

Discipline: Archival Taxation

1 Title

Seminar on Archival Taxation Research

2 Lecturer

Alexander Edwards, PhD, CPA, CA – University of Toronto, Rotman School of Management

<http://www.rotman.utoronto.ca/FacultyAndResearch/Faculty/FacultyBios/Edwards>

Alex Edwards is an Assistant Professor of Accounting at Rotman. His research is focused on taxation and capital markets and has been accepted for publication in the *Accounting Review*, the *Journal of Accounting and Economics*, the *Journal of Financial Economics*, *Contemporary Accounting Research*, the *Journal of Financial and Quantitative Analysis*, the *Journal of the American Taxation Association*, and *Tax Notes*. Prior to joining Rotman, Alex taught a variety of classes at the University of Washington and Brock University. Before entering academics, Alex worked as a tax specialist and auditor with KPMG LLP.

3 Date and Location

Monday March 19, 2018 through Thursday March 22, 2018, 9.00 a.m. to 5 p.m. Universität Münster, Universitätsstr. 14-16, 48143 Münster.

4 Course Description

Abstract and Learning Objectives

The objective of this course is to enhance your ability to critically evaluate and conduct empirical tax accounting research. This course is also intended to expand your understanding of the interactions between income taxes, financial reporting, and external stakeholders, such as investors, analysts, and external auditors. In addition to introducing you to tax research that overlaps with research in financial accounting, managerial accounting, corporate finance, and economics, this course should also help you develop:

- (1) An appreciation for the role of theory in applied work.
- (2) An understanding of research designs commonly used in accounting and finance research.
- (3) The necessary skills to design and conduct empirical research.
- (4) Skills to identify a marketable project.

Content

To achieve the course objectives noted above, we will read and discuss seminal and recent archival research on taxation.

Schedule (tentative)

Day 1 – March 19, 2018

Session 1 and 2 – Introduction and Overview

Shackelford, D., Shevlin, T., 2001. Empirical tax research in accounting. *Journal of Accounting and Economics*, 31, 321-387.

Hanlon, M., and S. Heitzman, 2010. A review of tax research, *Journal of Accounting and Economics* 50 (2/3): 127-178.

Wilde, J., and R. Wilson. 2017. Perspectives on Corporate Tax Avoidance: Observations from the Past Decade. Working paper.

Session 3 – Accounting For Income Taxes Overview

Session 4 - Asset prices/implicit taxes

Edwards, A. and T. Shevlin. 2011. The value of a flow-through entity in an integrated corporate tax system, *Journal of Financial Economics*, 101 (2), 473-491.

Erickson, M., Maydew, E., 1998. Implicit taxes in high dividend yield stocks. *The Accounting Review* 73 (4), 435-458.

Day 2 – March 20, 2018

Session 1 – Taxes and Earnings Management

Phillips, J., M. Pincus, and S. Rego. 2003. Earnings Management: New Evidence Based on Deferred Tax Expense, *The Accounting Review* 78 (2), 491-521.

Erickson, M., M. Hanlon, and E. Maydew. 2004. How Much Will Firms Pay for Earnings That Do Not Exist? Evidence of Taxes Paid on Allegedly Fraudulent Earnings. *The Accounting Review* 79 (2), 387-408.

Session 2 - Information Content of Tax Expense and BTDs

Hanlon, M., S. LaPlante, and T. Shevlin. 2005. Evidence for the Possible Information Loss of Conforming Book Income and Taxable Income. *The Journal of Law & Economics* 48 (2), 407-442.

Hanlon, M. 2005. The Persistence and Pricing of Earnings, Accruals, and Cash Flows When Firms Have Large Book-Tax Differences. *The Accounting Review* 80 (1), 137-166.

Session 3 - Information Content of Tax Expense and BTDs

Ayers, B., S. LaPlante, and S. McGuire. 2010. Credit Ratings and Taxes: The Effect of Book/Tax Differences on Credit Rating Changes. *Contemporary Accounting Research* 27 (2), 359-402.

Dhaliwal, D., S. Kaplan, R. Laux, and E. Weisbrod. 2013. The Information Content of Tax Expense for Firms Reporting Losses. *Journal of Accounting Research* 51, 135–164.

Session 4 – Tax Avoidance

Dyreng, S., M. Hanlon, and E. Maydew. 2008. Long-run corporate tax avoidance. *The Accounting Review* 83: 61-82.

Edwards, A., C. Schwab, and T. Shevlin. 2016. Financial constraints and cash tax savings. *The Accounting Review*, 91 (3), 859-881.

Day 3 – March 21, 2018

Session 1 - Reputation Costs and Tax Avoidance

Hanlon, M. and Slemrod, J. 2009. What Does Tax Aggressiveness Signal? Evidence from Stock Price Reactions to News about Tax Shelter Involvement. *Journal of Public Economics* 93, 126-141.

Gallemore, J., E. Maydew, and J. Thornock. 2014. The reputational costs of tax avoidance. *Contemporary Accounting Research* 31 (4), 1103–1133.

Session 2 – Tax Avoidance and Managers

Dyreng, S., M. Hanlon and E. Maydew, 2010. The effects of managers on corporate tax avoidance, *The Accounting Review* 85, 1163-1189.

Bird, A., A. Edwards and T. Ruchti, 2017. Taxes and peer effects. Working paper.

Session 3 - Agency costs

Desai, M., and D. Dharmapala, 2006. Corporate tax avoidance and high-powered incentives, *Journal of Financial Economics* 79, 145-179.

Desai, M., A. Dyck, and L. Zingales. 2007. Theft and taxes. *Journal of Financial Economics* 84, 591-623.

Session 4 - Taxes and Regulatory Scrutiny

Kubick, T., D. Lynch, M. Mayberry, and T. Omer. 2016. The Effects of Regulatory Scrutiny on Tax Avoidance: An Examination of SEC Comment Letters. *The Accounting Review*: November 2016 91 (6), 1751-1780.

Bozanic, Z., J. Hoopes, J. Thornock, and B. Williams. 2017. IRS Attention. *Journal of Accounting Research* 55, 79–114.

Day 4 – March 22, 2018

Session 1 – Repatriation Taxes

Foley, C. F., J. C. Hartzell, S. Titman, and G. Twite. 2007. Why do firms hold so much cash? A tax-based explanation. *Journal of Financial Economics* 86, 579-607.

Blouin, J. and L. Krull. 2009. Bringing it home: A study of the incentives surrounding the repatriation of foreign earnings under the American Jobs Creation Act of 2004. *Journal of Accounting Research* (September), 1027-1059.

Session 2 – Income shifting

Klassen, K and S. Laplante. 2012. Are U.S. Multinational Corporations Becoming More Aggressive Income Shifters? *Journal of Accounting Research* 50 (5), 1245-1285.

Markle, K. S. 2016. A Comparison of the Tax-Motivated Income Shifting of Multinationals in Territorial and Worldwide Countries. *Contemporary Accounting Research* 33(1), 7-43.

Session 3 – Taxes and Cross-border M&A

Hanlon, M., R. Lester, and R. Verdi. 2015. The effect of repatriation tax costs on U.S. multinational investment. *Journal of Financial Economics* 116(1), 179-196.

Bird, A, A. Edwards, and T. Shevlin. 2016. Does U.S. foreign earnings lockout advantage foreign acquirers? *Journal of Accounting and Economics* 64 (1), 150-166.

Session 4 – Wrap-up

Course format

The course will be conducted following a seminar format. Therefore, participants are expected to *actively* participate in the discussion and evaluation of all readings assigned for each class session. Discussions will focus on two research studies in a particular area. Students will formally present these studies, and the presentations should be from the perspective of a discussant of the paper at a research conference (i.e., the student presenting a particular paper should use PowerPoint slides). You should prepare your discussion as-if the authors were in the audience. Your comments should include a discussion of the strengths of the paper and your concerns. You should also provide constructive suggestions for improvement. Despite the fact that most of the papers discussed are published you can pretend the authors would be able to make changes.

5 Preparation and Literature

Prerequisites

Master-level education in business, or economics. Students should have read accounting research published in the premier academic journals. Students benefit most when they have already taken courses in research design and data analyses. At least, they are expected to have dealt in- depth with the reading materials.

Essential Reading Material

The course readings are listed above in Section 4.23 “Schedule.”

Additional Reading Material

There is no additional required reading material.

To prepare

All participants are required to read the essential reading material prior to the course and prepare the short discussion for their assigned paper(s). It is also suggested that students attempt to briefly answer the following questions about each assigned paper (memo should be ≤ 1 page).

- 1) What is the research question and why is it important?
- 2) What are the hypotheses?
- 3) How is the question being addressed?
- 4) What are the main empirical findings? Do the results support the hypotheses?
- 5) How could the study be improved or extended (one or two suggestions)?

6 Administration

Max. number of participants

The number of participants is limited to 20.

Assignments

Students are required to serve as a discussant for one or two of the papers. The discussant should provide a short presentation, using 5-10 slides, as described above.

Additionally, students are required to turn in the for each discussion paper (on days 2 through 4 only) their responses to the five questions listed in Section 5.4. These will be turned in on the day that the paper is discussed.

Finally, students should actively participate in the class discussions.

Exam

The grade will depend on

- Class Discussion: 33.33%
- Prepared Discussion of one paper: 33.33%
- Paper summaries: 33.33%

Credits

The course (including the exam) is eligible for 6 ECTS.