participate or they do not fulfill the second requirement of currently filing a federal income tax return. This requirement is included because those not filing a federal tax return would not have any stake in this issue. Zoomerang rewards the panel members for their participation in the survey with 75 ZoomPoints, which are redeemable for a variety of prizes.

Data Analysis

Ordinal Data

Since participants in the survey record their responses on a seven-point Likert scale, we cannot assume that their responses represent interval data. In other words, the distance between the numbers 1 and 2 may not be the same as the distance between 2 and 3. However, the data are ordinal since they can be ranked from the highest to lowest score. Therefore, the methodology in this paper is based on the presumption of ordinal data.

Research Question 1

Does an individual's perception of fairness of the current tax system affect his or her thoughts on the fairness of joint and several liability?

Individuals' thoughts on the fairness of the overall tax system can affect their feelings on various aspects of the tax system. Hite and Roberts (1992) find that individuals who view the tax system as fair and those who find it unfair have differing views on whether certain tax rule changes promote more honest tax reporting. In this study, the overall perception taxpayers have of joint and several liability and the differences between those who feel the overall system is fair versus those who think it is unfair are analyzed. Since the survey information is recorded on a Likert scale, the Mann-Whitney U test, a non-parametric version of the independent samples t-test, is used to determine if there is a difference between the distributions of the dependent variable, *perception of joint and several liability*, for two independent groups, *fair/unfair*.

Research Question 2

Do women perceive joint and several liability to be less fair than men?

Fleischman and Valentine (2003a; 2003b) find that gender is related to the granting of equitable relief with women more likely to grant tax relief. Since 90% of the people filing for relief from joint and several liability are women (IRS 2005), gender may influence the perception of fairness in this area of the tax code. To answer this question, the Mann-Whitney U test is appropriate because the dependent variable, *fairness of joint and several liability*, is ordinal in nature.

Research Question 3

Does marital status affect an individual's perception of joint and several liability?

Since joint and several liability only affects married individuals, they have more of a vested interest in this issue than single individuals. Therefore, self-interest may play a part in the evaluation of this issue. Cole and Flint (2005) study distributive justice in connection with employee benefits and find that self-interest affects individuals' perceptions of fairness on life insurance and health coverage. In addition, Verboon and Vandijke (2007) find that self-interest motivates individuals' concerns regarding distributive justice.

For analysis of this question, the Mann-Whitney U test is used with *marital status* as the independent variable and the *fairness of joint and several liability* as the dependent variable.

Research Question 4

Do divorced individuals perceive joint and several liability differently than individuals who have not been divorced?

Divorced individuals may have experienced circumstances or events that would make them more leery of joint and several liability than their counterparts who have not been divorced. While they were separated, they may have filed joint returns when they were really not sure that their partner's stated income on the tax return was correct. Or they might have been stuck paying their ex-spouse's bills after the separation. The Mann-Whitney U test is used to test for differences between divorced and not divorced individuals in their *perceptions of joint and several liability*.

Research Question 5

What factors do taxpayers feel are the most important in evaluating whether individuals receive equitable relief?

The importance of the factors presented in Rev. Proc. 2003-61, and threshold conditions that must be met to qualify for equitable relief is examined. The perceived importance of the items needed to qualify for equitable relief should be as high as, or higher than, the importance of the other listed factors. For the results to be otherwise would mean that taxpayers do not agree with the value Revenue Procedure 2003-61 places on these items. We will examine and compare the means for all of these variables, which are presented in Table 3.1.

Table 3.1. Threshold Conditions and Factors in Rev. Proc. 2003-61

Variable	Description	Threshold Conditions	Factors
DIV	The couple is now divorced or separated.		X
PABUSE	Filer was physically abused by the other spouse.		X
MABUSE	Filer was mentally abused by the other spouse.		X
ATTRIB	Tax liability was attributable to other spouse's income	X	
BENEFIT	Filer's benefit or lack of benefit from the unpaid tax.		X
KNOWPAID	Filer's knowledge that the reported tax liability would not be paid.		X
KNOWERR	Filer's knowledge that there were errors on the tax return when he or she signed it.		X
REASON	Filer did not actually know, but had reason to know, there were errors on the tax return		X

Table 3.1 (Continued)

HARDSHIP	Filer's economic hardship or lack of economic hardship if he or she has to pay the tax liability.	X
OBLIG	Other spouse's legal obligation to pay the tax pursuant to divorce settlement.	X
COMPLY	Filer is currently complying with federal tax laws.	X
EDU**	Educational level of filer	
GENDER *	Gender of filer	
HEALTH	Mental or physical health of filer	X
EXPERTISE **	Financial or business expertise of filer	
FRAUDINT	Filer did not file tax return with fraudulent intent	X
FRAUDSCH	No assets were transferred between spouses in fraudulent scheme	X
TRANASSET	Other spouse did not transfer any assets to filer for the purpose of avoiding tax or a tax payment.	X

* This variable is not mentioned in Rev. Proc. 2003-61

** This variable is mentioned in Rev. Proc. 2003-61 as a means of determining knowledge or reason to know.

Research Question 6

Does gender or marital status affect the perceived importance of these factors?

Gender may play a part in the evaluation of these factors since more women file for equitable relief than men, and therefore, they may have stronger feelings on some of these variables. For example, Fleishman and Valentine (2003b) find that women react more strongly than men when abuse is present in the innocent spouse case. Also, self-interest may play a part in evaluating these factors since married individuals are the ones who are affected by joint and several liability and may have a different view of these factors than their single counterparts. This issue will be investigated by using separate

Mann-Whitney U tests in which either the gender or marital status of the participant is the independent variable and the various factors used in the decision to grant equitable relief are the dependent variables.

Research Questions 7

Does the individual's evaluation of the overall tax system affect their views on the issue of innocent spouse equitable relief?

Previous studies have shown that taxpayer compliance is related to the perceived fairness of the tax system (Etzioni 1986; Spicer and Becker 1980). Hite and Roberts (1992) find perceptions of fairness are positively related to expected levels of honesty in tax reporting. Consequently, those who feel the federal tax system is unfair may have differing views on the issue of equitable relief than those who feel the system is fair.

This issue is analyzed by using the Mann-Whitney U test in which the individual's *fair/unfair* assessment of the overall tax system is the independent variable and the decision to grant equitable relief is the dependent variable.

Research Question 8

How does the taxpayers' perceived importance of various factors affect the decision to grant equitable relief?

Rev. Procs. 2000-15 and 2003-61 provide us with guidance on the factors that should be evaluated in determining equitable relief. These factors are not exclusive and no one factor by itself is to be determinant in these decisions. Since the data are ordinal, an ordered logit model is used to determine how the taxpayer's perceived importance of the factors is related to the granting of equitable relief. The variables are as follows.

Dependent Variable

The dependent variable is whether the requesting spouse should be *granted equitable relief*. This variable is measured on a scale from one to seven with one being strongly oppose the granting of equitable relief and seven being strongly favor. As a reliability check, participants are asked if they agree with the statement, “The Internal Revenue Service (IRS) should grant tax relief to Mrs. (Mr.) X.” In addition, they are asked if it is fair, just or morally right for Mrs. (Mr.) X to be responsible for the tax liability.

Independent Variables

The independent variables are the factors listed in Rev. Proc. 2003-61, which are used by the IRS in their decision to grant or deny equitable relief. The importance of these factors is assessed by the study participants.

- 1) *Marital status*. This variable, Divorcex, should be positively associated with the decision to grant relief when the couple is divorced as they are in this case.
- 2) *Economic hardship*. There should be negative association between this factor, Hardshipx, and granting equitable relief in this analysis because there is no economic hardship present.
- 3) *Abuse*. When abuse is present as in this case study, this variable, Abusx, should have a positive association with granting equitable relief.
- 4) *Knowledge or reason to know*. This factor, Knowpaidx, should support granting relief because the petitioner filing for relief has no knowledge or reason to know the tax liability will not be paid.

- 5) *Legal obligation*. Since the nonrequesting spouse has a legal obligation to pay the tax liability, this variable, Obligx, should have a positive relationship with granting equitable relief.
- 6) *Attribution*. This factor is currently a threshold requirement to qualify for equitable relief. The perceived importance of this factor, Attribx, should support granting relief.
- 7) *Significant benefit*. Since the requesting spouse received no significant benefit from the unpaid tax, this factor, Benefit, should support the decision to grant tax relief.
- 8) *Compliance with income tax laws*. The requesting spouse has subsequently complied with federal income tax laws; and therefore, this variable, Complyx, should positively influence the granting of tax relief.

In addition, Rev. Proc. 2003-61 provides more specific information about knowledge or reason to know. In an underpayment case where the tax liability is reported but not paid, the IRS will determine if the requesting spouse did not know and had no reason to know that the tax liability would not be paid by the nonrequesting spouse. In a deficiency case, reason to know of an item causing a deficiency will not be given more weight than other factors, but actual knowledge of the item triggering a deficiency is a strong factor against granting relief. To determine if the requesting spouse had reason to know, the Service will look at the requesting spouse's:

- a) education level;
- b) degree of involvement in the activity producing the tax liability;
- c) involvement in business and household financial matters;

- d) business or financial expertise; and
- e) lavish or unusual expenditures.

Also, they would look at the deceitfulness or evasiveness of the nonrequesting spouse. Since education level (Edux) and involvement in business, household, and financial matters (Expertisx) could affect the decision to grant equitable relief, they will be added as variables.

In addition to the variables listed in Rev. Procs. 2000-15 and 2003-61, the following factors which are fully explained under research questions 9 – 11 are added:

- 1) gender of the filer (Scenario);
- 2) gender of the study participant (Gendpart);
- 3) marital status of study participant (Marstat);
- 4) whether the participant has been divorced (Divorcepart);
- 5) whether the participant knows of a person who should have filed or filed for innocent spouse relief (Knowperson); and
- 6) the interaction variables of Gender * Scenario (Gendscen), Divorcepart * Gender (Divorcegend) and Marstat * Gender (Marstatgend).

In the survey, participants are to determine how strongly they support the granting of equitable relief by indicating their response on a 7-point Likert scale. The numbers 1-7 represent a ranking of their beliefs; however, the difference from 1 to 2 is not necessarily the same as the difference from 2 to 3, and so forth. Where the dependent variable is polychotomous, ordered logit is an appropriate method of analysis. This ordinal regression model assumes that the observed y variable provides incomplete information

about an unmeasured latent variable, y_i^* (Long 1997). Observed y is “mapped” to y^* by using the following model (Long 1997):

$$\begin{aligned}
 Y_i = & 1 \quad \text{if } y_i^* < \tau_1 \\
 & 2 \quad \text{if } \tau_1 \leq y_i^* < \tau_2 \\
 & 3 \quad \text{if } \tau_2 \leq y_i^* < \tau_3 \\
 & 4 \quad \text{if } \tau_3 \leq y_i^* < \tau_4 \\
 & 5 \quad \text{if } \tau_4 \leq y_i^* < \tau_5 \\
 & 6 \quad \text{if } \tau_5 \leq y_i^* < \tau_6 \\
 & 7 \quad \text{if } y_i^* \geq \tau_6,
 \end{aligned}$$

where the τ s represent thresholds or cutpoints. The estimated cutpoints are used to differentiate the multiple levels or categories of the dependent variable.

The structural model from Long (1997, 177) is:

$$y_i^* = x_i \beta + \varepsilon_i.$$

The x_i signifies a row vector with the intercept being in the first column. The β represents a column vector of coefficients for the intercept and independent variables (Long 1997). It is assumed that the coefficients remain constant for all levels or categories of the dependent variable. The interpretation of the coefficients is that for every one unit change in the predictor variable, the log-odds of being in a higher or lower category change by the coefficient.

The dependent variable in the ordered logit model is the participants’ beliefs about granting equitable relief, which are measured on a seven-point Likert scale with one being strong oppose and seven being strongly favor. The independent variables are summarized in Table 3.2.

Table 3.2. Independent Variables

Variable	Description
Divorcex *	The couple is now divorced.
Abusx*	Nonrequesting spouse became abusive.
Attribx *	Tax liability was attributable to other spouse's income.
Benefitx *	Filer did not benefit from the unpaid tax.
Knowpaidx *	Filer did not know the tax liability would not be paid.
Hardshipx*	Filer would not suffer economic hardship if he/she has to pay the tax liability.
Obligx *	Other spouse had the legal obligation to pay the tax pursuant to divorce settlement.
Complyx *	Filer is currently complying with federal tax laws.
Edux *	Educational level of filer
Expertisx *	Petitioner was not involved in family business affairs.
Scenario	Scenario 1 has female filer; Scenario 2 has male filer.
Gendpart	Gender of participant
Marstat	Marital status of participant
Divorcepart	Whether the participant was ever divorced
Knowperson	Does participant know of person who should have or did file for equitable relief?
Gendscen	Gender of participant * Scenario
Divorcegend	Gender of participant * Divorced
Marstatgend	Gender of participant * Marital status of participant
*Participants are asked the importance of these factors in determining equitable relief.	

Research Question 9

Are divorced individuals more likely to grant relief than individuals who have never divorced and does this interact with gender?

Divorced individuals may have more empathy for individuals filing for equitable relief than their counterparts who have not been divorced because they may picture themselves in a similar situation. In addition, prior studies have found that women are

more likely than men to grant equitable tax relief (Fleischman and Valentine 2003a; 2003b). To test this question, the variable, Divorcepart, and an interaction variable, Divorcegend, is used in an ordered logit model, which is described under research question 8.

Research Question 10

Is the decision to grant equitable relief affected by the gender of the petitioner for equitable relief, gender of the study participant or an interaction?

Previous studies have shown that the gender of the participant in the vignette can affect the feelings and beliefs of the study's participants (Smith and Rogers 2002; Schminke 1997). And while O'Fallon and Butterfield (2005) find that there are mixed results on whether gender makes a difference in ethical decisions, studies on innocent spouse relief find that the gender of the study participant is associated with the granting of equitable relief (Fleischman and Valentine 2003a, 2003b).

In this study, the only difference between scenario 1 and scenario 2 is the gender of the petitioner filing for innocent spouse relief. To test the effect gender has on the equitable relief decision, the variables, gender of the petitioner (Scenario), gender of the study participant (Gendpart), and an interaction variable (Gendscen) are included in the main ordered logit model.

Research Question 11

Does marital status affect the decision to grant equitable relief and does it interact with gender?

Self-interest may play a part in the decision to grant equitable relief. Since equitable relief applies to only married couples filing joint tax returns, single individuals

may not entirely understand the issue. Many married couples living together may not fully know the income of their spouse when they sign the joint tax return. In addition, according to the National Taxpayer Advocate 2005 Annual Report to Congress, 3.2 million happily married couples live separately and 4.5 million couples are separated.³² Accordingly, married individuals signing a joint tax return trust their spouse to accurately record his or her income when, in fact, they may not really know if the stated amount on the return is correct. This may lead married individuals to feel more compassion for the innocent spouse than their single counterparts since they realize that they could find themselves in similar unenviable circumstances.

Fleishman and Valentine (2003a; 2003b) find that gender affects the decision to grant equitable relief. While they are using various professionals in their study and general taxpayers are used in this study, this result is expected to hold. To test this research question, marital status (Marstat), gender (Gendpart), and their interaction (Marstatgend) are used as the independent variables in the previously discussed ordered logit model.

Research Question 12

Do taxpayers' views on the issue of joint and several liability change after reading an actual case?

Various studies have shown that education has an effect on the perception of fairness in tax issues (Roberts 1994; White et al. 1990). The before and after assessments

³² U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement (Feb. 22, 2005), available at <http://www.census.gov/population/socdemo/foreign/ppl-176/tab05-2.pdf> (2004 data, Table 5.2).

of joint and several liability are compared to see if there is a significant difference in perception of the issue after taxpayers are informed of what can happen when individuals sign joint tax returns. Since the variable, perception of fairness of joint and several liability, is measured twice for each subject, the Wilcoxon signed ranks test is the appropriate analysis to use in this case. This test is the non-parametric version of a paired samples t-test.

Research Question 13

Do the participants' assessments of an actual case differ from the opinion of the Tax Court?

The court granted equitable relief in the case presented in this paper. The subjects' responses are examined to assess those agreeing and disagreeing with the court decision. A histogram of the participant's assessment of this issue and the percentages of those opposing and supporting the granting of equitable relief is presented.

Research Question 14

Do the participants' feelings on whether the IRS should grant equitable relief differ from what they feel the IRS would do in this case?

This will be an indication of whether individuals feel the Service deals fairly with taxpayers. The study participants are asked if they agree with the statements "The Internal Revenue Service *should* grant tax relief to Ms. (Mr.) X" and "The Internal Revenue Service *would* grant tax relief to Ms. (Mr.) X". Their answers are recorded on a 7-point Likert scale. The Wilcoxon signed ranks test to determine if there is a difference between the responses to the *IRS should* and *IRS would*.

CHAPTER 4

DATA ANALYSIS

The purpose of this chapter is to present the results of the data analysis. Descriptive statistics and non-response bias are addressed first, followed by results for the research questions.

Descriptive Statistics

A sample of taxpayers that is representative of the U.S. population is needed for this study in order to promote unbiased results. The surveys are sent just before Labor Day weekend to a diverse group of 10,000 individuals, who are selected because they represent the nation's population based on income. Due to the holiday, the response rate is low and reminder letters are sent out the following week. The first survey is sent to 7,500 individuals and is closed by Zoomerang when the number of replies reaches 370.

Only eighty percent of the individuals surveyed are expected to qualify to take the survey. So based on 6,000 individuals who would meet the requirements, the response rate is 6 percent. However, it is not known what the response rate would have been if the survey had not been stopped. The second survey is sent to 2,500 people and is not closed when a particular number of responses is obtained. One hundred fifty-one responses are received for a response rate of seven and a half percent. The response rate is low so, a test for non-response bias is performed that compares the results of late and early respondents. Larson & Catton (1959) find that

differences between late and early responses closely replicate differences between responders and non-responders.

Running a MANOVA test with all 48 of the factors in the study as the dependent variables and late versus early responders as the independent variable, only two factors are found with a significant difference at the 5% level of significance. These factors are support for joint and several liability and fraudulent intent. The results suggest there is little or no non-response bias, but these two variables need to be scrutinized.

To obtain assurance about the quality of the responses to the survey instrument, a request is inserted in the document to identify individuals who are simply marking answers without reading or understanding the question. They are told that a particular line is for research purposes only and are directed to please leave this line blank. One hundred forty-five individuals mark a response to this comment on a seven-point Likert scale. Using a Manova test, these individuals' survey responses are compared to those who do not record an answer to this question. The test shows a significant difference between the two groups for 36 of the 48 variables. Therefore, the respondents who mark an answer are eliminated from the sample.

In addition, a requirement for participating in the survey is that the individual is currently filing a federal tax return. Four individuals, who initially indicate that they file a return, later state in the survey that they do not file a tax return. These individuals are removed from the sample. The total usable survey responses are figured in Table 4.1

Table 4.1. Usable Responses

Total Responses	521
Less:	
Unreliable responses	145
Currently not filing tax return	4
Usable responses	372

Table 4.2 compares the income levels of the sample to the general public. The U.S. Census Bureau (2007d), 2005-2007 American Community Survey shows that 11.4% of households are in the \$100,000 – \$149,999 income range and 10% of the respondents are in that income range.

Table 4.2. Comparison of Participants' Income to U. S. Population

Comparison of Participants Income to U.S. Census Bureau Estimates			
Income levels of participants		Income levels of U. S. population*	
	Percentage		Percentage
Under \$10,000	2.2	Under \$10,000	7.6
\$10,000 - \$19,000	5.0	\$10,000 - \$14,999	5.8
\$20,000 - \$29,999	13.1	\$15,000 - \$24,999	11.1
\$30,000 - \$39,000	15.9	\$25,000 - \$34,999	11.0
\$40,000 - \$49,999	11.7	\$35,000 - \$49,999	14.6
\$50,000 - \$59,999	12.8	\$50,000 - \$74,999	18.8
\$60,000 - \$69,999	7.2	\$75,000 - \$99,999	12.1
\$70,000 - \$79,999	10.9	\$100,000 - \$149,999	11.4
\$80,000 - \$89,999	3.9	\$150,000 - \$199,999	3.9
\$90,000 - \$99,999	4.2	\$200,000 or more	3.7
\$100,000 - \$150,000	10.0		
over \$150,000	3.1		
Total	100.0	Total	100.0

*Income figures from the U. S. Census Bureau, 2005-2007 American Community Survey (2007d)

Approximately 41% of the participants fall in the \$20,000 - \$49,999 range while the American Community Survey records approximately 37% of the population in the \$15,000 - \$49,999 category. The \$10,000 income level is underrepresented probably due to the fact that many individuals in this income range do not file tax returns, which is a requirement to participate in this study. Overall, the sample is fairly representative of the general U.S. population as far as income is concerned.

In addition, participants are located throughout the United States and match, as closely as possible, other demographic characteristics of the country. Tables 4.3 and 4.4 compare age, geographical location, gender, and ethnicity of the sample to estimates of these population characteristics as provided by the U.S. Census Bureau (2007c,a,b). Regarding the age of the study participants, no individuals under the age of 18 are surveyed because, in general, they do not file federal tax returns. All other age groups are well represented. As far as geographical comparisons are concerned, 19.4% of the participants are from the Northeast and 23.2% are from the Midwest. These figures match up closely with the 2007 population estimates from the U.S. Census Bureau (2007a) for these regions. In addition, the sample is representative of the U.S. population based on gender. In the sample, approximately 52% of respondents are males. Moreover, all ethnic groups are represented in the survey. While the Black/African American and Hispanic/Latino groups are underrepresented, approximately 5% of the sample is from these classifications. However, 91.9% of the respondents are Caucasian.

Table 4.3. Comparison of Participants' Demographics to the U.S. Census Bureau

Age of participants	Percentage	Age of U.S. population*	Percentage
		Under 17	24.7
18-24	7.0	18-24	9.9
25-29	11.1	25 - 29	6.8
30-34	12.4	30 - 34	6.6
35-39	10.8	35-39	7.1
40-44	10.0	40 - 44	7.5
45-49	5.4	45 - 49	7.6
50-54	13.2	50 - 54	6.9
55-59	6.2	55 - 59	6.0
60-69	10.5	60 - 69	8.1
70 and over	<u>13.2</u>	70 and over	<u>9.0</u>
Total (Rounded)	100.0	Total	100.0
Regional estimates for			
Participants are from:	Percentage	U. S. Population**	Percentage
North	1.4		
South	13.7	South	36.62
East	3.3		
West	9.3	West	23.25
Northwest	5.7		
Northeast	19.4	Northeast	18.12
Southeast	15.0		
Southwest	9.0		
Midwest	<u>23.2</u>	Midwest	<u>22.01</u>
Total	100.0	Total	100.0

* U.S. Census Bureau, 2005-2007 American Community Survey (2007c)

**U.S. Census Bureau, 2007 Population Estimates (2007a)

Table 4.4. Comparison of Participants' Demographics to the U.S.
Census Bureau Estimates

Gender of participants	Percentage	Gender estimates for U.S.*	Percentage
Male	51.9	Male	49.2
Female	<u>48.1</u>	Female	<u>50.8</u>
Total	100.0	Total	100.0
Ethnicity of participants	Percentage	Ethnicity Estimates for U.S. *	Percentage
Caucasian	91.9	Caucasian	74.1
Black/African American	3.3	Black/African American	12.4
Asian	0.8	Asian	4.3
Hispanic/Latino	1.6	Native American	0.8
Native American	0.8	Other	6.3
Other	<u>1.6</u>	Two or more races	<u>2.1</u>
Total	100.0	Total	100.0
		Hispanic/Latino	14.7

* U.S. Census Bureau, 2005-2007 American Community Survey (2007b)

Research Question 1

Does an individual's perception of fairness of the current tax system affect his or her thoughts on the fairness of joint and several liability?

Respondents are asked to rate the fairness of the current tax system on a seven-point Likert scale with one being extremely unfair and seven being extremely fair. Responses of one, two, or three indicate that participants believe the current tax system is unfair while five, six or seven suggest it is fair. A four is essentially a neutral response, however, since it does not indicate that the system is unfair, it is included within the fair classification. The rationale behind this is that people who view the tax system as unfair

will indicate that sentiment. A person who records a neutral response is basically indicating the current system is acceptable. An analysis of the responses as presented in Table 4.5 reveals that half of the respondents regard the current tax system as being unfair.

Table 4.5. Fairness of the Current Tax System

Response	Frequency	Percent	Valid Percent	Cumulative Percent
1	32	8.6	8.6	8.6
2	75	20.2	20.2	28.8
3	78	21.0	21.0	49.7
4	106	28.5	28.5	78.2
5	65	17.5	17.5	95.7
6	13	3.5	3.5	99.2
7	<u>3</u>	<u>0.8</u>	<u>0.8</u>	100.0
Total	372	100.0	100.0	

For the analysis on whether an individual's perception of fairness of the current tax system affects his or her thoughts on the fairness of joint and several liability, participants are asked to assess the fairness of joint and several liability on a seven-point Likert scale. Responses of one, two, or three indicate that joint and several liability is unfair while responses of five, six, and seven suggest it is fair. An analysis of participants' answers shows that 41.6% of the participants believe that joint and several liability is unfair, 24.90% are neutral on the topic and 33.5% state that it is fair. Their responses are presented in Table 4.6.

Table 4.6. Fairness of Joint and Several Liability

Response	Frequency	Percent	Valid Percent	Cumulative Percent
1	46	12.4	12.4	12.4
2	40	10.8	10.8	23.2
3	68	18.3	18.4	41.6
4	92	24.7	24.9	66.5
5	66	17.7	17.8	84.3
6	38	10.2	10.3	94.6
7	<u>20</u>	<u>5.4</u>	<u>5.4</u>	100.0
Total	370	99.5	100.0	
Missing	<u>2</u>	<u>0.5</u>		
Total	372	100.0		

Using the Mann-Whitney U test, the results reveal a significant difference in the perception of fairness of joint and several liability (FairJ&S) between the fair and unfair groups (Faircoding). Thirty-one percent of the group who feel the overall tax system is fair believe joint and several liability is unfair while fifty-two percent of the unfair group consider joint and several liability to be unfair. Twenty-six percent of the unfair group and forty-one percent of the fair group consider joint and several liability to be fair. Ninety-two participants are neutral on the topic. The findings are presented in Tables 4.7 and 4.8.

Table 4.7. Perception of Joint and Several Liability by Fairness Group

Mann -Whitney Test			
Overall Fairness of the tax system	N	Ranks Mean Rank	Sum of Ranks
FairJ&S			
Unfair group (0)	183	160.27	29329.5
Fair group (1)	187	210.19	39305.5
Total	370		
	Fairj&S		
Mann-Whitney U	12493.500		
Wilcoxon W	29329.500		
Z	-4.561		
Asymp. Sig. (2-tailed)	0.000		

Table 4.8. FairJ&S Fairness Group Crosstabulation

Fairness groups	Fairness of joint and several liability							Total
	1	2	3	4	5	6	7	
Unfair (0)	33	27	36	39	28	15	5	183
Fair (1)	13	13	32	53	38	23	15	187
Total	46	40	68	92	66	38	20	370

This result supports Gerbing's (1988) findings that fairness of the overall tax system is one dimension of fairness. When individuals feel the whole tax system is unfair, separate statutes within the tax code may be automatically deemed unfair.

Research Question 2

Do women perceive joint and several liability to be less fair than men?

The results from a Mann-Whitney U test show there is no significant difference between men and women on the perception of joint and several liability (FairJ&S). Forty-

five percent of the males and thirty-eight percent of the females believe joint and several liability is unfair while thirty-five percent of the men and thirty-two percent of the women consider it fair. The other participants are neutral on the topic. Considering that ninety percent of the individuals filing for relief from joint and several liability are women (IRS 2005), the results are surprising. The findings are presented in Tables 4.9 and 4.10.

Table 4.9 . Perception of Joint and Several Liability by Gender

Mann -Whitney Test				
	Gender	N	Ranks Mean Rank	Sum of Ranks
FairJ&S	Men	188	179.16	33682.50
	Women	173	183	31658.50
	Total	361		
		Fairj&S		
		Mann-Whitney U	15916.500	
		Wilcoxon W	33682.500	
		Z	-0.354	
		Asymp. Sig. (2-tailed)	0.723	

Table 4.10. FairJ&S Gender Crosstabulation

liability	Fairness of joint and several							Total
	1	2	3	4	5	6	7	
Gender								
Women (0)	20	13	33	52	34	14	7	173
Men (1)	26	27	31	38	30	23	13	188
Total	46	40	64	90	64	37	20	361

Research Question 3

Does marital status affect an individual's perception of joint and several liability?

A Mann-Whitney U test is run to test the influence marital status has on the issue of joint and several liability. No significant difference is found between the married and single groups as reported in Table 4.11.

Table 4.11. Perception of Joint and Several Liability by Marital Status

Mann -Whitney Test				
	Marital Status	N	Ranks Mean Rank	Sum of Ranks
FairJ&S	Married (1)	214	186.97	40012.00
	Single (0)	154	181.06	27884.00
	Total	368		
		Fairj&S		
	Mann-Whitney U	15949.000		
	Wilcoxon W	27884.000		
	Z	-0.534		
	Asymp. Sig. (2-tailed)	0.593		

Forty-two percent of both groups believe joint and several liability is unfair while thirty-two percent of the single individuals and thirty-five percent of married participants deem it to be fair. The rest of the participants are neutral on the topic. The results are presented in Table 4.12. The findings show that self-interest, which is proxied by both gender and marital status are not motivating factors when deciding the issue of fairness of joint and several liability.

Table 4.12. FairJ&S Marital Status Crosstabulation

liability	Fairness of joint and several							Total
	1	2	3	4	5	6	7	
Marital status								
Single (0)	23	11	30	41	29	15	5	154
Married (1)	23	29	38	50	36	23	15	214
Total	46	40	68	91	65	38	20	368

Research Question 4

Do divorced individuals perceive joint and several liability differently than individuals who have not been divorced?

To address this question, the Mann-Whitney U test is used to determine if there is a significant difference in responses to the issue of joint and several liability (FairJ&S) between those who have and those who have not been divorced. The results, as reported in Table 4.13, show no significant difference between the groups.

Table 4.13. Perceptions of Joint and Several Liability by Divorced/Not Divorced

Mann -Whitney Test				
	Divorce	N	Ranks Mean Rank	Sum of Ranks
FairJ&S	Have not been divorced	273	183.77	50170.00
	Have been divorced	91	178.68	16260.00
	Total	364		
		Fairj&S		
	Mann-Whitney U	12074.000		
	Wilcoxon W	16260.000		
	Z	-0.406		
	Asymp. Sig. (2-tailed)	0.685		

Thirty-nine percent of those who have not been divorced consider joint and several liability to be unfair, twenty-eight percent are neutral on the subject, and thirty-three percent find it to be fair. For those who have been divorced, forty-eight percent believe joint and several is unfair, fifteen percent have no opinion, and thirty-six percent consider it to be fair. The findings are presented in Table 4.14.

Table 4.14. FairJ&S Divorced/Not Divorced Crosstabulation

Divorced/Not divorced	Fairness of joint and several liability							Total
	1	2	3	4	5	6	7	
Have not been divorced (0)	28	33	45	76	51	26	14	273
Have been divorced (1)	15	6	23	14	15	12	6	91
Total	43	39	68	90	66	38	20	364

The results are unexpected since divorced individuals are not always happy with the financial aspect of their divorce settlement and taxes could play a part in their economic well-being.

Research Question 5

What factors do taxpayers feel are the most important in evaluating whether individuals receive equitable relief?

The perceived importance of the threshold conditions to qualify for equitable relief and the factors used to determine equitable relief are examined by comparing their means. These factors are randomized in the survey so as to avoid order effects. As shown in Table 4.15, participants believe that taxpayer's knowledge of errors on the return when they signed it (Knowerr), current compliance with the federal tax laws (Comply), and not

filing the tax return with fraudulent intent (Fraudint) are the most important factors in the decision to grant equitable relief.

Table 4.15. Importance of Threshold Conditions and Factors Used in Determining Equitable Relief

Factor	Mean	Median
Knowerr	5.91	6
Comply	5.91	6
Fraudint	5.84	6
Oblig	5.51	6
Fraudsch	5.43	6
Knowpaid	5.36	6
Tranasset	5.35	6
Attrib	5.24	6
Reason	5.22	6
Div	5.16	6
Health	4.88	5
Hardship	4.85	5
Benefit	4.79	5
Pabuse	4.62	5
Mabuse	4.60	5
Expertise	4.26	4
Edu	3.41	3
Gender	1.98	1

Only one of these, not filing the tax return with fraudulent intent, is a threshold requirement needed to qualify for equitable relief. However, the four threshold conditions: not filing the tax return with fraudulent intent (Fraudint), no assets were transferred between spouses in a fraudulent scheme (Fraudsch), other spouse did not transfer any disqualified assets to filer (Tranasset), and tax liability is attributable to other spouse (Attrib), are perceived to be among the most important factors in the granting of equitable relief. Meanwhile, the gender and educational level of the filer are perceived to be the least important factors. In addition, it is interesting to note that innocent spouse

provisions place significant emphasis on knowledge or reason to know. The three knowledge factors in this study: knowledge of error on return (Knowerr), knowledge the tax liability would not be paid (Knowpaid), and reason to know of errors on the tax return (Reason) are among the factors perceived to be most important by the study participants.

Using the Friedman test, the results show a significant difference between the importance ratings of all of these factors. So non-parametric post hoc analysis is performed using the Wilcoxon signed ranks test. When performing this analysis, the critical level of significance is divided by the number of comparisons to get the new significance level. (Field, 2005) Therefore, since there are four comparisons, .05 is divided by 4 comparisons to a new significance level of .0125. As illustrated in Table 4.16, knowledge of an error on the tax return is significantly more important than either of the other two knowledge factors.

One purpose of this study is to investigate which distributive justice rules are important in the decision to grant equitable relief. The needs, benefits, and commitment rules are examined by looking at the importance placed on the variables: economic hardship (Hardship), benefit from unpaid tax liability (Benefit), and spouse's legal obligation (Oblig) to pay the tax liability. Also, the contributions rule, which states that persons with greater contributions should receive greater rewards, is examined. In an innocent spouse case, the income tax liability is attributable to the other (nonrequesting) spouse; and therefore, he or she did not make the required contributions to justify the favorable decision of denying equitable tax relief for his or her spouse.

Table 4.16. Comparison of Knowledge Factors and Top Justice Rules

Wilcoxon Signed Ranks Test		N	Ranks	
			Mean Rank	Sum of Ranks
Oblig - Attrib	Negative Ranks	96 ^a	95.23	9142.00
	Positive Ranks	119 ^b	118.30	14078.00
	Ties	146 ^c		
	Total	361		
Z	2.749			
Asymp. Sig. (2-tailed)	0.006			
Reason - Knowpaid	Negative Ranks	120 ^d	111.51	13381.50
	Positive Ranks	97 ^e	105.89	10271.50
	Ties	148 ^f		
	Total	365		
Z	-1.715			
Asymp. Sig. (2-tailed)	0.086			
Knowerr - Knowpaid	Negative Ranks	45 ^g	85.73	3858.00
	Positive Ranks	148 ^h	100.43	14863.00
	Ties	172 ⁱ		
	Total	365		
Z	-7.250			
Asymp. Sig. (2-tailed)	0.000			
Reason - Knowerr	Negative Ranks	166 ^j	104.72	17384.00
	Positive Ranks	36 ^k	86.64	3119.00
	Ties	165 ^l		
	Total	367		
Z	-8.752			
Asymp. Sig. (2-tailed)	0.000			

a. Oblig < Attrib

b. Oblig > Attrib

c. Oblig = Attrib

d. Reason < Knowpaid

e. Reason > Knowpaid

f. Reason = Knowpaid

g. Knowerr < Knowpaid

h. Knowerr > Knowpaid

i. Knowerr = Knowpaid

j. Reason < Knowerr

k. Reason > Knowerr

l. Reason = Knowerr

The results show the factors, legal obligation and attributable to nonrequesting spouse, with means of 5.51 and 5.24, respectively, and a median of 6 are the most important factors in the granting of equitable relief. Economic hardship and benefit have medians of 5 and means of 4.85 and 4.79, respectively. So it appears that commitment (legal obligation) and contributions (attributable to other spouse) are the most important justice rules in the decision to grant equitable relief. Moreover, as revealed in previous Table 4.16, the importance of legal obligation is significantly greater than the importance of attributable to the other spouse.

Research Question 6

Do gender or marital status affect the perceived importance of these factors?

Gender has an affect on the importance of many variables used in determining equitable relief. Results from the Mann-Whitney U test show a significant difference between men and women in the rating of the following factors: whether the couple has divorced (Div), significant benefit (Benefit), knowledge of error on the return (Knowerr), hardship (Hardship), legal obligation of other spouse to pay the tax (Oblig), current compliance with the tax law (Comply), fraudulent scheme (Fraudsch), transfer of assets (Tranasset), and both physical (Pabuse) and mental abuse (Mabuse). The results support Fleishman and Valentine's (2003b) findings that men and women have different views on the issue of abuse. However, there is no gender difference in the evaluation of attributable (Attrib), knowledge tax would not be paid (Knowpaid), reason to know (Reason), educational level (Edu), gender of filer (Gender), health (Health), financial expertise (Expertise) or fraudulent intent (Fraudint).

On the other hand, the analysis shows that marital status has no affect on the perceived importance of any of these factors. The results may be affected by some individuals who are classified as single, but who were married at some point in time. However, we can conclude that when there is a difference in perception of these variables, gender is a driving force. The results for both the gender and marital status analysis are displayed in Table 4.17.

Table 4.17. Differences in Perceived Importance of Variables

Factors	Gender		Marital Status	
	Z	Significance	Z	Significance
Div	-3.630	0.000	-1.073	0.283
Attrib	-1.261	0.207	-0.402	0.687
Benefit	-2.243	0.025	-1.021	0.307
Knowpaid	-0.709	0.478	-0.795	0.427
Knowerr	-2.011	0.044	-0.279	0.780
Reason	-1.057	0.290	-1.215	0.224
Hardship	-2.959	0.003	-1.307	0.191
Oblig	-2.248	0.025	-0.593	0.553
Comply	-2.398	0.016	-0.219	0.827
Edu	-1.344	0.179	-1.146	0.252
Gender	-1.095	0.273	-0.412	0.680
Health	-0.379	0.705	-0.466	0.641
Expertise	-1.404	0.160	-0.272	0.785
Fraudint	-1.188	0.235	-1.289	0.197
Fraudsch	-1.964	0.050	-0.489	0.625
Tranasset	-3.127	0.002	-0.984	0.325
Pabuse	-2.404	0.016	-0.195	0.845
Mabuse	-2.487	0.013	-0.113	0.910

Research Question 7

Does the individual's evaluation of the overall tax system affect his/her view on the issue of innocent spouse equitable relief?

Once again responses on the fairness of the tax system are grouped with answers of one, two, and three comprising the unfair group and responses of four, five, six and seven making up the fair group. Using the Mann-Whitney U test, we find that the individual's perception of the overall tax system is significant at the 10% level of significance with a p-value of .079. The results are shown in Table 4.18.

Table 4.18. Decision on Granting Equitable Relief by Fairness Group

Mann -Whitney Test			
Overall Fairness of the tax system	N	Ranks Mean Rank	Sum of Ranks
Grant			
Unfair group (0)	182	192.46	35027.5
Fair group (1)	183	173.59	31767.5
Total	365		
	Grant		
Mann-Whitney U	14931.500		
Wilcoxon W	31767.500		
Z	-1.758		
Asymp. Sig. (2-tailed)	0.079		

Research Question 8

How do taxpayers perceive the importance of various factors in affecting the decision to grant equitable relief?

Study participants are asked to read a fact scenario that is based on an innocent spouse court case. They assess the important of factors that are presented in the case in determining equitable relief. Those variables and their description are presented in Table 4.19.

Table 4.19. Variables in Equitable Relief Case

Variable	Description	Threshold Condition	Factors
Divorcex	The couple is now divorced.		X
Abusx	Nonrequesting spouse became abusive.		X
Attribx	Tax liability is attributable to other spouse's income.	X	
Benefitx	Filer did not benefit from the unpaid tax.		X
Knowpaidx	Filer did not know the tax liability would not be paid.		X
Hardshipx	Filer would not suffer economic hardship if he/she has to pay the tax liability.		X
Obligx	Other spouse's legal obligation to pay the tax pursuant to divorce settlement		X
Complyx	Filer is currently complying with federal tax laws.		X
Edux**	Educational level of filer		X
Genderx*	Gender of filer		
Expertisx**	Filer was not involved in financial matters		

* This variable is not mention in Rev. Proc. 2003-61

** These variables are mentioned in Rev. Proc. 2003-61 as a means of determining knowledge or reason to know.

Table 4.20 presents the means and medians of the participants' responses to the importance of these variables. It is clear that individuals believe the legal obligation of

the nonrequesting spouse to pay the tax liability is an important factor in determining whether to grant equitable relief. The factor, tax liability is attributable to the other spouse, is the second most important variable in the case. Since this factor is a threshold condition which must be met to qualify for equitable relief, the participants are agreeing that this should have a significant bearing on the granting of equitable relief. This agrees with prior results that show commitment (legal obligation) and contribution (tax is attributable to other spouse) are important justice rules. It is no surprise that participants respond that the gender of the filer is not an important factor in the granting of equitable relief.

Table 4.20. Importance of the Variables in this Case

	Mean	Median
Obligx	6.11	7
Attribx	5.68	6
Complyx	5.58	6
Knowpaidx	5.23	6
Expertisx	5.14	6
Benefitx	5.05	6
Divorcex	4.72	5
Abusx	4.15	4
Hardshipx	3.64	4
Edux	2.83	2
Genderx	2.00	1

Since the participants rate the importance of these same factors before reading the actual case, the Wilcoxon signed ranks test is used to see if individuals' perceptions change after gaining knowledge of a situation involving the determination of equitable relief. The results show a significant difference between all of the variables except knowledge of the tax payment and gender of the petitioner. The importance of the

following factors declined after reading a case: divorce, abuse, compliance, educational level, and hardship. The perceived importance increased for: the tax was attributable to the nonrequesting spouse, benefit, and legal obligation. One thing to consider is that the wording of the statement changed in some instances. Originally, participants are asked the importance of economic hardship or lack of economic hardship and benefit or lack of benefit. In the case, they evaluate only the importance of lack of economic hardship and lack of benefit. This could possibly change the level of importance that is placed on these variables. The specific statistics are found in Table 4.21.

Table 4.21 Comparison of Importance of Factors Before and from Case

Wilcoxon Signed Ranks Test		
	Z	Sig.
Divorcex - Divorce	-3.949	0.000
Abusx - Mabuse	-4.906	0.000
Attribx - Attrib	-5.172	0.000
Benefitx - Benefit	-3.135	0.002
Knowpaidx - Knowpaid	-0.647	0.518
Hardshipx - Hardship	-8.978	0.000
Obligx - Oblig	-6.926	0.000
Complyx - Comply	-2.973	0.003
Edux - Edu	-6.439	0.000
Genderx - Gender	-0.003	0.997

Using ordered logit, the relationship between the importance of the factors from the case and the granting of equitable relief is analyzed. In addition, the following variables are added to the model to answer research questions 9 - 11: gender of filer (Scenario), gender of study participant (Gendpart), marital status (Marstat), divorced/not divorced (Divorcepart), knowledge of someone who filed or should have filed for innocent spouse relief (Knowperson), gender*scenario interaction (Gendscen),

divorced/not divorced*gender interaction (Divorcegend), and marital status*gender interaction (Marstatgend). These additional factors and the coding are displayed in Table 4.23.

Table 4.22. Additional Factors

Variable	Description	Coding of Dummy Variables
Scenario	Scenario 1 has female filer; Scenario 2 has male filer.	Scenario 1 (1), Scenario 2 (0)
Gendpart	Gender of participant	Male (1), Female (0)
Marstat	Marital status of participant	Married (1), Single (0)
Divorcepart	Whether or not participant was ever divorced	Divorce (1), Not divorced (0)
Knowperson	Does participant know of person who should have or did file for equitable relief?	Know of person (1), otherwise (0)
Gendscen	Gender of participant * Scenario	If male and scenario 1 then (1), otherwise (0)
Divorcegend	Gender of participant * Divorced	If male and divorced then (1), otherwise (0)
Marstatgend	Gender of participant * Marital status of participant	If male and married then (1), otherwise (0)

The model is significant with a p-value of .000, which tells us that at least one regression coefficient is not zero. In addition, the test of parallel lines, which checks the proportional odds assumption, is not significant. This means that we cannot reject the null hypothesis that states the slope coefficients are the same for all response levels or, in other words, the lines are parallel. If this were not the case, we would need to use a different, less restrictive model such as multinomial regression (Annotated SPSS Output Ordered Logistic Regression). Continuing with the analysis, the results show the importance of the following factors to be significant at the 5% level in a one-tailed test:

abuse (Abusx), benefit (Benefitx), no knowledge the tax liability would not be paid (Knowpaidx), lack of hardship (Hardshipx), and legal obligation (Obligx). Attributable (Attribx) and compliance (Complyx) with the tax law are significant at the 10% level. A one-tailed test is appropriate for the proceeding variables because their positive or negative effect on the dependent variable is predicted based on guidance from Revenue Procs. 2000-15 and 2003-61. The guidelines note that lack of hardship will have a negative effect on the granting of equitable relief and the other factors used in determining equitable relief will have a positive effect. The results agree with those guidelines. However, no predictions are made about the other independent variables so a two-tailed test is appropriate to analyze them. Expertise (Expertisx) of filer is significant with a p-value of .000 and educational level (Edux) and gender of the filer (Scenario) are significant at the 10% level. The results are presented in Table 4.23.

Interpretation of the coefficients is that for every one unit increase in the independent variable, the level of the dependent variable is expected to change by the amount of the regression coefficient in the ordered log odds scale when all other variables remain constant (Annotated SPSS Output). When the ordered logit coefficients are exponentiated, the proportional odds ratios (expb) are obtained. Since ordered logit regression estimates a single equation over all levels of the dependent variable, it is assumed that at different ranks of the response variable, the only thing that changes is the intercept. Therefore, the interest centers on in how a change in the independent variable affects the odds of responding to categories greater than j , versus categories lesser or equal to j (SAS Annotated Output Ordered Logistic Regression). In this study, for a one unit increase in the importance of abuse, the odds of being in response group seven

versus the combined response groups of one through six is 1.16 (proportional odds ratio) times greater, given that all the other variables remain constant.

Table 4.23. Ordered Logit Model

Ordered Logit	Coefficient	Std. Error	Two-tailed	One-tailed	Exp (b)
Threshold (grant = 1)	2.342	0.663	0.000		
Threshold (grant = 2)	3.268	0.660	0.000		
Threshold (grant = 3)	4.112	0.670	0.000		
Threshold (grant = 4)	5.231	0.693	0.000		
Threshold (grant = 5)	6.551	0.726	0.000		
Threshold (grant = 6)	7.928	0.757	0.000		
Divorcex*	0.004	0.062	0.946	0.473	1.00
Abusx*	0.149	0.061	0.015	0.008	1.16
Attribx*	0.112	0.083	0.177	0.089	1.12
Benefitx*	0.248	0.069	0.000	0.000	1.28
Knowpaidx*	0.172	0.074	0.020	0.010	1.19
Hardshipx	-0.232	0.060	0.000	0.000	0.79
Obligx*	0.174	0.088	0.047	0.024	1.19
Complyx*	0.101	0.077	0.186	0.093	1.11
Edux	-0.129	0.069	0.061		0.88
Expertisx	0.411	0.076	0.000		1.51
Scenario	0.584	0.345	0.090		1.79
Gendpart	-1.176	0.695	0.090		0.31
Marstat	0.271	0.304	0.371		1.31
Divorcepart	0.686	0.360	0.057		1.99
Knowperson	0.385	0.369	0.297		1.47
GendScen	1.106	0.465	0.017		3.02
Divorcegend	-0.037	0.504	0.942		0.96
Marstatgend	-0.291	0.433	0.501		0.75

* Direction of variable is predicted, therefore one-tailed test is appropriate.
Dependent variable is the granting of equitable relief.

As far as distributive justice is concerned, Levanthal (1976) states that when evaluating distributive fairness, the importance of each justice rule is weighed, the deserved outcome based on each individual rule is estimated, and then the estimates are combined to determine the deserved outcome. When the distributive justice rules are examined, the perceived importance of benefit (benefit), need (hardship) and commitment (legal obligation) all have significant relationships with the granting of equitable relief at the 5% level of significance. Contributions, which is represented by the tax liability is attributable to the nonrequesting spouse, is significant at the 10% level. Therefore, the perceived importance of all of these justice rules is closely related to the decision to grant equitable relief.

Research Question 9

Are divorced individuals more likely to grant relief than individuals who have never divorced and does this interact with gender?

Questions nine through eleven are evaluated in the previous ordered logit model. In the analysis, the variable, divorced/not divorced (Divorcepart), is marginally significant with a p-value of .057. There is no significant interaction of divorced/not divorced with gender (Divorcegend). The results show a positive relationship between being divorced and the granting of equitable relief. These findings suggest that previous experience with divorce settlements may make individuals more sympathetic to those involved with proceedings deemed to be unfair. The results for research questions 9 – 11 are displayed in Table 4.23.

Research Question 10

Is the decision to grant equitable relief affected by the gender of the petitioner for equitable relief, gender of the study participant or an interaction?

In this study, two surveys are produced that differ on the gender of the spouse requesting equitable relief. Examining the data from the scenario with the male equitable relief petitioner, we find that 81% of the men and only 59% of the women support the granting of equitable relief while 18% of the women and 8% of the men support the denying of tax relief. The remaining participants are neutral on the issue. The Mann-Whitney U test shows a significant difference of .001 between the two groups. The results are displayed in Table 4.24

Table 4.24. Scenario 2 (Male Petitioner) Gendpart Grant Crosstabulation

Gender of Participant	Decision to grant equitable relief							Total
	1	2	3	4	5	6	7	
Female (0)	3	2	3	10	13	7	6	44
Male (1)	0	2	3	7	13	15	23	63
Total	3	4	6	17	26	22	29	107

As reported in Table 4.25, analysis of the scenario with the female petitioner shows that 13% of women support denying equitable relief compared to 19% for men. Meanwhile 78% of women support granting relief compared to 71 % of men. A Mann-Whitney U two-tailed test reveals that differences based on the gender of the participant are significant at the 10% level of significance with a p-value of .064.

Prior research shows that women are more likely to grant equitable relief than men (Fleischman and Valentine 2003a, 2003b). However, the scenarios in those studies

use a female petitioner. It appears that the gender of the person filing for equitable relief has an effect on the decision of the participant in this study. In summary, men are significantly more willing to support a male petitioner while women are more likely to be supportive of a female claimant. This is interesting because the individuals consistently state that the gender of the filer for equitable relief is not an important factor in the decision to grant equitable relief. However, the results suggest that gender of the petitioner does have an effect on the granting of tax relief.

Table 4.25. Scenario 1(Female Petitioner) Gendpart Grant Crosstabulation

Gender of Participant	Decision to grant equitable relief							Total
	1	2	3	4	5	6	7	
Female (0)	3	6	7	12	21	26	53	128
Male (1)	9	5	9	13	18	34	36	124
Total	12	11	16	25	39	60	89	252

When the data from both surveys is combined as it is in the previous ordered logit model, the results reveal the following: gender and scenario are significant at the 10% level and the gender * scenario interaction is significant at the 5% level. However, when a diagnostic test is done using OLS regression (Menard 2002), multicollinearity is found between the variables, gender of the participant (Gendpart) and gender of the petitioner for equitable relief (Scenario). When the ordered logit model is run without the gender * scenario variable, neither gender nor scenario are significant. To confirm the results, a Mann-Whitney U test is performed with granting equitable relief as the dependent variable and gender as the independent variable. The results are insignificant with a p-value of .973. A second Mann-Whitney U test is run with the same dependent variable

and scenario as the independent variable. Once again the findings are not significant. Therefore, these results suggest that the gender of the participant and scenario are not significant overall, but there is a significant gender * scenario interaction as found in the ordered logit model and confirmed by the previously discussed Mann Whitney test, which is run on each individual scenario.

Research Question 11

Does marital status affect the decision to grant equitable relief and does it interact with gender?

The results of the ordered logit model show that marital status has a positive, non-significant association with the decision to provide tax relief. In addition, there is no significant interaction of these two variables. The findings show that self-interest as proxied by marital status is not related to the granting of equitable relief.

Additional Analysis

Time constraints do not allow the participants to analyze more than one case; however, an attempt is made to generalize the results. So the same scenario is presented in which various changes are made (one at a time), and the participants are asked to independently assess the importance of the changed variable and the effect it has on the granting of equitable relief. The following describes the analysis and the results are displayed in Tables 4.26 and 4.27.

According to the original scenario, the petitioner is not involved in their business and household financial matters (Expertisx). This variable is changed to indicate that the requesting spouse is involved in these affairs (Expertisx2), but all other facts in the case remain the same. Using the Wilcoxon signed ranks test, the importance of the lack of

involvement versus involvement in these matters is examined. There is a significant difference between the two with involvement being of greater consequence than lack of involvement.

Table 4.26 Comparison of Factors that Changed to Original Factor Assessment

Wilcoxon Signed Ranks Test				
		N	Ranks Mean Rank	Sum of Ranks
Hardshipx2 - Hardshipx	Negative Ranks	54 ^a	103.85	5608.00
	Positive Ranks	188 ^b	126.57	23795.00
	Ties	124 ^c		
	Total	366		
Z	-8.387			
Asymp. Sig. (2-tailed)	0.000			
Expertisx2-Expertisx	Negative Ranks	66 ^d	90.23	5955.50
	Positive Ranks	138 ^e	108.37	14954.50
	Ties	159 ^f		
	Total	363		
Z	-5.408			
Asymp. Sig. (2-tailed)	0.000			
Obligx2 - Obligx	Negative Ranks	171 ^g	111.67	19095.50
	Positive Ranks	44 ^h	93.74	4124.50
	Ties	149 ⁱ		
	Total	364		
Z	-8.278			
Asymp. Sig. (2-tailed)	0.000			
Abusx2 -Abusx	Negative Ranks	173 ^j	122.92	21264.50
	Positive Ranks	62 ^k	104.28	6465.50
	Ties	127 ^l		
	Total	362		
Z	-7.207			
Asymp. Sig. (2-tailed)	0.000			

a. Hardshipx2 < Hardshipx

b. Hardshipx2 > Hardshipx

c. Hardshipx2 = Hardshipx

d. Expertisx2 < Expertisx

e. Expertisx2 > Expertisx

f. Expertisx2 = Expertisx

g. Obligx2 < Obligx

h. Obligx2 > Obligx

i. Obligx2 = Obligx

j. Abusx2 < Abusx

k. Abusx2 > Abusx

l. Abusx2 = Abusx

Once again using the Wilcoxon signed ranks test, an evaluation of the affect involvement has on the granting of equitable relief is performed. Results show that individuals are significantly less likely to grant equitable relief when the petitioner is familiar with the family's business and financial matters (Grantexpertisx2). The findings suggest that participants believe people who have knowledge of their financial affairs should be held accountable for paying the tax associated with their family's income. This finding agrees with Revenue Proc. 2003-61 Sec. 4.03(2)(a)(iii)(C) which states that the Service will consider the requesting spouse's involvement in business and household financial matters when determining whether the spouse knew or had reason to know that the income tax liability would not be paid. Revenue Proc. 2000-15 Sec. (4.03)(2)(b) maintains that knowledge or reason to know that the reported liability will not be paid at the time the return is signed weighs against the granting of relief.

The next analysis deals with the legal responsibility of the nonrequesting spouse. In the original case, the other spouse has the legal obligation to pay the tax liability (Obligx). When this variable is changed to the nonrequesting spouse has no legal obligation to pay the tax liability (Obligx2), the importance of factor significantly decreased. Using the Wilcoxon signed ranks test, the results show that this variable has a significant effect on the decision to grant tax relief. Study participants are less likely to grant equitable relief when the other spouse does not have the legal obligation to pay the tax liability (Grantobligx2).

The third variable to be manipulated is abuse. In the original case, there is abuse in the home that leads the petitioner to fear for his or her safety (Abusx). When this

variable is changed to no abuse is present (Abusx2), this factor becomes significantly less important.

Table 4.27. Comparison of Granting Relief with Changed Variable to Original Equitable Relief Decision

Wilcoxon Signed Ranks Test		Ranks		
		N	Mean Rank	Sum of Ranks
Grantexpertisx2 - Grant	Negative Ranks	222 ^a	154.34	34264.50
	Positive Ranks	64 ^b	105.88	6776.50
	Ties	76 ^c		
	Total	362		
Z	-9.872			
Asymp. Sig. (2-tailed)	0.000			
Grantobligx2 - Grant	Negative Ranks	196 ^d	141.82	27796.50
	Positive Ranks	71 ^e	112.42	7981.50
	Ties	95 ^f		
	Total	362		
Z	-7.901			
Asymp. Sig. (2-tailed)	0.000			
Granthardshipx2 - Grant	Negative Ranks	161 ^g	125.22	20161.00
	Positive Ranks	69 ^h	92.81	6404.00
	Ties	131 ⁱ		
	Total	361		
Z	-6.901			
Asymp. Sig. (2-tailed)	0.000			
Grantabusx2 - Grant	Negative Ranks	245 ^j	146.50	35892.50
	Positive Ranks	34 ^k	93.16	3167.50
	Ties	84 ^l		
	Total	363		
Z	-12.206			
Asymp. Sig. (2-tailed)	0.000			

- a. Grantexpertisx2 < Grant
b. Grantexpertisx2 > Grant
c. Grantexpertisx2 = Grant
d. Grantobligx2 < Grant
e. Grantobligx2 > Grant
f. Grantobligx2 = Grant
g. Granthardshipx2 < Grant
h. Granthardshipx2 > Grant
i. Granthardshipx2 = Grant
j. Grantabusx2 < Grant
k. Grantabusx2 > Grant
l. Grantabusx2 = Grant

The analysis of the effect the modification of this variable has on equitable relief shows that individuals are significantly more likely to award equitable relief when there is abuse in the home. The results agree with Revenue Proc. 2003-61 Sec. 4.03(2)(b)(i), which states that this factor will weigh in favor of granting equitable relief if present, but will not weigh against it if not present.

Finally, according to the initial scenario, the petitioner would not suffer economic hardship if tax relief is not granted (Hardshipx). This variable is changed to the requesting spouse would suffer economic hardship if he or she has to pay the tax liability (Hardshipx2). Using the Wilcoxon signed ranks test, the importance of hardship versus no hardship is analyzed. There is a significant difference between the two with the importance of hardship being greater than lack of hardship. Once again using the Wilcoxon signed ranks test, an evaluation of the affect hardship has on the granting of equitable relief is performed. Results show that hardship has a significant effect on the granting of equitable relief, but it is not in the anticipated direction. When hardship is present, participants are less willing to grant equitable relief (Granthardshipx2). It is not known whether participants misinterpret the information or simply do not feel that hardship should play a role in the decision to provide tax relief.

Research Question 12

Do taxpayers' views on the issue of joint and several liability change after reading an actual case?

A comparison is made of the before and after assessment of joint and several liability to see if there is a change in perception of the issue after taxpayers are informed of what can happen when couples have joint and several responsibility for federal income

tax liabilities. Using the Wilcoxon signed ranks test, the results show there is no significant difference between before and after assessments of the issue. Before reviewing the case, 41.6% of respondents feel joint and several liability is unfair, 24.9% are neutral on the issue, and 33.5% believe it is fair. After reading the case, 39.8% feel it is unfair, 20.1% are neutral, and 40.1% feel it is fair. The findings indicate that some individuals who were neutral on the topic now feel joint and several liability is fair. Analysis is performed to determine if there is a gender effect on taxpayers' views regarding this issue, but none is found. The results are unexpected, but perhaps individuals feel that joint and several liability is fair if safeguards are in place to protect those unfairly burdened by this provision in the tax code. However, approximately 40% of the participants still find joint and several liability to be unfair. The results are presented in Table 4.28.

Table 4.28 Fairness of Joint and Several Liability after Reading Case

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
1	41	11.0	11.3	11.3
2	57	15.3	15.7	26.9
3	47	12.6	12.9	39.8
4	73	19.6	20.1	59.9
5	70	18.8	19.2	79.1
6	43	11.6	11.8	90.9
7	33	8.9	9.1	100.0
Total	364	97.8	100.0	
Missing	8	2.2		
Total	372	100		

In addition, participants are asked how supportive they are of changing the tax code so that each individual signing a joint tax return is responsible only for the tax on

their respective share of the income. Recording their response on a seven-point Likert scale with one being extremely unsupportive and seven being extremely supportive, less than thirteen percent have responses of one, two or three, which indicates they are unsupportive. Fourteen percent are perceived as being neutral on the issue and over seventy-three percent record responses of five, six or seven, which implies they are supportive of eliminating joint and several liability. So individuals who might not think joint and several is unfair are still very supportive of eliminating it from the tax code. The results are displayed in Table 4.29.

Table 4.29. Support for Elimination of Joint and Several Liability

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
1	16	4.3	4.4	4.4
2	18	4.8	4.9	9.3
3	12	3.2	3.3	12.5
4	52	14.0	14.2	26.7
5	72	19.4	19.6	46.3
6	83	22.3	22.6	68.9
7	114	30.6	31.1	100.0
Total	367	98.7	100.0	
Missing	5	1.3		
Total	372	100.0		

Research Question 13

Do the participants' assessments of an actual case differ from the opinion of the Tax Court?

The Tax Court did grant equitable relief in this case. The participants' assessments of the case break down as follows: 14.2% believe equitable relief should not be granted, 11.5% are neutral or indecisive, and 74.3% favor the granting of equitable

relief. Therefore, the majority of taxpayers agree with the opinion of the Tax Court. The survey results are presented in the accompanying histogram (Figure 4.1).

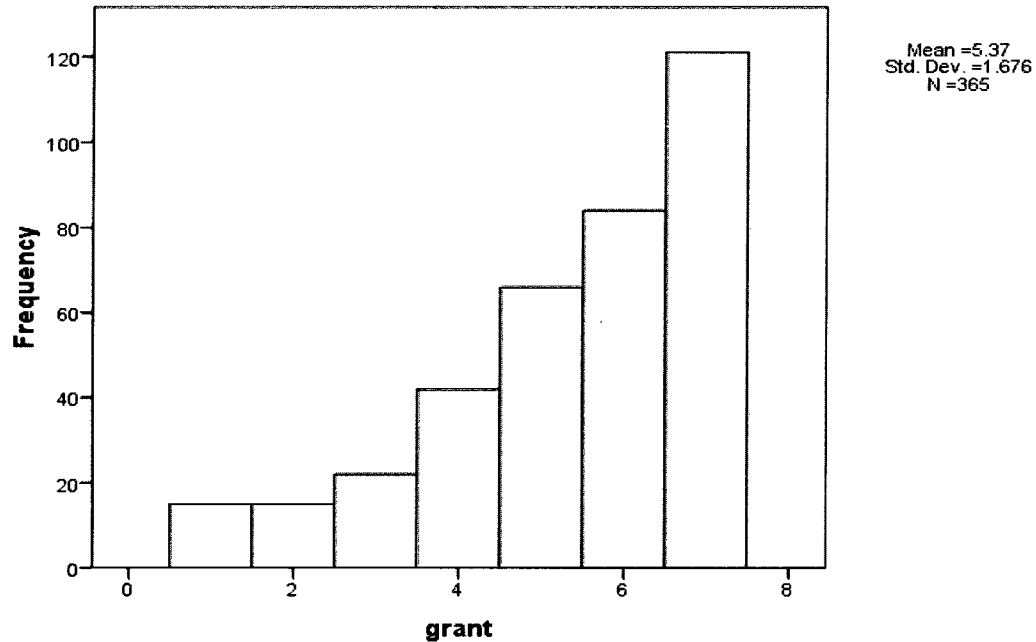


Figure 4.1. Histogram

Research Question 14

Do the participants' opinions on whether the IRS should grant equitable relief differ from what they think the IRS would do in this case?

For this analysis, the Wilcoxon signed ranks test is used, which is the non-parametric version of the dependent t-test. The results show a significant difference between what study participants feel the IRS would do and what they should do in this case. The mean and median for the *IRSshould* variable are 5.49 and 6.00, respectively, while the average score and median are 4.78 and 5.00, respectively, for *IRSwould*. While responses indicate the belief that the IRS would and should lean toward the granting of equitable relief, 154 participants agreed more strongly with the statement that the IRS

should grant relief than with the statement the IRS would award innocent spouse relief. The results indicate that individuals do not believe the Service deals fairly with people. As we know, the IRS did not grant equitable relief in this case because the case went to trial. Table 4.30 breaks down the information by ranks.

Table 4.30. Comparison of IRSwould and IRSshould

Wilcoxon Signed Ranks Test		N	Ranks	
			Mean Rank	Sum of Ranks
IRSwould	Negative Ranks	154 ^a	109.19	16815
IRSshould	Positive Ranks	51 ^b	84.31	4300
	Ties	158 ^c		
	Total	363		
Z			-7.477	
Asymp. Sig. (2-tailed)			0.00	

a. irswould < irsshould

b. irswould > Irsshould

c. irswould = irsshould

CHAPTER 5

SUMMARY AND CONCLUSIONS

The purpose of this chapter is to summarize the findings of this study and their implications. In addition, limitations of the study and suggestions for future research are discussed along with concluding remarks. The chapter starts with a summary of the previous chapters.

Summary of Previous Chapters

Chapter 1 starts with an introduction of the concept of joint and several liability and innocent spouse tax relief. Then the process required to obtain tax relief is discussed along with the magnitude of the problem. Since joint and several liability is one of the ten most litigated tax issues, it warrants further study. Furthermore, no previous study has been done on how taxpayers feel about the issue of joint and several liability and the factors used to determine equitable relief.

A historical review of events and legislative acts leading up to the current tax code on innocent spouse tax relief is found in Chapter 2. In addition, prior literature on the topic of innocent spouse is presented along with research on how fairness or equity is defined. Included are studies providing information on how gender, self-interest and education affect perceptions of fairness.

Chapter 3 reviews the research questions and the methodology to be used in examining these questions. Specifically, development of the survey, selection of study participants and analytical methods are discussed.

In Chapter 4, results from the study are presented. First, descriptive information about the participants in the survey is presented and compared to U. S. Census Bureau population estimates to determine if the sample is representative of the nation. Next, the issue of joint and several liability is analyzed from different perspectives. Then, the importance of the factors used in determining equitable relief is examined. The factors from a scenario, which is based on an actual innocent spouse court case, are used in an ordered logit regression model along with additional personal characteristics of the study participants to determine their association with the decision to grant or deny equitable relief. After the results from this model are known, distribution justice rules are examined to determine their relationship with equitable relief. Finally, a comparison is made between the participants' decision to grant equitable relief and the court's decision and an analysis is performed to determine if study participants believe the IRS deals fairly with people.

Summary of Research Findings

The results reveal that approximately half of the respondents believe the current tax system is unfair and about forty-two percent state that joint and several liability is unfair while twenty-five percent are neutral on the topic. There is a significant difference in the perception of joint and several liability between those who think the current tax system is fair and those who do not. Therefore, it appears that an individual's view on the

fairness of the overall tax system influences his/her thoughts on the issue of joint and several liability.

However, self-interest does not appear to affect perceptions of joint and several liability. While only married individuals filing joint returns are subject to joint and several liability, marital status is found to have no effect on opinions about the fairness of joint and several liability. In addition, although ninety percent of the individuals filing for relief from joint and several liability are women (IRS 2005), gender does not significantly affect perceptions of this tax issue. Furthermore, there is no significant difference in views between those who have been divorced and those who have never divorced.

Turning our attention to the importance of the factors the IRS considers when determining who receives equitable relief, the variables considered to be the most important are knowledge of an error on the tax return and current compliance with the income tax laws. These two factors are related in that filing a return with an error is, in essence, not complying with the federal tax laws. While being less important than knowledge of an error and compliance, the following threshold conditions are among the most important factors in the granting of equitable relief: not filing the tax return with fraudulent intent, not transferring assets in a fraudulent scheme, transfer of assets between spouses in an attempt to avoid tax, and tax was attributable to the nonrequesting spouse. So study participants agree that these provisions are key factors in the determination of equitable relief.

In addition, the respondents agree with innocent spouse provisions, which emphasize the importance of the requesting spouse's knowledge or reason to know. The results show that having knowledge of an error on the return, reason to know of an error,

and knowledge the tax liability would not be paid are important factors to be considered when determining who should be granted equitable relief. However, knowledge of an error on the return is significantly more important than the other two knowledge variables.

While marital status does not have an effect on the perceived importance of the factors to be used in the granting of equitable relief, men and women have differing views on these factors. A previous study (Fleischman and Valentine 2003b) shows that women have stronger feelings on the issue of abuse, but prior research does not address gender differences related to the other factors. Results show that there are significant differences between men and women's perceptions of the following factors: whether the couple has divorced, significant benefit, knowledge of error on the return, hardship, legal obligation of the other spouse, current compliance with the tax law, fraudulent scheme, transfer of assets and abuse. There are no gender differences in the ratings of attributable, knowledge tax would not be paid, reason to know, educational level, gender of filer, health, financial expertise or fraudulent intent.

Furthermore, results reveal that commitment (legal obligation) and contributions (attributable to other spouse) are the most important of the four justice rules. Need and benefit, which are represented respectively by the variables, hardship and benefit, are the least important justice rules in the determination of equitable relief.

When individuals are presented with a fact scenario based on an actual innocent spouse court case, the importance of many of these factors change. When the participants initially access these factors, they are looking at them in a general sense. After reading the scenario, they are basing the importance of these variables on specific facts in the

case. The results reveal that legal obligation (Obligx) and attributable (Attribx) are the most important factors in the decision to grant equitable relief with means of 6.11 and 5.68 and medians of 7 and 6, respectively. This agrees with prior findings that show commitment and contributions, which are represented by the variables legal obligation (Oblig) and attributable to the nonrequesting spouse (Attrib), are the most important justice rules used in the decision to grant equitable relief. When the decision to grant equitable relief is regressed on all of the factors listed in Rev. Procs. 2000-15 and 2003-61 in an ordered logit model, the importance placed on abuse, benefit, lack of knowledge that the tax would not be paid, lack of hardship, and legal obligation of the nonrequesting spouse to pay the tax liability are significant at the five percent level of significance. The importance of tax liability is attributable to the other spouse and current compliance with tax law are significant at the ten percent level. In terms of distributive justice, benefit, need, and commitment justice rules are all significant at the five percent level in the ordered logit model, while contribution is significant at the ten percent level.

Examining the same ordered logit model, the relationship between self-interest and the decision to grant equitable relief is assessed. Self-interest in this study does not mean that the participant will benefit personally from the decision, but instead reflects the fact that the respondent could find himself/herself in similar circumstances and would want to be treated fairly. The results show that marital status has no relationship with the granting of equitable relief. In addition, whether or not the participant had gone through a divorce is a marginally significant factor in the decision to grant or deny equitable relief with a p-value of .057.

Furthermore, an analysis is performed to determine if the gender of the spouse requesting equitable relief has an effect on the decision. While the ordered logit model shows that both the gender of the participant and the gender of the petitioner are significant at the ten percent level, the model has multicollinearity that is affecting the results. When a gender * scenario interaction variable is removed from the model, analysis shows that the gender of the participant and gender of the petitioner are not significant. The original model shows there is a significant interaction between gender of the participant and gender of the petitioner. This is confirmed by running a Mann Whitney test on each scenario in which gender is the independent variable and the granting of relief is the dependent variable. Once again the difference in scenarios is simply the gender of the petitioner. The findings reveal that men are significantly more likely than women to grant tax relief to a man who is requesting equitable relief. Alternatively, women are more likely to grant tax relief when a woman is the requesting spouse.

In addition, to generalize the results, one variable in the case is changed and participants are asked to reassess the importance of the variable and their decision to grant or deny equitable relief. Analysis shows that when the petitioner is familiar with the family's business and finances, the study participant is significantly less likely to grant tax relief. In addition, respondents are significantly less likely to award equitable relief when the nonrequesting spouse does not have the legal obligation to pay the tax liability. When the case is changed to reflect no abuse in the home, the participants are significantly less likely to approve of tax relief. Finally, when the scenario is changed so that the requesting spouse would suffer economic hardship if he or she has to pay the tax

liability, the perceived importance of the factor increases. However, when hardship is present, respondents are less likely to grant relief. This is an unexpected response and is hard to explain.

Next, an analysis is performed to determine whether views on the issue of joint and several liability change after reading an innocent spouse scenario based on an actual case. The belief is that educating the participants on what can happen when an individual signs a joint return will affect their perception of fairness of joint and several liability. However, the results show no significant change in their assessment of this tax issue. Nonetheless, seventy-three percent of the participants support elimination of joint and several liability from the tax code.

Furthermore, participants agree with the opinion of the Tax Court in which they grant equitable relief to the requesting spouse. Approximately seventy-four percent of the respondents favor the granting of equitable relief while only fourteen percent lean towards denying tax relief. This means that participants do not agree with the initial decision of the IRS which was to deny innocent spouse relief.

Finally, participants respond to whether or not they agree with the statements that the IRS should or the IRS would grant equitable relief. There is a significant difference between the two responses. One hundred fifty-four individuals agreed more strongly with the statement that the Service should grant equitable relief than with the statement the IRS would grant equitable relief. This indicates that respondents do not feel that the Service treats people fairly.

Implications

Under the current federal tax system, joint and several liability is not fair in all situations. To right the injustice, Congress passed provisions to protect individuals from the unfairness of joint and several liability that occurs in some instances. However, the granting of tax relief from joint and several liability is a subjective process and each case has to be independently assessed. While Congress has given the IRS a nonexclusive list of factors to consider in their decision, no two individuals are going to completely agree on every variable in the case. While the participants largely concur with Rev. Procs. 2000-15 and 2003-61 on the importance of the various factors, gender plays a vital role in both determining the weight to be given to each factor and who should be granted equitable relief. In this study, male participants are more willing to grant the male petitioner tax relief and females grant relief more often to the female petitioner. This leads us to speculate on whether the IRS or the Tax Court is influenced in their decision by the gender of the petitioner and whether the decision by the IRS or Tax Court is affected by the gender of the IRS agent or Tax Court judge. The purpose of innocent spouse tax relief is to provide fair and equitable treatment to taxpayers who are unjustly burdened with a tax liability due to joint and several liability. If the decision to provide relief hinges on either the gender of the filer or the IRS agent, justice is not going to be achieved. Of course, the results from this study are not generalizable to IRS agents or judges. Further research would be needed in this area.

In addition, approximately forty percent of participants in this study believe joint and several liability is unfair while about twenty percent are neutral on the topic. Moreover, seventy-three percent support eliminating joint and several liability. While

joint and several liability made sense in the past, advanced technology makes it possible to come up with a better system that is far more just than what we currently have. It could be based on objective information provided by the taxpayer on the frontend rather than trying to provide an equitable solution to an unfair policy after the fact. It could eliminate, for the most part, a subjective process of determining who deserves equitable tax relief, which possibly could involve gender bias. The Taxpayer Advocate Service (IRS 2005) recommends eliminating joint and several liability. They would require married couples to identify individual income items, deductions, credits, and tax payments. This study shows support for this recommendation.

Limitations of the Study

Results from this study are dependent upon participants understanding joint and several liability and innocent spouse tax relief. The survey contains a basic explanation of the concept, but leaves out specific details. The scenario provides a good example of what can happen when individuals are responsible for the full amount of tax associated with a joint tax return; however, it must be read thoroughly and thoughtfully to ascertain the full implications of joint and several liability.

In addition, non-response bias is a potential limitation of the study. Testing of differences between early and late returns is performed and only two significant differences are found out of 48 variables. These differences could occur just by chance. Larson and Catton (1959) find that differences between the early and late responders closely approximate those between responders and non-responders. Therefore, non-response bias should not present a problem; however, there is always the possibility that the sample's responses are different from those of the non-responders.

A third limitation of the study is that the scenario used is based on one actual court case. This scenario may have influenced the participants' thoughts in a way which does not reflect what their responses would have been to a different case. The scenario contains abuse, which can be a powerful factor in determining equitable relief. When a comparison is performed between the perceived importance of the factors used in determining equitable relief prior to presenting the case and the perceived importance of these variables in the case, the findings show a significant difference for many of these factors. Possible explanations for the differences might be that the participants do not fully understand the concept of equitable relief before reading the case or that the individuals are swayed by the facts in the case. While various factors in the case are changed to generalize the results, use of a completely different scenario would be beneficial to validate the results from this study.

Future Research

The findings from this study indicate that there is an interaction effect between the gender of the petitioner for equitable relief and the gender of the study participant. This leads us to question if there is a gender bias when the IRS determines who is going to be granted equitable relief. Where a court case is involved, judges could also be swayed by the gender of the petitioner. Future research is needed to address this issue.

In addition, many findings in this paper are based on one judicial decision. While an attempt is made to generalize the results, a new study involving a different scenario would be helpful in confirming the findings of this study.

Conclusion

Approximately forty percent of the study's participants believe joint and several liability is unfair and this perception is influenced by the participants' beliefs about the fairness of the current tax system. On the issue of relief from joint and several liability, taxpayers basically agree that the threshold conditions and the knowledge factors are important considerations in determining equitable relief along with current compliance with the tax laws and the spouse's legal obligation to pay the tax liability. Moreover, legal obligation was found to be the most important factor in the actual case. However, the importance of the various factors is significantly influenced by the gender of the study's participants. Furthermore, the decision to grant equitable relief is influenced by an interaction between the gender of the petitioner and the gender of the study participant. In addition, seventy-four percent of the participants in this study lean towards granting equitable relief; and therefore, concur with the Tax Court's decision to grant equitable relief. This means they disagree with the IRS's initial determination in this case. Furthermore, when an analysis is performed to determine whether or not the IRS deals fairly with taxpayers, there is a significant difference between what the participants feel the IRS should do in this case and what they would do.

Overall, while participants do not overwhelmingly believe that joint and several liability is unfair, over seventy percent of the respondents support the elimination of joint and several liability. While Congress saw that joint and several liability was not fair in all situations and tried to right this injustice by enacting innocent spouse legislation, we still do not know if taxpayers are treated fairly. In addition, the results from this study might

lead to speculation about the possibility of gender bias in the Service's decisions on equitable relief.

APPENDIX A

SURVEY INSTRUMENT

SURVEY INSTRUMENT

1. *Please read the following statement and indicate yes or no that you are willing to participate in the survey.

I acknowledge that I have read and understood the description of the study, “Taxpayers’ responsibility and tax relief”, and its purposes and methods. I understand that my participation in this research is strictly voluntary and my participation or refusal to participate in this study will not affect my relationship with Louisiana Tech University. Further, I understand that I may withdraw at any time or refuse to answer any questions without penalty. Upon completion of the study, I understand that aggregate results will be freely available to me upon request. I understand that the results of my survey will be confidential, accessible only to the principal investigators, myself, or a legally appointed representative. I have not been requested to waive nor do I waive any of my rights related to participating in this study. Yes No

Questions marked with an asterisk(*) are mandatory.

2. *Do you currently file a federal income tax return? Yes No
3. In general, do you feel the current federal tax system is fair? Please indicate your response on the scale from one to seven with one being extremely unfair and seven being extremely fair.
Extremely unfair 1__2__3__4__5__6__7 Extremely fair
4. How familiar are you with current tax law? Please indicate your response on the following scale of one to seven with one being not very familiar and seven being very familiar.
Not very familiar 1__2__3__4__5__6__7 Very familiar
5. In general, do you feel it is fair that both parties signing a joint tax return are held separately responsible for all of the tax associated with their tax return? Please indicate your response on the following scale of one to seven with one being extremely unfair and seven being extremely fair.
Extremely unfair 1__2__3__4__5__6__7 Extremely fair

6. Background on Innocent spouse

When a married couple sign a joint federal tax return, both individuals are separately responsible for paying the full amount of tax associated with the tax return. Under certain circumstances, this can be unfair to the “innocent spouse” (person not responsible for creating the tax liability). Congress was aware of the inequity in some situations and passed legislation to provide tax relief (equitable relief) to the innocent spouse. If the innocent spouse is relieved of the tax liability, the other spouse signing the joint tax return has full responsibility for paying the tax liability.

How important do you feel the following factors are in the decision to provide tax relief to the innocent spouse? The innocent spouse filing for equitable tax relief will be referred to as “**Filer**”. Please indicate your response on the scale from one to seven with one being extremely unimportant and seven being extremely important.

Extremely unimportant 1__2__3__4__5__6__7 Extremely important ³³

- a) The filer was physically abused by the other spouse
 - b) The couple is now divorced or separated
 - c) The filer did not file tax return with fraudulent intent.
 - d) Filer’s economic hardship or lack of economic hardship if he or she has to pay the tax liability
 - e) Filer did not actually know, but had reason to know, there were errors on the tax return
 - f) Filer is currently complying with federal tax laws
 - g) Mental or physical health of filer
 - h) Educational level of filer
 - i) This line for research purposes only, please leave blank
 - j) Gender of filer
 - k) Filer was mentally abused by the other spouse
 - l) Other spouse’s legal obligation to pay the tax pursuant to divorce settlement
 - m) Other spouse did not transfer any assets to filer for the purpose of avoiding tax or a tax payment
 - n) Financial or business expertise of filer
 - o) Filer’s knowledge that the reported tax liability would not be paid
 - p) Tax liability was attributable to other spouse’s income
 - q) Filer’s knowledge that there were errors on the tax return when he or she signed it
 - r) No assets were transferred between spouses in fraudulent scheme
 - s) Filer’s benefit or lack of benefit from the unpaid tax
-

³³ In the actual survey instrument, a Likert scale is provided for each factor in the list.

The following information is based on a fact scenario involving spousal tax relief. Ms. X is filing for relief from an unpaid 2004 tax liability. Please read the facts of this case and enter your opinions at the end of the case.³⁴

- Ms. X has two years of college education.
 - She was employed in 2004 and taxes were withheld from her wages for that year.
 - Mr. X was self-employed during 2004 and made no estimated quarterly tax payments with regards to this income.
 - Mr. X had a checking account for his business to which Ms. X had no access. They also had a joint checking account. Mr. X paid for household expenses and controlled the finances. Ms. X did not have access to the household checking account without the knowledge of her spouse.
 - Mr. X was responsible for filing the tax returns, which were usually untimely. The tax reported on returns typically was not paid in full with the return.
 - The couple's joint federal income tax return for 2004 was filed in March of 2006. Ms. X knew the reported tax liability on the return had not been fully paid when she signed the return.
 - Mr. X began to abuse alcohol and drugs and, during the final years of the marriage, Mr. X became abusive. Ms. X feared for her safety.
 - They were divorced in August 2007.
 - As part of the divorce settlement, Mr. X has a legal obligation to pay the outstanding 2004 tax liability.
 - Following the divorce, all of Ms. X's federal income tax returns were filed timely.
 - Ms. X contends she had no knowledge that the unpaid 2004 tax liability would not be paid. Prior to 2004, Mr. X had negotiated installment agreements and the unpaid tax liabilities before 2004 were satisfied through these agreements. Ms. X assumed the 2004 tax liability would be handled in the same way.
 - Ms. X did not show she would suffer economic hardship if tax relief was not granted.
 - Ms. X did not benefit from the unpaid tax liability.
-

³⁴ This survey instrument is reproduced from the survey where the requesting spouse is a female. An identical survey, except for the gender of the requesting spouse, is also used in this study.

7. How important are each of the following factors in determining whether or not to grant tax relief to Ms. X? Please rate them on a scale of one to seven with one being extremely unimportant and seven being extremely important.

Extremely unimportant 1__2__3__4__5__6__7 Extremely important ³⁵

- a) Gender of Filer (Ms. X)
- b) Ms. X has been complying with the tax laws since the divorce
- c) Educational level of Ms. X
- d) Tax liability was attributable to Mr. X's income
- e) Ms. X was not involved in their business and household financial matters
- f) The couple is now divorced
- g) Mr. X's legal obligation to pay the tax liability as part of the divorce settlement
- h) Ms. X did not know the tax liability would not be paid
- i) Ms. X would not suffer economic hardship if she had to pay the tax
- j) Abuse of Ms. X by Mr. X
- k) Ms. X did not benefit from the unpaid tax

8. Other factors – Please list any other factors you feel are important in the decision to grant tax relief. _____

9. Do you agree with the following statement? The Internal Revenue Service (IRS) **should** grant tax relief to Ms. X.

Please indicate your response on the scale from one to seven with one being strongly disagree and seven being strongly agree.

Strongly disagree 1__2__3__4__5__6__7 Strongly agree

10. How fair is it for Ms. X to be responsible for the 2004 tax liability? Please indicate your response on the scale from one to seven with one being fair and seven being unfair.

Fair 1__2__3__4__5__6__7 Unfair

11. Would it be just for Ms. X to be responsible for the 2004 tax liability? Please indicate your response on the scale from one to seven with one being just and seven being unjust.

Just 1__2__3__4__5__6__7 Unjust

12. Is it morally right for Ms. X to be responsible for the 2004 tax liability? Please indicate your response on the scale from one to seven with one being morally right and seven being not morally right.

Morally Right 1__2__3__4__5__6__7 Not Morally Right

³⁵ In the actual survey instrument, a Likert scale is provided for each factor in the list.

13. Overall, how do you feel about granting Ms. X tax relief? Please indicate your response on the scale from one to seven with one being strongly oppose and seven being strongly favor.

Strongly Oppose 1__2__3__4__5__6__7 Strongly Favor

14. Do you agree with the following statement? The Internal Revenue Service (IRS) **would** grant tax relief to Ms. X. Please indicate your response on the scale from one to seven with one being strongly disagree and seven being strongly agree.

Strongly disagree 1__2__3__4__5__6__7 Strongly agree

15. Suppose in the following that one fact in the case changed, but all others stayed as originally stated. Please independently assess the **importance** of each of these items. Record your response on the scale from one to seven where one is extremely unimportant and seven indicates being extremely important.

Extremely unimportant 1__2__3__4__5__6__7 Extremely important³⁶

- a) Ms. X had been involved in their business and household financial matters.
- b) Mr. X had no legal obligation in the divorce settlement to pay the tax liability.
- c) Ms. X would suffer economic hardship if relief is not granted.
- d) There was no form of abuse present.

16. Suppose in the following that one fact in the case changed, but all others stayed as originally stated. Please independently assess your feelings on **granting tax relief** to Ms. X. Record your response on the scale from one to seven where one indicates being strongly opposed to granting tax relief and seven indicates being strongly in favor of granting tax relief.

Strongly Oppose 1__2__3__4__5__6__7 Strongly favor

- a) Ms. X had been involved in their business and household financial matters.
- b) Mr. X had no legal obligation in the divorce settlement to pay the tax liability.
- c) Ms. X would suffer economic hardship if relief is not granted.
- d) There was no form of abuse present.

17. Have you or do you know of a person who has been in a situation where he or she applied for or should have applied for innocent spouse tax relief? Yes No

³⁶ In the actual survey instrument, a Likert scale is provided for each factor in the list for questions 15 and 16.

18. After reading the information in this survey, do you feel it is fair that both parties signing a joint tax return are held separately responsible for all of the tax associated with their tax return? Please indicate your response on the scale of one to seven with one being extremely unfair and seven being extremely fair.

Extremely unfair 1__2__3__4__5__6__7 Extremely fair

19. How strongly would you support changing the tax code so that each individual signing a joint tax return is responsible only for the tax on their respective share of the income? Please indicate your response on the scale from one to seven with one being extremely unsupportive and seven being extremely supportive.

Extremely Unsupportive 1__2__3__4__5__6__7 Extremely Supportive

Please provide some general information about yourself by marking your responses to the following questions.

20. Age a) 18-24 b) 25-29 c) 30-34 d) 35-39 e) 40-44 f) 45-49 g) 50-54
 h) 55-59 i) 60-69 j) over 70

21. Ethnicity

a) Caucasian b) Black/African American c) Asian d) Hispanic/Latino
 e) Native American f) Other

22. Highest Educational level

a) Less than high school
 b) High school/GED
 c) Vocational/Technical
 d) 2 years or more of college or Associate Degree
 e) Bachelors Degree
 f) Graduate Degree

23. What describes your total household income for 2007?

a) Under \$10,000 b) \$10,000 - \$19,999 c) \$20,000 – \$29,999
 d) \$30,000 - \$39,999 e) \$40,000 – \$49,999 f) \$50,000 - \$59,999
 g) \$60,000 - \$69,999 h) \$70,000 - \$79,999 i) \$80,000 – \$89,999
 j) \$90,000 - \$99,999 k) \$100,000 - \$150,000 l) over \$150,000

24. Gender a) Male b) Female

25. Marital Status a) Married b) Single

26. Have you ever been divorced? Yes No

27. Geographical Region of the Country

a) North b) South c) East d) West e) Northwest
 f) Northeast g) Southeast h) Southwest i) Midwest

28. Political affiliation

a) Republican b) Democrat c) Other

29. What federal tax forms do you generally file?

a) Form 1040 b) Form 1040EZ c) Form 1040A d) None

30. Have you ever filed a joint tax return? Yes No

31. Do you currently file a joint tax return? Yes No

Thank you so much for your participation.

APPENDIX B

HUMAN USE COMMITTEE REVIEW

MEMORANDUM

TO: Dr. Englebrecht, Dr. Phillips, Dr. Bisping and Ms. Karen Pierce

FROM: Barbara Talbot, University Research

SUBJECT: HUMAN USE COMMITTEE REVIEW

DATE: July 11, 2008

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

“Taxpayers Perceptions of Joint and Several Liability and Equitable Relief”

HUC-594

The proposed study’s revised procedures were found to provide reasonable and adequate safeguards against possible risks involving human subjects. The information to be collected may be personal in nature or implication. Therefore, diligent care needs to be taken to protect the privacy of the participants and to assure that the data are kept confidential. Informed consent is a critical part of the research process. The subjects must be informed that their participation is voluntary. It is important that consent materials be presented in a language understandable to every participant. If you have participants in your study whose first language is not English, be sure that informed consent materials are adequately explained or translated. Since your reviewed project appears to do no damage to the participants, the Human Use Committee grants approval of the involvement of human subjects as outlined.

Projects should be renewed annually. *This approval was finalized on July 31, 2008 and this project will need to receive a continuation review by the IRB if the project, including data analysis, continues beyond July 31, 2009.* Any discrepancies in procedure or changes that have been made including approved changes should be noted in the review application. Projects involving NIH funds require annual education training to be documented. For more information regarding this, contact the Office of University Research.

You are requested to maintain written records of your procedures, data collected, and subjects involved. These records will need to be available upon request during the conduct of the study and retained by the university for three years after the conclusion of the study. If changes occur in recruiting of subjects, informed consent process or in your research protocol, or if unanticipated problems should arise it is the Researchers responsibility to notify the Office of Research or IRB in writing. The project should be discontinued until modifications can be reviewed and approved.

If you have any questions, please contact Dr. Mary Livingston at 257-4315.

MEMORANDUM

TO: Dr. Englebrecht, Dr. Phillips, Dr. Bisping and Ms. Karen Pierce

FROM: Barbara Talbot, University Research

SUBJECT: HUMAN USE COMMITTEE REVIEW

DATE: June 19, 2008

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

“Taxpayers Perceptions of Joint and Several Liability and Equitable Relief”

HUC-590

The proposed study’s revised procedures were found to provide reasonable and adequate safeguards against possible risks involving human subjects. The information to be collected may be personal in nature or implication. Therefore, diligent care needs to be taken to protect the privacy of the participants and to assure that the data are kept confidential. Informed consent is a critical part of the research process. The subjects must be informed that their participation is voluntary. It is important that consent materials be presented in a language understandable to every participant. If you have participants in your study whose first language is not English, be sure that informed consent materials are adequately explained or translated. Since your reviewed project appears to do no damage to the participants, the Human Use Committee grants approval of the involvement of human subjects as outlined.

Projects should be renewed annually. ***This approval was finalized on June 16, 2008 and this project will need to receive a continuation review by the IRB if the project, including data analysis, continues beyond June 19, 2009.*** Any discrepancies in procedure or changes that have been made including approved changes should be noted in the review application. Projects involving NIH funds require annual education training to be documented. For more information regarding this, contact the Office of University Research.

You are requested to maintain written records of your procedures, data collected, and subjects involved. These records will need to be available upon request during the conduct of the study and retained by the university for three years after the conclusion of the study. If changes occur in recruiting of subjects, informed consent process or in your research protocol, or if unanticipated problems should arise it is the Researchers responsibility to notify the Office of Research or IRB in writing. The project should be discontinued until modifications can be reviewed and approved.

If you have any questions, please contact Dr. Mary Livingston at 257-4315.

APPENDIX C

LEGISLATIVE AND ADMINISTRATIVE GUIDANCE

USED IN THIS STUDY

SEC. 6013. Joint Returns of income tax by husband and wife.

(a) Joint Returns. A husband and wife may make a single return jointly of income taxes under subtitle A, even though one of the spouses has neither gross income nor deductions, except as provided below:

(1) no joint return shall be made if either the husband or wife at any time during the taxable year is a nonresident alien;

(2) no joint return shall be made if the husband and wife have different taxable years; except that if such taxable years begin on the same day and end on different days because of the death of either or both, then the joint return may be made with respect to the taxable year of each. The above exception shall not apply if the surviving spouse remarries before the close of his taxable year, nor if the taxable year of either spouse is a fractional part of a year under section 443(a)(1) LK:NON: IRC-FILE S443(A)(1) ;

(3) in the case of death of one spouse or both spouses the joint return with respect to the decedent may be made only by his executor or administrator; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if no return for the taxable year has been made by the decedent, no executor or administrator has been appointed, and no executor or administrator is appointed before the last day prescribed by law for filing the return of the surviving spouse. If an executor or administrator of the decedent is appointed after the making of the joint return by the surviving spouse, the executor or administrator may disaffirm such joint return by making, within 1 year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return.

(d) Special rules. For purposes of this section

(1) the status as husband and wife of two individuals having taxable years beginning on the same day shall be determined

(A) if both have the same taxable year —as of the close of such year; or

(B) if one dies before the close of the taxable year of the other —as of the time of such death;

(2) an individual who is legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married; and

(3) if a joint return is made, the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several.

SEC. 6015. Relief from joint and several liability on joint return.

a) In General. Notwithstanding section 6013(d)(3) LK:NON: IRC-FILE S6013(D)(3)

(1) an individual who has made a joint return may elect to seek relief under the procedures prescribed under subsection (b); and

(2) if such individual is eligible to elect the application of subsection (c), such individual may, in addition to any election under paragraph (1), elect to limit such individual's liability for any deficiency with respect to such joint return in the manner

prescribed under subsection (c). Any determination under this section shall be made without regard to community property laws.

(b) Procedures For Relief From Liability Applicable to All Joint Filers.

(1) In general. Under procedures prescribed by the Secretary, if —

(A) a joint return has been made for a taxable year;

(B) on such return there is an understatement of tax attributable to erroneous items of 1 individual filing the joint return;

(C) the other individual filing the joint return establishes that in signing the return he or she did not know, and had no reason to know, that there was such understatement;

(D) taking into account all the facts and circumstances, it is inequitable to hold the other individual liable for the deficiency in tax for such taxable year attributable to such understatement; and

(E) the other individual elects (in such form as the Secretary may prescribe) the benefits of this subsection not later than the date which is 2 years after the date the Secretary has begun collection activities with respect to the individual making the election,

then the other individual shall be relieved of liability for tax (including interest, penalties, and other amounts) for such taxable year to the extent such liability is attributable to such understatement.

(2) Apportionment of relief. If an individual who, but for paragraph (1)(C), would be relieved of liability under paragraph (1), establishes that in signing the return such individual did not know, and had no reason to know, the extent of such understatement, then such individual shall be relieved of liability for tax (including interest, penalties, and other amounts) for such taxable year to the extent that such liability is attributable to the portion of such understatement of which such individual did not know and had no reason to know.

(3) Understatement. —For purposes of this subsection, the term “understatement” has the meaning given to such term by section 6662(d)(2)(A) LK:NON: IRC-FILE S6662(D)(2)(A) .

(c) Procedures To Limit Liability for Taxpayers No Longer Married or Taxpayers Legally Separated or Not Living Together.

(1) In general. Except as provided in this subsection, if an individual who has made a joint return for any taxable year elects the application of this subsection, the individual's liability for any deficiency which is assessed with respect to the return shall not exceed the portion of such deficiency properly allocable to the individual under subsection (d).

(2) Burden of proof. Except as provided in subparagraph (A)(ii) or (C) of paragraph (3), each individual who elects the application of this subsection shall have the burden of proof with respect to establishing the portion of any deficiency allocable to such individual.

(3) Election. —

(A) Individuals eligible to make election.

(i) In general. An individual shall only be eligible to elect the application of this subsection if

(I) at the time such election is filed, such individual is no longer married to, or is legally separated from, the individual with whom such individual filed the joint return to which the election relates; or

(II) such individual was not a member of the same household as the individual with whom such joint return was filed at any time during the 12-month period ending on the date such election is filed.

(ii) Certain taxpayers ineligible to elect. —If the Secretary demonstrates that assets were transferred between individuals filing a joint return as part of a fraudulent scheme by such individuals, an election under this subsection by either individual shall be invalid (and section 6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) shall apply to the joint return).

(B) Time for election. An election under this subsection for any taxable year may be made at any time after a deficiency for such year is asserted but not later than 2 years after the date on which the Secretary has begun collection activities with respect to the individual making the election.

(C) Election not valid with respect to certain deficiencies. If the Secretary demonstrates that an individual making an election under this subsection had actual knowledge, at the time such individual signed the return, of any item giving rise to a deficiency (or portion thereof) which is not allocable to such individual under subsection (d), such election shall not apply to such deficiency (or portion). This subparagraph shall not apply where the individual with actual knowledge establishes that such individual signed the return under duress.

(4) Liability increased by reason of transfers of property to avoid tax.

(A) In general. Notwithstanding any other provision of this subsection, the portion of the deficiency for which the individual electing the application of this subsection is liable (without regard to this paragraph) shall be increased by the value of any disqualified asset transferred to the individual.

(B) Disqualified asset. For purposes of this paragraph

(i) In general. The term “disqualified asset” means any property or right to property transferred to an individual making the election under this subsection with respect to a joint return by the other individual filing such joint return if the principal purpose of the transfer was the avoidance of tax or payment of tax.

(ii) Presumption.

(I) In general. For purposes of clause (i), except as provided in subclause (II), any transfer which is made after the date which is 1 year before the date on which the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals is sent shall be presumed to have as its principal purpose the avoidance of tax or payment of tax.

(II) Exceptions. Subclause (I) shall not apply to any transfer pursuant to a decree of divorce or separate maintenance or a written instrument incident to

such a decree or to any transfer which an individual establishes did not have as its principal purpose the avoidance of tax or payment of tax.

- (f) Equitable Relief. Under procedures prescribed by the Secretary, if
- (1) taking into account all the facts and circumstances, it is inequitable to hold the individual liable for any unpaid tax or any deficiency (or any portion of either); and
 - (2) relief is not available to such individual under subsection (b) or (c), the Secretary may relieve such individual of such liability.

REVENUE PROCEDURE 2000-15

SECTION 1. PURPOSE

This revenue procedure provides guidance for taxpayers seeking equitable relief from federal tax liability under §6015(f) LK:NON: IRC-FILE S6015(F) or 66(c) of the Internal Revenue Code LK:NON: IRC-FILE S66(C) (a “requesting spouse”). Section 4.01 of this revenue procedure provides the threshold conditions that must be satisfied for any request for equitable relief to be considered. Section 4.02 of this revenue procedure sets forth the conditions under which relief under §6015(f) LK:NON: IRC-FILE S6015(F) will ordinarily be granted. Section 4.03 of this revenue procedure provides a partial list of factors to be considered in determining whether it would be inequitable to hold a requesting spouse jointly and severally liable for a liability that was properly reported but not paid where the conditions of section 4.02 are not met, or for a deficiency. The factors in section 4.03 will also be used to determine whether equitable relief should be granted under §66(c) LK:NON: IRC-FILE S66(C) .

SECTION 2. BACKGROUND

.01 Section 6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) provides that married taxpayers who file a joint return under §6013 LK:NON: IRC-FILE S6013 will be jointly and severally liable for the tax arising from that return. For purposes of §6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) , and this revenue procedure, the term “tax” includes additions to tax, interest, and penalties. *See* §§6601(e)(1) LK:NON: IRC-FILE S6601(E)(1) and 6665(a)(2) LK:NON: IRC-FILE S6665(A)(2) .

.02 Section 3201(a) of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat.742 (RRA), enacted §6015 of the Code LK:NON: IRC-FILE S6015 , which provides relief in certain circumstances from the joint and several liability imposed by §6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) . Sections 6015(b) LK:NON: IRC-FILE S6015(B) and 6015(c) LK:NON: IRC-FILE S6015(C) specify two sets of circumstances under which relief from joint and several liability is available. Where relief is not available under §6015(b) LK:NON: IRC-FILE S6015(B) or 6015(c) LK:NON: IRC-FILE S6015(C) , §6015(f) LK:NON: IRC-FILE S6015(F) authorizes the Secretary to grant equitable relief if, taking into account all the facts and circumstances, the Secretary determines that it is inequitable to hold a requesting spouse liable for any unpaid tax or any deficiency (or any portion of either). Section 3201(b) of RRA amended §66(c) LK:NON: IRC-FILE S66(C) to add an equitable relief provision

similar to §6015(f) LK:NON: IRC-FILE S6015(F) . Section 66(c) LK:NON: IRC-FILE S66(C) applies to married individuals with community property income, and provides certain conditions under which an individual may be relieved of separate return liability for items of community income attributable to the individual's spouse. The enactment of §6015 LK:NON: IRC-FILE S6015 and the amendment of §66(c) LK:NON: IRC-FILE S66(C) are effective with respect to any liability for tax arising after July 22, 1998, and any liability for tax arising on or before July 22, 1998, that is unpaid on that date.

.03 Under §6015(b) LK:NON: IRC-FILE S6015(B) , a requesting spouse may elect relief from joint and several liability if the following five conditions are met: (1) a joint return was filed; (2) on the return there was an understatement of tax attributable to erroneous items of the spouse with whom the requesting spouse filed the return ("nonrequesting spouse"); (3) the requesting spouse establishes that in signing the return, the requesting spouse had no knowledge or reason to know that there was an understatement of tax; (4) taking into account all the facts and circumstances, it is inequitable to hold the requesting spouse liable for the understatement; and (5) the requesting spouse elects the application of §6015(b) LK:NON: IRC-FILE S6015(B) no later than two years after the date of the first collection activity after July 22, 1998, with respect to the requesting spouse. If all five conditions would be met except for the fact that the requesting spouse had no knowledge or reason to know of only a portion of the understatement, then the requesting spouse may be granted relief to the extent of that portion of the understatement.

.04 Under §6015(c) LK:NON: IRC-FILE S6015(C) , a requesting spouse may elect to allocate a deficiency if the following four conditions are met: (1) a joint return was filed; (2) at the time of the election, the requesting spouse is no longer married to, is legally separated from, or has not been a member of the same household as the nonrequesting spouse at any time during the 12-month period ending on the date the election was filed; (3) the requesting spouse elects the application of §6015(c) LK:NON: IRC-FILE S6015(C) no later than two years after the date of the first collection activity after July 22, 1998, with respect to the requesting spouse; and (4) the deficiency remains unpaid. Relief under §6015(c) LK:NON: IRC-FILE S6015(C) is subject to several limitations. First, an election under §6015(c) LK:NON: IRC-FILE S6015(C) is invalid if the Service establishes that assets were transferred between the requesting spouse and the nonrequesting spouse as part of a fraudulent scheme (and §6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) shall apply to the joint return). Second, relief is not available to the extent that the Secretary demonstrates that the requesting spouse had actual knowledge of an item giving rise to a deficiency at the time the return was signed. Third, relief will only be available to the extent that the liability exceeds the value of any disqualified assets (as defined in §6015(c)(4)(B) LK:NON: IRC-FILE S6015(C)(4)(B)) transferred to the requesting spouse by the nonrequesting spouse.

.05 Section 6015 LK:NON: IRC-FILE S6015 provides for relief only from joint and several liability arising from a joint return. If an individual signs a joint return under duress, the signature is not valid and a joint return is not made. The individual is not jointly and severally liable for liabilities arising from such a return. Therefore, §6015 LK:NON: IRC-FILE S6015 does not apply.

.06 Under both §§6015(b) LK:NON: IRC-FILE S6015(B) and 6015(c) LK:NON: IRC-FILE S6015(C) , relief is available only from proposed or assessed deficiencies. Neither §6015(b) LK:NON: IRC-FILE S6015(B) nor §6015(c) LK:NON: IRC-FILE S6015(C) authorizes relief from liabilities that were properly reported on the return but not paid. However, equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) or 66(c) LK:NON: IRC-FILE S66(C) may be available for such liabilities. The legislative history of the RRA indicates that Congress intended for the Secretary to exercise discretion in granting equitable relief when a requesting spouse “does not know, and had no reason to know, that funds intended for the payment of tax were instead taken by the other spouse for such other spouse’s benefit.” H.R. Conf. Rep. No. 599, 105 th Cong., 2d Sess. 254 (1998). Congress also intended for the Secretary to exercise the equitable relief authority under §6015(f) LK:NON: IRC-FILE S6015(F) in other situations where, “taking into account all the facts and circumstances, it is inequitable to hold an individual liable for all or part of any unpaid tax or deficiency arising from a joint return.” *Id.*

.07 Notice 98-61 LK:NON: RULINK NOTICE98-61 , 1998-51 I.R.B. 13 (Dec. 21, 1998), provided interim guidance to taxpayers seeking equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) or 66(c) LK:NON: IRC-FILE S66(C) . In Notice 98-61 LK:NON: RULINK NOTICE98-61 , the Service and Treasury Department requested comments from the public by April 30, 1999, regarding the interim guidelines. Notice 99-29 LK:NON: RULINK NOTICE99-29 , 1999-21 I.R.B. 8 (May 24, 1999), extended the deadline for submitting comments on Notice 98-61 LK:NON: RULINK NOTICE98-61 to June 30, 1999.

SECTION 3. SCOPE

This revenue procedure applies to a spouse who requests either equitable relief from joint and several liability under §6015(f) LK:NON: IRC-FILE S6015(F) , or relief from separate liability under §66(c) LK:NON: IRC-FILE S66(C) that arises due to the operation of community property law, with respect to any liability for tax arising after July 22, 1998, or any liability for tax arising on or before July 22, 1998, that was unpaid on that date.

SECTION 4. GENERAL CONDITIONS FOR RELIEF

.01 *Eligibility to be considered for equitable relief.* All the following threshold conditions must be satisfied before the Service will consider a request for equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) . In addition, with the exception of conditions (1) and (2), all of the following threshold conditions must be satisfied before the Service will consider a claim for equitable relief under §66(c) LK:NON: IRC-FILE S66(C) . The threshold conditions are as follows:

- (1) The requesting spouse filed a joint return for the taxable year for which relief is sought;
- (2) Relief is not available to the requesting spouse under §6015(b) LK:NON: IRC-FILE S6015(B) or 6015(c) LK:NON: IRC-FILE S6015(C) ;

(3) The requesting spouse applies for relief no later than two years after the date of the Service's first collection activity after July 22, 1998, with respect to the requesting spouse;

(4) Except as provided in the next sentence, the liability remains unpaid. A requesting spouse is eligible to be considered for relief in the form of a refund of liabilities for: (a) amounts paid on or after July 22, 1998, and on or before April 15, 1999; and (b) installment payments, made after July 22, 1998, pursuant to an installment agreement entered into with the Service and with respect to which an individual is not in default, that are made after the claim for relief is requested;

(5) No assets were transferred between the spouses filing the joint return as part of a fraudulent scheme by such spouses;

(6) There were no disqualified assets transferred to the requesting spouse by the nonrequesting spouse. If there were disqualified assets transferred to the requesting spouse by the nonrequesting spouse, relief will be available only to the extent that the liability exceeds the value of such disqualified assets. For this purpose, the term "disqualified asset" has the meaning given such term by §6015(c)(4)(B) LK:NON: IRC-FILE S6015(C)(4)(B) ; and

(7) The requesting spouse did not file the return with fraudulent intent. A requesting spouse satisfying all the applicable threshold conditions set forth above may be relieved of all or part of the liability under §6015(f) LK:NON: IRC-FILE S6015(F) or 66(c) LK:NON: IRC-FILE S66(C) , if, taking into account all the facts and circumstances, the Service determines that it would be inequitable to hold the requesting spouse liable for such liability.

.02 Circumstances under which equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) will ordinarily be granted.

(1) In cases where a liability reported on a joint return is unpaid, equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) will ordinarily be granted (subject to the limitations of paragraph (2) below) in cases where all of the following elements are satisfied:

(a) At the time relief is requested, the requesting spouse is no longer married to, or is legally separated from, the nonrequesting spouse, or has not been a member of the same household as the nonrequesting spouse at any time during the 12month period ending on the date relief was requested;

(b) At the time the return was signed, the requesting spouse had no knowledge or reason to know that the tax would not be paid. The requesting spouse must establish that it was reasonable for the requesting spouse to believe that the nonrequesting spouse would pay the reported liability. If a requesting spouse would otherwise qualify for relief under this section, except for the fact that the requesting spouse had no knowledge or reason to

know of only a portion of the unpaid liability, then the requesting spouse may be granted relief only to the extent that the liability is attributable to such portion; and

(c) The requesting spouse will suffer economic hardship if relief is not granted. For purposes of this section, the determination of whether a requesting spouse will suffer economic hardship will be made by the Commissioner or the Commissioner's delegate, and will be based on rules similar to those provided in §301.6343-1(b)(4) LK:NON: FEDREG S301.6343-1(B)(4) of the Regulations on Procedure and Administration.

(2) Relief under this section 4.02 is subject to the following limitations:

(a) If the return is or has been adjusted to reflect an understatement of tax, relief will be available only to the extent of the liability shown on the return prior to any such adjustment; and

(b) Relief will only be available to the extent that the unpaid liability is allocable to the nonrequesting spouse.

.03 Factors for determining whether to grant equitable relief. This section 4.03 applies to requesting spouses who filed separate returns in community property states, request relief under §66(c) LK:NON: IRC-FILE S66(C) , and satisfy the applicable threshold conditions of section 4.01. This section 4.03 also applies to requesting spouses who filed joint returns and satisfy the threshold conditions of section 4.01, but do not qualify for relief under section 4.02. The Secretary may grant equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) or 66(c) LK:NON: IRC-FILE S66(C) if, taking into account all the facts and circumstances, it is inequitable to hold the requesting spouse liable for all or part of the unpaid liability or deficiency. The following is a partial list of the positive and negative factors that will be taken into account in determining whether to grant full or partial equitable relief under §6015(f) LK:NON: IRC-FILE S6015(F) or 66(c) LK:NON: IRC-FILE S66(C) . No single factor will be determinative of whether equitable relief will or will not be granted in any particular case. Rather, all factors will be considered and weighed appropriately. The list is not intended to be exhaustive.

(1) *Factors weighing in favor of relief.* The factors weighing in favor of relief include, but are not limited to, the following:

(a) *Marital status.* The requesting spouse is separated (whether legally separated or living apart) or divorced from the nonrequesting spouse.

(b) *Economic hardship.* The requesting spouse would suffer economic hardship (within the meaning of section 4.02(1)(c) of this revenue procedure) if relief from the liability is not granted.

(c) *Abuse.* The requesting spouse was abused by the nonrequesting spouse, but such abuse did not amount to duress.

(d) *No knowledge or reason to know.* In the case of a liability that was properly reported but not paid, the requesting spouse did not know and had no reason to know that the liability would not be paid. In the case of a liability that arose from a deficiency, the requesting spouse did not know and had no reason to know of the items giving rise to the deficiency.

(e) *Nonrequesting spouse's legal obligation.* The nonrequesting spouse has a legal obligation pursuant to a divorce decree or agreement to pay the outstanding liability. This will not be a factor weighing in favor of relief if the requesting spouse knew or had reason to know, at the time the divorce decree or agreement was entered into, that the nonrequesting spouse would not pay the liability.

(f) *Attributable to nonrequesting spouse.* The liability for which relief is sought is solely attributable to the nonrequesting spouse.

(2) *Factors weighing against relief.* The factors weighing against relief include, but are not limited to, the following:

(a) *Attributable to the requesting spouse.* The unpaid liability or item giving rise to the deficiency is attributable to the requesting spouse.

(b) *Knowledge, or reason to know.* A requesting spouse knew or had reason to know of the item giving rise to a deficiency or that the reported liability would be unpaid at the time the return was signed. This is an extremely strong factor weighing against relief. Nonetheless, when the factors in favor of equitable relief are unusually strong, it may be appropriate to grant relief under §6015(f) LK:NON: IRC-FILE S6015(F) in limited situations where a requesting spouse knew or had reason to know that the liability would not be paid, and in very limited situations where the requesting spouse knew or had reason to know of an item giving rise to a deficiency.

(c) *Significant benefit.* The requesting spouse has significantly benefitted (beyond normal support) from the unpaid liability or items giving rise to the deficiency. *See* §1.6013-5(b) LK:NON: FEDREG S1.6013-5(B) .

(d) *Lack of economic hardship.* The requesting spouse will not experience economic hardship (within the meaning of section 4.02(1)(c) of this revenue procedure) if relief from the liability is not granted.

(e) *Noncompliance with federal income tax laws.* The requesting spouse has not made a good faith effort to comply with federal income tax laws in the tax years following the tax year or years to which the request for relief relates.

(f) *Requesting spouse's legal obligation.* The requesting spouse has a legal obligation pursuant to a divorce decree or agreement to pay the liability.

REVENUE PROCEDURE 2003-61

SECTION 1. PURPOSE AND SCOPE

01. *Purpose.* This revenue procedure provides guidance for a taxpayer seeking equitable relief from income tax liability under section 66(c) LK:NON: IRC-FILE S66(C) or section 6015(f) LK:NON: IRC-FILE S6015(F) of the Internal Revenue Code (a “requesting spouse”). Section 4.01 of this revenue procedure provides the threshold requirements for any request for equitable relief. Section 4.02 of this revenue procedure sets forth the conditions under which the Internal Revenue Service ordinarily will grant equitable relief under section 6015(f) LK:NON: IRC-FILE S6015(F) from an underpayment of income tax reported on a joint return. Section 4.03 of this revenue procedure provides a nonexclusive list of factors for consideration in determining whether relief should be granted under section 6015(f) LK:NON: IRC-FILE S6015(F) because it would be inequitable to hold a requesting spouse jointly and severally liable for an underpayment of income tax on a joint return where the conditions of section 4.02 are not met, or for a deficiency. The factors in section 4.03 also will apply in determining whether to relieve a spouse from income tax liability resulting from the operation of community property law under the equitable relief provision of section 66(c) LK:NON: IRC-FILE S66(C) .

.02 *Scope.* This revenue procedure applies to spouses who request either equitable relief from joint and several liability under section 6015(f) LK:NON: IRC-FILE S6015(F) , or equitable relief under section 66(c) LK:NON: IRC-FILE S66(C) from income tax liability resulting from the operation of community property law.

SECTION 2. BACKGROUND

.01 Section 6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) provides that married taxpayers who file a joint return under section 6013 LK:NON: IRC-FILE S6013 will be jointly and severally liable for the income tax arising from that joint return. For purposes of section 6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) and this revenue procedure, the term “tax” includes penalties, additions to tax, and interest. See sections 6601(e)(1) and 6665(a)(2).

.02 Section 3201(a) of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685, 734 (RRA), enacted section 6015 LK:NON: IRC-FILE S6015 , which provides relief in certain circumstances from the joint and several liability imposed by section 6013(d)(3) LK:NON: IRC-FILE S6013(D)(3) . Section 6015(b) LK:NON: IRC-FILE S6015(B) and (c) specifies two sets of circumstances under which relief from joint and several liability is available. If relief is not available under section 6015(b) LK:NON: IRC-FILE S6015(B) or (c), section 6015(f) LK:NON: IRC-FILE S6015(F) authorizes the Secretary to grant equitable relief if, taking into account all the facts and circumstances, the Secretary determines that it is inequitable to hold a requesting spouse liable for any unpaid tax or any deficiency (or any portion of either). Section 66(c) LK:NON: IRC-FILE S66(C) provides relief from

income tax liability resulting from the operation of community property law to taxpayers domiciled in a community property state who do not file a joint return. Section 3201(b) of RRA amended section 66(c) LK:NON: IRC-FILE S66(C) to add an equitable relief provision similar to section 6015(f) LK:NON: IRC-FILE S6015(F) .

.03 Section 6015 LK:NON: IRC-FILE S6015 provides relief only from joint and several liability arising from a joint return. If an individual signs a joint return under duress, the election to file jointly is not valid and there is no valid joint return. The individual is not jointly and severally liable for any income tax liabilities arising from that return. Therefore, section 6015 LK:NON: IRC-FILE S6015 does not apply.

.04 Under section 6015(b) LK:NON: IRC-FILE S6015(B) and (c), relief is available only from a proposed or assessed deficiency. Section 6015(b) LK:NON: IRC-FILE S6015(B) and (c) does not authorize relief from an underpayment of income tax reported on a joint return. Section 66(c) LK:NON: IRC-FILE S66(C) and section 6015(f) LK:NON: IRC-FILE S6015(F) permit equitable relief for an underpayment of income tax. The legislative history of section 6015 LK:NON: IRC-FILE S6015 provides that Congress intended for the Secretary to exercise discretion in granting equitable relief if a requesting spouse “does not know, and had no reason to know, that funds intended for the payment of tax were instead taken by the other spouse for such other spouse's benefit.” H.R. Conf. Rep. No. 105-599, at 254 (1998). Congress also intended for the Secretary to exercise the equitable relief authority under section 6015(f) LK:NON: IRC-FILE S6015(F) in other situations if, “taking into account all the facts and circumstances, it is inequitable to hold an individual liable for all or part of any unpaid tax or deficiency arising from a joint return.” *Id.*

SECTION 3. CHANGES

This revenue procedure supersedes Revenue Procedure 2000-15 LK:NON: RULINK REVPROC2000-15 , changing the following:

.01 Section 4.01 of this revenue procedure adds a new threshold requirement under section 4.01(7).

.02 Section 4.03(2)(a)(iii) of this revenue procedure revises the weight given to the knowledge or reason to know factor.

.03 Section 4.04 of this revenue procedure broadens the availability of refunds if equitable relief is granted under section 66(c) LK:NON: IRC-FILE S66(C) or section 6015(f) LK:NON: IRC-FILE S6015(F) .

SECTION 4. GENERAL CONDITIONS FOR RELIEF

.01 *Eligibility for equitable relief.* A requesting spouse must satisfy all of the following threshold conditions to be eligible to submit a request for equitable relief under section 6015(f) LK:NON: IRC-FILE S6015(F) . With the exception of conditions (1) and (2), a requesting spouse must satisfy all of the following threshold conditions to be eligible to submit a request for equitable relief under section 66(c) LK:NON: IRC-FILE S66(C) . The Service may relieve a requesting spouse who satisfies all the applicable threshold conditions set forth below of all or part of the income tax liability under section 66(c) LK:NON: IRC-FILE S66(C) or section 6015(f) LK:NON: IRC-FILE S6015(F) , if, taking into account all the facts and circumstances, the Service determines that it would be inequitable to hold the requesting spouse liable for the income tax liability. The threshold conditions are as follows:

(1) The requesting spouse filed a joint return for the taxable year for which he or she seeks relief.

(2) Relief is not available to the requesting spouse under section 6015(b) LK:NON: IRC-FILE S6015(B) or (c).

(3) The requesting spouse applies for relief no later than two years after the date of the Service's first collection activity after July 22, 1998, with respect to the requesting spouse. *See* Treas. Reg. §1.6015-5(b)(2)(i) LK:NON: FEDREG S1.6015-5(B)(2)(I) for the definition of collection activity.

(4) No assets were transferred between the spouses as part of a fraudulent scheme by the spouses.

(5) The nonrequesting spouse did not transfer disqualified assets to the requesting spouse. If the nonrequesting spouse transferred disqualified assets to the requesting spouse, relief will be available only to the extent that the income tax liability exceeds the value of the disqualified assets. For this purpose, the term “disqualified asset” has the meaning given the term by section 6015(c)(4)(B) LK:NON: IRC-FILE S6015(C)(4)(B) .

(6) The requesting spouse did not file or fail to file the return with fraudulent intent.

(7) The income tax liability from which the requesting spouse seeks relief is attributable to an item of the individual with whom the requesting spouse filed the joint return (the “nonrequesting spouse”), unless one of the following exceptions applies:

(a) *Attribution solely due to the operation of community property law.* If an item is attributable or partially attributable to the requesting spouse solely due to the operation of community property law, then for purposes of this revenue procedure, that item (or portion thereof) will be considered to be attributable to the nonrequesting spouse.

(b) *Nominal ownership.* If the item is titled in the name of the requesting spouse, the item is presumptively attributable to the requesting spouse. This presumption is rebuttable. For example, H opens an individual retirement account (IRA) in W's name and forges W's signature on the IRA in 1998. Thereafter, H makes contributions to the IRA and in 2002 takes a taxable distribution from the IRA. H and W file a joint return for the 2002 taxable year, but do not report the taxable distribution on their joint return. The Service later proposes a deficiency relating to the taxable IRA distribution and assesses the deficiency against H and W. W requests relief from joint and several liability under section 6015 LK:NON: IRC-FILE S6015 . W establishes that W did not contribute to the IRA, sign paperwork relating to the IRA, or otherwise act as if W were the owner of the IRA. W thereby rebutted the presumption that the IRA is attributable to W.

(c) *Misappropriation of funds.* If the requesting spouse did not know, and had no reason to know, that funds intended for the payment of tax were misappropriated by the nonrequesting spouse for the nonrequesting spouse's benefit, the Service will consider granting equitable relief although the underpayment may be attributable in part or in full to an item of the requesting spouse. The Service will consider relief in this case only to the extent that the funds intended for the payment of tax were taken by the nonrequesting spouse.

(d) *Abuse not amounting to duress.* If the requesting spouse establishes that he or she was the victim of abuse prior to the time the return was signed, and that, as a result of the prior abuse, the requesting spouse did not challenge the treatment of any items on the return for fear of the nonrequesting spouse's retaliation, the Service will consider granting equitable relief although the deficiency or underpayment may be attributable in part or in full to an item of the requesting spouse.

.02 Circumstances under which the Service ordinarily will grant equitable relief under section 6015(f) LK:NON: IRC-FILE S6015(F) with respect to underpayments on joint returns.

(1) If an income tax liability reported on a joint return is unpaid, the Service ordinarily will grant equitable relief under section 6015(f) LK:NON: IRC-FILE S6015(F) (subject to the limitations of paragraph (2) below) in cases in which all of the following elements are satisfied:

(a) On the date of the request for relief, the requesting spouse is no longer married to, or is legally separated from, the nonrequesting spouse, or has not been a member of the same household as the nonrequesting spouse at any time during the 12-month period ending on the date of the request for relief.

(b) On the date the requesting spouse signed the joint return, the requesting spouse had no knowledge or reason to know that the nonrequesting spouse would not pay the income tax liability. The requesting spouse must establish that it was reasonable for the requesting spouse to believe that the nonrequesting spouse would pay the reported income tax liability. If a requesting spouse would otherwise qualify for relief under this

section, except for the fact that the requesting spouse's lack of knowledge or reason to know relates only to a portion of the unpaid income tax liability, then the requesting spouse may receive relief to the extent that the income tax liability is attributable to that portion.

(c) The requesting spouse will suffer economic hardship if the Service does not grant relief. For purposes of this revenue procedure, the Service will base its determination of whether the requesting spouse will suffer economic hardship on rules similar to those provided in Treas. Reg. §301.6343-1(b)(4). After the requesting spouse is deceased, there can be no economic hardship. *See Jonson v. Commissioner*, 118 T.C. 106, 126 (2002), appeal docketed, No. 02-9009 (10th Cir. May 24, 2002) (taxpayer appeal filed on other grounds).

(2) Relief under this section 4.02 is subject to the following limitation: If the Service adjusts the joint return to reflect an understatement of income tax, relief will be available only to the extent of the income tax liability shown on the joint return prior to the Service's adjustment.

.03 Factors for determining whether to grant equitable relief.

(1) *Applicability.* This section 4.03 applies to requesting spouses who did not file a joint return in a community property state, who request relief under section 66(c) LK:NON: IRC-FILE S66(C) , and satisfy the applicable threshold conditions of section 4.01. This section 4.03 also applies to requesting spouses who filed a joint return, request relief under section 6015 LK:NON: IRC-FILE S6015 , and satisfy the threshold conditions of section 4.01, but do not qualify for relief under section 4.02.

(2) *Factors.* The following is a nonexclusive list of factors that the Service will consider in determining whether, taking into account all the facts and circumstances, it is inequitable to hold the requesting spouse liable for all or part of the unpaid income tax liability or deficiency, and full or partial equitable relief under section 66(c) LK:NON: IRC-FILE S66(C) or section 6015(f) LK:NON: IRC-FILE S6015(F) should be granted. No single factor will be determinative of whether to grant equitable relief in any particular case. Rather, the Service will consider and weigh all relevant factors, regardless of whether the factor is listed in this section 4.03.

(a) Factors that may be relevant to whether the Service will grant equitable relief include, but are not limited to, the following:

(i) *Marital status.* Whether the requesting spouse is separated (whether legally separated or living apart) or divorced from the nonrequesting spouse. A temporary absence, such as an absence due to incarceration, illness, business, vacation, military service, or education, shall not be considered separation for purposes of this revenue procedure if it can be reasonably expected that the absent spouse will return to a household maintained in anticipation of his or her return. *See* Treas. Reg. §1.6015-3(b)(3)(i) LK:NON: FEDREG S1.6015-3(B)(3)(I) for the definition of a temporary absence.

(ii) *Economic hardship*. Whether the requesting spouse would suffer economic hardship (within the meaning of section 4.02(1)(c) of this revenue procedure) if the Service does not grant relief from the income tax liability.

(iii) *Knowledge or reason to know*.

(A) *Underpayment cases*. In the case of an income tax liability that was properly reported but not paid, whether the requesting spouse did not know and had no reason to know that the nonrequesting spouse would not pay the income tax liability.

(B) *Deficiency cases*. In the case of an income tax liability that arose from a deficiency, whether the requesting spouse did not know and had no reason to know of the item giving rise to the deficiency. Reason to know of the item giving rise to the deficiency will not be weighed more heavily than other factors. Actual knowledge of the item giving rise to the deficiency, however, is a strong factor weighing against relief. This strong factor may be overcome if the factors in favor of equitable relief are particularly compelling. In those limited situations, it may be appropriate to grant relief under section 66(c) LK:NON: IRC-FILE S66(C) or section 6015(f) LK:NON: IRC-FILE S6015(F) even though the requesting spouse had actual knowledge of the item giving rise to the deficiency.

(C) *Reason to know*. For purposes of (A) and (B) above, in determining whether the requesting spouse had reason to know, the Service will consider the requesting spouse's level of education, any deceit or evasiveness of the nonrequesting spouse, the requesting spouse's degree of involvement in the activity generating the income tax liability, the requesting spouse's involvement in business and household financial matters, the requesting spouse's business or financial expertise, and any lavish or unusual expenditures compared with past spending levels.

(iv) *Nonrequesting spouse's legal obligation*. Whether the nonrequesting spouse has a legal obligation to pay the outstanding income tax liability pursuant to a divorce decree or agreement. This factor will not weigh in favor of relief if the requesting spouse knew or had reason to know, when entering into the divorce decree or agreement, that the nonrequesting spouse would not pay the income tax liability.

(v) *Significant benefit*. Whether the requesting spouse received significant benefit (beyond normal support) from the unpaid income tax liability or item giving rise to the deficiency. *See* Treas. Reg. §1.6015-2(d) LK:NON: FEDREG S1.6015-2(D) .

(vi) *Compliance with income tax laws*. Whether the requesting spouse has made a good faith effort to comply with income tax laws in the taxable years following the taxable year or years to which the request for relief relates.

(b) Factors that, if present in a case, will weigh in favor of equitable relief, but will not weigh against equitable relief if not present in a case, include, but are not limited to, the following:

(i) *Abuse*. Whether the nonrequesting spouse abused the requesting spouse. The presence of abuse is a factor favoring relief. A history of abuse by the nonrequesting spouse may mitigate a requesting spouse's knowledge or reason to know.

(ii) *Mental or physical health*. Whether the requesting spouse was in poor mental or physical health on the date the requesting spouse signed the return or at the time the requesting spouse requested relief. The Service will consider the nature, extent, and duration of illness when weighing this factor.

.04 Refunds.

(1) *Deficiency cases*. In a case involving a deficiency, a requesting spouse is eligible for a refund of certain payments made pursuant to an installment agreement that the requesting spouse entered into with the Service, if the requesting spouse has not defaulted on the installment agreement. Only installment payments made after the date the requesting spouse filed the request for relief are eligible for refund. Additionally, the requesting spouse must establish that he or she provided the funds for which he or she seeks a refund. For purposes of this revenue procedure, a requesting spouse is not in default if the Service did not issue a notice of default to the requesting spouse or take any action to terminate the installment agreement.

(2) *Underpayment cases*. In a case involving an underpayment of income tax, a requesting spouse is eligible for a refund of separate payments that he or she made after July 22, 1998, if the requesting spouse establishes that he or she provided the funds used to make the payment for which he or she seeks a refund. A requesting spouse is not eligible for refunds of payments made with the joint return, joint payments, or payments that the nonrequesting spouse made.

(3) *Other limitations*. The availability of refunds is subject to the refund limitations of section 6511 LK:NON: IRC-FILE S6511 .

APPENDIX D

SPSS CODE

Using combined data for the two surveys.

*** Question 1**

```
FREQUENCIES
  VARIABLES=Fairsys
  /ORDER= ANALYSIS .
```

```
FREQUENCIES
  VARIABLES=FairjS
  /ORDER= ANALYSIS .
```

```
NPAR TESTS
  /M-W= FairjS  BY Faircoding(1 0)
  /MISSING ANALYSIS.
```

```
CROSSTABS
  /TABLES=FairjS  BY Faircoding
  /FORMAT= AVALUE TABLES
  /CELLS= COUNT
  /COUNT ROUND CELL .
```

*** Question 2**

```
NPAR TESTS
  /M-W= FairjS  BY Gendpart(1 0)
  /MISSING ANALYSIS.
```

```
CROSSTABS
  /TABLES=FairjS  BY Gendpart
  /FORMAT= AVALUE TABLES
  /CELLS= COUNT
  /COUNT ROUND CELL .
```

*** Question 3**

```
NPAR TESTS
  /M-W= FairjS  BY marstat(1 0)
  /MISSING ANALYSIS.
```

```
CROSSTABS
  /TABLES=FairjS  BY marstat
  /FORMAT= AVALUE TABLES
  /CELLS= COUNT
  /COUNT ROUND CELL .
```

*** Question 4**

NPAR TESTS

/M-W= FairjS BY Divorcepart(1 0)
/MISSING ANALYSIS.

CROSSTABS

/TABLES=FairjS BY Divorcepart
/FORMAT= AVALUE TABLES
/CELLS= COUNT
/COUNT ROUND CELL .

*** Question 5**

FREQUENCIES

VARIABLES=knowerr comply fraudint oblig fraudsch knowpaid tranasset attrib reon
Div health hardship benefit pabuse mabuse
expertise edu genderf
/STATISTICS=MEAN MEDIAN
/ORDER= ANALYSIS .

NPAR TEST

/WILCOXON=attrib knowpaid knowpaid knowerr WITH oblig reon knowerr reon
(PAIRED)
/MISSING ANALYSIS.

NPAR TESTS

/FRIEDMAN = Div pabuse attrib benefit knowpaid knowerr reon hardship oblig
comply edu genderf health expertise fraudint
fraudsch tranasset mabuse
/MISSING LISTWISE.

*** Question 6**

NPAR TESTS

/M-W= Div pabuse attrib benefit knowpaid knowerr reon hardship oblig comply edu
genderf health expertise fraudint fraudsch
tranasset mabuse BY Gendpart(1 0)
/MISSING ANALYSIS.

NPAR TESTS

/M-W= Div pabuse attrib benefit knowpaid knowerr reon hardship oblig comply edu
genderf health expertise fraudint fraudsch
tranasset mabuse BY marstat(1 0)
/MISSING ANALYSIS.

*** Question 7**

NPART TESTS

/M-W= grant BY Faircoding(1 0)
/MISSING ANALYSIS.

FREQUENCIES

VARIABLES=obligx attribx complyx knowpaidx expertisx benefitx divorcex abusx
hardshipx edux genderx
/STATISTICS=MEAN MEDIAN
/ORDER= ANALYSIS .

*** Question 8 -11**

FREQUENCIES

VARIABLES=obligx attribx complyx knowpaidx expertisx benefitx divorcex abusx
hardshipx edux genderx
/STATISTICS=MEAN MEDIAN
/ORDER= ANALYSIS .

NPART TEST

/WILCOXON=Div mabuse attrib benefit knowpaid hardship oblig comply edu genderf
WITH divorcex abusx attribx benefitx
knowpaidx hardshipx obligx complyx edux genderx (PAIRED)
/MISSING ANALYSIS.

PLUM

grant with divorcex abusx attribx benefitx knowpaidx hardshipx obligx complyx edux
expertisx Scenario Gendpart marstat
Divorcepart knowperson Gendscen Divorcegend marstatgend
/CRITERIA = CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5)
PCONVERGE(1.0E-6) SINGULAR(1.0E-8)
/LINK = LOGIT
/PRINT = FIT PARAMETER SUMMARY TPARALLEL .

*** Question 11 Additional analysis**

NPART TEST

/WILCOXON=hardshipx expertisx obligx abusx WITH hardshipx2 Expertisx2 obligx2
abusx2 (PAIRED)
/MISSING ANALYSIS.

NPAR TEST

```
/WILCOXON=grant grant grant grant WITH grantexpertisx2 grantobligx2  
granthardship2 grantabusx2 (PAIRED)  
/MISSING ANALYSIS.
```

*** Question 12**

FREQUENCIES

```
VARIABLES=fairJs2  
/STATISTICS=MEAN MEDIAN  
/ORDER= ANALYSIS .
```

NPAR TEST

```
/WILCOXON=FairjS WITH fairJs2 (PAIRED)  
/MISSING ANALYSIS.
```

FREQUENCIES

```
VARIABLES=supprtjs  
/STATISTICS=MEAN MEDIAN  
/ORDER= ANALYSIS .
```

*** Question 13**

FREQUENCIES

```
VARIABLES=supprtjs  
/STATISTICS=MEAN MEDIAN  
/HISTOGRAM  
/ORDER= ANALYSIS .
```

*** Question 14**

NPAR TEST

```
/WILCOXON=irsshould WITH irswould (PAIRED)  
/MISSING ANALYSIS.
```

*** Question 10 using data from separate surveys**

NPAR TESTS

```
/M-W= grant BY Gendpart(1 0)  
/MISSING ANALYSIS.
```

CROSSTABS

```
/TABLES=Gendpart BY grant  
/FORMAT= AVALUE TABLES  
/CELLS= COUNT  
/COUNT ROUND CELL .
```

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