

Discipline: Archival Taxation

1. Language

English

2. Title

Seminar on Archival Tax Research

3. Lecturer

Professor Sonja Rego, PhD, Kelley School of Business, Indiana University

Webpage: <https://kelley.iu.edu/faculty-research/faculty-directory/profile.cshtml?id=SOREGO>

Google Scholar Profile: <https://scholar.google.com/citations?user=sNVUL64AAAAJ&hl=en>

Professor Rego is the KPMG Professor of Accounting at Indiana University. Her research examines how taxes affect decisions by managers, investors, and other corporate stakeholders. She has published articles in *The Accounting Review*, *Journal of Accounting and Economics*, *Journal of Accounting Research*, *Contemporary Accounting Research*, *Review of Accounting Studies*, the *Journal of the American Taxation Association*, and the *Journal of Law and Economics*. She has served as Editor at *The Accounting Review* (2017-2020), the *Journal of the American Taxation Association* (2020-2023), and *Accounting Horizons* (2015-2018). Prior to joining Indiana University in 2011, Professor Rego was an Associate Professor at the University of Iowa (1999-2011). She earned her PhD from the University of Michigan in 1999. She worked as Tax Staff at Arthur Anderson LLP (1993-1995) and as a Corporate Income Tax Auditor for the New York State Department of Tax & Finance (1991-1993).

4. Date and Location

Tuesday, June 1, 2021 through Wednesday, June 9, 2021, 2:00 p.m. to 6:00 p.m. GMT+2

ONLINE

5. Course Description

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, external auditors, and governmental regulators. In addition to introducing you to tax research that overlaps with research in financial and 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.
- 3) The skills necessary to design and conduct empirical research.
- 4) Skills to identify research projects with potential for publication in premier journals.

To achieve these objectives we will read and discuss seminal and recent archival tax research.

Schedule

Day 1: June 1, 2021 (No Student Presentations until Day 2)

Sessions 1 – Introduction and Overview

Background Readings for Professor Rego's Lecture on Archival Tax Literature:

Hanlon, M. and S. Heitzman. 2010. A Review of Tax Research. *Journal of Accounting and Economics* 50 (2010): 127-178.

Wilde, J.H. and R.J. Wilson. 2018. Perspectives on Corporate Tax Planning: Observations from the Past Decade. *The Journal of the American Taxation Association* 40 (2): 63-81.

Mills, L.F. 2019. Pursuing Relevant (Tax) Research. *The Accounting Review* 94 (4): 437-446.

Session 2 – Accounting for Income Taxes Overview

Background Readings for Professor Rego's Lecture on Book-Tax Differences:

Graham, J.R., J.S. Raedy, and D.A. Shackelford. 2012. Research in Accounting for Income Taxes. *Journal of Accounting and Economics* 53 (2012): 412-434.

Lev, B., and D. Nissim. 2004. Taxable income, future earnings, and equity values. *The Accounting Review* 79 (4): 1039-1074.

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.

Day 2: June 2, 2021 (Student Presentations Begin)

Session 1 – Taxes and Earnings Management

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

Erickson, M., M. Hanlon, and E.L. 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 – Consequences of Book-Tax Conformity

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

Hanlon, M., E.L. Maydew, and T. Shevlin. 2008. An Unintended Consequence of Book-Tax Conformity: A Loss of Earnings Informativeness. *Journal of Accounting and Economics* 46: 294-311.

Day 3: June 3, 2021

Session 1 – Information Content of Book-Tax Differences

Weber, D.P. 2009. Do analysts and investors fully appreciate the implications of book-tax differences for future earnings? *Contemporary Accounting Research* 26 (4): 1175-1206.

Chi, S.S., M. Pincus, and S.H. Teoh. 2014. Mispricing of Book-Tax Differences and the Trading Behavior of Short Sellers and Insiders. *The Accounting Review* 89 (2): 511-543.

Session 2 – Information Content of Tax Expense

Thomas, J. and F.X. Zhang. 2011. Tax Expense Momentum. *Journal of Accounting Research* 49 (3): 791-821.

Baik, B., K. Kim, R. Morton, and Y. Roh. 2016. Analysts' Pre-Tax Income Forecasts and the Tax Expense Anomaly. *Review of Accounting Studies* 21: 559-595.

Day 4: June 4, 2021

Session 1 – Introduction to Tax Avoidance

Rego, S.O. 2003. Tax Avoidance Activities of U.S. Multinational Corporations. *Contemporary Accounting Research* 20 (4): 805-833.

Dyreg, S.D., M. Hanlon, and E.L. Maydew. 2008. Long-run corporate tax avoidance. *The Accounting Review* 83 (1): 61-82.

Session 2 – Tax Avoidance and Agency Costs

Desai, M.A. and D. Dharmapala. 2006. Corporate Tax Avoidance and High-Powered Incentives. *Journal of Financial Economics* 79 (2006): 145-179.

Atwood, T.J. and C. Lewellen. 2019. The Complementarity between Tax Avoidance and Manager Diversion: Evidence from Tax Havens. *Contemporary Accounting Research* 33 (1): 259-294.

Day 5: June 7, 2021

Session 1 – Tax Avoidance and Managerial Incentives

Rego, S.O. and R. Wilson. 2012. Equity risk incentives and corporate tax aggressiveness. *Journal of Accounting Research* 50 (3): 775-810.

Blaylock, B. 2016. Is Tax Avoidance Associated with Economically Significant Rent Extraction among U.S. Firms? *Contemporary Accounting Research* 33 (3): 1013-1043.

Session 2 – Taxes and Corporate Risk-Taking

Chi, S., S.X. Huang, and J.M. Sanchez. 2017. CEO Inside Debt Incentives and Corporate Tax Sheltering. *Journal of Accounting Research* 55 (4): 837-876.

Yost, B.P. 2018. Locked-In: The Effect of CEOs' Capital Gains Taxes on Corporate Risk-Taking. *The Accounting Review* 93 (5): 325-358.

Day 6: June 8, 2021

Session 1 – Tax Avoidance and Firm Ownership

Badertscher, B.A., S.P. Katz, and S.O. Rego. 2013. The Separation of Ownership and Control and Corporate Tax Avoidance. *Journal of Accounting and Economics* 56 (2-3): 228-250.

Chen, S., Y. Huang, N. Li, and T. Shevlin. 2019. How Does Quasi-Indexer Ownership Affect Corporate Tax Planning? *Journal of Accounting and Economics* 67(2-3): 278-296.

Session 2 – Tax Avoidance and the Cost of Capital

Hasan, I., C.K. Hoi, Q. Wu, and H. Zhang. 2014. Beauty Is In the Eye of the Beholder: The Effect of Corporate Tax Avoidance on the Cost of Bank Loans. *Journal of Financial Economics* 113 (2014): 109-130.

Goh, B.W., J. Lee, C.Y. Lim, and T. Shevlin. 2016. The Effect of Corporate Tax Avoidance on the Cost of Equity. *The Accounting Review* 91 (6): 1647-1670.

Day 7: June 9, 2021

Session 1 – Tax Avoidance and Corporate Social Responsibility

Hoi, C.K., Q. Wu, and H. Zhang. 2013. Is Corporate Social Responsibility (CSR) Associated with Tax Avoidance? Evidence from Irresponsible CSR Activities. *The Accounting Review* 88 (6): 2025-2059.

Davis, A.K., D.A. Guenther, L.K. Krull, and B.M. Williams. 2016. Do Socially Responsible Firms Pay More Taxes? *The Accounting Review* 91 (1): 47-68.

Session 2 – Tax Avoidance and Reputational Costs

Chen, S., K. Schuchard, and B. Stomberg. 2019. Media Coverage of Corporate Taxes. *The Accounting Review* 94 (5): 83-116.

Rego, S.O., B.M. Williams, and R.J. Wilson. 2021. Does Corporate Tax Avoidance Reduce Individuals' Willingness to Own Stock? Working paper.

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.

6. 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. They are expected to understand most of the research methods used in the course readings.

Essential Reading Material

The course readings are listed above in Section 5 "Schedule."

To Prepare for the Course:

All participants are required to read the essential reading material prior to the course and prepare the discussion slides for their assigned paper(s). Students are also required to answer the following questions about each assigned paper in a brief memo (should be ≤ 1 page).

- 1) What is the research question and why is it important?
- 2) What are the hypotheses?
- 3) How do the authors address the research question?
- 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)?

7. Administration

Maximum 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 assigned readings. Each discussant will provide a short presentation, with 5-10 slides, as described above.

For each assigned reading (except papers assigned on Day 1) students are required to turn in a memo that includes responses to the five questions listed in Section 6. Memos must be submitted to the Professor prior to the start of class on the day the paper is assigned.

Finally, students should actively participate in the class discussions.

Course grade

The course grade will depend on

- Class discussion: 33%
- Presentation of one paper: 33%
- Memos summarizing each paper: 33%

Credits

The course is eligible for 6 ECTS.

8. Working Hours

Working Hours	Hours
Preparation for course: Read required materials	120
Prepare paper summaries (Except Sessions 1-3 of Day 1)	27
Preparation for presentation of assigned paper	5
Active participation in course	28
TOTAL	180 h
ECTS: 6	