2006

THE GAP BETWEEN WHAT TAXPAYERS WANT AND WHAT TAX PROFESSIONALS THINK THEY WANT: A REEXAMINATION OF CLIENT EXPECTATIONS AND TAX PROFESSIONAL AGGRESSIVENESS

Teresa Stephenson
University of Kentucky, teresa.stephenson@usd.edu

ABSTRACT OF DISSERTATION

Teresa Stephenson

The Graduate School

University of Kentucky

2006

THE GAP BETWEEN WHAT TAXPAYERS WANT AND WHAT TAX PROFESSIONALS THINK THEY WANT: A REEXAMINATION OF CLIENT EXPECTATIONS AND TAX PROFESSIONAL AGGRESSIVENESS

ABSTRACT OF DISSERTATION

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the College of Business and Economics at the University of Kentucky

by
Teresa Stephenson
Lexington, Kentucky

Director: Dr. Cynthia Vines, Professor of Accounting
Lexington, Kentucky

2006

ABSTRACT OF DISSERTATION

THE GAP BETWEEN WHAT TAXPAYERS WANT AND WHAT TAX PROFESSIONALS THINK THEY WANT: A REEXAMINATION OF CLIENT EXPECTATIONS AND TAX PROFESSIONAL AGGRESSIVENESS

The purpose of this dissertation is to resolve an apparent conflict between the services that tax preparers provide and the tax preparation services taxpayers seek. Some literature demonstrates that tax professionals equate client advocacy with taking aggressive tax positions and minimizing taxes. Other literature suggests taxpayers seek to increase accuracy and reduce the probability of tax audit when they hire a tax professional. This difference is an "expectation gap."

The methodology employed to examine this issue is a survey of tax professionals at various levels of expertise. This survey asks tax preparers what *they believe* motivates their clients to seek professional tax preparation services. It also asks how aggressive a tax professional should be in minimizing clients' taxes. A similar survey sent to taxpayers who use the services of a tax preparer asked the same questions about taxpayers' primary motivation in seeking professional tax preparation services and then about how *they believe* their tax preparer would answer the questions about aggressive tax reporting.

This dissertation extends the research in several ways. In previous studies, taxpayer motivation has been determined by using a simple checklist or an open-ended question. Instead of using these approaches, I developed a scale using methods that rigorously test for validity. In measuring client advocacy, I use a scale that has been recently developed and used in the literature. While previous research has shown the disparity between what tax professionals provide and what taxpayers want, no study has asked each group how they believe the other group will respond. This will provide a measure of the degree of understanding each group has of the other.

This research show that there is an expectation gap between taxpayers and their tax preparers at all levels, and that this gap is statistically significant. However, the actual size of the gap is small; accuracy and client advocacy have the largest gaps. Additional findings are that timesavings is more important to taxpayers with children, that contact with the IRS is correlated with a lower desire to avoid it, and that lower tax knowledge is correlated with stronger desire for an accurate return.

KEYWORDS: Tax Return Preparation, Expectation Gap, Taxpayer Advocacy

THE GAP BETWEEN WHAT TAXPAYERS WANT AND WHAT TAX PROFESSIONALS THINK THEY WANT: A REEXAMINATION OF CLIENT EXPECTATIONS AND TAX PROFESSIONAL AGGRESSIVENESS

by

Teresa Stephenson

Dr. Cynthia Vines
Director of Dissertation

Dr. Merl Hackbart
Director of Graduate Studies

April 7, 2006

RULES FOR THE USE OF DISSERTATIONS

Unpublished dissertations submitted for the Doctor's degree and deposited in the University of Kentucky Library are as a rule open for inspections, but are to be used only with due regard to the rights of the authors. Bibliographical references may be noted, but quotations or summaries of parts may be published only with the permission of the author, and with the usual scholarly acknowledgments.

Extensive copying or publication of the dissertation in whole or in part also requires the consent of the Dean of the Graduate School of the University of Kentucky.

DISSERTATION

Teresa Stephenson

The Graduate School

University of Kentucky

2006

THE GAP BETWEEN WHAT TAXPAYERS WANT AND WHAT TAX PROFESSIONALS THINK THEY WANT: A REEXAMINATION OF CLIENT EXPECTATIONS AND TAX PROFESSIONAL AGGRESSIVENESS

DISSERTATION

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the College of Business and Economics at the University of Kentucky

By

Teresa Stephenson
Lexington, Kentucky

Director: Dr. Cynthia Vines, Professor of Accounting
Lexington, Kentucky

2006

DEDICATION

For Kodiak who greets my every arrival with enthusiasm and a wagging tail.

Acknowledgements

This dissertation, while an individual work, has greatly benefited from the insight and direction of a number of people. First, my dissertation chair Dr. Cynthia Vines provided guidance and support throughout this process and my entire doctoral program. My other committee members, Dr. David Hulse, Dr. Thomas Pope, Dr. Scott Kelley, and Dr. William Rayens, all provided direction and good conversations that helped this work progress at a steady rate. Additionally, other faculty members at the Von Allmen School of Accountancy commented during brownbags and early presentations. They include Dr. Dennis Chambers, Dr. Thomas Howard, Dr. Sean Peffer, Dr. Robert Ramsay, and Dr. Dan Stone. The other doctoral students who were in the program with me provided the role models, motivation, and emotional support so very necessary in this process; I would like to thank Dr. Julia Brennan, Dr. Do-Jin Jung, Dr. Stacy Wade, Dr. Mary Phillips, Mary Elizabeth Holbrook, Cameron Cockrell, Tim Mitchell, and Audrey Scarlata. Dr. Infanger and his assistant Carol Eads at the University of Kentucky Tax School graciously allowed me the use of their mailing list.

Dr. Kathy Hurtt gave me great advice from a distance. Dr. Robert Jamison, friend and mentor, provided me a shoulder to cry on, a cheering section, a sounding board, and contacts as needed.

My colleagues at the University of Wyoming also were there to answer questions and give direction; I would like to thank Dr. Penne Ainsworth, Dr. Gary Fleischman, Mike Doherty, Dr. Larry Weatherford, and Kevin Lewis. I also want to acknowledge financial support from the Von Allmen School of Accountancy, University of Kentucky and the College of Business, University of Wyoming.

Finally, my boys: Travis, who had to live with me during most of this process, and Jeremy, who called often and encouraged me to keep going – thank you.

Undoubtedly, I have forgotten someone and for that I apologize. Brilliant, successful, helpful, motivated people have surrounded me during the last five years and enriched my life immeasurably. For this and so much more, I am eternally grateful.

Table of Contents

Acknowledgements ..... *iii*

Chapter 1 Introduction *1*

Chapter 2 Background and Motivation *3*

2.1 Introduction **3**

2.2 Definitions **4**

2.3 Tax Preparation Costs **5**

2.4 Tax Preparer Use **6**

2.5 Tax Preparer Selection **7**

2.6 Client Advocacy and Tax Minimization **9**

2.7 Service Qualities **11**

2.8 Client Expectations **12**

2.9 Summary **14**

Chapter 3 Taxpayer Priorities Instrument Development *16*

3.1 Introduction **16**

3.2 Define the Construct **16**

3.3 Generate a List of Items **17**

3.4 Face Validity **17**

3.5 Pilot Testing and Analysis **18**

3.6 Final Testing and Analysis **19**

3.7 Summary **21**

Chapter 4 Method and Results *35*

4.1 Introduction **35**

4.2 Hypothesis Development **35**

4.3 Data Collection **36**

4.4 Data Analysis **38**

4.5 Conclusion, Limitations and Future Research **43**

References *72*

VITA *77*

Table of Tables

Table 3-1 Demographics in First Round of Scale Development 22

Table 3-2 Demographics in Second Round of Scale Development 24

Table 4-1 Survey Response Rate 46

Table 4-2 Tax Preparer Demographics 47

Table 4-3 Demographics of Tax Preparers that Permitted a Client Survey . 48

Table 4-4 Taxpayer Sampling and Response Rates 49

Table 4-5 Taxpayer Demographics 50

Table 4-6 Correlation Tables and Summary Statistics 52

Table 4-7 Taxpayer v. Tax Preparer Means 53

Table 4-8 Taxpayer v. Tax preparer Means - Matched Sets 54

Table 4-9 CPAs' v. Non-CPAs' Client Advocacy (CA) Scores 57

Table 4-10 CPA Clients' v. Non-CPA Clients' Client Advocacy (CA) Scores 58

Table 4-11 National Tax Preparation Firms' Clients' v. Other Taxpayers' Accuracy (AR) Scores 59

Table 4-12 Income's, Dependent Children's, and Tax Complexity's Effect on Saving Time (ST) Scores 60

Table 4-13 IRS Contact's Effect on the Desire to Avoid the IRS (IRS) Scores 62

Table of Figures

Figure 3-1Choosing a Tax Professional.....26

Figure 3-2 Initial Pool of Questions.....27

Figure 3-3 Round One Scale Development Instrument 30

Figure 3-4 Round Two Scale Development Instrument.....33

Figure 3-5 Final Tax Client Motivation Scale 34

Figure 4-1Tax Preparers' Instrument.....63

Figure 4-2 Taxpayers' Instrument.....67

Chapter 1 Introduction

This dissertation examines the relationship between tax professionals and their clients. Specifically, the "expectation gap" between what taxpayers seek when they hire a tax professional and what tax professionals believe they want is examined. Additionally, exploratory research is done to examine the correlations between different characteristics of taxpayers and tax professionals and their taste for tax aggressiveness.

Prior literature shows a mismatch between taxpayers' objectives and risk preferences and tax professionals' objectives in preparing tax returns (Schisler and Galbreath 2000; Hite and Hasseldine 2003). Specifically, client advocacy is understood in the accounting literature and tax profession as tax minimization, whereas research shows that most taxpayers seek accuracy as opposed to minimization when they hire a professional (Yankelovich 1984; Collins, Milliron, and Toy 1990). Additionally, taxpayers view tax audit as a failure on the part of their preparer and are more likely to change preparers when audited, yet tax preparers tend to get more aggressive with tax minimization measures as they gain more experience with audits and the Internal Revenue Service (Duncan, LaRue, and Reckers 1989; Schisler and Galbreath 2000). Also, more expert tax practitioners have both the motivation and ability to be more tax aggressive (Jackson, Milliron, and Toy 1988). Finally, some taxpayers may hire tax preparation services to shield themselves from direct interaction with the IRS in case of audit (Dubin, Graetz, Udell, and Wilde 1992; Nichols and Price 2004) or to provide insurance against penalties and other sanctions (Scotchmer 1989; Hite and Hasseldine 2003; Nichols and Price 2004).

This dissertation answers several questions related to the difference between taxpayers' expectations and tax professionals' perceptions of those expectations. I develop a scale to identify what taxpayers' expectations are when they have their taxes professionally prepared. Using that scale, along with a scale developed by Mason and Levy (2001) to measure tax professionals' client advocacy, I compare the two groups. I use demographics collected on both taxpayers and tax professionals to evaluate how the size of the expectation gap differs among groups. Finally, I determine how well taxpayers choose their tax professional based on these dimensions. This dissertation will inform tax practitioners' advocacy and aid in increasing client retention and satisfaction. Additionally, if taxpayers desire less aggressive tax advice, more conservative tax- reporting could reduce risk and fees and increase revenue while benefiting the tax practitioner-client relationship.

This dissertation shows that there is an expectation gap between tax preparers at small and regional firms and the taxpayers that hired them. This expectation gap persists between taxpayers and the tax preparers that they hire. Additionally, the data suggest that the levels of client advocacy do not differ between CPAs and non-CPAs as shown in prior literature, that the clients of National Tax Preparation firms have a stronger desire for an accurate return than do other taxpayers, and that taxpayers with children do find saving time to be important. It also shows that lower tax knowledge is correlated with a stronger desire for an accurate return. Finally, the data show that among taxpayers that hire a tax preparer, contact with the IRS reduces the desire to avoid it.

The rest of this dissertation is organized as follows: Chapter Two is background and motivation. Chapter Three discusses the development of an instrument to measure taxpayer motivation in hiring a tax professional. Chapter Four is the hypothesis development, data

collection, experimental method, analysis, and a brief summary of conclusions, limitations and further research.

Chapter 2 Background and Motivation

2.1 Introduction

Little research exists on the interaction between tax preparers and taxpayers; more is needed considering the vast amount of time and money spent on tax compliance (Roth, Scholz, and Witte 1989). Hite and Hasseldine (2003) point out that what society expects of tax practitioners does not always correspond with the practitioners' views or capabilities. If there is an expectation gap – a discrepancy between what the client expects and what the preparer thinks the client expects – as has been found in prior research (Christensen 1992), then there is a hidden cost of risk of audit (and sanctions) being passed on to taxpayers without their knowledge or consent.

Economic theory suggests that when your marginal cost (in time and/or money) to prepare your own tax return exceeds the cost of hiring someone else to do so, you would hire a tax preparer. Empirical evidence supports this concept. Although tax preparation costs billions of dollars, over half of all taxpayers have their returns professionally prepared (Slemrod and Sorum 1984; Long and Caudill 1987; Collins, Milliron, and Toy 1990; Guyton, O'Hare, Stavrianos, and Toder 2003). Taxpayers are more likely to hire a professional preparer as their return gets more complicated, as their time becomes more limited, and as their income rises (Dubin et al. 1992; Christian, Gupta, and Lin 1993; Ashley and Segal 1997; Arena, O'Hare, and Stavrianos 2002).

We have little information about how taxpayers choose a preparer (McColl-Kennedy and Fetter 1999). Due to the intangible[1] nature of tax preparation, the low audit rate and the time between tax preparation and audit, taxpayers have little means of getting objective feedback on their tax preparers (Christensen 1992; Iacobucci 1992; Ostrom and Iacobucci 1995; Myers and Morris 1999). Regardless, taxpayers have shown a tendency to claim accuracy as their main objective in tax preparation (Yankelovich 1984; Collins, Milliron, and Toy 1990).

Tax preparers and tax researchers often equate client advocacy with tax minimization, and efforts toward tax minimization increase with experience and certification (Raby 1983; Ayres, Jackson, and Hite 1989; Reckers, Sanders, and Wyndelts 1991; Hatfield 2000). This tendency towards tax minimization is supported by lower tax liabilities overall for professionally prepared rather than self-prepared returns (Long and Caudill 1987; Christian, Gupta, Weber, and Willis 1994). Additionally, recent findings show taxpayers represented by tax professionals during audit have lower adjustments to their taxes due than taxpayers representing themselves (Hite and Hasseldine 2003)[2].

One contribution this dissertation makes is by extending Christensen's (1992). She explored the expectation gap between tax practitioners in the (then) Big Six and their clients. She found taxpayers felt their tax preparers did not understand the degree to which taxpayers wished to avoid audit. Communication problems were another frequent complaint tax clients mentioned during her study.

---

[1] Intangible here is used to mean "incapable of being perceived by the senses" as defined at www.dictionary.com. This is not to be confused with accounting's sense of intangible as something without physical substance that provides a future value.

[2] This could be due to more accurate returns being filed by the professionals; however, this research attributed it to greater tax aggressiveness during represented audits.

I extend her research by using tax preparers from small and regional firms. This is a significant contribution as the majority of tax returns that are professionally prepared are not by CPAs and attorneys. A sample of the 1979 Taxpayer Compliance Measurement Program (TCMP) data reveals that less than 20 percent of returns filed with a paid professional's signature were prepared by CPAs or attorneys (Erard 1993). Also, a 1987 IRS survey shows that about half of all professionally prepared returns are done by preparers who are not attorneys, CPAs or even Enrolled Agents (Cuccia 1995). The market for tax services is highly segmented and the clients' motivation in hiring a practitioner may well direct the kind of practitioner they seek (Jackson, Milliron, and Toy 1988).

Additionally, prior research has asked about client motivation using simple checklists, assuming three or four motivations, or with open-ended questions (Yankelovich 1984; Collins, Milliron, and Toy 1990; Frischmann and Frees 1999). I use established scale-development procedures to identify motivations and develop a scale to measure them on an individual basis. Using that scale, along with a scale developed by Mason and Levy (2001) to measure tax preparers' client advocacy, I compare the two groups. Finally, I determine how well taxpayers choose their tax preparers based on these dimensions.

2.2 Definitions

Several terms occur repeatedly in this dissertation. This section defines how those terms are used.

"Accuracy" has been denoted as a primary motivation to hire a tax preparer (Yankelovich 1984; Collins, Milliron, and Toy 1992). Frischmann and Frees (1999) referred to this as "uncertainty reduction." There are two ways to interpret this. First, it may be the desire to have one's taxes prepared in such a way as to pay the closest amount possible to the "correct" tax – to reduce the variance around the "true tax" as would be found by a panel of experts[3]. Second, it may be the desire to have one's taxes prepared in compliance with rules and regulations in such a way as to avoid coming under scrutiny from the IRS – to err systematically on the side of conservatism. I use the first interpretation as accuracy; the second definition is "audit avoidance" in this dissertation.

"Audit avoidance" means preparing a tax return in such a way as to minimize the likelihood of audit. This implies ambiguities are to be resolved in a conservative manner.

"Client advocacy" implies taking professional care of your clients' interests. However, this means tax minimization among tax practitioners and in the tax research literature (see for example, Ayres, Jackson, and Hite 1989, Reckers, Sanders, and Wyndelts 1991, and Hatfield 2000). In keeping with the rest of the taxation literature, I will maintain this convention. However, it should be noted that this is a very narrow definition of advocacy and it explicitly assumes that tax clients all wish tax minimization regardless of risk. General economic and finance literature indicate that there is a trade-off between saving money and risk preferences. The tax literature seems to ignore that trade-off and define advocacy strictly in terms of tax minimization.

[3] Taxation, like most of accounting, sometimes involves estimates and approximations. It also involves interpreting a myriad of law. Consequently, in many cases no two tax preparers will come up with the same tax liability for the same set of facts.

"Expectations Gap" is taken from the marketing literature and means the difference between client expectations and the professional's perceptions of those expectations and vice versa.

"Tax aggressiveness" involves taking advantage of every legal[4] opportunity for tax minimization (see for example, Schisler 1994, Cloyd 1995, and Spilker, Worsham and Prawitt 1999). Note this does not include tax evasion or fraud. There are vast areas in tax compliance and planning where different interpretations and presentations of facts result in diverse tax liabilities. An aggressive tax preparer would tend to interpret facts to fit client favorable fact patterns and report in such a way as to incur the lowest possible tax as long as the stands taken have at least a one in three chance of judiciary success (See for example Cloyd 1995, and Cloyd and Spilker 1999).

"Tax Gap" is the gap between what taxpayers timely and accurately paid in taxes in a given year and what they owed.[5] For 2001, the GAO estimated it at around $257 billion, more than triple what it was in 1988 (Fischer, Wartick, and Mark 1992; GAO 2005). When I use this term, I mean gross Tax Gap, or the Tax Gap before collections.

"Tax minimization" refers to efforts made to reduce the overall tax liability of the taxpayer through legal and authorized means. Consequently, this does not include frivolous stands or tax evasion. Any stand taken must be "sustained on its merits" or, in other words, the tax preparer must believe it has at least a one in three chance of judiciary success.[6] This definition is similar to "tax aggressiveness[7] in that there is a broad definition of "legal and authorized." The main concept here is that this is different than tax evasion which includes actual misreporting of income and expenses or willfully leaving required items off the tax return.

Freshman and Frees (1999) used "time savings" as a factor for selecting a tax preparer. Time savings occur when a taxpayer spends less time on all compliance related matters by using a tax preparer than with self-preparation.

2.3 Tax Preparation Costs

Paid tax professionals[8] provide several services including tax return preparation, ambiguity resolution regarding tax issues, tax planning services, and representation before the IRS in case of audit (Scotchmer 1989). Long and Caudill (1987) state that in 1983 paid preparers prepared 45 percent of tax returns. Slemrod and Sorum (1984) calculated compliance to be at a cost of about $3 billion. Collins, Milliron and Toy (1990) found tax preparation cost rose to $4.4 billion by 1987. Long and Caudill (1993) show tax preparation costs continued to increase to between $7-13 billion in 1989. For 2000, these costs were estimated to be $19.4 billion with an additional 3.4 billion hours of taxpayer time (Guyton, Korobow, Lee, and Toder

[4] Legal with the caveat that the law must be interpreted – it is not cut and dried -- and that it is perfectly acceptable to take a questionable position as long as the tax professional has reason to believe it stands at least a one-third chance of being upheld if litigated.

[5] This definition and the 2001 amount were taken from Government Accounting Office (GAO) report GAO-050527T which can be found at the GAO website. Of course, there is no definitive answer for what a taxpayer "owes" and so this tax gap amount includes government estimates of tax liability for non-filers and uncollected tax-return liabilities.

[6] 31 CFT (Code of Federal Regulations) §10.34

[7] Indeed, they are virtually synonymous in the tax literature.

[8] Note that tax preparers are a subset of tax professionals. In this dissertation the term tax preparer is used when discussing the restricted activity of tax preparation whereas tax professional is used when the actions taken are broader, for example to include tax planning.

2005). In 2003, paid preparers signed 61 percent of returns.[9] Additionally, tax services constitute about 38 percent of accounting industry revenue (Yancey 1996).
In view of the high costs and great amount of time spent on tax compliance, more research about how taxpayers and tax preparers interact is vital. This dissertation adds to the existing literature by examining how closely tax preparers of all types understand their clients' expectations and desires and how well taxpayers select their tax preparers.

2.4 Tax Preparer Use

In starting research on the relationship between tax professionals and their clients, it is important to understand who uses tax professionals. Interestingly, paid tax preparer use is over 60 percent, which is an increase from prior years, even while the market for tax software has increased (Guyton et al. 2005). Economic theory would suggest that when it costs more in time or money to perform an action yourself than to hire someone else to do so, you would hire help. The empirical findings that follow support this economic principle.

Prior research shows paid preparer use increases with income, age, self-employment, return complexity, number of dependents claimed, and marginal tax rate and decreases with education and tax knowledge (Slemrod and Sorum 1984; Long and Caudill 1987; Klepper, Mazur, and Nagin 1991; Christian, Gupta, and Lin 1993; Arena, O'Hare, and Stavrianos 2002). Married taxpayers who itemize are less likely to use a paid preparer than other taxpayers (Long and Caudill 1987). As returns become more complex due to increases in income, self-employment and return complexity, or as time becomes more scarce due to increases in age and dependents claimed, it becomes more cost-effective to hire a preparer. The fact that married taxpayers who itemize do not fit this description may be because having two adults doubles the chances that one will have the time and/or knowledge to self-prepare.

Collins, Milliron and Toy (1990) surveyed 700 residents of two states receiving 34 percent usable responses. They split the sample by objective:[10] seventy percent claimed accuracy was their main objective while 25 percent claimed it was tax minimization. About half of each group used a paid preparer. For those with tax minimization as their primary objective, the likelihood of hiring a paid preparer increased with income and age and decreased with tax knowledge and social responsibility. For those with accuracy as their primary motivation, the likelihood of hiring a paid preparer increased with social responsibility and return complexity, and decreased with tax knowledge. These findings are consistent with prior research.

Using 1979 Taxpayer Compliance Measurement Program (TCMP) data, Dubin et al. (1992), showed increases in IRS audit rates, age, or state, local and real estate taxes shift demand for tax preparation services from NTP firms such as H&R Block to CPAs and attorneys. They also found return complexity increases the demand for CPAs and attorneys at the expense of self-preparation. Additionally, contrary to previous research, their study finds the number of exemptions showed the strongest effect in increasing the demand for paid assistance at the expense of self-preparation and non-paid preparers.
Ashley and Segal (1997) introduced a new measure they call absolute positive income (API), which is a total of all positive income reported on the tax return, plus the absolute value of all

[9] Tax Year 2003 Taxpayer Usage Study (2004)
[10] This was a checklist question where the choices were to minimize taxes, to have the most correct return possible, and to minimize the total effort required.

expenses and deductions taken on the tax return. This, they claim, is a true measure of the tax related dollars, because deductions and expenses affect tax liability as much as income. Using data from the 1988 University of Michigan panel of Individual Tax Returns and a model modified from Christian, et al. (1993) and Long and Caudill (1987) they show 64.7 percent of taxpayers filing a 1040 (long form) used a paid tax preparer as opposed to 46.8 percent overall.[11] Because filing a long form is indicative of schedules or attachments precluding the simpler 1040A or 1040EZ, this supports the finding that greater complexity leads to greater preparer usage.[12] Contrary to prior research, they did not find a correlation between marginal tax rate or number of exemptions and paid preparer use.

In summary, the percentage of taxpayers using a paid preparer is increasing. This is likely due to the increasing complexity of the tax laws and the number of taxpayers who have businesses, investments, dependents or other circumstances that increase the cost of self-preparation. With over 60 percent of returns being prepared professionally, more information about the relationship between taxpayers and tax preparers is important and timely. This dissertation will extend the research by evaluating if there are differences in demographics among taxpayers with different primary motivations for seeking a tax preparer.

2.5 Tax Preparer Selection

There is little information about how taxpayers choose a tax preparer. Scotchmer (1989 p.192) notes determining the quality of a given tax preparer is complicated because no certification is required. “Essentially anyone,” she says, “can enter the market and try to find a clientele.” Her analytical model shows tax preparers are hired in order to reduce ambiguity. Bauman and Mantzke (2004) point out that many taxpayers don’t understand the tax law and, therefore, use tax preparers; this leaves the clients ill-equipped to evaluate the tax preparation services.

Two papers looked at tax preparation selection specifically. McColl-Kennedy and Fetter (1999) used a mail survey with a final usable sample of 340 residents[13] of a large Midwestern city to examine the difference in consumer involvement between professional and non-professional services. As predicted, people are more involved in choosing a movie or a restaurant for a special occasion than they are in choosing tax services or life insurance. Higher income participants were more involved in the choice of tax preparation services than lower income participants were (although still less than the movie or restaurant decisions).

Moser, Colvard, and Austin (2000) used a mail survey with a final usable sample of 528 consumers[14] to determine attitudes towards advertising by accountants. The majority of respondents felt advertising was useful and would increase public information, but probably with a higher cost passed on to the consumer. In general, they were more willing to trust the opinion of a friend than advertising, but did not feel suspicious of or deceived by such advertising. They also felt, in general, reputation was more important than paying a low fee.

---

[11] In 2003, according to *Tax Year 2003 Taxpayer Usage Study (2004)* 61 percent overall used a tax preparer; of 1040 filers it was 66 percent; for 1040A and 1040EZ filers it was 33 and 23 percent respectively.

[12] An alternative explanation is that paid preparers prepare the 1040 form even if the taxpayer qualifies for the 1040A or 1040EZ.

[13] This was a 22 percent usable response rate.

[14] This was a 13.2 percent usable response rate.

Turning to literature on how consumers choose other professionals, Crane and Lynch (1988) surveyed 100 randomly selected adults as to how they chose their physician and dentist. The top criteria were personal referral, physical facilities, demeanor, and the presence of other patients. Salisbury (1989) sent questionnaires to the newly registered patients of five doctor's offices located in close proximity; they received 323 responses.[15] The most frequent considerations cited were nearest to home, recommended by someone, and other family members go there. Additionally, most participants discovered the practice when someone told them about it or they saw the building. Forty percent of respondents did not know anything about the practice before signing up; forty-nine percent asked family members, co-workers, previous doctors or neighbors about the practice.

Motes, Huhmann, and Hill (1995) surveyed 950 adults[16] from both small communities and large metro areas across the United States. They found wealthier consumers spent less time searching for a dental specialist than less wealthy consumers; there was no difference in search time for routine dental service. College educated consumers used fewer sources of information to find routine dental care than did less educated consumers. Consumers preferred personal sources of information to non-personal sources. The main sources for specialized dentists were referral service, direct visit or call, immediate family, and other relatives. The main sources for routine dental care were referral service, immediate family, and direct visit or call.

Bornstein, Marcus, and Cassidy (2000) surveyed 636 community residents at doctors' offices, a public shopping area and a women's organization meeting to assess which factors were most important when choosing a primary care physician. From a list of 23 items, the top five, in order, were board certification, neatness of doctor's office, neatness of doctor's personal appearance, recommendations from friends/family, and specialization.

This research indicates when consumers are unable to evaluate the skill level of a professional, they use convenience factors as proxies such as personal referrals, close proximity, or appearance of facilities. As with any other professional, taxpayers have difficulty assessing the competency of a tax preparer. Consequently, one would expect them to choose a tax preparer from factors they are able to assess, such as location, hours, personal referrals, certification, or price. With audit rates low and audits delayed by several years in most cases, it is hard for taxpayers to obtain an objective sense of whether or not their tax preparer is providing the service they desire. Additionally, many people either have no areas of ambiguity in their returns[17] or the perception of low or no ambiguity.[18] These people will likely believe tax services are homogeneous. This dissertation examines how closely tax preparers understand and provide the type of service their clientele desires. It also evaluates how well taxpayers choose tax preparers providing the type of service for which they are looking.

[15] This was a 72 percent response rate.
[16] This was a 22.6 percent response rate.
[17] For example, those who receive only W-2 income probably have unambiguous returns. This may not be the case if their filing status, qualification for earned income credit, or deductions are unclear.
[18] Anecdotal evidence suggests many taxpayers believe there is one 'right' tax liability for their tax return.

2.6 Client Advocacy and Tax Minimization

The tax literature indicates taxpayer advocacy is the same as tax minimization (Ayres et al. 1989; Reckers et al. 1991). Mason and Levy (2001) developed a scale to measure "client advocacy," and eight of the nine items on the instrument deal directly with tax minimization. Hatfield (2000 p.112) claims "advocacy results in finding positions that maximize the potential tax savings to the client." Archival research shows professionally prepared returns have a greater refund due or smaller amount owed than self-prepared returns ceteris paribus (Christian et al. 1994). At the same time, Christensen (1992 p.65) tells us the "services the tax preparer gives the client are based on the preparer's perceptions of client expectations." Additionally, tax professionals are aware of the low chances of detection and audit their clients face (Fischer 2002). This allows them to take riskier positions than they otherwise would knowing the likelihood of audit is low[19] (Kaplan, Reckers, West, and Boyd 1988). Thus, it seems reasonable to predict that most tax preparers believe their clients expect tax minimization efforts.

This seems especially true of experienced tax professionals at the large firms. More experienced tax managers at one of the (then) Big Six firms showed greater tax minimization tendencies than less experienced managers (Pei, Reckers, and Wyndelts 1992). Tax professionals at the large firms have also exhibited confirmation bias when searching for tax law or precedent, which in turns leads to more tax aggressive positions and more confidence in the judicial success of those positions (Johnson 1993; Cloyd 1995; Cloyd and Spilker 1999). Furthermore, increased advocacy is correlated with increased confirmation bias (Johnson 1993). Increased advocacy is also correlated with increasing the weight of factors with favorable outcomes and decreasing the weight of factors with unfavorable outcomes (Davis and Mason 2003).

Making a concerted effort towards tax minimization is denoted "aggression" in the tax literature. Early research assumed tax preparer aggression was due to client aggression; however, when that hypothesis was first tested, the results showed an inverse relationship (Milliron 1988; Duncan, LaRue, and Reckers 1989; Helleloid 1989). Subsequently, researchers found tax preparers increase compliance by resolving perceived ambiguity in straightforward tax items,[20] but are tax aggressive where ambiguities exist in the law (Jackson, Milliron, and Toy 1988; Klepper and Nagin 1989; Roth, Scholz, and Witte 1989; Klepper, Mazur, and Nagin 1991; Schisler 1994). Still, research shows an important client can convince a tax preparer to sign a return with a more highly aggressive stance than the tax preparer would otherwise take (Reckers, Sanders, and Wyndelts 1991).

Research shows what factors tend to increase tax aggression for different types of preparers. Increasing penalties tend to make CPAs more aggressive, but reduces the aggression of non-CPAs (Schnee, Bindon, and Ellis 1987).[21] CPAs tend to be more aggressive than non-enrolled preparers (Ayres, Jackson, and Hite 1989). Tax professionals with more (and more successful) experience with the IRS tend to be more aggressive (Duncan, LaRue, and Reckers 1989). Cuccia, Hackenbrack and Nelson (1995) find tax practitioners exploit ambiguity in standards in favor of their client, but when the standards

[19] This is known as playing the tax audit 'lottery.'

[20] A personal anecdote exemplifies this: many of my clients believed that if you performed services for less than $600, which does not require the hiring agent to produce and file a Form 1099, the money received was not taxable. This, of course, is clearly false, but is a perceived ambiguous area to some taxpayers.

[21] This study does not examine attorneys.

are not ambiguous they assess evidential support in a way that allows them to be just as aggressive. Spilker, Worsham and Prawitt (1999) found tax professionals use ambiguity in tax law to be aggressive in compliance situations, but they are more conservative in planning situations. They explicitly assume taxpayers' primary motivation is tax minimization and, therefore, advocacy is tax aggressiveness.[22]

There is no research indicating tax preparers directly communicate with their clientele about risk preferences (Duncan, LaRue, and Reckers 1989; Schisler 1994). Indeed, the IRS proposed changes to Circular 230[23] pointing out the need to inform clients of aggressive stances.[24]

As evidence of this tendency towards aggression, a number of studies have examined tax liability on professionally prepared returns and self-prepared returns. Tax liability in 1983 was lower for professionally prepared returns than for self-prepared returns keeping income, filing status, number of dependents, self-employment, age and return complexity constant. Even when factoring in assumed tax preparation fees the results indicated using a tax preparer saves time and money (Long and Caudill 1987). Scotchmer (1989) used analytical modeling to show that when risk-neutral taxpayers lower their risk by choosing to seek professional advice in resolving ambiguity, tax revenues decline. Erard (1993) finds the use of tax professionals -- CPAs and attorneys in particular -- increases non-compliance. Christian et al. (1994) used a two-step switching regression procedure developed to determine the existence of, and correct for, self-selection bias on the SOI Panel Data from 1983. They found paid-preparer returns have a larger refund or smaller payment due than self-prepared returns.

Frischmann and Frees (1999) used the Ernst & Young/University of Michigan Tax Panel data containing information on tax preparer choice for six years and on preparation fees for three years. They classified choice factors into three categories: tax savings, time savings, and uncertainty. The overall results of the study show choosing a tax preparer relates to uncertainty reduction and time savings. The fees charged correlate with time savings and tax savings, but not with uncertainty reduction. Nichols and Price (2004) found representation during an audit reduces the overall final tax assessment charged to the taxpayer by 40 percent.

This section indicates experienced tax preparers and enrolled professionals take aggressive stances more frequently than do other preparers.[25] The literature does not make a distinction between CPAs from different sizes or types of firm. This dissertation extends the literature by making more distinctions between the various tax preparers: attorneys, CPAs at the Big Four, CPAs at other large firms, NTP firms, and individual or small company preparers. Tax aggression differences between firms is measured and compared.

---

[22] Clients may be better served by matching tax preparation services to the client's personal risk preferences, not just making the assumption that tax minimization is each taxpayer's primary motivation. However, this dissertation will follow the convention of equating advocacy with tax minimization.

[23] Circular 230 is entitled, "Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service" and it governs the actions of those tax preparers that the IRS recognizes as representatives of taxpayers without the need for a power of attorney.

[24] Treasury Issues Rules To Increase Transparency and Halt Abusive Tax Avoidance Transactions (Office of Public Affairs 2003)

[25] Enrolled agents who are not CPAs or attorneys have passed an exam administered by the IRS; the IRS automatically enrolls CPAs and attorneys.

2.7 Service Qualities

A review of the services marketing literature, as it pertains to tax preparation, can educate us on the way that taxpayers choose a tax preparer. Services marketing became a separate field of academic study in the 1970s (Shostack 1977; Berry and Parasuraman 1993; Fisk, Brown, and Bitner 1993). Services are different from products in several ways; this distinction made its way into the marketing literature in the 1960s (Rathmell 1966). Services have four specific and generally accepted qualities differentiating them from products: heterogeneity, inseparability, perishability, and intangibility (Fisk, Brown, and Bitner 1993; Zeithaml and Bitner 2003). Services are heterogeneous; each experience is likely to be slightly different from any other. In addition, services are inseparable from the purchase experience because they are frequently produced and consumed simultaneously as in receiving a haircut or massage. Services are perishable; they cannot be stocked, returned or resold. Services are also defined in marketing as intangible;[26] they cannot be displayed, examined or easily communicated.

Tax return preparation services have high levels of all these qualities. They are heterogeneous because the interaction between taxpayer and tax preparer is different for each consumer and each encounter. The interview required to prepare taxes is part of the production/consumption of the service as is the final debriefing after the return is complete. Tax return preparation services are perishable because there is a specific period to which they apply and they cannot be returned or reused. They are intangible; tax preparers make choices that are difficult to communicate fully to the taxpayer. One example of this is a tax preparer making an aggressive choice in an ambiguous situation; even if explained to the taxpayers fully, they would not be able to truly assess the level of risk without a high degree of experience with the Internal Revenue Service (IRS) and knowledge of the specific law.

Goods and services have various attributes consumers use when choosing between alternatives: search qualities, experience qualities, and credence qualities (Zeithaml and Bitner 2003). When searching for goods or services, consumers assess the search qualities -- those attributes that are assessable before purchase -- such as the packaging, texture, color, etc. Experience qualities are only assessable after experiencing the item or service, such as the taste of a particular brand of ice cream, the quality of service at a restaurant, ambience, and the neatness and grooming of employees.

Services tend to be high in the third category; credence qualities are not assessable even after purchase and consumption. A brief discussion of credence qualities is in Zeithaml and Bitner (2003). An example of a service high in credence qualities would be dental work. Usually, even after a filling is in place, patients are unable to assess the quality of the service because they are not qualified to do so. It may take years before the consumer is fully aware of the quality of dental work performed. Credence services rely on trust in many cases and are higher in risk to the consumer.[27]

Iacobucci (1992) put search, experience and credence qualities on continua. Participants rated 48 goods and services in relation to those continua. Participants rated tax

[26] In this sense, the service is intangible until it is consumed or experienced. Although receiving a massage is a tangible experience, you cannot assess that until after the decision to buy has been made. Similarly, a tax return results in a tangible piece of paper, but the service itself is not a tangible good.

[27] Economics will point out that a market economy may mitigate this information asymmetry by means such as licensing or through consumer advocacy groups, such as Consumer Reports. This adds veracity to the claim that taxpayers may use certification (such as CPA or Enrolled Agent) or referrals as a proxy for quality.

services about halfway between experience and credence. Few tangible aspects of tax service are assessable ahead of time: office surroundings, employees' mannerisms and dress, advertising and guarantees are examples. Experience qualities would likely consist of mannerisms of the tax person, sense of authority and empathy with the taxpayer, and the pleasantness of the front office staff. However, it may be several years before the IRS selects a tax return for audit, and a tax preparer may prepare many returns for a client before that happens, if it ever does. Thus, there is little external validation of the quality of a tax preparer's services; the client must rely on trust and other cues such as lack of audit, professional designation and price to proxy for quality.

Ostrom and Iacobucci (1995) examine a number of factors about services. They use four service industries high in credence factors and four low in credence factors on their instrument. Tax preparation was one of the four high credence services. The results from this study show consumers are less price sensitive with high credence services and the authors conjecture price proxies for quality when consumers have no other measure.

If this conjecture holds true, then taxpayers may believe highly paid tax preparers prepare returns that are more accurate without being aware of the differences in aggressiveness between preparers. However, this is probably a poor measure as CPAs are not necessarily more accurate than non-CPAs and there is no correlation between fees and accuracy (Ashton 2000). When faced with the task of finding and trying to evaluate a service, such as tax preparation services, a consumer may take the first suitable alternative[28] instead of spending time and resources searching for many alternatives (Zeithaml and Bitner 2003).

Scotchmer (1989) noted tax preparers can be extremely unqualified, can be highly qualified CPAs and attorneys, or can be anything in between. Bauman and Mantzke (2004 p.50) refer to low end tax practitioners with little training or education as "fly-by-night" preparers. There is no federal regulation on who can prepare tax returns for a fee. Scotchmer (1989) points out that insurance or guarantees would help reduce the uncertainty of the quality of the preparer, but this is complicated because the preparer only sees the information the taxpayer wishes to provide and, therefore, moral hazard prohibits complete guarantees.

Taxpayers cannot evaluate tax services objectively; the Internal Revenue Code is objective only insofar as it is not ambiguous. Furthermore, taxpayers who seek professional help are those unfamiliar with tax law and thus uniquely unqualified to evaluate those services (Bauman and Mantzke 2004). Timely filing, competitive fees and lack of audit are also only partial measures of the quality of a tax return (Christensen 1992). This dissertation adds to the literature by examining how well each of the different types of tax preparers know what their clients want as well as how well taxpayers with differing motivations select their tax preparer based on these dimensions.

2.8 Client Expectations

Taxpayers want their tax returns to be accurate. Sixty-three percent of taxpayers in Yankelovich (1984) and 70 percent of taxpayers in Collins, Milliron and Toy (1990) listed accuracy as their primary reason for hiring a tax preparer. Hite and McGill (1992) found tax professionals are more aggressive than their clients want them to be; clients disagreeing

[28] This is known in the psychology literature as "satisficing."

with aggressive advice are more likely to change service providers than clients disagreeing with conservative advice. Sakurai and Braithwaite (2001) found that most taxpayers wanted the “low risk, no fuss” preparer who was honest and risk averse. Considering that the Tax Gap in 2001 was around $300 billion, taking aggressive stances can have a significant impact on public finance (GAO 2005). Erard (1993) points out that tax practitioners have an enormous influence on the amount of compliance their clients exhibit.

Christensen (1992) used preparers and clients from a large international accounting firm as survey participants. She sent surveys to 441 clients and the corresponding 31 tax preparers with a 54 and 100 percent response rate respectively. She found differences between client expectations and preparers’ perceptions of those expectations had a direct impact on satisfaction. Overall, clients expect more tax planning advice and strategies, and they perceive the tax preparer as having a poor understanding of their desires. The two largest differences were in the clients’ desire to avoid audit and in communication skills.

Taxpayers seem to disconnect with their tax return after hiring a tax preparer. Evidence to support this comes from two studies. In the first, taxpayers who use paid preparers are less aware of their marginal tax rate than those who do not, showing they were less cognitively involved with the return than taxpayers who self-prepared returns (Rupert and Fischer 1995). Secondly, Tan (1999) found that taxpayers accepted the advice of their preparer regardless of whether it was aggressive or conservative. Such advice did not affect the taxpayer’s intention to continue or terminate the relationship. In addition, Sakurai and Braithwaite (2001) found that 85 percent of taxpayers surveyed thought all their deductions were legitimate, even though over one third did not feel confident about their knowledge of tax matters. Seven percent had no idea if their deductions were legitimate or not because they left it up to someone else to do.

Schisler and Galbreath (2000) used attribution theory in an experimental setting to show taxpayer-participants viewed an IRS audit as failure on the part of the tax preparer, even if the audit outcome was favorable. Furthermore, the taxpayer-participants were less likely to return to that preparer after audit than if they were not audited, regardless of whether the outcome was favorable or not. In their study, taking an ambiguous deduction was part of the instrument for all participants, but the researchers did initially ask if the participants would be likely to take the deduction. No significant difference existed between those who would have taken the deduction and those who would not have when blame was the dependent variable. This shows taxpayers rely heavily on the recommendations of their tax preparers, and will consequently hold them responsible for the decisions made.

Zeithaml and Bitner (2003) identified five factors affecting clients’ definition of adequate service. The first is transitory service intensifiers -- short-term factors increasing the desire for responsiveness and timeliness. The April 15 deadline for personal tax filing would be an example of this. Second, perceived service alternatives will affect client expectations of service quality. The expectation of good service increases when the taxpayer perceives many alternatives. This may include self-preparation. For clients with extremely complicated returns, there are fewer alternatives to having a particular provider, and they are likely to be more easily satisfied. Third is the customer’s self-perceived service role. A taxpayer who is more involved in the interview and decision process will take more personal responsibility for satisfaction and be less critical of the tax preparer. Fourth, situation factors can influence expectations; for example, taxpayers are more likely to demand high quality service on routine items, but be more forgiving of one-time or unusual

transactions they present to their tax preparer. Finally, predicted service plays a role in client expectations. Recent experience with a tax preparer or expectations developed from advertising influence a client's perception of adequate service.

To summarize, taxpayers with higher incomes or more complex returns are more likely to seek out paid tax preparation services than other taxpayers. There is no research showing how those taxpayers find their tax preparers or what criteria they use; however, there is evidence to suggest over half of those seeking paid preparers have accuracy as their main goal and being the subject of a tax audit is viewed as failure on the part of the tax preparer. Finally, the definition of adequate service varies greatly from person to person. I examine the different clienteles to see if tax preparers understand their clients' expectations. I also examine the demographics of the taxpayers to see if differing groups have different motivations for hiring a tax preparer.

2.9 Summary

To add to the existing literature on the relationship between taxpayers and tax preparers, I examine that relationship in greater detail. I also use instruments developed recently and rigorously to analyze both client motivations in seeking professional tax preparation and levels of client advocacy in various types of tax professionals. These instruments should measure client motivations and advocacy more accurately than checklists or open-ended questions. This area of research is important since tax compliance costs a great deal in both time and money and, therefore, is an important part of the way in which the tax system affects taxpayers.

General economic theory suggests that eventually the market becomes efficient and purchasers effectively seek out providers offering the desired services. One broad question in this area is why a difference between taxpayer motivation and what tax preparers provide persists. There are several possible answers to this question. It is possible that the market has become efficient. Because most of the studies of tax preparers used the Big Four accounting firms while taxpayers have come from demographics fitting the population at large, it is possible that the expectation gap does not truly exist, but is just a construct of mismatched samples. Perhaps different clienteles are efficiently seeking out appropriate service providers but researchers have not yet documented this. However, Christensen (1992) found a gap between the tax preparers of a large international firm and their specific clients, making this scenario unlikely.

Sakurai and Braithwaite (2001) found that Australian taxpayers are finding tax professionals who meet their desires. However, this is based on the taxpayers' perceptions of the qualities their tax professionals possess. It is reasonable to assume that if taxpayers desire a particular quality in a tax professional, and continue to use that person's services, they would also believe that the professional has that desired quality (or they would change professionals). Their research does not show, however, if that perception is true, or in other words, if an expectation gap exists.

This dissertation extends Christensen's (1992) findings by using many levels of tax professional, not just those in the Big Four. It also extends Sakurai and Braithwaite's (2001) findings by measuring differences in taxpayer motivations and client advocacy between matched sets of tax professionals and their clients to see if there is a gap.

Another possibility is the market is too young to have become efficient. The income tax system has been in place for less than 100 years; it has only affected the majority of the

population since World War II. With most taxpayers only seeking out this service once a year, and with it being a high credence service, it may not have had enough cycles to clear effectively. Although this does not seem likely, if this is the case, then this dissertation should show a lower expectation gap than Christensen (1992) found as more than a decade has elapsed between the two studies. Mason and Garrett-Levy (2004) recently ran an experiment that showed lower levels of aggressiveness than expected among Big Four tax professionals which may indicate that previously detected levels of tax aggression are declining to better match taxpayers' desires.

Finally, a lack of understanding on the part of both parties – taxpayers and tax preparers – and a lack of explicit communication about risk preferences compounded with low audit rates and, thus, low evaluative feedback allow the discrepancy to persist. I feel this is the most likely scenario. If this were the case, then those firms with the greatest resources would have the smallest gaps, as they are the ones in a position to do market research to find out what their clientele want. I examine the gap for all sizes of firms.

If clients prefer to minimize audits and to have accurate tax returns, at the expense of an increase in taxes, then less aggressive tax reporting would be cost effective and reduce overall risk. The GAO has made a call for making use of a variety of means to reduce the Tax Gap. Without such reduction, it claims that the fiscal sustainability of the country is in jeopardy (GAO 2005). This research may help to increase conservative interpretations by tax professionals is ambiguous situations, thereby effecting one small way to help reduce the Tax Gap. I would also encourage further research in this area to focus on the varying clienteles with more degrees of differentiation than previously shown.

Additionally, this dissertation shows the results of a validly developed scale to measure taxpayer motivation. The addition of this scale to the tax research literature will facilitate future research on taxpayer motivation.

Chapter 3 Taxpayer Priorities Instrument Development

3.1 Introduction

Mason and Levy (2001p. 82-83) called for additional scales to be developed to provide accounting researchers with an arsenal of instruments that have been tested for validity. The use of these scales by different researchers in different settings will, over time, increase the generalizability of consistent research findings and enrich accounting research.

Roberts (1998) claims that tax accounting academics have a competitive advantage over economists in tax-related judgment and decision making research due to their in-depth technical knowledge of taxes and research ability with cognitive psychology. However, he also recommends that valid scales and instruments need to be developed to exploit this advantage. Valid scales increase the reliability of the experiment and make sure that each researcher is measuring the construct in a similar manner, thus improving the generalizability of results.

The development of such a scale as a part of this dissertation is a methodological contribution to the accounting research community. Such a scale will facilitate future research on taxpayer motivation in hiring tax professionals.

A summary of the literature over the past twenty years shows that the motivations of taxpayers hiring tax preparers can be categorized: accuracy, audit avoidance, money savings, time savings, having a professional to stand between the taxpayer and the IRS either as a form of insurance or to avoid the stress of dealing directly with the IRS (Yankelovich 1984; Scotchmer 1989; Collins, Milliron, and Toy 1990; Christensen 1992; Dubin et al. 1992; Hite, Stock, and Cloyd 1992; Sakurai and Braithwaite 2001; Internal Revenue Service 2002; Hite and Hasseldine 2003; IRS Oversight Board 2004; Nichols and Price 2004).

The various studies that have asked taxpayers their preferences have done so either with an open-ended question (Yankelovich 1984), or with a list from which the taxpayer selected an item (Collins et al. 1990; Christensen 1992). Yet the problem is not as simple as choosing an item from a list. A taxpayer may want an accurate return in order to reduce audit probability, yet these two items have been treated separately in the past. Additionally, tax minimization and accuracy are probably both important to taxpayers, but there is an implicit tradeoff between the two. While this research has yielded interesting results, what is needed is a reliable, tested scale in order to assure that the construct of interest is being consistently measured.

3.2 Define the Construct

According to two books recently written on scale development, the first step in scale development is to clearly define the construct (DeVellis 2003; Netemeyer, Bearden, and Sharma 2003). Both of these books suggest that to develop a strong theoretical foundation for the construct, the antecedents and effects be considered. In addition, an investigation of the literature will determine if a similar measure already exists and can be adapted to the purpose at hand. No similar measure was found, with the exception of the questionnaires previously mentioned, which do not use a scale. Questions taken from Yankelovich (1984), Collins, et al (1990), and Christensen (1992) among other papers figured prominently in the development of this scale.

Figure 3-1 was developed as part of this dissertation to show how taxpayers evaluate and select tax professionals. The left hand side of the figure shows the criteria upon which taxpayers are able to evaluate tax professionals' services. These criteria include those things that a taxpayer can observe and evaluate such as fees, certification, and advertising. This list is not meant to be comprehensive, but to provide an idea of those qualities that are accessible and assessable by an average taxpayer. On the right side are the traits found desirable by taxpayers as a result of this scale development process. If the taxpayer is never audited[29] there is never an opportunity to determine if tax minimization, accuracy, etcetera were a function of the professionals' efforts.[30]

Understanding the motivations, shown in the right hand side of Figure 3-1, is a significant part of this dissertation. The creation of a scale, which enables tax researchers to accurately measure and define that motivation, is the subject of this section of the dissertation. Having developed the construct, the next step is generating a list of questions.

3.3 Generate a List of Items

Devillis (2003) claims that the ideal in generating an initial item list for a scale is to assume that the universe of potential questions is infinite and that the list generated is a random selection of those questions. This is impossible, of course, but he recommends keeping those criteria in mind when generating the list. Netemeyer, et al. (2003) reiterate that concept, but then say that in practice items are usually generated by selecting questions from the literature and from author generation. These are the methods I used to create the initial list shown in Figure 3-2. The items listed will be given to participants and they will be asked to respond on a Likert-type scale how much they agree with each one. For this reason, they are referred to as questions hereafter.

Some of the questions have been modified from Yankelovich et al. (1984), Collins et al. (1990), and Christensen (1992). Other questions I generated to complete the areas and to juxtapose each criterion against the others. I chose more categories than I expected factor analysis would show as final orthogonal motivations. When factor analysis and principal components analysis were performed, some of the categories merged, such as tax minimization and money savings. However, I left all categories cited in the literature in the initial survey so that a large set of the most common motivations was covered in the first analysis of the instrument. These were all measured using a seven-point Likert-type scale with endpoints of "strongly agree" and "strongly disagree."

3.4 Face Validity

Netemeyer et al. (2003 p.12) claim face validity induces the "cooperation of the respondents via ease of use, proper reading level, clarity, easily read instructions, and easy-to-use response formats." They say the instrument should not only be valid but it should look valid. DeVillis (2003) counters by arguing there is the question of to whom it should look valid. He believes that just because a subject does not know the purpose of the question that does not stop the question from being valid.

---

[29] Audit rates have consistently been under 4% for all classes of individual taxpayers since at least 1998 as per IRS statistics. (Source http://www.irs.gov/taxstats/). Additionally, audit rates declined steadily from 1996 to a low of an average audit rate of .49% in 2000 (White 2001).

[30] A lack of audit and similarity to previous years' tax liability may provide some information to the taxpayer; however, exactly what type of and how accurate a signal it would be is indeterminable.

Both books, however, suggest having a panel of experts review the initial list of questions to make sure they are not ambiguous, do not use jargon, are clearly related to the construct to which they are assigned, and perhaps to suggest alternative wordings or questions as well. My panel of experts consisted of five tax professors and three tax professionals.

After receiving feedback from the expert panel, two questions were eliminated, several were reworded and three were added to the initial list. The length of each question was examined and some were shortened. The difficulty of the words was also examined and technical language was sometimes replaced with shorter, simpler words. Finally, sets of questions that could be asked using the same stem were identified and rewritten to that end. An instrument was then developed and given to the first round of participants. This instrument is represented by Figure 3-3.

3.5 Pilot Testing and Analysis

With an initial item pool of 76 questions, an appropriate sample size for the initial data collection is 200-385 participants (Parasuraman, Zeithaml, and Berry 1988; Clark and Watson 1998).

It is necessary that these participants are acquired from the target population (DeVellis 2003; Netemeyer, Bearden, and Sharma 2003). To find the pool of taxpayers, I put the round-one survey on a website and emailed professors, friends, and students with the URLs of the survey.[31] I asked each of them to pass the URLs along to organizations to which they belong and to friends and family with the instructions that anyone who had their taxes professionally prepared would qualify to complete the survey.

Six hundred sixty-one people attempted to do the survey, however 17 were not eligible because they had not had their taxes professionally prepared in the last five years. Another 294 quit before they were done, and two were dropped for giving the same answer to all 76 questions. This left a final usable sample of 348 participants, which is 52.6 percent of the participants who attempted to complete the survey. A response rate is not known because the invitation to complete the survey was done in an informal manner to acquire the highest number of participants possible.

The demographics of the round-one participants are provided in Table 3.1. Accessing Tax Year 2003 Taxpayer Usage Study Report Number 13 (SOI), I compared the demographics of my sample to that of 2003 taxpayers. Not all demographic items are collected from the IRS and, therefore, not all demographic comparisons can be made. Examining those that can, I found my sample was skewed a bit towards younger taxpayers,[32] higher incomes,[33] and married taxpayers.[34] Finally, SOI data show 37.1 percent of taxpayers with dependent children claimed on their returns compared to 37.2 percent in my sample. However, my sample demographics match national taxpayer statistics fairly closely.

---

[31] Two editions of the same survey were created. The questions are randomized within each page, but the order of the pages is reversed in the two surveys. The combination should eliminate any order effects that may occur.

[32] IRS shows 12.69 percent of returns have one filer over age 65; my sample shows 4.6 percent of participants were over 65.

[33] IRS data show 70.6 percent of filers with less than $50,000 income; my survey shows 37 percent. IRS shows 20.6 percent between $50-100,000; my survey shows 31 percent. IRS shows 8.8 percent over $100,000; my survey shows 32 percent.

[34] The SOI data show 38.7 percent of filers are Married Filing Joint, compared to 49 percent of my sample.

Exploratory factor analysis was used on the data to interpret the factors, determine which items fit into each factor, and to create a limited number of factors. (Dawes 1987). After examining the Eigenvalues and differences between Eigenvalues in the principal components analysis, it was decided to keep four categories. These are described as money savings, time savings, accuracy, and protection from, or avoidance of, the IRS.[35]
The original 76 questions were subjected to exploratory factor analysis. Twenty questions with loadings above .3 on two factors and three questions with loadings above .2 on three factors were eliminated first. The remaining 53 items were subjected to exploratory factor analysis again. Four factors were retained and the items examined for minimum loading values. Nineteen items were eliminated for loading with values above .2 on more than one factor. Another exploratory factor analysis was run on the remaining 34 questions and the process repeated. Two questions were eliminated in this round for loading on two factors with a greater than .2 value and five questions were eliminated for having primary loadings under .45. This resulted in 27 remaining questions in four categories. The inter-item reliability was evaluated with coefficient alpha resulting in correlations ranging from .90 for time savings down to .78 for accuracy.[36]

As an incentive to complete this survey, I offered to donate to the charities that received the most votes.[37]

3.6 Final Testing and Analysis

A second round of responses using the final item pool was collected. This is shown in Figure 3.4. One hundred and eighty participants attempted to complete the survey but 40 were not eligible, since they had not had their taxes completed by a tax professional at least once in the past five years. Complete data were collected from 140 participants, which is 77.8 percent of those who attempted it. As in the first round, a response rate is unknown. This data were analyzed using confirmatory factor analysis and coefficient alpha.

Participants were solicited as in the previous round. Participants were asked not to complete the survey if they had participated in the first. The demographics of this sample are provided in Table 3-2. As in the first round, there are differences between my participants and national averages. Similar to the first round, my sample is younger, wealthier, and contains more married people.[38] There is no reason to assume that the variances would change the validity of the instrument. Because the IRS statistics cover all filers, not just the ones who use tax preparers, having wealthier respondents may actually increase the validity of the instrument since there is a correlation between income and tax preparer use.

---

[35] These categories correspond somewhat to the ones Sakurai and Braithwaite (2001) found using factor analysis for Australian taxpayers: Low risk/no fuss, cautious minimization/conflict avoidance, creative accounting/aggressive minimization. However, Sakurai and Braithwaite did not ask questions that would have measured the importance of money savings or time savings directly.

[36] A coefficient alpha that is too high (above .95) shows that the scale contains redundancies. The lower acceptable end is usually recognized as being about .70, but some academic research accepts scales with coefficient alphas around .60.

[37] For round one, 132 people chose American Red Cross, 40 people chose PetsMart Charities, 34 chose March of Dimes, 31 chose Marine Toys For Tots, 26 chose UNICEF, 18 chose American Civil Liberties Union, 17 chose Goodwill, and 48 chose to name their own, but that resulted in no more than six for any particular charity. Accordingly, $100 was sent to the American Red Cross and $50 each to PetsMart Charities and March of Dimes.

[38] Compared to the same IRS statistics as above, I had 3.6 percent above 65 versus 12.7 percent; 53.4 percent with income above $50,000 versus 29.4 percent; 47.7 percent married versus 38.7 percent

Exploratory factor analysis is useful in the scale development stage as it allows many questions to be reduced to a more manageable set of factors. However, it is only a preliminary step. Confirmatory factor analysis is needed to evaluate and refine the scale (Gerbing and Anderson 1988). Confirmatory factor analysis was performed to refine the scale resulting in a 14-item scale that measures four underlying concepts. Those concepts are time savings, money savings, accuracy or compliance with law, and protection from, or avoidance of, the IRS.

Of the 27 questions with which I began the second round, one was eliminated because it changed factors when confirmatory factor analysis was run. Two more were eliminated because they increased the reliability score. Confirmatory factor analysis was run again with the remaining 24 questions. One more question was eliminated because of a high correlation with another question that had a higher loading factor. Two questions were eliminated because they had low loading factors and the reliability score increased when they were eliminated. Confirmatory factor analysis was run a third time with the 21 questions remaining. In an effort to pare the scale down to a parsimonious number of questions, four more were eliminated that had loading factors that were low relative to the others in that factor. Confirmatory factor analysis was run again on the remaining 17 questions. One question in the "save time" factor was eliminated because of high inter-item correlation and because eliminating it did not reduce coefficient alpha substantially. Similarly, one item was eliminated from each of the factors described as "avoidance of, or protection from, the IRS" and "accuracy or compliance with law."

The final scale, shown in Figure 3.5, consists of 14 items. There are three items related to accuracy or compliance with the law; this construct is referred to as "accuracy" for the rest of this dissertation. There are also three items related to saving money. There are four items related to protection from, or avoidance of, the IRS; this construct is hereafter referred to as "IRS." The remaining four items refer to saving time.

Yankelovich, Skelly and White (1984 p.4) were instructed to ask taxpayers why they had their taxes professionally prepared, but not to read the prompts aloud. They then categorized the responses as best they could. The top answer, "the forms/instructions were too complicated/afraid I'd make mistake" does not directly correspond to any of the categories in my final scale. It might reflect a desire for accuracy, however. The second most frequent answer was "it is just habit to have someone else prepare it" does not speak to motivation; there must have been a reason for the habit to start, but it is not addressed in this comment. Thus, there is no correspondence between it and my final scale. The third most frequent category was "I hoped the tax preparer would be able to save me some money" corresponds directly to the "saving money" category in my final scale. The next one, "I didn't have enough time to do it myself/too busy," corresponds directly to "saving time." The remaining items in Yankelovich et al., were either vague (i.e. "unusual or complicated circumstances") or had a minimal response rate (one percent).

Collins, Milliron and Toy (1990 p.23) asked taxpayers which best describes their feelings about why they hire a tax preparer. The choices were, "to minimize taxes," "to have the most correct return possible," and "to minimize the total effort required." None of the questions on my scale are that direct, but these three choices do correspond to three of the four categories discovered through factor analysis: saving money, accuracy, and saving time.

Christensen (1992 p.82-83) asked her participants to rank four items: "saving money on taxes," "reducing the chances of being audited," "accuracy of the tax return" and "fee paid

for the tax service." Although there were statements in the first round regarding reducing chances of being audited, these did not end up on the final instrument. The fee paid for tax service in ambiguous: it could be that they feel the fee saves them money, saves them time, is worth accurate service, is insurance against audit, etc. Therefore, it was not part of the instrument. However, "saving money" and "accuracy" were two of the categories that resulted from the scale development process.

My final scale has four categories. Saving time is similar to questions found in Yankelovich et al. (1984) and Collins et al. (1990). Saving money is similar to questions found in Yankelovich et al. (1984), Collins et al. (1990) and Christensen (1992). Accuracy is similar to questions found in Collins et al. (1990) and Christensen (1992). IRS is a construct that was discovered in the scale development process that is not reflected in these prior studies. However, each of these three studies approached this topic in a different area. For instance, in Yankelovich et al. (1984) six percent of the time taxpayers failed to take a deduction to which they were entitled; they did so for fear of audit. Collins et al (1990) asked participants how they would feel about receiving an audit notice from the IRS, but did not tie it to motivation. Christensen (1992) asked a series of 12 questions about expected and actual tax preparer behavior including one about reducing chance of audit.

A similar incentive of paying the most popular charities was provided for round two.[39]

3.7 Summary

In creating my scale, I first searched for antecedents of the construct in the literature and through analytical brainstorming. I then generated a list of items drawn from the literature and created to reflect each potential dimension of the construct. This was shown to a panel of experts and revised accordingly.

The first round analyzed the data from 348 participants using exploratory factor analysis and coefficient alpha. The remaining questions were then subjected to a second round of data collection. This round produced 140 responses that were analyzed using confirmatory factor analysis and coefficient alpha.

The result is a tested, verifiable scale created by using members of the target population. This scale is used in the final instrument that is given to both tax professionals and taxpayers. As recommended with any scale, factor analysis and coefficient alpha are run with each use.

Although this scale extends the literature by providing another tool with which to examine the taxpayer-tax preparer relationship, it is limited by the number of constructs that it actually measures. Although I selected the motivations I measured from the literature (saving time, saving money, complying with the law and filing an accurate return, avoidance of or protection from the IRS), it is possible that there are completely different motivations for hiring a tax professional that have not been addressed.

[39] Forty-four people chose the American Cancer Society, 36 people chose the Humane Society of the United States (HSUS), 23 people chose Big Brothers/Big Sisters, 21 people chose American Red Cross, 6 people chose Reading is Fundamental, and 5 chose to name their own, but none were the same, and 3 finished the survey but did not answer that question. Accordingly, $75 was sent to the American Cancer Society and $25 each to Humane Society of the United States and Big Brothers/Big Sisters.

Table 3-1 Demographics in First Round of Scale Development

Panel 1 - Age[1]

	18-24	25-34	35-44	45-54	55-64	65+	Total[2]
Number	77	78	42	95	37	16	345
Percent	22.3	22.6	12.2	27.5	10.7	4.6	100.0
National[3]	35.3[4]	14.2	16.0	13.4	8.6	12.4	100.0[5]

Panel 2 – Gender[6]

	Male	Female	Total[2]
Number	163	181	344
Percent	47.4	52.6	100.0
National[7]	49.1	50.9	100.0

Panel 3 – Education[8]

	Less than High School	High School	Some College[9]	Bachelor Degree	Master Degree	Doctorate	Total[2]
Number	1	10	110	92	80	52	345
Percent	0.3	2.9	31.9	26.7	23.2	15.1	100.0
National[7]	19.6	28.6	27.3	15.5	8.9		100.0[5]

Panel 4 – IRS Contact

	Never Contacted	Received a Letter	Office Audit	Field Audit	Total[2]
Number	242	77	18	7	344
Percent	70.3	22.4	5.2	2.0	100.0

Panel 5 – Household Income[10]

	< $25,000	$25,000 to < $50,000	$50,000 to < $100,000	$100,000 +	Total[2]
Number	65	53	99	102	319
Percent	20.4	16.6	31.0	32.0	100.0
National[11]	45.8	25.4	20.5	8.3	100.0

Panel 6 – Filing Status[12]

	Single	Married Filing Joint	Married Filing Separately	Head of Household	Qualifying Widow(er)	Total[2]
Number	145	168	6	21	3	343
Percent	42.3	49.0	1.7	6.1	0.9	100.0
National[13]	44.0	39.4	16.6			100.0

Panel 7 – Ethnicity[14]

	White/ Caucasian	Black/ African American	Latino	Native American	Asian	Other	Total[2]
Number	300	18	3	1	12	3	337
Percent	89.0	5.3	0.9	0.3	3.6	0.9	100.0
National[15]	69.1	12.3	12.5	0.9	3.6	1.6	100.0

Panel 8 – Dependent Children

	0	1	2	3	4	5 or more	Total[2]
Number	215	52	52	16	5	2	342
Percent	62.9	15.2	15.2	4.7	1.5	0.6	100.0

This table shows the demographics from the first round of scale development. There were 348 participants overall. The actual demographics are given in absolute numbers and in percentages. They are compared to national statistics where such statistics were available.

[1]This distribution is significantly different than the expected distribution based on the Census Bureau Data (Chi-Square = 67.7). Specifically, my sample is weighted towards 24-34 and 45-64 year old taxpayers at the expense of the other age groups.

[2] Totals do not add to 348 because some participants chose "prefer not to answer" for some questions.

[3] Source: Census Bureau Data from Census Year 2000. The first cell is for ages 0-24.

[4] Because the Census Bureau Data includes persons of all ages, but few children file their own returns, this category is not compared using Chi-Square. A weighted average of the remaining categories is tested.

[5] Does not add to 100.0 because of rounding.

[6]This distribution is not different than would be expected based on Census Bureau Data (Chi-Square = .405).

[7] Source: Census Bureau Data from Census Year 2000.

[8] This distribution is significantly different than the expected distribution based on the Census Bureau Data (Chi-Square =508.4). Specifically, my sample includes more college educated people at all levels, and fewer people with only a high school degree or less.[9] Includes persons with Associate's Degree.

[10] This distribution is significantly different than the expected distribution based on the Statistics of Income (Chi-Square = 287.1). Specifically, more participants have incomes higher than $50,000 and fewer have less than that.
[11] Source: Statistics of Income Table 1.--Individual Income Tax, All Returns: Sources of Income and Adjustments, by Size of Adjusted Gross Income, Fiscal Year 2002.
[12] This distribution is significantly different than the expected distribution based on the Statistics of Income (Chi-Square = 21.0). Specifically, it is weighted towards taxpayers filing under the "Married Filing Joint" status.
[13] Source: IRS, Statistics of Income, Individual Complete Report 2002, Publication 1304, February 2005.
[14] This distribution is significantly different that the expected distribution based on the Census Bureau Data (Chi-Square = 71.3). Specifically, more Caucasian, and fewer of all other ethnicities, are represented in my sample than national averages.
[15] Source: Statistics of Income Table 1.--Individual Income Tax, All Returns: Sources of Income and Adjustments, by Size of Adjusted Gross Income, Fiscal Year 2002.

Table 3-2 Demographics in Second Round of Scale Development

Panel 1 - Age[1]							
	18-24	25-34	35-44	45-54	55-64	65+	Total[2]
Number	46	21	16	31	18	5	137
Percent	33.6	15.3	11.7	22.6	13.1	3.6	100.0
National[3]	35.3[4]	14.2	16.0	13.4	8.6	12.4	100.0[5]

Panel 2 – Gender[6]			
	Male	Female	Total[2]
Number	76	58	134
Percent	56.7	43.3	100.0
National[7]	49.1	50.9	100.0

Panel 3 – Education[8]							
	Less than High School	High School	Some College[9]	Bachelor Degree	Master Degree	Doctorate	Total[2]
Number	0	6	61	28	23	18	136
Percent	0.0	4.4	44.9	20.6	16.9	13.2	100.0
National[3]	19.6	28.6	27.3	15.5	8.9		100.0[5]

Panel 4 – IRS Contact					
	Never Contacted	Received a Letter	Office Audit	Field Audit	Total[2]
Number	100	25	8	1	134
Percent	74.6	18.7	6.0	0.7	100.0

Panel 5 – Household Income[10]					
	< $25,000	$25,000 to < $50,000	$50,000 to < $100,000	$100,000 +	Total[2]
Number	31	25	32	32	120
Percent	25.8	20.8	26.7	26.7	100.0
National[11]	45.8	25.4	20.5	8.3	100.0

Panel 6 – Filing Status[12]						
	Single	Married Filing Joint	Married Filing Separately	Head of Household	Qualifying Widow(er)	Total[2]
Number	63	63	2	4	0	132
Percent	47.7	47.7	1.5	3.0	0.0	100.0
National[13]	44.0	39.4	16.6			100.0

Panel 7 – Ethnicity[14]							
	White/ Caucasian	Black/ African American	Latino	Native American	Asian	Other	Total[2]
Number	120	8	0	0	1	4	133
Percent	90.2	6.0	0.0	0.0	0.8	3.0	100.0
National[7]	69.1	12.3	12.5	0.9	3.6	1.6	100.0

Panel 8 – Dependent Children							
	0	1	2	3	4	5 or more	Total[2]
Number	76	21	26	6	3	0	132
Percent	57.6	15.9	19.7	4.5	2.3	0.0	100.0

This table shows the demographics from the second round of scale development. There were 138 participants overall. The actual demographics are given in absolute numbers and in percentages. They are compared to national statistics where such statistics were available.

[1]This distribution is significantly different than the expected distribution based on the Census Bureau Data (Chi-Square = 21.7). Specifically, my sample is weighted towards 24-34 and 45-64 year old taxpayers at the expense of the other age groups.

[2] Totals do not add to 138 because some participants chose "prefer not to answer" for some questions.

[3] Source: Census Bureau Data from Census Year 2000. The first cell is for ages 0-24.

[4] Because the Census Bureau Data includes persons of all ages, but few children file their own returns, this category is not compared using Chi-Square. A weighted average of the remaining categories is tested.

[5] Does not add to 100.0 because of rounding.

[6]This distribution is significantly different than would be expected based on Census Bureau Data (Chi-Square =3.1). Specifically there were more male and fewer female participants.

[7] Source: Census Bureau Data from Census Year 2000.

[8] This distribution is significantly different than the expected distribution based on the Census Bureau Data (Chi-Square = 140.7).

Specifically, my sample includes more college educated people at all levels, and fewer people with only a high school degree or less.
[9] Includes persons with Associate's Degree.
[10] This distribution is significantly different than the expected distribution based on the Statistics of Income (Chi-Square = 62.1). Specifically, more participants have incomes higher than $50,000 and fewer have less than that.
[11] Source: Statistics of Income Table 1.--Individual Income Tax, All Returns: Sources of Income and Adjustments, by Size of Adjusted Gross Income, Fiscal Year 2002.
[12] This distribution is significantly different than the expected distribution based on the Statistics of Income (Chi-Square = 14.4). Specifically, it is weighted towards taxpayers filing under the "Single" and "Married Filing Joint" statuses.
[13] Source: IRS, Statistics of Income, Individual Complete Report 2002, Publication 1304, February 2005.
[14] This distribution is significantly different that the expected distribution based on the Census Bureau Data (Chi-Square = 27.8). Specifically, more Caucasian, and fewer of all other ethnicities, are represented in my sample than national averages.

Figure 3-1Choosing a Tax Professional

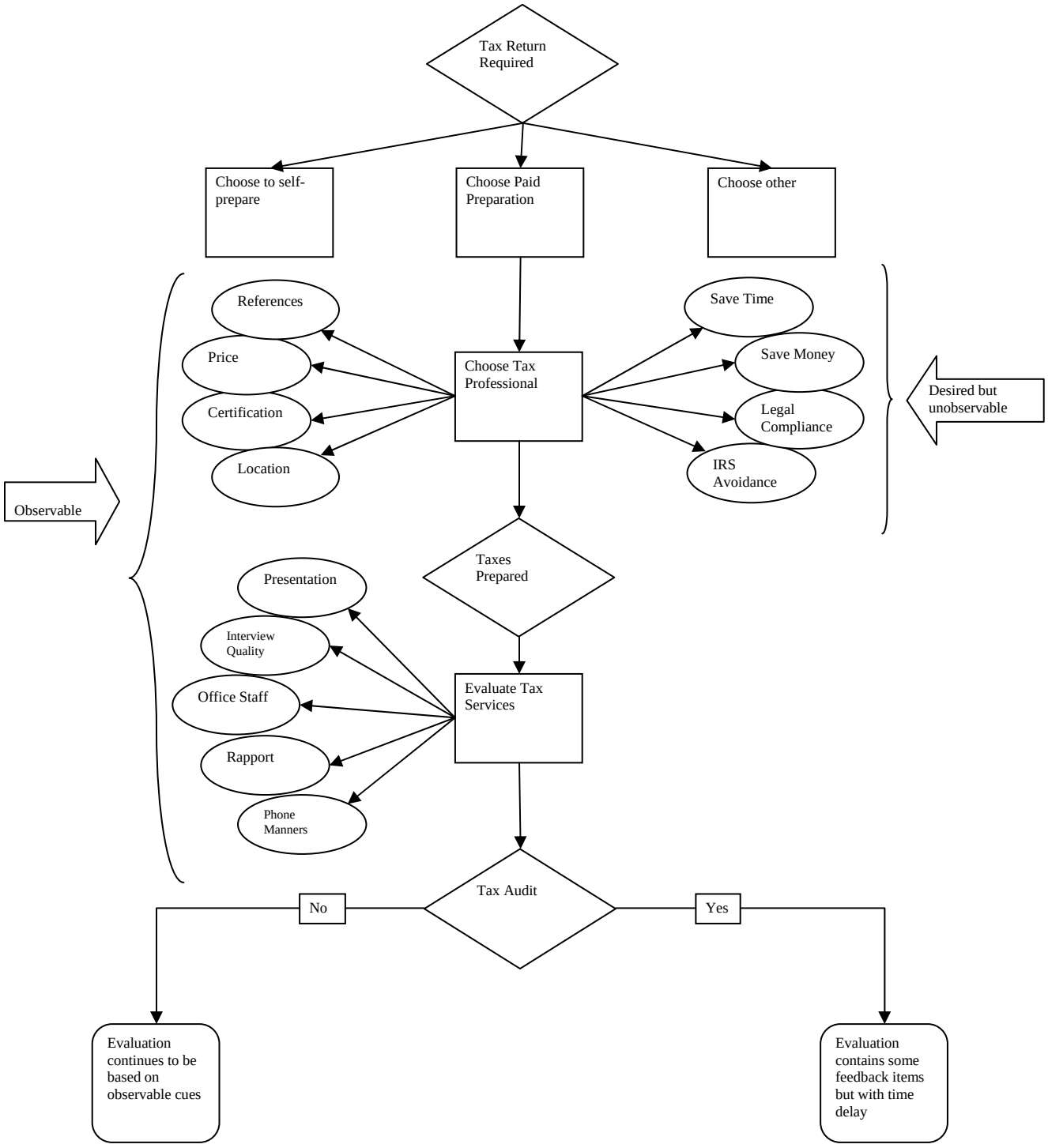

Figure 3-2 Initial Pool of Questions

1. Tax minimization:

    - I have my taxes professionally prepared so I can pay the lowest tax possible.*
    - I have my taxes professionally prepared because I want to save money on taxes.***
    - My tax professional's first priority is to see I pay as little tax as possible.***
    - When dealing with unclear areas of the tax law, my tax professional's loyalty should be to me, not the IRS.***
    - My tax professional usually saves me tax money.
    - If I want to reduce my tax bill, I have to have my taxes professionally prepared.
    - I don't want to pay the government one more dime than I have to.
    - I go to a tax professional because I want the largest refund I can get.
    - My tax professional always makes sure I get a refund check.
    - When I have my taxes professionally prepared, I get a larger refund than when I do it myself.
    - I'm willing to take a chance on being audited as long as I pay as little tax as possible.

2. Audit Avoidance:

    - I think the IRS would be less likely to audit me if I have my taxes professionally prepared.**
    - I have my taxes professionally prepared because I want to reduce my chances of being audited.***
    - I expect my tax professional not to advise me to take deductions that fall into the grey area of the law.***
    - I never want to be audited, so I have my taxes done professionally.
    - The best way to avoid being audited is to have a professional do your taxes.
    - If I do my own taxes, there is a higher chance of being audited.
    - People like me get audited a lot, so I have my taxes done professionally to try to avoid that.
    - All I want is to send in my taxes and never hear from the IRS at all.
    - I would rather pay a little more and never get audited.
    - It is okay to skip a deduction or two as long as that means I'll not be audited.

3. Time Savings:

    - I have my taxes professionally prepared because it is easier than doing it myself.*
    - I have my taxes professionally prepared because I don't have time to do it myself.**
    - I have my taxes professionally prepared because I am too busy to do tax returns.**

- I have my taxes professionally prepared because I didn't have all the forms I needed.**
- It is a lot easier to have someone else prepare my taxes than doing it myself.
- I would have to spend a lot of time finding the forms and researching things; I'd rather let someone else do that.
- It takes so long to read the instructions and forms, it's easier to have a tax professional take care of those things.
- It takes so long to do tax returns; I rather let a professional handle it.
- It's okay to pay a little more as long as it doesn't take my time.
- I might pay a bit more in taxes if I have a professional tax preparer, but that's okay, I save a lot of time.

4. Accuracy:

- I have my taxes professionally prepared so I will have the most accurate return possible.*
- I have my taxes professionally prepared because I am afraid I'd make a mistake.**
- I have my taxes professionally prepared because the forms are too complicated.**
- I have my taxes professionally prepared because an accurate return is most important to me.***
- All aspects of my tax return should be reviewed by more than one person.***
- I depend on my tax professional to be ethical in preparing my return.***
- The advice I receive from my tax professional should be conservative.***
- It is important to me that I pay exactly what I should, so I hire someone to make sure.
- I don't want to pay too much or too little on my taxes.
- It is okay to pay a little more in taxes to make sure I haven't broken any laws.

5. Money Savings:

- Because I hoped the tax preparer could save me some money.**
- Even though I pay a fee, I come out ahead financially with a tax professional.
- In the long run, hiring a tax professional will save money overall.
- The amount of money I save on my taxes is more than the fee I pay my tax professional.
- My tax professional saves me money.
- My tax professional takes deductions I've never heard of and saves me a lot of money.
- It's worth paying a fee to have someone do my taxes that knows the ins and outs of the tax law and can save me money.
- The refund I get each year is more than I pay a tax professional.

- I have to write a check to someone; it might as well be a tax professional and not the government.
- Even though I pay a fee to have my taxes prepared, I get my refund faster and it saves money overall.

6. Insurance (against penalties and prosecution):

   - If I rely on the opinion of a tax professional, and the IRS questions it, I won't be the one to get in trouble.
   - I can use my tax professional's opinion to guard against penalties.
   - The IRS won't prosecute me if my tax professional is wrong about something.
   - I know I won't have to pay penalties if I have my taxes professionally prepared.
   - I know I won't have to worry about being prosecuted for making a mistake if I have my taxes professionally prepared
   - I am more worried about being protected from penalties and/or prosecution than about saving money.
   - I am more worried about being protected from penalties and/or prosecution than about reducing my tax bill.
   - I am more worried about being protected from penalties and/or prosecution than about saving time.
   - I let my tax professional worry about all the legal stuff.

7. Representation (in case of audit):

   - I have my taxes professionally prepared so I would have someone to come with me to an audit.**
   - If I get audited, I want to know someone will be there to go for me.
   - I don't want to talk to the IRS; if they send me a letter or call me, I just have them talk to my tax professional.
   - Being audited is stressful; I'd rather let my tax professional worry about all that.
   - I feel reassured knowing that someone can answer any questions the IRS might have about my return.
   - It is more important to me that someone be able to represent me in case of audit than it is to save money.
   - I'd rather pay a little more and have someone that can go to an audit for me.
   - It's okay to take a questionable deduction because my tax professional will answer to the IRS for me.
   - I expect my tax professional to be aggressive on my tax return, but be willing to defend those positions to the IRS for me.
   - I hire a tax professional so that I know I'll never have to face the IRS.

* Paraphrased from Collins, Milliron and Toy 1990
** Paraphrased from Yankelovich, Skelly and White 1984
*** Paraphrased from Christensen 1992

Figure 3-3 Round One Scale Development Instrument

I have my taxes professionally prepared …

because I am too busy to do tax returns.
because I am afraid I'd make a mistake.
because an accurate return is very important to me.
because I am afraid I'd make a mistake.
because I don't have time to do it myself.
because an accurate return is very important to me.
because the forms are too complicated and I wouldn't complete them correctly.
because I want to reduce my chances of being audited.
because I want to save money on taxes.
because I didn't have time to get all the forms I needed.
so I will have the most accurate return possible.
so I would have my tax professional to represent me during an audit.
because I hope the tax preparer can save me some money.
because I want the largest refund I can get.
so I can pay the lowest tax amount allowed under the current law.

I would rather...

pay more in taxes and never get audited.
be protected from penalties than save money on my taxes.
pay a little more in taxes and make sure I haven't broken any laws.
take a chance on being audited and pay less tax.
pay a tax preparer so I don't ever have to go to an audit.
pay more to a tax preparer and never get audited.
pay more money and know I have someone to represent me to the IRS in case of audit.
be protected from penalties than save money on tax preparation charges.
be protected from penalties than save time preparing my taxes.
pay a tax preparer and spend less time on my taxes.
write a check to a tax preparer than to the government.

- If I want to reduce my tax bill, I have to have my taxes professionally prepared.
- If I prepare my own taxes, I would have to spend a lot of time finding the right tax forms and researching things.
- If I do my own taxes, there is a higher chance of being audited.
- If the IRS sends me a letter or calls me, I just have them talk to my tax professional.
- If I get audited, I want to know someone will be there to go for me.
- I expect my tax professional to be willing to defend his or her positions to the IRS for me.
- I don't want to pay too much or too little on my taxes.

- When my tax preparer signs my return, that means that I'm not responsible for mistakes on it.
- I feel reassured knowing that my tax professional can answer any questions the IRS might have about my return.
- It takes so long to do tax returns; I would rather let a professional handle it.
- The refund I get each year is more than I pay a tax professional.
- Even though I pay a fee, I come out ahead financially with a tax professional.
- My tax return better not be wrong if I pay a professional to prepare it.
- My tax professional's first priority is to help me pay as little tax as possible.
- The IRS won't prosecute me personally if my tax professional is wrong about something.
- All aspects of my tax return should be reviewed by more than one person.
- The advice I receive from my tax professional should be conservative.
- I never want to be audited, so I have my taxes done professionally.
- My tax professional's opinion guards me against penalties issued by the IRS.
- I expect my tax professional to advise me not to take deductions that fall into ambiguous areas of the law.

- Even though I pay a fee to have my taxes prepared, the fee saves me money overall.
- My tax professional saves me money.
- My tax professional always makes sure I get a refund check.
- People in my financial situation get audited a lot, so to reduce my chance of audit I have my taxes done professionally.
- It's okay to take a questionable deduction because my tax professional will answer to the IRS for me.
- It's worth paying someone to do my taxes because they know the details of the tax law and can save me money.
- I don't want to pay the government one more dime than I have to.
- My tax professional usually reduces my tax bill.
- I just want to send in my taxes and never hear from the IRS.
- I know I won't have to pay penalties if I have my taxes professionally prepared.
- My tax professional takes deductions I've never heard of in order to save me money.
- It takes so long to read the instructions and tax forms; it's easier to have a tax professional take care of those things.
- Being audited is stressful; I'd rather let my tax professional worry about all that.
- It is okay to skip a tax deduction or two as long as that means I'll not be audited.
- I depend on my tax professional to follow the laws in preparing my return.
- The best way to avoid being audited is to have a tax professional do your taxes.
- It's okay to pay a little more to have a professional prepare my taxes as long as it doesn't take my time.
- When dealing with unclear areas of the tax law, my tax person's loyalty should be to reducing my tax bill, not to the IRS.
- If I paid enough to have my taxes prepared, I could end up without any tax liability.

I have my taxes professionally prepared...

so that if the IRS questions it, I won't be the one who gets in trouble.
so that I know I'll never have to face the IRS.
so my tax person can worry about all the legal stuff.
because the tax laws are so complex that they are beyond a layman's comprehension.
because it is a lot easier than doing it myself.
because I think the IRS is less likely to audit me if I do.
because the amount of money I save on my taxes is more than the preparation fee.
because it saves me money overall.
because my tax person has expertise in the area.
because it is important to me that I pay exactly what I am supposed to in taxes.
so I won't have to worry about being prosecuted for making a mistake.
because I get a larger refund than when I do it myself.
and although it costs me money, it saves me valuable time.

Figure 3-4 Round Two Scale Development Instrument

- Time Savings
  - I have my taxes professionally prepared and although it costs me money, it saves me valuable time.
  - I have my taxes professionally prepared because I am too busy to do tax returns.
  - I have my taxes professionally prepared because I don't have time to do it myself.
  - If I prepare my own taxes, I would have to spend a lot of time finding the right tax forms and researching things.
  - It takes so long to do tax returns; I would rather let a professional handle it.
  - It takes so long to read the instructions and tax forms; it's easier to have a tax professional take care of those things.
  - It's okay to pay a little more to have a professional prepare my taxes as long as it doesn't take my time.
  - I would rather pay a tax preparer and spend less time on my taxes.

- IRS Avoidance/Insurance
  - If I paid enough to have my taxes prepared, I could end up without any tax liability.
  - It is okay to skip a tax deduction or two as long as that means I'll not be audited.
  - I have my taxes professionally prepared so that I know I'll never have to face the IRS.
  - I have my taxes professionally prepared so that if the IRS questions it, I won't be the one who gets in trouble.
  - The IRS won't prosecute me personally if my tax professional is wrong about something.
  - When my tax preparer signs my return, that means that I'm not responsible for mistakes on it.

- Accuracy/Compliance with law
  - I would rather be protected from penalties than save money on my taxes.
  - I would rather be protected from penalties than save money on tax preparation charges.
  - I have my taxes professionally prepared because it is important to me that I pay exactly what I am supposed to in taxes.
  - I don't want to pay too much or too little on my taxes.
  - I expect my tax professional to advise me not to take deductions that fall into ambiguous areas of the law.
  - I would rather pay a little more in taxes and make sure I haven't broken any laws.
  - The advice I receive from my tax professional should be conservative.

- Money Savings
  - I have my taxes professionally prepared because it saves me money overall.
  - Even though I pay a fee, I come out ahead financially with a tax professional.
  - My tax professional saves me money.
  - My tax professional usually reduces my tax bill.
  - I have my taxes professionally prepared so I can pay the lowest tax amount allowed under the current law.
  - The refund I get each year is more than I pay a tax professional.

Figure 3-5 Final Tax Client Motivation Scale

Accuracy
I would rather be protected from penalties than save money on tax preparation charges.
I would rather be protected from penalties than save money on my taxes.
I would rather pay a little more in taxes and make sure I haven't broken any laws.
Money Savings
I have my taxes professionally prepared because it saves me money overall.
Even though I pay a fee, I come out ahead financially with a tax professional.
My tax professional saves me money.
IRS Avoidance/Protection
I have my taxes professionally prepared so that I know I'll never have to face the IRS.
If I paid enough to have my taxes prepared, I could end up without any tax liability.
The IRS won't prosecute me personally if my tax professional is wrong about something.
I have my taxes professionally prepared so that if the IRS questions it, I won't be the one who gets in trouble.
Time Savings
I have my taxes professionally prepared because I don't have time to do it myself.
It takes so long to do tax returns; I would rather let a professional handle it.
It's okay to pay a little more to have a professional prepare my taxes as long as it doesn't take my time.
I have my taxes professionally prepared and although it costs me money, it saves me valuable time.

Chapter 4 Method and Results

4.1 Introduction

The main purpose of this dissertation is to explore the extent of the expectation gap between tax clients and tax professionals. An expectation gap is the difference between clients' expectations about a service and the service providers' perception of those expectations (Parasuraman, Zeithaml, and Berry 1985; Christensen 1992; Hite and Hasseldine 2003). The marketing literature suggests a method for investigating this gap, which in turn has been suggested as an appropriate method to examine the expectation gap in tax accounting (Myers and Morris 1999). SERVQUAL,[40] a method used to measure expectation gap in marketing, uses a survey to ask one group about its expectations and to ask the other group about its perception of those expectations and then compares the two (Parasuraman, Zeithaml, and Berry 1985, 1988; Zeithaml, Berry, and Parasuraman 1993; Parasuraman, Zeithaml, and Berry 1994, 1994; Zeithaml and Bitner 2003). A similar method has been used in accounting research to examine the expectation gap between auditors and investors (McEnroe and Martens 2001). This is the method that I have chosen to examine the expectation gap between taxpayers and tax preparers in this dissertation.

This dissertation extends the research on the tax-preparation expectation gap in several ways. First, the instrument has more demographics regarding tax professionals' company, experience, and qualifications than previous research. Second, direct matches are made between some tax professionals from various size firms and their clients. Finally, the instrument uses two scales -- Mason and Levy's Taxpayer Advocacy Scale (Mason and Levy 2001) and my Taxpayer Motivation Scale -- that were developed and tested using established methods.

4.2 Hypothesis Development

An expectation gap between client expectations and what tax preparers believe those expectations to be has been found to exist in the top accounting firms (Christensen 1992). The first hypothesis in this dissertation is to confirm the existence of such a gap among the tax preparers not working for the Big Four accounting firms. The two scales that were used in this dissertation measure five separate constructs: client advocacy (CA); client motivation to save money (SM); to save time (ST); to acquire an accurate return or comply with the law (AR); and to be protected from or avoid the IRS (IRS). Each of these constructs is calculated by taking an average of the items that make up the construct. A significant difference in the means of these constructs between tax preparers and taxpayers would indicate an expectation gap in that dimension. Thus, the first hypothesis, stated in null form is:

H1a: CA is equal between tax preparers and taxpayers.
H1b: SM is equal between tax preparers and taxpayers.
H1c: ST is equal between tax preparers and taxpayers.
H1d: AR is equal between tax preparers and taxpayers.
H1e: IRS is equal between tax preparers and taxpayers.

[40] LIBQUAL is a variation of SERVQUAL used by libraries around the world to measure the expectation gap that exists in library services.

This first hypothesis is tested in two different ways. First, all the tax preparer data are measured and compared against all the taxpayer data. Second, the individual tax preparers are compared to their specific clients.

Research has shown that CPAs are more tax aggressive than non-CPAs (Ayres, Jackson, and Hite 1989; Erard 1993; Cuccia 1995). This leads to the next hypothesis: the client advocacy score for CPAs should be higher than for other types of tax preparers.

H2: CPAs' CA > Non-CPAs' CA

Jackson, Milliron & Toy (1988) suggest that volume tax preparers attract a clientele who desire a "safe" return whereas CPA firms attract more aggressive clients. Looking only at the taxpayer data, the clients of CPA firms should believe their tax preparers exhibit a greater degree of advocacy while the clients of national tax preparation (NTP) firms should show a higher desire for an accurate return.

H3: CPA clients' CA > Non-CPA clients' CA
H4: NTP clients' AR > Non-NTP clients' AR

General economic theory indicates that taxpayers who have the most to gain from "saving time" should also have specific characteristics. Higher income means higher opportunity cost to time. Children at home would also indicate time is valuable, especially if the parent is single. A more complex return would indicate more time necessary for tax return preparation and, therefore, may also indicate time savings would be desired.

H5a: There is a positive correlation between taxpayer income and ST.
H5b: ST where there are no dependent children < ST where there are dependent children < ST where there are dependent children and a single parent.
H5c: There is a correlation between return complexity and ST.

Experience with the IRS may create an aversion to it. Successful experience, however, may cause taxpayers to become more aggressive with tax reporting – this would be similar to the CPAs that become more tax aggressive with more experience with the IRS (Duncan, LaRue, and Reckers 1989). Thus, a non-directional hypothesis is given for the final construct.

H6: IRS is not equal between taxpayers with IRS contact and those without.

4.3 Data Collection

The tax professionals surveyed are those from the University of Kentucky Income Tax School mailing list that I obtained from the School of Agricultural Economics. The survey was originally posted online and the email addresses from the list were used to solicit responses. However, many of the addresses were illegible or out of date, resulting in only 432 good

emails. This led to 57 completed surveys, which is a response rate of 13.2 percent. As this was an insufficient number of responses, the rest of the tax preparers on the mailing list were contacted via the U.S. Postal Service. Using some of the techniques for mailing surveys outlined in Dillman (1978), an additional 2,466 tax preparers were contacted. The techniques used included hand-addressing the envelopes and using actual stamps instead of metered postage. Table 4-1 shows the details of the response rate. Five-hundred forty-five tax preparers responded which was an overall 18.9 percent response rate. This is a good response rate for surveys that have no follow up mailing[41] (Dillman 1978).

The survey sent to the tax professionals consisted of Mason and Levy's Advocacy Scale, my Tax Client Motivation Scale, demographic questions about the preparer's practice and experience, and a request to survey the preparer's clients. The entire survey is shown in Figure 4.1 Previous research has surveyed tax preparers employed by the Big Four accounting firms. This paper extends prior research by having participant tax preparers from a variety of smaller firms.

The demographics of the tax preparers who responded to the survey are shown in Table 4-2. Just over half the sample are CPAs, but 20 percent have no degree or certification at all. The sample is heavily weighted towards those with a lot of experience; this is probably due to the mailing list that was acquired. The amount of time spent dealing with tax matters is roughly evenly distributed among the participants. About half the participants prepare or sign between 100 and 500 returns per year. About a third of the participants are from small, local CPA firms and another third are from small, local tax preparation services, including those who are self-employed and working from home.

The final request made of the tax preparers surveyed was to allow me to survey their clients. A total of 21 (3.8 percent) allowed me to do so.[42] The demographics of this sample are shown in Table 4-3. These demographics are compared to the full sample of 545 tax preparers that responded (Full Sample Percent). As these demographics are all measured with categorical variables, a Chi-Square test was run using the full sample as the expected proportion. In most cases, the smaller sample of tax preparers that allowed me to survey their clients is not statistically different that the larger population. In two cases, however, this is not the case. There is a higher percentage of preparers in the smaller sample that have four year degrees (Chi-Sq=3.231) and that are EAs (Chi-Sq=12.704) than in the full sample population.

Each of the tax preparers who permitted their clients to be surveyed had a different number of clients ranging from eight to 1200. A sampling of those clients was done with a goal of 10 percent of the clients or a minimum of 100 and maximum of 250. For those preparers who had less than 100 clients, a survey was sent to 100 percent of their clients. The response rate for each preparer varied as well, ranging from 100 percent to 17.7 percent. The overall response rate was 30.9 percent which is an excellent response rate for a survey sent without a follow-up (Dillman 1978). I attribute the excellent response rate to two factors. First, the surveys were sent in the envelopes of the tax preparer when possible and using that person's return address label when not. This makes it more likely that the person receiving the survey will open it because it is from a person who they know and whose

[41] A follow-up mailing, which was a recommended technique to increase response rates, was not done due to the expense.
[42] Twenty-one preparers allowed me to survey their clients. In one case, there are three preparers who do not distinguish between their clients, thus their average is used to compare the clients. In another case, there was a husband/wife team whose clients were separate and thus are treated separately.

services they use. Second, several of the tax practitioners said they would let their clients know that the survey was coming. This was informal and no record of it was kept, but at least for the tax preparers with small client bases it would explain the large response rate.[43]

It was important in surveying the taxpayers to maintain confidentiality of client lists. Consequently, the method I proposed to each tax preparer was that they send me enough company envelopes for the mailing. I would photocopy the survey and stuff the envelopes including a self-addressed stamped envelope in which the taxpayer could return the survey directly to me. I would seal the envelopes, affix postage and send the envelopes back to the tax preparer who would affix address labels from a random sample of clients, then drop them in the mail. In several cases, the tax preparer sent me the labels and I mailed the surveys directly. In five of the samples, 100 percent of the clients were surveyed. However, in the remaining samples I have no way to ensure that the surveys were sent to a random sample of clients.

The sampling and response rates are summarized in Table 4-4. In addition, there was one tax preparer for whom surveys were prepared and sent to her for mailing, but for whom I received no responses;[44] this is not on the table. Finally, there was a manipulation check question on each survey to be sure that the taxpayer was the client of the tax preparer who sent the survey to them. Fourteen taxpayers answered that question "no" and are included on the table with no corresponding preparer data. In some cases, the data from those responses may be used to test hypotheses. Including these 14 records results in data from 526 taxpayers.

The survey sent to the taxpayers is very similar to the one sent to tax preparers, but the questions are asked from the opposite perspective. The entire survey is recreated in Figure 4.2. The taxpayers were asked questions about demographics as well; these are summarized in Table 4-5. The demographics of those that answered the survey were compared to national statistics.[45] My sample tends towards higher income, taxpayers filing "Married Filing Joint" status, Caucasian, 45 to 64 year olds, and college educated participants. Because my sample was only of taxpayers that use tax preparers, these demographics are not surprising. Prior research shows paid preparer use increases with income, age, self-employment, return complexity, number of dependents claimed, and marginal tax rate and decreases with education and tax knowledge (Slemrod and Sorum 1984; Long and Caudill 1987; Klepper, Mazur, and Nagin 1991; Christian, Gupta, and Lin 1993; Arena, O'Hare, and Stavrianos 2002). As in the scale development, I encouraged the completion of the entire survey by allowing those who did so to vote for a charity to which I would send money.[46]

4.4 Data Analysis

The first set of hypotheses speaks to the differences between tax preparers and taxpayers in general; therefore, all the records are used to evaluate these hypotheses. There are five constructs: saving money (SM), saving time (ST), complying with the law by filing an

[43] I know in the one survey that had a response rate of 100 percent, the tax preparer called each client and requested that they complete the survey.
[44] No responses were received and follow up emails and phone calls were ignored.
[45] Statistics of Income and U.S. Census Bureau data were used for national demographic figures.
[46] American Red Cross received the most votes and was sent $100. Cancer Research Institute and the Humane Society of the United States were the second and third most popular charities and were sent $50 each.

accurate return (AR), avoiding or being protected from the IRS (IRS) and client advocacy (CA). Each of these constructs is measured by taking the average score on each item of which the construct consists. Each constructs is made up of three to nine items found on the two scales used in the instruments. The summary statistics, including a correlation table is in Table 4-6. Panel 1 is for all participants, taxpayer and tax preparer. Panel 2 is for taxpayers only, and Panel 3 is for tax preparers only.

A two-sample t-test is run on each of the scores of interest. The t-test supports the hypothesis that taxpayers and tax preparers answered each of the five constructs differently. Each mean score shows a significant difference between the two groups. The results of this test are shown in Table 4-7. Not every question was answered by every taxpayer or tax preparer, therefore each hypothesis has different numbers of participants. The first construct (SM) has 519 tax preparers with a mean score of 2.21 (SD=0.781) and 523 taxpayers with a mean score of 2.06 (SD=0.911). The difference between the two is 0.15 which is significant (p=.006). This shows that taxpayers valued saving money more than tax preparers thought they would. The second one, (ST) has 519 tax preparers with a mean score of 2.42 (SD=0.896) and 524 taxpayers with a mean score of 2.54 (SD=1.074). The difference between the two is -0.12 which is significant (p=.048). In this case, the tax preparers thought taxpayers would value saving time more than they actually do. Next, (AR) has 519 tax preparers with a mean score of 3.16 (SD=1.065) and 524 taxpayers with a mean score of 2.46 (SD=1.295). The difference between the two is 0.70 which is significant (p=.000). Again, taxpayers value having an accurate return more than tax preparers thought they would. This is the construct with the largest difference which is most likely due to taxpayers having an incorrect perception that there is a "correct answer" when filing a tax return. The fourth, (IRS) has 519 tax preparers with a mean score of 4.63 (SD=1.198) and 523 taxpayers with a mean score of 4.46 (SD=1.469). The difference between the two is 0.17 which is significant (p=.043). This is also more important to the taxpayer than the tax preparers predicted; however, this also has the greatest variance of any of the constructs for both taxpayers and tax preparers. It is also the only one that was on the "disagree" side of the scale, making it relatively less important than any of the other three motivations for hiring a tax preparer. Finally, (CA) has 544 tax preparers with a mean score of 2.79 (SD=0.780) and 479 taxpayers with a mean score of 3.12 (SD=0.900). The difference between the two is -0.33 which is significant (p=.000). This shows that tax preparers tend to exhibit more client advocacy, or tax aggression, than taxpayers believe they do.

It is important to note, that although all of these differences are statistically significant, from a practical perspective they are small differences. In no case is taxpayers' average score on the opposite side of neutral from tax preparers' average score. In fact, in no case were the two separated by even a full point. Each of the five constructs' average scores for both groups leaned towards "agree" showing that each of the five constructs is considered important by both groups. It is the varying, small degrees of importance that this dissertation examines.

The most important motivation, from the taxpayer perspective, is saving money. Having an accurate return comes in second followed closely by saving time. This, along with the fact that the largest difference is in AR and the second largest is in CA, supports prior research findings that taxpayers want accurate returns and that tax preparers are more aggressive than necessary. My interpretation of this is that it is the major explanation of the

expectation gap. Tax preparers simply are unaware, in general, of the degree of their clients' desire for an accurate return and thus are more tax aggressive than their clients expect.

Testing each of the constructs again with the 19 sets of matched data shows similar results. Noreen (1989) suggests that different cell sizes, variances, and even lack of independence between the two samples do not matter when using "computer intensive methods." He describes a method in which you take all cells from both samples and randomize those 1,000 times to create a distribution.

Each of 19 sets of taxpayer data are matched with their tax preparer data and the difference is taken. Then the absolute value of those differences is summed. Absolute values are used because sometimes the tax practitioners scores are above and sometimes below the taxpayers; therefore, the sum of those differences would lead to an artificially small number. Using the absolute differences instead shows the magnitude of the differences, regardless of sign. This sum is the "actual absolute difference score." Imagine, though, that each of these groups of taxpayers chose their tax preparer at random. I simulate this by randomly matching a taxpayer score and a tax preparer score. By doing this 19 times without replacement, and then taking the sum of the absolute differences, I create a score that could have happened if taxpayers chose their tax preparers at random. By repeating this 1,000 times, a distribution is created of the absolute difference scores that could be created by random pairing.

This distribution, along with summary statistics, is reported in Table 4-8 for each of the five constructs: ST, SM, AR, IRS, and CA. Additionally, the actual absolute difference score falls is shown where it falls on that distribution. If taxpayers choose their tax preparers to match their preferences on ST, SM, AR, IRS, and/or CA, then it would be expected that the actual absolute difference score would be small enough that it would be unlikely to happen by chance. If there was a statistically significant chance that this were the case, then the actual absolute difference score would be among the smallest five percent of the score, creating a likelihood that it happened by means other than random selection with 95 percent probability (p-value < .05). In no case, were the actual results small enough that it can be concluded they were anything but chance.

The summary statistics for the 1,000 SM scores created is in Panel 1. They ranged from 6.12 to 13.15 with a mean (standard deviation) of 10.50 (1.23). In Panel 2, the actual frequency distribution of these created SM scores is given. The actual score calculated by taking the sum of the absolute differences between the 19 taxpayer-tax preparer sets is 9.63. The likelihood of getting this number or less from a random matching is 22.5 percent.

In Panel 3, the summary statistics for the random differences created from the ST scores is shown. The data range from 4.89 to 13.50 with a mean (standard deviation) of 10.23 (1.27). In Panel 4, the frequency distribution is given. The actual sum is 11.12 and the probably of drawing this number or less randomly is 73.0 percent. Panel 5 shows the summary statistics for AR. The data range from 8.59 to 22.54 with a mean (standard deviation) of 16.63 (2.14). Panel 6 shows the frequency distribution. The likelihood of drawing the actual sum, 16.70, or less randomly is 50.6 percent. Panel 7 shows the summary statistics for IRS. The data range from 11.31 to 25.01 with a mean (standard deviation) of 19.20 (2.27). Panel 8 shows the frequency distribution and that the likelihood of drawing the actual number, 19.84, or lower randomly is 60.1 percent. Finally, Panel 9 shows the summary statistics for CA which range from 7.02 to 18.43 with a mean (standard

deviation) of 13.70 (1.80). Panel 10 shows the accompanying frequency distribution. The likelihood of drawing 15.97 or lower by chance is 91.4 percent.

These results show strong support for the first set of hypotheses. There is an expectation gap between tax preparers at levels below the Big 4 accounting firms and taxpayers in general. That expectation gap does not seem to go away when examining taxpayers' actual choice of tax preparer. For that matter, it appears random selection would actually result in a better match between taxpayer and tax preparer a large portion of the time.

The second hypothesis suggests there is a difference between CPAs' and non-CPAs' attitudes towards client advocacy. The results of this two-sample t-test shows 252 non-CPAs with a mean score of 2.79 (SD=0.814) and 286 CPAs with a mean score of 2.79 (SD=0.756). The difference between the two is 0.00 which is not significant (p=0.92). Thus, this hypothesis is not supported by the data as shown in Table 4-9. This is contrary to prior research that has found CPAs to be more aggressive than non-CPAs (Ayres, Jackson, and Hite 1989). This discrepancy points to the possibility that CPAs from the Big Four, as have been the subjects of previous studies, may differ from CPAs from smaller firms. More research is needed to distinguish which differences arise from type of firm as opposed to certification.

The third hypothesis predicts that the clients of CPAs have higher CA scores than other taxpayers. I test this in two ways. First, I test the taxpayers of tax practitioners who actually are CPAs against the other taxpayers. Next, I test the taxpayers who believe they are the clients of CPAs against other taxpayers. It is interesting to note that a large number of taxpayers believe they are having their taxes prepared by CPAs when in reality they are not. In my data, 180 participants believe they are the clients of CPAs when in reality they are not; this exceeds the actual number of CPA clients in the sample, which is 148.[47] It is unknown whether these taxpayers have been misled by their tax preparers; however, the problem of misrepresenting oneself as a CPA is widespread enough that a law was passed in Michigan on December 19, 2005 which enhances enforcement of penalties against persons misrepresenting themselves as CPAs.[48] The results of the CPA clients' versus the non-CPAs clients' CA scores are summarized in Table 4-10. There were 148 actual clients of CPAs whose mean CA score is 3.06 (SD=0.866) and the remaining 319 taxpayers had a mean CA score of 3.15 (SD=0.920). The difference between these two scores is 0.09, which is not significant (p=0.31). There were 308 taxpayers that believe they are the clients of CPAs. They have a mean score of 3.11 (SD=0.914). The remaining 114 taxpayers that do not believe themselves to be the clients of CPAs had a mean score of 3.18 (SD=.909). The difference between the two scores is 0.07 and not significant (p=0.47). Thus, this hypothesis is not supported.

The fourth hypothesis states that the clients of NTP firms have higher AR scores than other taxpayers. This was tested in a similar fashion to the previous hypothesis in that first the actual matched data from the one NTP firm preparer who allowed me to survey clients was used. After that, a comparison of all the taxpayers who believe they are going to a NTP firm against those who do not. As I know the type of company for all taxpayers, the first test used more records. Many taxpayers did not answer this question and for the second test, I

[47] Only 7 CPA clients answered that their practitioner was *not* a CPA, although quite a few participants left the question blank.

[48] Michigan State Senate Bill 0723 (2005) Public Act 278 of 2005.

only used those who did. In addition, several of the clients of the NTP firm did not believe they were using one. Table 4-11 shows the results from comparing the clients of NTP firms to other taxpayers. Twenty-three NTP clients had a mean AR score of 2.04 (SD=1.031) compared to 487 non-NTP clients with a mean score of 2.47 (SD=1.308). The different between these is -0.43 which is marginally significant (p-value=.066). Six clients who use a NTP did not know that they did so; this is approximately 26 percent of the clients of the NTPs. On the other hand, 17 taxpayers who believe they use a NTP had a mean AR score of 2.14 (SD=.993) are compared to 460 who believe that they do not use a NTP with a mean score of 2.49(SD=1.32). The difference in this case is only -0.35 which is not significant (p-value=.174). Therefore, there is only weak, partial support for this hypothesis.

The next hypothesis examines how income, dependent children and return complexity affect the motivation to save time (ST). The results are shown in Table 4-12. Panel 1 takes the five categorical income variables as the independent variable in one-way ANOVA and shows that income has no significant effect (p=0.507) on the motivation to save time.[49]

Panel 2 compares taxpayers with no dependent children to taxpayers with dependent children using a two-sample t-test. There were 230 taxpayers with one or more children in their household. These taxpayers had a mean score of 2.39 (SD=1.031). The remaining 263 taxpayers without dependent children had a mean score of 2.64 (SD=1.082). The difference between the two groups is -0.25 which is significant (p=.008). This shows that time is more important to taxpayers with dependent children than taxpayers without dependent children and supports the first half of Hypothesis 5b.

Panel 3 compares single and married taxpayers, both with dependent children. Single taxpayers were identified as those who claimed they filed single, head of household or qualifying widow(er). Married taxpayers were identified as those who claimed married filing joint. I left married filing separately out of the calculation, as there is no way to know why a taxpayer would choose this method; it may be because they have been separated for more than a year (single) or that they do not want to file a joint return for some other reason (married). Additionally, those taxpayers who have children, but did not list under which method they file are not included. In both panels, the dependent variable is ST. For single taxpayers with children, the mean score is 2.52 (N=137; SD=1.128) and for those that are married the mean score is 2.54 (N=344; SD=1.043). The difference between the two is -0.02 which is not significant (p-0.858). Thus the second half of Hypothesis 5b is not supported. I conclude that time is a significantly more important motivator to taxpayers who have children than to those who do not. However, marital status does not make a significant impact on the motivation to save time for taxpayers with children.

Panel 4 shows that return complexity has no significant effect on taxpayers' motivation to save time. A common proxy for return complexity in previous research is the total number of income or deductions classifications the participant has claimed (Collins, Milliron, and Toy 1990). Using the number of items checked as an income or deduction item as a categorical variable for return complexity, a one-way ANOVA was run with return complexity as the independent variable and ST as the dependent variable. The results were not significant (p=.257). Therefore, the only part of the fifth hypothesis that was supported by the data was

[49] Treating income as a continuous variable as opposed to a categorical variable did not change these results.

that taxpayers with children have a stronger motivation to save time by hiring a tax preparer than taxpayers without children.[50]

Panel 5 shows regression results run with ST as the dependent variable and children, income and complexity as the independent variables. The results were similar. Income and complexity were not significant variables in the equation; however, when including them the effect children has on the return is less than in the ANOVA.

The final hypothesis suggests that people who have had IRS contact will differ from those who have not in their desire to avoid the IRS. The results for this hypothesis are shown in Table 4-13. This was tested with a two-sample t-test. First, all taxpayers who responded to this question were divided into two groups. There were 328 participants that had not had any kind of contact with the IRS; their mean score was 4.36 (SD=1.443). The remaining 160 participants that have not had contact with the IRS had a mean score of 4.65 (SD=1.404). The difference between the two groups is -0.29 which is significant (p=0.031). The hypothesis was non-directional because IRS contact may make one more wary of the IRS and thus more motivated to avoid them, or it may make one more comfortable with the IRS and lessen that motivation. The data suggest the latter. There is no significant difference between taxpayers who have received a letter from the IRS and those who have not. However, there is a significant difference between those who have had an audit in the IRS' office and those who have not. In this case, 38 participants had to visit the IRS office. Their mean score was 4.91 (SD=1.403). The 450 participants that did not have to visit an IRS office have a mean score of 4.42 (SD=1.433). The difference between the two groups is -0.49 which is significant (p=0.042). This difference is in the same direction as the overall difference, suggesting that after being audited at the IRS' facilities once, taxpayers are less intimidated by the IRS. Interestingly, between taxpayers who have undergone a field audit and those who have not there is no significant difference.

4.5 Conclusion, Limitations and Future Research

Overall, the results of this dissertation show that there is an expectation gap between tax preparers at small and regional firms and taxpayers that choose to have their taxes professionally prepared. This is evidenced by the strong results of the first hypothesis. Each of the five constructs measured in this dissertation showed a significant difference between the participant taxpayers overall and participant tax preparers overall. Additionally, there is no evidence to suggest that tax preparer selection is based on anything non-random. The difference between the taxpayers' scores and those of the tax preparers they hire are not smaller than would be suggested by random pairing.

There is evidence to suggest that the levels of client advocacy do not differ between CPAs and non-CPAs as shown in prior literature. However, my participants are from regional or local CPA firms, local offices of NTP firms, and individual practitioners whereas prior research has been concentrated on the Big Four CPA firms. This may indicate that there is a distinction between certification and type of firm (CPAs that work for the Big Four are more aggressive than CPAs that work elsewhere). It does not address whether this is because the Big Four attract aggressive CPAs, or if the culture at the Big Four fosters tax aggression. Additionally, in measuring the perception of client advocacy, there is no difference between the clients of CPAs and non-CPAs. This may indicate that this difference has diminished with

[50] Additionally, a regression was run with ST as the dependent variable and children, income and return complexity as independent variables. The results were similar in that only children were statistically significant to the equation.

time or it may be that the difference is only found at the Big Four accounting firms. More research will be necessary to determine which of these is more correct.

This research indicates that the clients of NTP firms have a stronger desire for an accurate return than do other taxpayers; however, this does not hold for those that *believe* they are using a NTP firm. More research on taxpayer perceptions and choice of preparer may clarify this data.

Determining what factors make saving money an issue resulted in inconclusive results. Taxpayers with children do find saving time to be important. However, the data does not support that single-parents find saving time to be a more important motivation to hire a tax professional than married taxpayers with children do. A possible explanation is that looking at tax filing status is not a good proxy for being a single parent. A taxpayer could file a single return (or head of household or qualifying widow) while living with a partner that takes an active role in childcare. Conversely, a taxpayer could file a return claiming married filing joint but have a spouse that is not at home, for example serving in the military overseas. Future research could examine this issue more explicitly.

Lower tax knowledge is correlated with a stronger desire for an accurate return. This adds veracity to the idea that those that know less about taxes and hire a tax professional believe there is a low variance around the "correct" tax liability. Future research should examine what leads to greater tax knowledge.

This research finds that among taxpayers that hire a tax preparer, contact with the IRS reduces the desire to avoid it. This is similar to prior research that shows that CPAs with greater and more successful experience with the IRS are more aggressive (Duncan, LaRue, and Reckers 1989; Schisler 1994). It also indicates that perhaps the perception of the IRS is more intimidating than the reality. If this is so, it has implications for tax compliance. This, too, is an area for future research.

This dissertation contributes to the accounting tax literature in a number of ways. First, it extends previous research on the expectation gap in tax preparation by examining tax professionals from many different firms, instead of Big Four tax professionals. Second, it partitions the data based on tax preparer attributes and investigates the difference in the gap for each partition. A scale was also developed as part of this dissertation that will be useful in future research about taxpayer motivation.

There are limitations in any survey-based research. There is possibly a self-selection bias in those who choose to respond to the survey. As part of it was conducted via the internet, it would tend to attract higher income and better-educated taxpayers. There was no incentive paid based on the way that the survey was answered, and therefore the answers may be a result of social desirability bias or demand bias. Additionally, by necessity, the sample sizes are smaller than one would like and the tax preparer survey was geographically limited to Kentucky-area tax professionals. However, as a step in the direction of understanding the taxpayer-tax preparer relationship better, it is the best method available at this time.

A follow up study could investigate whether these findings apply to partnership, small corporation or large corporation tax preparation. In addition, it would be interesting to extend this research to those persons using tax software. Tax software is becoming a major industry, yet the use of tax professionals is also rising. Do taxpayers view tax software as an alternative to preparing tax returns by hand? Or as an alternative to hiring a professional? Both? Are these different for different demographics? Finally, combining motivation with

compliance research is compelling, both from the direction of the taxpayer and the tax professional, providing another direction of further study.

Table 4-1 Survey Response Rate

	Number of Tax Preparers		Respondents	Response Rates (in Percentages)
Original Mailing List		3,543		
Duplicates or No Contact Information		427		
Number able to be contacted		3116		
Contacted by Email	650			
Email addresses rejected	218			
Net Email Contacts		432	57	13.2
Remainder contacted by U.S. Postal Service	2,684			
Surveys returned with respondent deceased	10			
Surveys returned with respondent declining to answer	6			
Surveys returned with respondent no longer in practice	74			
Surveys returned undeliverable	149			
Net U.S. Postal Contacts		2,445	488	20.0
Total Potential Contacts		2,877	545	18.9

This table shows the response rate for the survey sent to tax preparers. The first wave was done via email and due to an unsatisfactory response rate, a second wave was sent via the U.S. Postal Service.

Table 4-2 Tax Preparer Demographics

Panel 1 - Qualification

	CPAs	Four-year degree in Accounting[2]	Some Training – No Degree	Graduate School	Enrolled Agents	Other[3]	Tax Attorney	Terminal Degree	Total[4]
Number	286	207	112	67	55	45	10	6	545[5]
Percent	52.4	37.9	20.5	12.2	10.0	8.2	1.8	1.1	

Panel 2 – Years of Experience

	0-5	6-10	11-20	21+	Total[6]
Number	21	64	128	327	540
Percent	3.9	11.9	23.7	60.6	100.0[1]

Panel 3 – Percentage of Time Spent in Tax Matters

	1-20	21-40	41-60	61-80	81-100	Total[7]
Number	81	95	137	131	94	538
Percent	15.1	17.7	25.5	24.3	17.5	100.0[1]

Panel 4 – Number of Returns Personally Prepared or Signed

	1-25	26-100	101-500	500+	Total
Number	76	99	270	90	535[8]
Percent	14.2	18.5	50.5	16.8	100.0

Panel 5 – Type of Firm

	Law Practice	Big 4	Regional CPA Firm	Local CPA Firm – More than 10 CPAs	Local CPA Firm – Fewer than 10 CPAs	National Tax Preparation Service[9]	Local Tax Preparation Service[10]	Other	Total
Number	20	1	27	41	201	19	211	19	539[11]
Percent	3.7	0.02	5.0	7.6	37.3	3.5	39.1	3.5	100.0[1]

This table shows the demographics of the 545 tax preparers responded after being contacted with via email or the U.S. Postal Service. This is subsequently referred to as the "full sample percent."

[1]Does not sum to 100 due to rounding.

[2] It is presumed that all CPAs have at least a four-year degree in accounting, but not all of the ones that checked CPA responded about education. Similarly, it would be presumed that those with graduate school or a terminal degree would also have a four-year degree but it was not so noted on most surveys. This may be because the question only inquired about a four-year degree in accounting.

[3] The most common "other" designation was Certified Financial Planner, but there were many others.

[4] No total percent is given because many of the participants had more than one designation so the total exceeds 100.

[5] Does not sum to 545 because many of the participants noted more than one qualification. Additionally, six participants did not list their qualifications at all.

[6] Does not equal 545 because five participants did not answer this question.

[7] Does not equal 545 because seven participants did not answer this question.

[8] Does not equal 545 because ten participants did not answer this question.

[9] Such as H&R Block

[10] If a participant checked "other" and then noted that they work for themselves or are self-employed, I coded it to reflect "Local Tax Preparation Service."

[11] Does not equal 545 because six participants did not answer this question.

Table 4-3 Demographics of Tax Preparers that Permitted a Client Survey

Panel 1 - Qualification

	CPAs	Four-year degree in Accounting[3]	Some Training – No Degree	Graduate School	Enrolled Agents[4]	Other	Tax Attorney	Terminal Degree	Total[4]
Number	9	12	4	2	7	3	0	0	21
Percent	42.9	57.1	19.0	9.5	33.3	14.3	0	0	
Full Sample Percent	52.4	37.9	20.5	12.2	10.0	8.2	1.8	1.1	

Panel 2 – Years of Experience

	0-5	6-10	11-20	21+	Total
Number	0	1	4	16	21
Percent	0	4.8	19.0	76.2	100.0
Full Sample Percent	3.9	11.9	23.7	60.6	100.0[1]

Panel 3 – Percentage of Time Spent in Tax Matters

	1-20	21-40	41-60	61-80	81-100	Total
Number	1	6	5	5	4	21
Percent	4.8	28.6	23.8	23.8	19.0	100.0
Full Sample Percent	15.1	17.7	25.5	24.3	17.5	100.0[1]

Panel 4 – Number of Returns Personally Prepared or Signed

	1-25	26-100	101-500	500+	Total
Number	1	5	10	5	21
Percent	4.8	23.8	47.6	23.8	100.0
Full Sample Percent	14.2	18.5	50.5	16.8	100.0

Panel 5 – Type of Firm

	Law Practice	Big 4	Regional CPA Firm	Local CPA Firm – More than 10 CPAs	Local CPA Firm – Fewer than 10 CPAs	National Tax Preparation Service	Local Tax Preparation Service	Other	Total
Number	0	0	0	1	8	1	11	0	21
Percent	0	0	0	4.8	38.1	4.8	52.4	0	100.0[1]
Full Sample Percent	3.7	0.02	5.0	7.6	37.3	3.5	39.1	3.5	100.0[1]

Number shows the proportion of preparers with each characteristic out of the 21 that allowed me to survey their clients. Percent is out of the smaller sample of 21. Full Sample Percent is the proportion of each characteristic from the larger sample of 545 preparers that responded to the survey. A comparison of these demographics to the full sample percent was performed using a Chi-Square test with the full sample percent as the expected frequency. Any statistically significant differences have been footnoted.

[1] Does not sum to 100 because of rounding.

[2] No total percent is given because many of the participants had more than one designation so the total exceeds 100.

[3] There is a greater proportion of preparers with a four-year degree in the sample that allowed me to survey their clients than in the full sample population (Chi-Square = 3.231)

[4] There is a greater proportion of preparers that are Enrolled Agents in the sample that allowed me to survey their clients than in the full sample population (Chi-Square = 12.704)

Table 4-4 Taxpayer Sampling and Response Rates

Approximate Number of Clients	Number of Clients Surveyed	Survey Percent	Responses	Response Rate	Response Rate as a Percentage of Total Number of Clients
2,600	250	9.6	53	21.2	2.0
1,300	130	10.0	27	20.8	2.1
1,300	130	10.0	23	17.7	1.8
1,000	100	10.0	43	43.0	4.3
920	100	10.9	39	39.0	4.2
462	100	21.6	37	37.0	8.0
350	100	28.6	34	34.0	9.7
300[1]	100	33.3	44	44.0	14.7
300[2]	100	33.3	36	36.0	12.0
200	100	50.0	27	27.0	13.5
130	100	76.9	24	24.0	18.5
110	100	90.9	26	26.0	23.6
100	100	100.0	34	34.0	34.0
50	50	100.0	22	44	44.0
35	35	100.0	8	22.9	22.9
Unknown[3]	28	Unknown	16	57.1	Unknown
28	28	100.0	11	39.3	39.3
8	8	100.0	8	100.0	100.0
Total: 9193	1659	18.0	512	30.9	5.6

Twenty-one tax preparers allowed me to survey their clients. This table shows the number of surveys sent to each sample and the subsequent response rates. It is broken down into 18 groups because three CPAs share their clients and are grouped together and one husband and wife team's clients were separated into two samples after the fact.

[1] This sample is from a group of CPAs who share their clients and thus could not be separated into individual samples.

[2] This sample was originally mailed for one preparer but enough responses came back with the name of the partner written in that a survey was completed by the partner and the sample is split into two for analysis purposes.

[3] One hundred surveys were originally prepared for this large CPA firm. They were unwilling to share the exact number of clients with me and when they received the survey, informed me they would only actually mail 28.

Table 4-5 Taxpayer Demographics

Panel 1 – Income[1]

	Less than $25,000	$25,000 to less than $50,000	$50,000 to less than $100,000	$100,000 or more	Prefer not to answer	Left blank	Total
Number	36	135	189	122	18	26	526
Percent	6.8	25.7	35.9	23.2	3.4	4.9	100.0[2]
National[3]	45.8	25.4	20.5	8.3	NA	NA	100.0

Panel 2 – Filing Status[4]

	Single	Married filing joint	Married filing separate	Head of household	Qualifying widow(er)	Prefer not to answer	Left blank	Total
Number	90	346	11	24	24	3	28	526
Percent	17.1	65.8	2.1	4.6	4.6	0.6	5.3	100.0[2]
National[5]	44.0	39.4	16.6			NA	NA	100.0

Panel 3 – Ethnicity[6]

	Black/ African American	White/ Caucasian	Native American	Latino/ Hispanic	Asian/ Pacific Islander	Other	Prefer not to answer	Left blank	Total
Number	15	463	4	3	3	2	6	30	526
Percent	2.9	88.0	0.8	0.6	0.6	0.4	1.1	5.7	100.0[2]
National[7]	12.3	69.1	0.9	12.5	3.6	1.6	NA	NA	100.0

Panel 4 – Number of Dependent Children

	0	1	2	3	4	5 or more	Prefer not to answer	Left blank	Total
Number	264	77	96	37	11	7	6	28	526
Percent	50.2	14.6	18.3	7.0	2.1	1.3	1.1	5.3	100.0[2]

Panel 5 – Age[8]

	Under 18	18-24	25-34	35-44	45-54	55-64	65+	Prefer not to answer	Left blank	Total
Number	2	4	42	114	148	102	82	4	28	526
Percent	0.4	0.8	8.0	21.7	28.1	19.4	15.6	0.8	5.3	100.0[2]
National[9]	35.3[10]		14.2	16.0	13.4	8.6	12.4	NA	NA	100.0[2]

Panel 6 – Gender[11]

	Male	Female	Prefer not to answer	Left Blank	Total
Number	233	241	12	40	526
Percent	44.3	45.8	2.3	7.6	100.0
National[7]	49.1	50.9	NA	NA	100.0

Panel 7 – Education[12]

	Less than high school	High school	Some college	Bachelor's degree	Master's degree	Doctorate	Prefer not to answer	Left blank	Total
Number	8	97	153	132	72	34	4	26	526
Percent	1.5	18.4	29.1	25.1	13.7	6.5	0.8	4.9	100.0
National[7]	19.6	28.6	27.3[13]	15.5	8.9		NA	NA	100.0[2]

This table shows the demographics of the 526 taxpayers that responded to the survey. The actual demographics are given in absolute numbers and in percentages. They are compared to national statistics where such statistics are available. NA means not applicable.
[1] This distribution is significantly different than the expected distribution based on the Statistics of Income (Chi-Square = 406.4). Specifically, more participants have incomes higher than $50,000 and fewer have less than that.
[2] Does not sum to 100.0 due to rounding.
[3] Source: Statistics of Income Table 1. – Individual Income Tax, All Returns: Sources of Income and Adjustments, by Size of Adjusted Gross Income, Fiscal Year 2002.
[4] This distribution is significantly different than the expected distribution based on the Statistics of Income (Chi-Square = 198.5). Specifically, it is weighted towards taxpayers filing under the "Married Filing Joint" status.
[5] Source: IRS, Statistics of Income, Individual Complete Report 2002, Publication 1304, February 2005.
[6] This distribution is significantly different that the expected distribution based on the Census Bureau Data (Chi-Square = 151.6). Specifically, more Caucasian, and fewer of all other ethnicities, are represented in my sample than national averages.
[7] Source: Census Bureau Data from Census Year 2000.
[8] Some participants checked two ages, presumably for themselves and their spouse. Those were not entered and thus will be counted as "left blank." This distribution is significantly different than the expected distribution based on the Census Bureau Data (Chi-Square = 84.77). Specifically, my sample is weighted towards 45-64 year old taxpayers at the expense of the other age groups.
[9] Source: Census Bureau Data from Census Year 2000. The first cell is for ages 0-24.
[10] Because the Census Bureau Data includes persons of all ages, but few children file their own returns, this category is not compared using Chi-Square. A weighted average of the remaining categories is tested.
[11] Some participants checked two genders, presumably for themselves and their spouse. Those were not entered and thus will be counted as "left blank." This distribution is not different than would be expected based on Census Bureau Data (Chi-Square = .001).
[12] This distribution is significantly different than the expected distribution based on the Census Bureau Data (Chi-Square = 224.2). Specifically, my sample includes more college educated people at all levels, and fewer people with only a high school degree or less.
[13] Includes persons with an Associate's Degree.

Table 4-6 Correlation Tables and Summary Statistics

Panel 1 – Summary Statistics and Correlation Table for All Taxpayers and Tax Preparers

	N	Mean	Std. Dev.	Minimum-Maximum (Median)	SM	ST	AR	IRS	CA
SM	1042	2.14	.852	1.0-7.0 (2.00)	1.000	.372**	.216**	.146**	.181**
ST	1043	2.48	.991	1.0-7.0 (2.25)		1.000	.255**	.310**	.192**
AR	1043	2.81	1.238	1.0-7.0 (2.67)			1.000	.360**	-.028
IRS	1042	4.54	1.343	1.0-7.0 (4.75)				1.000	.162**
CA	1023	2.94	.854	1.0-6.3 (2.89)					1.000

Panel 2 – Summary Statistics and Correlation Table for All Taxpayers

	N	Mean	Std. Dev.	Minimum-Maximum (Median)	SM	ST	AR	IRS	CA
SM	523	2.06	.911	1.0-5.3 (2.00)	1.000	.411**	.267**	.198**	.215**
ST	524	2.54	1.074	1.0-7.0 (2.50)		1.000	.311**	.330**	.220**
AR	524	2.46	1.295	1.0-7.0 (2.00)			1.000	.406**	.075
IRS	523	4.46	1.469	1.0-7.0 (4.50)				1.000	.266**
CA	479	3.12	.900	1.0-6.3 (3.11)					1.000

Panel 3 – Summary Statistics and Correlation Table for All Tax Preparers

	N	Mean	Minimum-Maximum (Median)	Std. Dev.	SM	ST	AR	IRS	CA
SM	519	2.21	1.0-7.0 (2.0)	.781	1.000	.335**	.106*	.060	.184**
ST	519	2.42	1.0-7.0 (2.25)	.896		1.000	.245**	.292**	.138**
AR	519	3.16	1.0-6.7 (3.00)	1.065			1.000	.285**	-.017
IRS	519	4.62	1.0-7.0 (4.75)	1.198				1.000	.067
CA	544	2.79	1.0-5.9 (2.78)	.780					1.000

** Significant at the .01 level (2-tailed)
* Significant at the .05 level (2-tailed)

Table 4-7 Taxpayer v. Tax Preparer Means

Panel 1 – Overall Means

Construct	Participant	N	Mean	Std. Deviation	Std. Error Mean
SM	Tax Preparer	519	2.21	0.781	.034
	Taxpayer	523	2.06	0.911	.040
	Difference (p-value)		**0.15 (.006)**		
ST	Tax Preparer	519	2.42	0.896	.039
	Taxpayer	524	2.54	1.074	.047
	Difference (p-value)		**-0.12 (.048)**		
AR	Tax Preparer	519	3.16	1.065	.047
	Taxpayer	524	2.46	1.295	.057
	Difference (p-value)		**0.70 (.000)**		
IRS	Tax Preparer	519	4.63	1.198	.053
	Taxpayer	523	4.46	1.469	.064
	Difference (p-value)		**0.17 (.043)**		
CA	Tax Preparer	544	2.79	0.780	.033
	Taxpayer	479	3.12	0.900	.041
	Difference (p-value)		**-0.33 (.000)**		

Compares the means of all taxpayers and all tax preparers on the five tested constructs: Saving Money (SM), Saving Time (ST), Accurate Return (AR), Avoidance of, or protection from, the IRS (IRS), and Client Advocacy (CA). Each construct consists of the average scores of the scale items that make up that construct. There were three to nine items for each.
All differences were tested with two-sample t-test and the p-values are two-tailed with no assumption of equal variances. All differences were significant ($p<.05$).
All items were asked on a 7-point Likert-type scale ranging from a low of "strongly agree" to a high of "strongly disagree." A score of 4 was a neutral midpoint labeled "neither agree nor disagree." Therefore, a lower score means greater importance for that construct.

Table 4-8 Taxpayer v. Tax preparer Means - Matched Sets

Panel 1 – Summary Statistics for SM Differences		
	Total Absolute Difference	Average Absolute Difference
Mean	10.50	0.55
Median	10.67	0.56
Standard Deviation	1.23	
Minimum	6.12	0.32
Maximum	13.15	0.69
These are the summary statistics for the distribution of 1,000 random pairings between taxpayers and tax preparers for the construct SM. The "Total Absolute Difference" Column is for the absolute sum of the differences, and the "Average Absolute Difference" Column divides that score by 19 so to make it comparable to other tables in this dissertation.		

Panel 2 - Frequency Distribution SM Differences			
Difference Score Range	***Count***	***Cumulative Frequency***	***Actual Difference (p-value)***
6.00 to 6.99 [0.32 to 0.37]	7	0.70%	
7.00 to 7.99 [0.37 to 0.42]	29	3.60%	
8.00 to 8.99 [0.42 to 0.47]	94	13.00%	
9.00 to 9.99 [0.47 to 0.53]	179	30.90%	9.63 [0.51] (.225)
10.00 to 10.99 [0.53 to 0.58]	320	62.90%	
11.00 to 11.99 [0.58 to 0.63]	269	89.80%	
12.00 to 12.99 [0.63 to 0.68]	94	99.20%	
13.00 to 13.99 [0.68 to 0.74]	8	100.00%	
This panel displays the frequency distribution for the sum of the absolute differences between 1,000 random pairs of taxpayer and tax preparer for the construct SM. The numbers in brackets have been divided by 19 to make the scores comparable to other tables in this dissertation.			

Panel 3 – Summary Statistics for ST Differences		
	Total Absolute Difference	Average Absolute Difference
Mean	10.23	0.54
Median	10.34	0.54
Standard Deviation	1.27	
Minimum	4.89	0.26
Maximum	13.50	0.71
These are the summary statistics for the distribution of 1,000 random pairings between taxpayers and tax preparers for the construct ST. The "Total Absolute Difference" Column is for the absolute sum of the differences, and the "Average Absolute Difference" Column divides that score by 19 so to make it comparable to other tables in this dissertation.		

Panel 4 - Frequency Distribution ST Differences			
Difference Score Range	***Count***	***Cumulative Frequency***	***Actual Difference (p-value)***
4.00 to 4.99 [0.21 to 0.26]	1	0.10%	
5.00 to 5.99 [0.26 to 0.32]	1	0.20%	
6.00 to 6.99 [0.32 to 0.37]	8	1.00%	
7.00 to 7.99 [0.37 to 0.42]	37	4.70%	
8.00 to 8.99 [0.42 to 0.47]	128	17.50%	
9.00 to 9.99 [0.47 to 0.53]	231	40.60%	
10.00 to 10.99 [0.53 to 0.58]	298	70.40%	
11.00 to 11.99 [0.58 to 0.63]	233	93.70%	11.12 [0.59] (.730)
12.00 to 12.99 [0.63 to 0.68]	57	99.40%	
13.00 to 13.99 [0.68 to 0.74]	6	100.00%	
This panel displays the frequency distribution for the sum of the absolute differences between 1,000 random pairs of taxpayer and tax preparer for the construct ST. The numbers in brackets have been divided by 19 to make the scores comparable to other tables in this dissertation.			

Panel 5 – Summary Statistics for AR Differences		
	Total Absolute Difference	Average Absolute Difference
Mean	16.63	0.88
Median	16.68	0.88
Standard Deviation	2.14	
Minimum	8.59	0.45
Maximum	22.54	1.19
These are the summary statistics for the distribution of 1,000 random pairings between taxpayers and tax preparers for the construct AR. The "Total Absolute Difference" Column is for the absolute sum of the differences, and the "Average Absolute Difference" Column divides that score by 19 so to make it comparable to other tables in this dissertation.		

Panel 6 - Frequency Distribution AR Differences			
Difference Score Range	***Count***	***Cumulative Frequency***	***Actual Difference (p-value)***
8.00 to 8.99 [0.42 to 0.47]	1	0.10%	
9.00 to 9.99 [0.47 to 0.53]	0	0.10%	
10.00 to 10.99 [0.53 to 0.58]	2	0.30%	
11.00 to 11.99 [0.58 to 0.63]	12	1.50%	
12.00 to 12.99 [0.63 to 0.68]	28	4.30%	
13.00 to 13.99 [0.68 to 0.74]	74	11.70%	
14.00 to 14.99 [0.74 to 0.79]	123	24.00%	
15.00 to 15.99 [0.79 to 0.84]	145	38.50%	
16.00 to 16.99 [0.84 to 0.89]	168	55.30%	16.70 [0.88] (.506)
17.00 to 17.99 [0.89 to 0.95]	169	72.20%	
18.00 to 18.99 [0.95 to 1.00]	140	86.20%	
19.00 to 19.99 [1.00 to 1.05]	86	94.80%	
20.00 to 20.99 [1.05 to 1.10]	37	98.50%	
21.00 to 21.99 [1.11 to 1.16]	12	99.70%	
22.00 to 22.99 [1.16 to 1.21]	3	100.00%	
This panel displays the frequency distribution for the sum of the absolute differences between 1,000 random pairs of taxpayer and tax preparer for the construct AR. The numbers in brackets have been divided by 19 to make the scores comparable to other tables in this dissertation.			

Panel 7 – Summary Statistics for IRS Differences		
	Total Absolute Difference	Average Absolute Difference
Mean	19.20	1.01
Median	19.17	1.01
Standard Deviation	2.27	
Minimum	11.31	0.60
Maximum	25.01	1.32
These are the summary statistics for the distribution of 1,000 random pairings between taxpayers and tax preparers for the construct IRS. The "Total Absolute Difference" Column is for the absolute sum of the differences, and the "Average Absolute Difference" Column divides that score by 19 so to make it comparable to other tables in this dissertation.		

Panel 8 - Frequency Distribution IRS Differences			
Difference Score Range	***Count***	***Cumulative Frequency***	***Actual Difference (p-value)***
11.00 to 11.99 [0.58 to 0.63]	2	0.20%	
12.00 to 12.99 [0.63 to 0.68]	3	0.50%	
13.00 to 13.99 [0.68 to 0.74]	6	1.10%	
14.00 to 14.99 [0.74 to 0.79]	26	3.70%	
15.00 to 15.99 [0.79 to 0.84]	50	8.70%	
16.00 to 16.99 [0.84 to 0.89]	80	16.70%	
17.00 to 17.99 [0.89 to 0.95]	139	30.60%	
18.00 to 18.99 [0.95 to 1.00]	157	46.30%	
19.00 to 19.99 [1.00 to 1.05]	167	63.00%	19.84 [1.04] (.601)
20.00 to 20.99 [1.05 to 1.10]	136	76.60%	
21.00 to 21.99 [1.11 to 1.16]	123	88.90%	
22.00 to 22.99 [1.16 to 1.21]	68	95.70%	
23.00 to 23.99 [1.21 to 1.26]	37	99.40%	
24.00 to 24.99 [1.26 to 1.32]	5	99.90%	
25.00 to 25.99 [1.32 to 1.37]	1	100.00%	
This panel displays the frequency distribution for the sum of the absolute differences between 1,000 random pairs of taxpayer and tax preparer for the construct IRS. The numbers in brackets have been divided by 19 to make the scores comparable to other tables in this dissertation.			

Panel 9 – Summary Statistics for CA Differences		
	Total Absolute Difference	Average Absolute Difference
Mean	13.70	0.72
Median	13.78	.073
Standard Deviation	1.80	
Minimum	7.02	0.37
Maximum	18.43	0.97
These are the summary statistics for the distribution of 1,000 random pairings between taxpayers and tax preparers for the construct CA. The “Total Absolute Difference” Column is for the absolute sum of the differences, and the “Average Absolute Difference” Column divides that score by 19 so to make it comparable to other tables in this dissertation.		

Panel 10 - Frequency Distribution CA Differences			
Difference Score Range	***Count***	***Cumulative Frequency***	***Actual Difference (p-value)***
7.00 to 7.99 [0.37 to 0.42]	6	0.60%	
8.00 to 8.99 [0.42 to 0.47]	3	0.90%	
9.00 to 9.99 [0.47 to 0.53]	16	2.50%	
10.00 to 10.99 [0.53 to 0.58]	46	7.10%	
11.00 to 11.99 [0.58 to 0.63]	111	18.20%	
12.00 to 12.99 [0.63 to 0.68]	150	33.20%	
13.00 to 13.99 [0.68 to 0.74]	211	54.30%	
14.00 to 14.99 [0.74 to 0.79]	221	76.40%	
15.00 to 15.99 [0.79 to 0.84]	151	91.50%	15.97 [0.84] (0.914)
16.00 to 16.99 [0.84 to 0.89]	61	97.60%	
17.00 to 17.99 [0.89 to 0.95]	23	99.90%	
18.00 to 18.99 [0.95 to 1.00]	1	100.00%	
This panel displays the frequency distribution for the sum of the absolute differences between 1,000 random pairs of taxpayer and tax preparer for the construct CA. The numbers in brackets have been divided by 19 to make the scores comparable to other tables in this dissertation.			

Table 4-9 CPAs' v. Non-CPAs' Client Advocacy (CA) Scores

Certification	N	Mean CA Score	Std. Deviation	Std. Error Mean
Non-CPA	252	2.79	.814	.051
CPA	286	2.79	.756	.045
Difference (Sig. 2-tailed)		0.00 (0.92)		

This table compares the mean Client Advocacy (CA) score of CPAs and Non-CPAs from the full sample of tax preparers. A lower mean score means greater importance is placed on the construct.

Table 4-10 CPA Clients' v. Non-CPA Clients' Client Advocacy (CA) Scores

Panel 1 – Actual Certification				
Certification	N	Mean CA Score	Std. Deviation	Std. Error Mean
Non-CPA Client	319	3.15	.920	.052
CPA Client	148	3.06	.866	.071
Difference (Sig. 2-tailed)		0.09 (0.31)		
Panel 2 – Perceived Certification				
Non-CPA Client	114	3.18	.909	.085
CPA Client	308	3.11	.914	.052
Difference (Sig. 2-tailed)		0.07 (0.47)		

This table compares the mean Client Advocacy (CA) score of the clients of CPAs and Non-CPAs. In the first panel are the actual CPA and Non-CPA clients based on the response of the corresponding tax preparer. In the second panel are the clients' perceptions based on their answers about their tax preparer. Note that 160 taxpayers believe they are using the services of a CPA when in fact they are not. A lower mean score means greater importance is placed on that construct.

Table 4-11 National Tax Preparation Firms' Clients' v. Other Taxpayers' Accuracy (AR) Scores

Panel 1 – Actual National Tax Preparation Firm Clients				
Participant	N	Mean AR Score	Std. Deviation	Std. Error Mean
NTP Clients	23	2.04	1.031	.215
Non-NTP Clients	487	2.47	1.308	.059
Difference (Sig. 2-tailed)		**-0.43 (.066)**		
Panel 2 – Perceived National Tax Preparation Firm Clients				
NTP Clients	17	2.14	.993	.241
Non-NTP Clients	460	2.49	1.320	.062
Difference (Sig. 2-tailed)		-0.35 (.174)		

This table compares the mean Accurate Return (AR) score for the clients of National Tax Preparation (NTP) firms to other types of firms. In the first panel are the actual NTP and Non-NTP clients based on the response of the corresponding tax preparer. In the second panel are the clients' perceptions based on their answers about their tax preparer's firm. Note that six taxpayers believe they not are using the services of a NTP when in fact they are. A lower mean score means a greater importance is placed on that construct.

Table 4-12 Income's, Dependent Children's, and Tax Complexity's Effect on Saving Time (ST) Scores

Panel 1 – Income's Effect on ST

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.886	5	.977	.861	.507
Within Groups	559.486	493	1.135		
Total	564.372	498			

Panel 2 – Children's Effect on ST for All Taxpayers

Number of Children	N	Mean	Std. Deviation	Std. Error Mean
One or more children	230	2.39	1.031	.068
No children	263	2.64	1.082	.067
Difference (p-value)	**-0.25 (.008)**			

Panel 3 – Marital Status' Effect on ST for Taxpayers with Dependent Children

Marital Status	N	Mean	Std. Deviation	Std. Error Mean
Single (Single, Widow, Head of Household)	137	2.52	1.128	.096
Married (Married Filing Joint)	344	2.54	1.043	.056
Difference (p-value)	-0.02 (.858)			

Panel 4 – Return Complexity's Effect on ST

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	25.110	18	1.395	1.200	.257
Within Groups	538.425	463	1.163		
Total	563.535	481			

Panel 5 – Children, Income and Complexity's Effect on ST

	Beta	Std. Error	t-statistic	Sig.
Constant	2.646	0.188	14.070	0.000
Child	-0.94	0.039	-2.394	0.17
Complexity	0.13	0.018	0.741	0.459
Income	-0.42	0.054	-0.778	0.437

This table shows the effect of income, dependent children, marital status and return complexity on the mean Saving time (ST) scores. The first panel shows that income has no effect on the desire to save time. This was tested with a one-way ANOVA using the categorical income variable as the independent variable and the ST score as the dependent variable.

The second panel shows that dependent children significantly increase the desire to save time. This was tested with a two-sample t-test of the means and equal variances was not assumed. A lower mean score indicates a greater importance placed on the construct. The third panel is showing only those taxpayers with children and compares the mean scores of those claiming "Married Filing Joint" status with the other filing statuses. This was also tested with a two-sample t-test of the means using marital status as the independent variable and ST as the dependent variable. The final panel examines the effect of return complexity on ST. This was tested with a one-way ANOVA using return complexity (as measured by the number of items of income or deductions checked by the taxpayer) as the independent variable and the ST score as the dependent variable. The fifth panel shows the results of a regression. Child was a categorical variable ranging from 0 for no children, 1 for 1 child, etc., up to 5 for 5 or more children. Complexity was the sum of the items of income or deduction checked by the taxpayer-participant. A higher number would mean more complexity. Income was a categorical variable ranging from the lowest income category of 1 to the highest of 5.

Table 4-13 IRS Contact's Effect on the Desire to Avoid the IRS (IRS) Scores

Panel 1 – IRS Contact's Effect on IRS				
Contact	N	Mean	Std. Deviation	Std. Error Mean
No IRS Contact	328	4.36	1.443	.080
IRS Contact	160	4.65	1.404	.111
Difference (p-value)	**-0.29 (.031)**			
Panel 2 – Office Audit				
Contact	N	Mean	Std. Deviation	Std. Error Mean
No Office Audit	450	4.42	1.433	.068
Had to visit IRS Office	38	4.91	1.403	.228
Difference	**-0.49 (.042)**			

This table shows the effect contact with the IRS has on the desire to avoid or be protected from the IRS (IRS). The first panel shows the effect of any type of contact – letter, office audit, or field audit. The second panel shows only the effect of the office audit. There were not enough taxpayers with a field audit to examine that effect. A lower mean score indicates greater importance is placed on the construct. Both were tested using a two-sample t-test and without assuming equal variances.

Figure 4-1Tax Preparers' Instrument

Informed Consent Sheet:

WHY ARE YOU BEING INVITED TO TAKE PART IN THIS RESEARCH?
You are being invited to take part in a research study that examines the relationship between tax professionals and their clients. Tax professionals are completing this survey. There is a similar one for taxpayers.

WHO IS DOING THE STUDY?
The person in charge of this study is Teresa Stephenson, PhD Candidate at the Von Allmen School of Accountancy, Gatton College of Business and Economics, University of Kentucky. Dr. Cynthia Vines, also of University of Kentucky, is guiding her in this research. There may be other people on the research team assisting at different times during the study.

WHAT IS THE PURPOSE OF THIS STUDY?
By doing this study, we hope to learn more about how taxpayers choose their tax professionals, what they want from their tax professionals and how well tax professionals are addressing those wants and needs.

WHERE IS THE STUDY GOING TO TAKE PLACE AND HOW LONG WILL IT LAST?
The research procedures will be conducted at the Von Allmen School of Accountancy, Gatton College of Business and Economics, University of Kentucky and/or College of Business, University of Wyoming. This survey is the only time I will need your assistance in this study. I anticipate that it will take you less than 30 minutes to answer the questions asked.

WHAT WILL YOU BE ASKED TO DO?
You will be given questions that relate to one of two topics. Nine questions ask your opinions on client advocacy. Fourteen questions ask what you think your clients are looking for in a tax preparation service . Each question is on a scale of 'strongly agree' to 'strongly disagree.' There will then be demographic information collected on your qualifications and practice and an opportunity to have your clients participate anonymously in a similar survey. If you choose to ask your clients participate, then from their surveys, I will provide to you, at no cost, an analysis of how well your practice is addressing your clients' needs. In exchange you agree to let me use those results in my dissertation and other research.

ARE THERE REASONS WHY YOU SHOULD NOT TAKE PART IN THIS STUDY?
None of which I am aware.

WHAT ARE THE POSSIBLE RISKS AND DISCOMFORTS?
To the best of our knowledge, the responses you will provide pose no risks to you, and by participating in this study you undertake no more risk than you would experience in everyday life.

WILL YOU BENEFIT FROM TAKING PART IN THIS STUDY?
You are able to benefit from this study if you agree to forward a URL link via email or hard copy surveys similar to this one to your clients and ask them to participate. In return for this, I will analyze your clients' data and return a report to you summarizing the results and comparing them to your answers. In exchange, I retain the right to use the acquired information in my dissertation and other research publications. However, the information is only used in aggregate, and no identifying information is ever published (none is collected on your clients, except that they are your client).

DO YOU HAVE TO TAKE PART IN THE STUDY?
If you decide to take part in the study, it should be because you really want to volunteer. You can stop at any time during the study.

IF YOU DON'T WANT TO TAKE PART IN THE STUDY, ARE THERE OTHER CHOICES?
Just discard this request.

WHAT WILL IT COST YOU TO PARTICIPATE?
There are no costs associated with taking part in this study.

WILL YOU RECEIVE ANY PAYMENT OR REWARDS FOR TAKING PART IN THE STUDY?
You will not receive any payment or reward for taking part in this study. However, if you choose to have your clients participate, you will receive a personalized report as described above.

WHO WILL SEE THE INFORMATION YOU GIVE?
Your information will be combined with information from other people taking part in the study. When we write up the study to share it with other researchers, we will write about this combined information. You will not be identified in these written materials.

CAN YOUR TAKING PART IN THE STUDY END EARLY?
If you decide to take part in the study you still have the right to decide at any time that you no longer want to continue.

Before you decide whether to accept this invitation to take part in the study, please ask any questions that might come to mind now. You can contact the investigator, Teresa Stephenson at 859-257-2819 or at tstep2@uky.edu. If you have any questions about your rights as a research volunteer, contact the staff in the Office of Research Integrity at the University of Kentucky at 859-257-9428 or toll free at 1-866-400-9428. You will be given more information about this study after completing the survey.

By returning the completed survey in the self-addressed stamped envelope, you agree that you have read, understood and agree to the terms of this informed consent letter.

Part 1 of 4 (Client Advocacy)

Please answer the following questions. It is best to work quickly and use your first instinct when choosing an answer.[51]
When examining a tax return, I tend to point out to taxpayers reasonable positions they could have taken which would have contributed to minimizing their tax liability.
The taxpayer has the right to structure transactions in ways that yield the best tax result, even if the law is unclear in an area.
It is important to use trends in the law by trying to establish a pattern of more favorable treatment for the taxpayer and then extending this pattern to the taxpayer's position.
I always interpret unclear/ambiguous laws in favor of the taxpayers.
Where no judicial authority exists with respect to an issue, I feel that the taxpayer is entitled to take the most favorable tax treatment.
I feel I should apply ambiguous tax law to the taxpayer's benefit.
Generally speaking, my loyalties are first to the tax system, then to the taxpayer.
I believe it is important that I encourage taxpayers to pay the least amount of taxes possible.
In an instance where no judicial authority exists with respect to an issue and where the Code and Regulations are ambiguous, I feel that the taxpayer is entitled to take the most favorable tax treatment.

Part 2 of 4 (Client Motivation)

In this section, please answer the questions in the way that you feel **your clients** would answer them.
Even though I pay a fee, I come out ahead financially with a tax professional.
I have my taxes professionally prepared and although it costs me money, it saves me valuable time.
I have my taxes professionally prepared because I don't have time to do it myself.
I would rather pay a little more in taxes and make sure I haven't broken any laws.
I would rather be protected from penalties than save money on my taxes.
I have my taxes professionally prepared so that if the IRS questions it, I won't be the one who gets in trouble.
If I paid enough to have my taxes prepared, I could end up without any tax liability.
The IRS won't prosecute me personally if my tax professional is wrong about something.
I would rather be protected from penalties than save money on tax preparation charges.
I have my taxes professionally prepared because it saves me money overall.

[51] All questions in Part 1 and Part 2 were asked on a 7-point Likert-type scale ranging from Strongly Agree to Strongly Disagree.

It takes so long to do tax returns; I would rather let a professional handle it.
My tax professional saves me money.
It's okay to pay a little more to have a professional prepare my taxes as long as it doesn't take my time.
I have my taxes professionally prepared so that I know I'll never have to face the IRS.

Part 3 of 4 (Demographics)

Please answer the following demographic questions about yourself and your firm.

The following best describes me (check all that apply):	
	CPA
	Enrolled Agent
	Some formal accounting/tax school – no degree
	Four year degree in accounting
	Graduate School
	Terminal Degree (PhD, JD, etc.)
	Tax Attorney
	Other certification(s) please list below:

I have been preparing taxes for:	
	0-5 years
	6-10 years
	11-20 years
	21+ years

The percentage of my time spent in tax matters is:	
	1-20%
	21-40%
	41-60%
	61-80%
	81-100%

My current firm is:	
	A law practice
	A "Big 4" CPA firm
	A Regional CPA firm
	A local CPA firm with more than 10 CPAs
	A local CPA firm with 10 or fewer CPAs
	A national tax preparation service
	A local tax preparation service
	Other (please specify below):

I personally prepare and/or sign:	
	1-25 returns a year
	26-100 returns a year
	101-500 returns a year
	500+ returns a year

Part 4 of 4 (Client Survey)

You have the opportunity to send a similar survey to your clients and receive an analysis of their responses. This would be at no cost to you, and without divulging your client list to me. In exchange, I will analyze your clients' results and provide you a summary of the results and how well you are meeting your clients' needs. You agree to allow me to use the findings in my dissertation and future research. In no circumstance will any information be published in such a way that an individual could be identified. It will all be reported in aggregate (i.e. 40% of female taxpayers said…). If you are interesting in this or in receiving more information on it, please put your contact information here or include your business card when returning this survey. If you are not interested, please return the survey anyway, just leave this section blank.

Name:
Phone number:
Email address:
Approximate number of clients:

Thank you so much for your time. Please return the survey pages in the enclosed self-addressed stamped envelope. Keep the informed consent for your records. Add below any comments about the survey that you may have:

Figure 4-2 Taxpayers' Instrument

Informed Consent Sheet:

WHY ARE YOU BEING INVITED TO TAKE PART IN THIS RESEARCH?
You are being invited to take part in a research study that examines the relationship between tax professionals and their clients. Taxpayers are completing this survey. There is a similar one for tax professionals.

WHO IS DOING THE STUDY?
The person in charge of this study is Teresa Stephenson, PhD Candidate at the Von Allmen School of Accountancy, Gatton College of Business and Economics, University of Kentucky. Dr. Cynthia Vines, also of University of Kentucky, is guiding her in this research. There may be other people on the research team assisting at different times during the study.

WHAT IS THE PURPOSE OF THIS STUDY?
By doing this study, we hope to learn more about how taxpayers choose their tax professionals, what they want from their tax professionals and how well tax professionals are addressing those wants and needs.

WHERE IS THE STUDY GOING TO TAKE PLACE AND HOW LONG WILL IT LAST?
The research procedures will be conducted at the Von Allmen School of Accountancy, Gatton College of Business and Economics, University of Kentucky and/or College of Business, University of Wyoming. This survey is the only time I will need your assistance in this study. I anticipate that it will take you less than 30 minutes to answer the questions asked.

WHAT WILL YOU BE ASKED TO DO?
You will be given questions that relate to one of two topics. Fourteen questions ask what you are looking for in a tax preparation service. Nine questions ask how you think your tax preparer would answer questions regarding client advocacy. Each question is on a scale of 'strongly agree' to 'strongly disagree.' There will then be demographic information collected on you and your tax professional's qualifications and practice.

ARE THERE REASONS WHY YOU SHOULD NOT TAKE PART IN THIS STUDY?
None of which I am aware.

WHAT ARE THE POSSIBLE RISKS AND DISCOMFORTS?
To the best of our knowledge, the responses you will provide pose no risks to you, and by participating in this study, you undertake no more risk than you would experience in everyday life.

WILL YOU BENEFIT FROM TAKING PART IN THIS STUDY?
You will not directly benefit from this survey. However, my research may be able to help your tax professional more closely meet your future needs. Additionally, you will be given the opportunity at the end of the survey to vote for a charity to which I will donate as a way of saying "Thank you" to you.

DO YOU HAVE TO TAKE PART IN THE STUDY?
If you decide to take part in the study, it should be because you really want to volunteer. You can stop at any time during the study.

IF YOU DON'T WANT TO TAKE PART IN THE STUDY, ARE THERE OTHER CHOICES?
Just discard this request.

WHAT WILL IT COST YOU TO PARTICIPATE?
There are no costs associated with taking part in this study.

WILL YOU RECEIVE ANY PAYMENT OR REWARDS FOR TAKING PART IN THE STUDY?
You will not receive any payment or reward for taking part in this study. However, I will donate $100 to the charity that receives the most votes and $50 each to the charities that receive the second and third most votes as a way of saying "Thank you" to you.

WHO WILL SEE THE INFORMATION YOU GIVE?
Your information will be combined with information from other people taking part in the study. When we write up the study to share it with other researchers, we will write about this combined information. If your tax professional asked you to participate in this survey, a report with the consolidated answers from all his or her clients will be provided to him or her. Nothing you say will be reported separately. You will not be identified in these written materials.

CAN YOUR TAKING PART IN THE STUDY END EARLY?
If you decide to take part in the study, you still have the right to decide at any time that you no longer want to continue.

Before you decide whether to accept this invitation to take part in the study, please ask any questions that might come to mind now. You can contact the investigator, Teresa Stephenson at 859-257-2819 or at tstep2@uky.edu. If you have any questions about your rights as a research volunteer, contact the staff in the Office of Research Integrity at the University of Kentucky at 859-257-9428 or toll free at 1-866-400-9428. You will be given more information about this study after completing the survey.

By returning the completed survey in the self-addressed stamped envelope, you agree that you have read, understood and agree to the terms of this informed consent letter.

Part 1 of 4 (Client Motivation)

Please answer the following questions. It is best to work quickly and use your first instinct when choosing an answer. [52]
Even though I pay a fee, I come out ahead financially with a tax professional.
I have my taxes professionally prepared and although it costs me money, it saves me valuable time.
I have my taxes professionally prepared because I don't have time to do it myself.
I would rather pay a little more in taxes and make sure I haven't broken any laws.
I would rather be protected from penalties than save money on my taxes.
I have my taxes professionally prepared so that if the IRS questions it, I won't be the one who gets in trouble.
If I paid enough to have my taxes prepared, I could end up without any tax liability.
The IRS won't prosecute me personally if my tax professional is wrong about something.
I would rather be protected from penalties than save money on tax preparation charges.
I have my taxes professionally prepared because it saves me money overall.
It takes so long to do tax returns; I would rather let a professional handle it.
My tax professional saves me money.
It's okay to pay a little more to have a professional prepare my taxes as long as it doesn't take my time.
I have my taxes professionally prepared so that I know I'll never have to face the IRS.

Part 2 of 4 (Client Advocacy)

In this section, please answer the questions in the way that you feel **your tax professional** would answer them.
When examining a tax return, I tend to point out to taxpayers reasonable positions they could have taken which would have contributed to minimizing their tax liability.
The taxpayer has the right to structure transactions in ways that yield the best tax result, even if the law is unclear in an area.
It is important to use trends in the law by trying to establish a pattern of more favorable treatment for the taxpayer and then extending this pattern to the taxpayer's position.
I always interpret unclear/ambiguous laws in favor of the taxpayers.
Where no judicial authority exists with respect to an issue, I feel that the taxpayer is entitled to take the most favorable tax treatment.
I feel I should apply ambiguous tax law to the taxpayer's benefit.
Generally speaking, my loyalties are first to the tax system, then to the taxpayer.
I believe it is important that I encourage taxpayers to pay the least amount of taxes possible.
In an instance where no judicial authority exists with respect to an issue and where the Code and Regulations are ambiguous, I feel that the taxpayer is entitled to take the most favorable tax treatment.

[52] All questions in Part 1 and Part 2 were asked on a 7-point Likert-type scale ranging from Strongly Agree to Strongly Disagree.

Part 3 of 4 (Taxpayer Information)

Please answer the following demographic questions about yourself. **Remember, this is an anonymous survey and your answers will only be combined with those of other participants** when used in research.

Here are some common income items. Please select any items for which *anyone included on your tax return* has had in the past five years *whether or not it was included as income on your return.*

	Salary as an employee from main job
	Salary as an employee from extra job
	Income from your own business, partnership, or S corporation
	Social security income
	Other pension/retirement income
	Dividends
	Interest on savings or bank accounts
	Cash payments from side jobs
	Tips
	Profit from sale of goods or services
	Barter for goods or services
	Unemployment compensation
	Rental or real estate income
	Commissions or bonuses
	Gambling, hobby, prize or award income
	Investment Income
	Other (please specify):

The following is a list of common deductions and tax credit items. Please place a check next to any time you have had in the past five years:

	Medical expenses
	Charitable contributions
	Mortgage interest
	Business expenses
	Child-care expenses
	Political contributions
	Earned income credit
	Exemption for dependent(s)
	Other (please specify):

I consider myself to be:	
	An expert in tax matters
	More knowledgeable than most in tax matters
	Average in tax matters
	Relatively uninformed about tax matters
	Completely clueless about tax matters

Part 3 of 4 (Taxpayer Information Continued)

Again, remember **nothing that will identify you is collected** and your information will only be reported combined with other taxpayers' results.

What is your household income?	
	Less than $25,000
	$25,000 to less than $50,000
	$50,000 to less than $100,000
	$100,000 or more
	Prefer not to answer

What is your filing status?	
	Single
	Married filing joint
	Married filing separate
	Head of household
	Qualifying widow(er)
	Prefer not to answer

What is your ethnicity?	
	Black/African American
	White/Caucasian
	Native American
	Latino/Hispanic
	Asian/Pacific Islander
	Other
	Prefer not to answer

How many dependent children do you have in your household?	
	0
	1
	2
	3
	4
	5 or more
	Prefer not to answer

What is your age?	
	Under 18
	18-24
	25-34
	34-44
	45-54
	55-64
	65+
	Prefer not to answer

What is the highest educational level you've attained?	
	Less than high school
	High school
	Some college
	Bachelor's degree
	Master's degree
	Doctorate
	Prefer not to answer

Have you ever been audited or contacted by the IRS?	
	No
	Yes, the IRS sent me a letter
	Yes, I had to visit an IRS office
	Yes, the IRS came to visit me
	Prefer not to answer

What is your gender?	
	Male
	Female
	Prefer not to answer

Part 4 of 4 (Taxpayer Professional Information)

This section is for information about your tax professional. Since he or she has asked you to do this survey, I already have some of this information, but please answer the questions with what you believe about your tax professional.

My tax professional's name is <name of professional>:	
	True
	False (please include name):

The following best describes my tax professional (check all that apply):	
	CPA
	Enrolled Agent
	Some formal accounting/tax school – no degree
	Four year degree in accounting
	Graduate School
	Terminal Degree (PhD, JD, etc.)
	Tax Attorney
	Other certification(s) please list below:

My tax professional works for (best guess):	
	A law practice
	A "Big 4" CPA firm
	A Regional CPA firm
	A local CPA firm with more than 10 CPAs
	A local CPA firm with 10 or fewer CPAs
	A national tax preparation service
	A local tax preparation service
	Other (please specify below):

If you have completely filled out this survey, I would like to give you the opportunity to vote for a charity that will receive a donation as a way of saying "Thank you" for taking the time to help me. The one with the most votes will receive $100 and the second and third runners-up will receive $50 each.

Please send a donation to	
	Doctors without Borders
	Big Brothers/Big Sisters
	Reading is Fundamental
	Humane Society of the United States
	Nature Conservancy
	Cancer Research Institute
	American Red Cross
	I prefer to name my own:

Thank you so much for your time. Please return the survey pages in the enclosed self-addressed stamped envelope. Keep the informed consent for your records. Add below any comments about the survey that you may have:

References

Arena, Peter, John F. O'Hare, and Michael P. Stavrianos. 2002. Measuring Taxpayer Compliance Burden: A Microsimulation Approach. National Tax Association - Proceedings: 333-341.

Ashley, Terry, and Mark A. Segal. 1997. Paid Tax Preparer Determinants Extended and Reexamined. Public Finance Review 25 (3):267-284.

Ashton, Robert H. 2000. Accuracy, Agreement, and Aggressiveness in Tax Reporting. Advances in Taxation 12:1-21.

Ayres, Frances L., Betty R. Jackson, and Peggy S. Hite. 1989. The Economic Benefits of Regulation: Evidence from Professional Tax Preparers. The Accounting Review LXIV (2):300-312.

Bauman, Christine C., and Katrine L. Mantzke. 2004. An Education and Enforcement Approach to Dealing with Unscrupulous Tax Preparers. Journal of Legal Tax Research 2:49-60.

Berry, Leonard L., and A. Parasuraman. 1993. Building a New Academic Field - The Case of Services Marketing. Journal of Retailing 69 (1):13-60.

Bornstein, Brian H., David Marcus, and William Cassidy. 2000. Choosing a doctor: an exploratory study of factors influencing patients' choice of a primary care doctor. Journal of Evaluation in Clinical Practice 6 (3):255-262.

Christensen, Anne L. 1992. Evaluation of Tax Services: A Client and Preparer Perspective. Journal of the American Taxation Association 14 (2):60-87.

Christian, Charles W., Sanjay Gupta, and Suming Lin. 1993. Determinants of Tax Preparer Usage: Evidence from Panel Data. National Tax Journal XLVI (4):487-503.

Christian, Charles W., Sanjay Gupta, Gary J. Weber, and Eugene Willis. 1994. The Relations Between the Use of Tax Preparers and Taxpayer's Prepayment Position. Journal of the American Taxation Association 16 (1):17-40.

Clark, Lee Anna, and David Watson. 1998. Constructing Validity: Basic Issues in Objective Scale Development. In Methodological Issues & Strategies in Clinical Research, edited by A. E. Kazdin. Washington DC: American Psychological Association.

Cloyd, C. Bryan. 1995. Prior Knowledge, Information Search Behaviors, and Performance in Tax Research Tasks. Journal of the American Taxation Association 17 (Supplement):82-107.

Cloyd, C. Bryan, and Brian C. Spilker. 1999. The Influence of Client Preferences on Tax Professionals' Search for Judicial Precedents, Subsequent Judgments and Recommendations. The Accounting Review 74 (3):299-322.

Collins, Julie H., Valerie C. Milliron, and Daniel R. Toy. 1990. Factors Associated with Household Demand for Tax Preparers. Journal of the American Tax Association 12 (1):9-25.

———. 1992. Determinants of Tax Compliance: A Contingency Approach. Journal of the American Accounting Association 14 (2):1-29.

Crane, F. G., and J. E. Lynch. 1988. Consumer Selection of Physicians and Dentists: An Examination of Choice Criteria and Cue Usage. Journal of Health Care Marketing 8 (3):16-19.

Cuccia, A.D., K. Hackenbrack, and M.W. Nelson. 1995. The Ability of Professional Standards to Mitigate Aggressive Reporting. The Accounting Review 70:227-248.
Cuccia, Andrew D. 1995. Diversity in the Professional Tax Preparation Industry and Potential Consequences for Regulation: Linking Attitudes and Behavior. Advances In Taxation 7:73-98.
Davis, Jon S., and J. David Mason. 2003. Similarity and Precedent in Tax Authority Judgment. Journal of the American Taxation Association 25 (1):53-71.
Dawes, Rene V. 1987. Scale Construction. Journal of Counseling Psychology 34:481-489.
DeVellis, Robert F. 2003. Scale development: theory and applications. Edited by L. Bickman and D. J. Rog. 2nd ed., Applied Social Research Methods Series. Thousand Oaks: Sage Publications, Inc.
Dillman, Don a. 1978. Mail and Telephone Surveys: The Total Design Method: John Wiley & Sons Inc.
Dubin, Jeffrey A., Michael J. Graetz, Michael A. Udell, and Louis L. Wilde. 1992. The Demand for Tax Return Preparation Services. The Review of Economics and Statistics 74:75-82.
Duncan, William A., David LaRue, and Philip M. J. Reckers. 1989. An Empirical Examination of the Influence of Selected Economic and Noneconomic Variables on Decision Making by Tax Professionals. Advances In Taxation 2:91-106.
Erard, Brian. 1993. Taxation with representation: An analysis of the role of tax practitioners in tax compliance. journal of Public Economics 52:163-197.
Fischer, Carol M. 2002. Audit versus Detection Probabilities: An Investigation of Taxpayer Perceptions. Journal of Accounting and Finance Research 10 (5):1-13.
Fischer, Carol M., Martha Wartick, and Melvin M. Mark. 1992. Detection probability and taxpayer compliance: A review of the literature. Journal of Accounting Literature 11:1-27.
Fisk, Raymond P., Stephen W. Brown, and Mary Jo Bitner. 1993. Tracking the Evolution of The Services Marketing Literature. Journal of Retailing 69 (1):61-103.
Frischmann, Peter J., and Edward W. Frees. 1999. Demand for Services: Determinants of Tax Preparation Fees. Journal of the American Taxation Association 21 (Supplement):1-23.
GAO. 2005. Reducing the Tax Gap Can Contribute to Fiscal Sustainability but Will Require a Variety of Strategies. In Tax Compliance. Washington DC: Government Accounting Office.
———. 2005. Understanding the Tax Reform Debate: Background, Criteria, & Questions: GAO.
Gerbing, David W., and James C. Anderson. 1988. An Updated Paradigm for Scale Development Incorporating Unidimensionality and Its Assessment. Journal of Marketing Research XXV:186-92.
Guyton, John L., Adam K. Korobow, Peter S. Lee, and Eric J. Toder. 2005. The Effects of Tax Software and Paid Preparers on Compliance Costs. National Tax Journal LVIII (3):439-448.
Guyton, John L., John F. O'Hare, Michael P. Stavrianos, and Eric J. Toder. 2003. Estimating the Compliance Cost of the U.S. Individual Income Tax. National Tax Journal 56 (3):673-688.

Hatfield, R.C. 2000. The Effect of Accountability on the Evaluation of Evidence. Advances In Taxation 12:105-125.
Helleloid, Richard T. 1989. Ambiguity and the Evaluation of Client Documentation by Tax Professionals. Journal of the American Taxation Association 11:22-36.
Hite, Peggy A., and John Hasseldine. 2003. Tax Practitioner Credentials and the Incidence of IRS Audit Adjustment. Accounting Horizons 17 (1):1-14.
Hite, Peggy A., and Gary A McGill. 1992. An Examination of Taxpayer Preference for Aggressive Tax Advice. National Tax Journal 45 (4):389-403.
Hite, Peggy A., Toby Stock, and C. Bryan Cloyd. 1992. Reasons for Preparer Usage by Small Business Owners: How Compliant Are They? The National Public Accountant 37 (2):20-26.
Iacobucci, Dawn. 1992. An Empirical Examination of Some Basic Tenets in Services: Goods-Services Continua. Advances in Services Marketing and Management 1:23-52.
Internal Revenue Service. 2003. IRS Sets New Audit Priorities [Website]. Internal Revenue Service 2002 [cited June 7 2003]. Available from http://www.irs.gov/newsroom/article/0,,id=105695,00.html.
———. 2004. Tax Year 2003 Taxpayer Usage Study. In Statistics of Income: Internal Revenue Service.
IRS Oversight Board. 2004. 2004 Taxpayer Attitude Survey. Washington DC: IRS Oversight Board.
Jackson, Betty R., Valerie C. Milliron, and Daniel R. Toy. 1988. Tax Practitioners and the Government. Tax Notes:333-341.
Johnson, Linda M. 1993. An Empirical Investigation of the Effects of Advocacy on Preparers' Evaluations of Judicial Evidence. Journal of the American Taxation Association 15 (1):1-22.
Kaplan, Steven E., Philip M.J. Reckers, Stephen G. West, and James C. Boyd. 1988. An Examination of Tax Reporting Recommendations of Professional Tax Preparers. Journal of Economic Psychology 9:427-443.
Klepper, Steven, Mark Mazur, and Daniel Nagin. 1991. Expert Intermediaries and Legal Compliance: The Case of Tax Preparers. Journal of Law & Economics XXXIV:205-229.
Klepper, Steven, and Daniel Nagin. 1989. The role of tax preparers in tax compliance. Policy Sciences 22:167-194.
Long, James E., and Steven B. Caudill. 1987. The Usage and Benefits of Paid Tax Return Preparation. National Tax Journal 40 (1):35-46.
———. 1993. Tax Rates and Professional Tax Return Preparation: Reexamination and New Evidence. National Tax Journal 46 (4):511-517.
Mason, J. David, and Linda Garrett-Levy. 2004. Are Preparer Penalties Effective Tax Compliance Tools? Working Paper.
Mason, J.D., and L.G. Levy. 2001. The Use of the Latent Constructs Method in Behavioral Accounting Research: The Measurement of Client Advocacy. Advances In Taxation 13:123-139.
McColl-Kennedy, Janet R., and Richard E. Fetter, Jr. 1999. Consumer Involvement Differences Between Professional Services and Non-Professional Services. Journal of Professional Services Marketing 19 (2):93-106.

McEnroe, John E., and Stanley C. Martens. 2001. Auditors' and Investors' Perceptions of the 'Expectation Gap.' In Accounting Horizons: American Accounting Association.
Milliron, Valerie C. 1988. A Conceptual Model of Factors Influencing Tax Preparers' Aggressiveness. Contemporary Tax Research:1-15.
Moser, H. Ronald, Robert G. Colvard, and M. Jill Austin. 2000. Consumers' Attitudes Toward Advertising by Accounting Professionals. Journal of Professional Services Marketing 20 (2):5-18.
Motes, William H., Bruce A. Huhmann, and C. Jeanne Hill. 1995. Following the Drill: The Search for a Dentist. Journal of Health Care Marketing 15 (2):34-41.
Myers, Marla, and Linda J. Morris. 1999. A Gap Analysis of a CPA Tax Service and the Implications for Enhancing Service Quality. Journal of Customer Service in Marketing & Management 5 (1):27-47.
Netemeyer, Richard G., William O. Bearden, and Subhash Sharma. 2003. Scaling Procedures: Issues and Applications. Thousand Oaks: Sage Publications, Inc.
Nichols, Nancy B., and John Ellis Price. 2004. Does Representation Matter in IRS Office Audits? Journal of the American Taxation Association 26 (1):21-42.
Noreen, Eric W. 1989. Computer Intensive Methods for Testing Hypotheses. 1st ed. New York: John Wiley & Sons, Inc.
Office of Public Affairs. 2003. Treasury Issues Rules To Increase Transparency and Halt Abusive Tax Avoidance Transactions: Office of Public Affairs, U.S. Treasury Dept.
Ostrom, A., and D. Iacobucci. 1995. Consumer Trade-Offs and the Evaluation of Services. Journal of Marketing 58:111-124.
Parasuraman, A., Valarie A. Zeithaml, and Leonard L. Berry. 1985. A Conceptual Model of Service Quality and Its Implications for Future Research. Journal of Marketing 49 (4):41-50.
———. 1988. SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality. Journal of Retailing 64 (1):12-40.
———. 1994. Alternative Scales for Measuring Service Quality: A Competent Assessment Based on Psychometric and Diagnostic Criteria. Journal of Retailing 70 (3):201-230.
———. 1994. Reassessment of Expectations as a Comparison Standard in Measuring Service Quality: Implications for Further Research. Journal of Marketing 58:111-124.
Pei, Buck K.W., Philip M. J. Reckers, and Robert W. Wyndelts. 1992. Tax Professionals Belief Revision: The Effects of Information Presentation Sequence, Client Preference, and Domain Experience. Decision Sciences 23 (1):175-199.
Raby, William L. 1983. Statement in Quotes: Advocacy in Tax Practice. Journal of Accountancy:70-74.
Rathmell, John .M. 1966. What is Meant by Services? Journal of Marketing 30:32-36.
Reckers, Philip M. J., Debra L. Sanders, and Robert W. Wyndelts. 1991. An Empirical Investigation of Factors Influencing Tax Practitioner Compliance. Journal of the American Taxation Association 13 (2):30-46.
Roberts, Michael L. 1998. Tax Accountants' Judgment/Decision-Making Research: A Review and Synthesis. Journal of the American Taxation Association 20 (1):78-121.
Roth, Jeffrey A., John T. Scholz, and Ann Dryden Witte, eds. 1989. Taxpayer Compliance Volume 1: An Agenda for Research. Edited by K. Hawkins and J. M. Thomas. 2 vols. Vol. 1, Law in Social Context. Philadelphia: University of Pennsylvania Press.

Rupert, T.J., and C.M. Fischer. 1995. An Empirical Investigation of Taxpayer Awareness of Marginal Tax Rates. Journal of the American Taxation Association 17 (Supplement):35-59.
Sakurai, Yuka, and Valerie Braithwaite. 2001. Taxpayers' Perceptions of the Ideal Tax Adviser: Playing Safe or Saving Dollars? In Working Paper: Centre for Tax System Integrity; Research School of Social Sciences; Australian National University.
Salisbury, Christopher J. 1989. How do people choose their doctor? British Medical Journal 299:608-610.
Schisler, Dan L. 1994. An Experimental Examination of Factors Affecting Tax Preparers' Aggressiveness -- A Prospect Theory Approach. Journal of the American Taxation Association 16 (2):124-142.
Schisler, Dan L., and Susan Coomer Galbreath. 2000. Responsibility for Tax Return Outcomes: An Attribution Theory Approach. Advances In Taxation 12:173-204.
Schnee, Edward J., Kathleen J. Bindon, and Craig A. Ellis. 1987. The Policy Implications of and Experience with, Preparer Penalties. Nevada Review of Business & Economics XI (2):21-30.
Scotchmer, Suzanne. 1989. The Effect of Tax Advisors on Tax Compliance. In Taxpayer Compliance: Volume 2, edited by J. A. Roth and J. T. Scholz. Philadelphia: University of Pennsylvania.
Shostack, Lynn. 1977. Breaking Free from Product Marketing. Journal of Marketing 41:73-80.
Slemrod, Joel, and Nikki Sorum. 1984. The Compliance Cost of the U.S. Individual Income Tax System. National Tax Journal 37 (4):461-474.
Spilker, Brian C., Ronald G. Worsham Jr., and Douglas F. Prawitt. 1999. Tax Professionals' Interpretations of Ambiguity in Compliance and Planning Decision Contexts. Journal of the American Tax Association 21 (2):75-89.
Tan, L. 1999. Taxpayers' preference for type of advice from tax practitioner: A preliminary examination. Journal of Economic Psychology 20:432-447.
White, James R. 2001. IRS Audit Rates: Rate for Individual Taxpayer Has Declined But Effect on Compliance Is Unknown. Washington DC: United States General Accounting Office.
Yancey, William F. 1996. Managing a Tax Practice to Avoid Malpractice Claims. The CPA Journal 66 (2):12-17.
Yankelovich, Skelly, and White, Inc. 1984. Taxpayer Attitudes Study: Final Report. New York: Public Affairs Division, Internal Revenue Service.
Zeithaml, Valarie A., Leonard L. Berry, and A. Parasuraman. 1993. The Nature and Determinants of Customer Expectations of Service. Journal of the Academy of Marketing Science 21 (1):1-12.
Zeithaml, Valarie A., and Mary Jo Bitner. 2003. Services Marketing: Integrating Customer Focus across the Firm. 3rd ed. New York: McGraw-Hill Higher Education.

VITA

Teresa Stephenson

Education:

Master of Professional Accountancy, University of Indiana 2000
Bachelor of Business Administration in Financial Accounting, National University 1989

Professional Experience:

2005 – Present, Instructor at University of Wyoming, Laramie, WY
2002 – 2005, Teaching/Research Assistant at University of Kentucky, Lexington KY
2004, Adjunct Instructor at Sullivan University, Lexington KY
2001 – 2005, Instructor at Indiana University Independent Study Program, Bloomington IN
1998 – 2001, Grad. Student Instructor at Indiana University, Indianapolis and Bloomington IN
1996 – 1999, Instructor, Indiana Business College, Indianapolis, IN
1993 – 2005, Self-Employed Accounting Consultant, Indianapolis, IN
1991 – 1993, Business Manager at Win Communications of Indiana, Inc., Indianapolis, IN
1990 – 1991, Controller at Tollycraft Yachts Corp., Kelso WA
1989 – 1990, Staff Accountant at First Federal Savings Bank NW, Longview, WA
1984 – 1989, Self-Employed Tax Preparer, Poway, CA
1979 – 1989, Temporary Agencies–Clerical Work/Bookkeeping, San Diego CA
1976 – 1979, United States Marine Corps.

Honors, Awards and Certifications:

2005 American Taxation Association Doctoral Consortium Grant from KPMG
2005 American Taxation Association Mid-Year Meeting Grant from Ernst & Young
2004 – 2005 Research Challenge Trust Fund II Von Allmen Fellowship
2004 – 2005 Graduate School Academic Non-Service Fellowship
2004 – 2005 University of Kentucky Allocated Academic Year Fellowship
2004 – 2005 Full Time Graduate Assistantship
2004 American Taxation Association Mid-Year Meeting Grant from Ernst & Young
2003 – 2004 Kentucky Opportunity Fellowship
2003 American Accounting Association Doctoral Consortium
2003 – 2004 Full Time Graduate Assistantship
2003 American Taxation Association Mid-Year Meeting Grant from Ernst & Young
2002 – 2003 Graduate School Non-Service Fellowship
2002 – 2003 Full Time Graduate Assistantship
2001 – 2002 Gatton PhD Fellowship
1999 Instructor of the Quarter, Indiana Business College
1991 – Present Certified Management Accountant

Academic Publications:

A100: Basic Accounting Skills August 2002 Indiana University Press
Oh No! Not an Artifact! *Lessons: Stories from the Writing Classroom*
Volume 2.2 Spring 1999

Other:

Born December 6, 1958 in Excelsior, MN