The Aggressiveness of Tax Professional Reporting: 
Examining the Influence of Moral Reasoning

Cynthia Blanthorne, Hughlene Burton and Dann Fisher
The Aggressiveness of Tax Professional Reporting:
Examining the Influence of Moral Reasoning

ABSTRACT

This paper investigates the effect of moral reasoning of tax professionals on the aggressiveness of their reporting recommendations. The findings of the study indicate moral reasoning influences the aggressiveness of tax reporting decisions separate from the influence of client pressure. As the level of moral reasoning increases, the aggressiveness of the reporting position is found to decrease. Contrary to prior research, client pressure is not related to tax reporting aggressiveness. In light of the vast public criticism of the accounting profession in recent years, this outcome may signal a shift in how tax professionals respond to issues of client pressure.

Keywords: Aggressiveness, Client Pressure, Ethics, Moral Development, Tax Professionals, Taxation
Faith in ethics as a foundation of the accounting profession is in jeopardy. What began with the shocking discovery of accounting fraud and aggressive tax shelters at Enron has parlayed into over a decade of scrutiny. The Internal Revenue Service (IRS) is concerned about the means and manner in which tax professionals exploit ambiguous areas of the tax law. The IRS’ stated goal of the recent amendments to the Circular 230 is to promote ethical practice by tax professionals and curb abusive tax avoidance transactions (IRS 2004). One immediate example of IRS enforcement is the ongoing attack on the marketing and implementation of tax shelters by tax professionals (IRS 2011). In fact, large CPA firms that have not been challenged by the IRS are the exception, rather than the norm.

Tax professionals are faced with a unique dilemma. Client pressure creates an incentive to exploit ambiguous reporting situations for personal, including financial self-interest (i.e. to maintain a positive relationship with the client). At the same time, tax practitioners have a professional obligation to maintain the integrity of the tax system. The Statements on Standards for Tax Service (SSTS), specifically SSTS #1, frames this dilemma by stating that the tax professional “has both the right and responsibility to be an advocate for the taxpayer…In addition to a duty to the taxpayer, [the professional] has a duty to the tax system” (AICPA 2009).

Prior literature has examined the aggressiveness of reporting behavior of tax professionals. Early studies suggest that tax professionals support compliance when the appropriate tax treatment is unambiguous, but that they tend to exploit ambiguous reporting situations in favor of their clients (Klepper and Nagin 1989; Ayers, Jackson and Hite 1989).
Schisler (1994) countered that aggressiveness may not be an inherent characteristic of tax professionals. Instead, Schisler suggests that tax professionals are more likely to adopt an aggressive position when working with aggressive clients, a supposition supported in some (Cuccia, Hackenbrack and Nelson 1995; Carnes, Harwood and Sawyers 1996; Cloyd and Spilker 1999; Cruz, Shafer and Strawser 2000), but not all (Duncan, LaRue and Reckers 1989; Spilker, Worsham and Prawitt 1999) research. Pei, Reckers and Wyndels (1992) and Helleloid (1989) suggest that client preference may affect only inexperienced tax professionals. Still other studies have searched for demographic characteristics of the tax professional that might suggest a propensity to promote aggressive reporting positions, finding either small or no effects (Cuccia 1994; Schisler 1994; Duncan et al. 1989).

A factor in prior literature that has not been adequately explored is the effect moral reasoning abilities play in the process. Cruz el al. (2000) examined the relationship between ethical reasoning and the propensity for tax professionals to support aggressive reporting positions. They found a relationship between ethical judgments and aggressive reporting positions for cases involving client pressure. This finding implies that moral reasoning abilities moderate the relationship between client pressure and the likelihood of adopting an aggressive reporting position. Because Cruz et al. (2000) did not manipulate the level of client pressure, the question of whether or not moral reasoning abilities influence the reporting decisions of tax professionals in situations when client pressure is not present remains unanswered.
The purpose of this study is twofold. First, this research examines the relationship between the tax professionals’ moral reasoning abilities, as measured by the Defining Issues Test (Rest 1979; Rest, Narvaez, Thoma and Bebeau 1999b), and aggressive tax reporting positions. Second, using the four-component model of moral behavior as a framework, this research examines how tax professionals’ moral reasoning abilities interact with client preference to influence tax professionals’ reporting decisions.

The findings of the study indicate that any influence that moral reasoning has on the aggressiveness of tax reporting decisions is separate from the influence of client pressure. As the level of moral reasoning increases, the aggressiveness of the reporting position is found to decrease. Contrary to prior research, client pressure is not related to tax reporting aggressiveness. Although this result may be an artifact of the sample or the scenarios employed, this outcome may signal a shift in how tax professionals respond to issues of client pressure in light of the vast public criticism cast upon the profession. The shift may indicate a renewed sense of responsibility to the public.

The paper proceeds in the following manner. The next section reviews the literature relevant to moral reasoning and client pressure leading to the advancement of hypotheses. The methodology is presented, followed by the results. A final section consists of a summary and discussion.

**LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

The function of morality is to provide guidelines for social cooperation and coordination of social activities (Rest 1986). Morality is concerned with “…how humans cooperate and coordinate their activities in the service of furthering human welfare, and how they adjudicate
conflicts among individual interests” (Rest 1986, 3). A moral issue exists when a person’s actions, freely performed, may benefit or harm others (Velasquez and Rostankowski 1985).

The U.S. tax system is designed not only to generate revenue, but also to redistribute wealth and carry out social and economic objectives. Although the government has the power to force compliance, the tax system can function effectively and efficiently only if it is perceived as being reasonably fair and the support of those who are taxed is maintained. Scholz (1989) claims that fairness, not revenue, is why enforcement activities are necessary. Allowing noncompliance means that honest taxpayers will be forced to absorb a greater share of the tax burden.

The tax professional is embedded in this story. Almost sixty percent of taxpayers use a paid tax preparer (IRS 2010). Survey research suggests that the primary reason that most taxpayers use the services of a tax professional is to file an accurate return (Collins, Milliron and Toy 1990; Hite and McGill 1992; Hite, Stock and Cloyd 1992). Yet, IRS studies (Coyne 1987; Kinsey 1987) suggest that aggressive clients push tax professionals toward aggressive reporting positions. Schisler (1995) found that, while tax professionals perceived themselves as more aggressive than taxpayers, experimental evidence indicates that taxpayers make significantly more aggressive reporting decisions than do tax professionals. Research also suggests that taxpayers are more likely to accept advice when the tax professional is a CPA (Hite and McGill 1992), especially when the advice is aggressive (Schmidt 2001). Klepper and Nagin (1989) and Makkai and Braithwaite (1993) assert that, although tax professionals understand that they have an obligation to the tax system and the standards of the profession, client pressure and profit motive may lead some CPAs to provide aggressive tax advice. These conflicting demands create a classic social dilemma involving a conflict between social cooperation (system maintenance
and distributive justice) and personal self-interest (financial and maintaining a positive relationship with the client). The four-component model of moral behavior is presented as a theoretical framework for studying the complex perception and cognitive processes used to resolve or avoid this potential conflict.

**The Four-Component Model**

According to Rest (1983, 1984; 1986; Rest and Narvaez 1991; Rest et. al. 1999b; Bebeau 2002), four major processes are involved in the production of a moral act. Rest’s four-component model is suggested as a framework for accounting research (Thorne 1998), accounting ethics education (Armstrong, Ketz and Owsen 2003) and taxpayer compliance research (Fisher 1994). The four processes are:

1. **Moral sensitivity** -- Interpreting the situation in terms of how the welfare of others’ would be affected by the potential actions. Moral sensitivity means being aware that a moral issue exists;

2. **Moral reasoning** -- Determining and selecting the ethically best course of action. Ethical reasoning is concerned with what ought to be done;

3. **Moral motivation** -- Selecting, based on both moral and non-moral values, the intended course of action. Failure to behave ethically can result despite awareness of the situation and understanding of what ought to be done if the person forsakes the ethical course of action in pursuit of other goals;

4. **Moral character** -- Executing and implementing the intended ethical plan of action. At issue is whether the “…person persists in pursuing the moral course of action, overcomes distractions and fatigue, [and] exercises courage in following through on one’s moral convictions” (Rest and Narvaez 1991, 244).
The model asserts that behavior is the result of several processes, all of which must be activated if moral behavior is to occur. Failure to behave morally can result from deficiencies in any one of the four processes. Rest (1983, 1986) does not offer the model as a linear decision-making sequence, asserting instead that the components interact. He further explains that this complex interaction would make the simultaneous assessment of all four processes nearly impossible (Rest 1984). The purpose of this paper is to examine how a tax professional’s moral reasoning (component 2) and client pressure (component 3 motivation) influence and interact to affect tax-reporting recommendations (component 4 decision making).

**Moral Reasoning**

*The Theory of Moral Development*

The function of the component 2 processes, moral reasoning, is to identify which possible course of action is the moral course of action. Moral development theory – associated with the work of Kohlberg (1969) and Rest (1979; 1986; Rest et al. 1999b) – offers a description of the cognitive processes used to identify and frame possible courses of action to a moral dilemma. When faced with a moral dilemma, a person must ascertain how possible courses of action would affect his or her welfare and the welfare of others and then resolve this conflict by choosing the course of action that would best fulfill the moral ideal.

According to moral development theory, differences exist among individuals in the complex cognitive processes used to make moral judgments. Moral development is the result of the “progressive understanding of the purpose, function, and nature of social cooperation” (Rest 1983, 562). Experience is believed to increase one’s understanding of the need for social arrangements, the types of social arrangements that are possible, and the benefits and obligations that may result from each arrangement (Rest 1983; 1986; Rest et. al. 1999b). The lasting effects
of social experiences are stored in long-term memory in the form of moral schema or “schemes of cooperation” (Rest et al. 1999b). The various moral schema are referred to as stages. The stage model, as developed by Kohlberg (1969), revised by Rest (1979), and modified by Rest et al. (1999b), asserts the existence of six stages or schema, each characterized by distinct notions of fairness and justice.

The focus in the early stages (Stages 1 and 2) is on the self. A person reasoning at the early stages complies with rules and social expectations only when a personal benefit is to be derived or a personal consequence is to be avoided. In the early stages of development, individuals do not view relationships within a comprehensive social system. Instead, each person is viewed as an independent agent motivated to pursue his or her own interests. A course of action is considered moral if the benefits to be obtained exceed the cost.

The focus in the intermediate stages (Stages 3 and 4) is on maintaining relationships. Stage 3 moral reasoning emphasizes approval by others close to the person. Individuals using a Stage 3 schema fail to define guidelines of moral interactions for people outside their circle of relatives, friends and close acquaintances (e.g., clients). Good behavior is defined as that which pleases or helps members of the group. Moral correctness is judged in terms of intentions to meet the group’s shared conceptions of what it means to be a good person. This causes individuals employing Stage 3 reasoning to conform to stereotypical images of majority behavior. The belief that “everyone is doing it” has great effect at Stage 3 (Kohlberg 1971). This belief can be seen when taxpayers underreport income because they think everyone cheats on their taxes.

As reasoning shifts to Stage 4, the person perceives and understands the need for a society-wide system of cooperation in which the roles have been formally organized. Each role
has rights and responsibilities attached. Knowledge of these rights and responsibilities allows persons to know what to expect, even without prior knowledge of other parties in the system. The moral course of action is defined by compliance with categorical rules. Laws create norms for behavior that are publicly established, categorically and impartially applied, and impersonally enforced. No deviations from the rules are allowed because to do so would threaten the social order. The Stage 4 schema creates a sense of moral certainty – obeying the law is always the correct course of action. Individuals are expected to obey authorities out of deference to the social system.

The focus in the advanced stages (Stages 5 and 6) shifts from the strict compliance with the established categorical rules to a reliance on sharable ideals or principles as a means for choosing among alternative social systems and developing new laws and arrangements. A person reasoning at this advanced level puts aside self-serving interests when evaluating a social system or particular laws or arrangements. The person believes that the system should respect the interests of others, further cooperation, promote the common good and/or be consistent with previously agreed-to principles. Whereas Stage 4 reasoning relies on de facto norms, postconventional (Stages 5 and 6) reasoning sees laws and conventions as being subject to change and necessary only for promoting a stable social order. The duty and rights are derived from the moral purpose behind the law and should be evaluated in terms of the ability to distribute benefits and burdens in the most equitable manner.

Stage 5 provides procedures for making rules that reflect the will of the people. By giving each person an equal say in how society is to be arranged, arbitrary inequities are lessened. In general, Stage 5 provides for an enduring social structure that is capable of obtaining the support of its members. Although Stage 5 reasoning provides procedural justice, it
cannot guarantee that the laws will not produce an arbitrary and inequitable balancing of interests. The stage 6 schema for balancing interests goes beyond due process and social consensus to reliance on ideal forms of justice, presented in such a way that “rational, equal, and impartial people could choose them as the governing terms of their cooperative interaction” (Rest 1983, 589).

Kohlberg (1969) and Rest (1979) originally grouped the stages into three levels. Stages 1 and 2 were referred to as the preconventional level. Stages 3 and 4 were labeled the conventional level. Stages 5 and 6 were described as the postconventional or principled level. Rest et al. (1999b) reformulated the stages into three distinct schemas. Rest et al (1999b) referred to Stages 2 and 3 as the Personal Interest Schema, Stage 4 as the Maintaining Norms Schema, and Stages 5 and 6 as the Postconventional Schema.

**Measurement of Moral Reasoning – The Defining Issues Test**

Rest (1979, 1986, 1993) created the Defining Issues Test (DIT) as an objective measure of moral judgment. The DIT presents a subject with a set of six (long form) or three (short form) hypothetical ethical dilemmas, each with 12 responses corresponding to one of the stages of moral development. The subject indicates the importance of each of the response items to his/her resolution of the dilemma and then ranks the four most influential. The universally utilized measure from this instrument is the P score. The P score represents the relative importance given in the response rankings to Stage 5 and 6 items.

In the accounting literature, researchers have found significant relationships between the P score and important auditing behavioral measures. The P score has been found to explain auditor’s independence judgments (Ponemon and Gabhart 1990; Sweeney and Roberts 1997), ability to resist management pressure (Tsui and Gul 1996; Windsor and Ashkanasy 1995), ability
to detect fraud (Bernardi 1994), hiring and promotion decisions in public accounting firms (Ponemon 1992a), underreporting behavior (1992b) and objectivity of litigation-support decisions (Ponemon 1995). Researchers have consistently reported that the P scores of auditors fall below the expectation for college graduates (Ponemon and Gabhart 1994) and are generally oriented toward conventional (Stage 3 and 4) reasoning (Lampe and Finn 1992; Ponemon 1990, 1992a; Sweeney 1995).

Rest et al. (1997) developed a new index from the DIT data, the N2 score, that is purported to outperform the P score. The N2 score uses the P score, based on ranking data, and adds to it a component based on the rating data. The rating component is based on the difference between Principled Schema (Stages 5 and 6 reasoning) and the Self Interest Schema (Stage 2 and 3 reasoning). Thus, the N2 score is believed to perform better than the P score because it uses both ranking and rating data.

The DIT was unchanged for 25 years and had been criticized for using outdated dilemmas. In response to the criticism, Rest, Narvaez, Thoma and Bebeau (1999a) revised the instrument to create the DIT2. The DIT2 parallels the DIT but uses updated dilemmas and response items, five dilemmas instead of six dilemmas, and more concise instructions. The DIT2 produces the same indices (P score and N2 score) and stage scores as the DIT.

Client Pressure

The processes comprising Component 3 culminate in a decision about the action one intends to take. The individual must select from among competing moral and other values. Rest (1983, 1986) and Bebeau and Thoma (1999) suggest that it is not unusual for the other values (e.g., career pressures, relationships, personal concerns) to override the moral choice. According to Bebeau and Thoma (1999, 345), “Some of the most notable lapses of ethical behavior in the
professions can be attributed to the low priority placed on the moral, even when the moral choice is very well understood.”

Client pressure is a factor thought to be linked to ethical lapses. Klepper and Nagin (1989) describe the dual, often conflicting, role faced by the tax professional. They assert that the tax professional has a responsibility to help maintain the system, referred to as an “enforcer” role, while at the same time serving as an advocate for their clients, referred to the “exploiter” role. Makkai and Braithwaite (1993) stated that, despite accountants’ understanding of the profession’s standards, profit motive creates an incentive to provide aggressive tax planning.

Although survey research indicates that the primary reason most taxpayers use the services of a tax professional is to file an accurate return (Collins et al. 1990; Hite and McGill 1992; Hite et al. 1992), IRS studies (Coyne 1987; Kinsey 1987) suggest that many taxpayers are willing to push tax professionals toward aggressive reporting positions. Schisler (1995) states that although taxpayers assert in survey data that they are less aggressive than tax professionals, experimental evidence suggests the contrary. Since almost sixty percent of all returns are prepared by tax professionals (IRS 2010), the potential for a preparer to feel pressure from a client at some point is almost absolute. The profit motive creates the desire to please clients. As Cuccia et al. (1995) state, “A tax preparer always has an incentive to implement a client’s preferred reporting position.”

A number of studies support the aggressive nature of tax professionals. Ayers et al. (1989) find that tax professionals act as client advocates, with CPAs being more aggressive than non-CPAs. Similarly, Klepper and Nagin (1989) find that tax professionals support unambiguous areas of the tax law but exploit ambiguous areas. Kaplan, Reckers, West and Boyd (1988) provide evidence that aggressive positions are prominent among tax professionals. Cloyd
and Spilker (1999) and Johnson (1993) claim that tax professionals give greater weight to cases with conclusions consistent with the client’s desired outcome than they do to cases that are counter to the desired position.

Schisler (1994) asserts that tax professionals are not aggressive in all ambiguous situations. He concludes that tax professionals generally follow client wishes, choosing to be aggressive only when dealing with aggressive clients. Several subsequent studies (Cuccia et al. 1995; Carnes et al. 1996; Cloyd and Spilker 1999; Cruz et al. 2000) provide evidence that support this position. Other studies, however, provide contrary evidence. Duncan et al. (1989), find that tax professionals were more likely to be aggressive when dealing with less aggressive clients. Spilker et al. (1999) suggest that as tax professionals perceive the aggressiveness of, as well as the risks associated with, a client’s tax issue increase, they are more likely to recommend conservative reporting positions. These studies suggest that there may be mediating factors that impact the manner in which tax professionals deal with aggressive clients.

One factor believed to moderate the impact of client aggressiveness on tax professional’s reporting decisions is experience. Pei et al. (1992) and Helleloid (1989) claim that client pressure impacts less experienced professionals. Cuccia (1994), however, asserts the opposite relationship, stating, “CPAs will attach relatively more importance to their ability to be aggressive, see themselves more as client advocates, and see their clients as more aggressive with experience.” Kahle and White (2004) find that experienced tax professionals tended to overweigh tax evidence that supported client preferences. This proves to be the case whether the client preference is strong (large tax savings) or weak (small tax savings).

Only one study has considered how client pressure combines with ethical judgment to influence tax professionals reporting decisions. Cruz et al. (2000), employing the
multidimensional ethics scale, conclude that ethical judgment, particularly the moral equity
dimension, affects how tax professionals respond to client pressure. Because each scenario used
by Cruz et al. (2000) involved client pressure, the result infers that ethical judgment and client
pressure interact to influence a tax professional’s reporting decisions. Because the level of client
pressure was not manipulated, there is no indication of whether ethical judgment impacts tax
reporting decisions independent of client pressure. Furthermore, the related prior literature
occurred before the enactment of the Sarbanes-Oxley Act and the crackdown by the IRS on tax
practitioners. Thus, it is unclear whether the effects of client preference would still be supported
in the current environment.

**Hypotheses**

The relationship between DIT measures and the reporting decisions of tax professionals
has not been examined. However, the accounting literature suggests that a relationship might be
expected. Moral reasoning, as measured by the DIT, is related to auditor independence
judgments (Ponemon and Gabhart 1990; Sweeney and Roberts 1997), ability to detect fraud
(Bernardi 1994), hiring and promotion decisions in public accounting firms (Ponemon 1992a),
derunderreporting of time (Ponemon 1992b) and objectivity of litigation-support decisions
(Ponemon 1995). Consistent with these findings, tax professional reporting behavior is expected
to be less aggressive when higher levels of moral reasoning are present.

**H1**: The level of moral reasoning, as measured by the DIT-2 P score and N2 score, will
be inversely related to the aggressiveness of tax reporting recommendations.
Prior research has suggested that client pressure is an important factor in the tax reporting aggressiveness of tax professionals. The majority of previous studies indicate that tax professionals will provide more aggressive advice when dealing with an aggressive client (Schisler 1994; Cuccia et al. 1995; Carnes et al. 1996; Cloyd and Spilker 1999). Consistent with these studies, tax professional reporting behavior is expected to be more aggressive when client pressure is high than when it is low.

**H2:** The level of tax reporting aggressiveness will be greater when client pressure is high than when client pressure is low.

Cruz et al. (2000), employing the multidimensional ethics scale, conclude that ethical judgment, particularly the moral equity dimension, affects how tax professionals respond to client pressure. In this study, each scenario provided a situation in which client pressure could be deemed high. A possible interpretation of their results is that moral reasoning interacts with client pressure to determine the level of reporting aggressiveness.

The relationship between moral reasoning and client pressure has been examined in the audit literature. Windsor and Ashkanasy (1995) found that moral reasoning, as measured by the DIT P score, interacted with client management power in determining audit independence judgments. Consistent with these studies, the importance of moral reasoning abilities is posited to increase as the level of client pressure intensifies. Tax professionals should feel less pressure to champion aggressive positions when client pressure is low. The reduced pressure might result in the moral component of the issue being less salient. Put another way, without client pressure, the tax professional should have an easier time doing the right thing. As client pressure intensifies, those with lower moral reasoning abilities (greater emphasis on financial gain and maintaining client relationships) may be more likely to conform to the wishes of the client.
Those at higher levels of moral reasoning, being those who put system maintenance over personal interests, should be less influenced by client pressure.

**H3:** The level of moral reasoning, as measured by the DIT-2 P score and N2 score, will interact with client preference to influence aggressiveness of tax reporting recommendations.

**METHODODOLOGY**

**Sample**

The sample is composed of 143 tax professionals from various sources: 59 subjects from a national tax training seminar of an international accounting firm, 16 subjects from an office of a national accounting firm, 51 subjects from a continuing professional education tax seminar, and 17 Master of Tax students with professional tax experience. Seven responses were dropped due to incomplete data, 17 were purged because the subject had no tax experience, and 24 subjects failed manipulation checks – five failed the DIT manipulations checks and 19 failed to accurately indicate whether or not the client preference was for aggressive advice. The 19 that failed this client preference manipulation will be addressed in the results. The procedures yielded a final sample of 95 responses.

Demographic characteristics of the sample are presented in Table 1. The sample has an average age of 34 years and has been working in public accounting for an average of 62 months. The sample has more males (53%) than females (47%). The majority of the sample are CPAs (68%). All demographic characteristics are included as control variables in the analysis.

Insert Table 1

**Dependent Variable**

---

1 Source of the data was included as a control variable in the analysis.
Aggressiveness. The aggressiveness of the tax professional’s decision is the average of the subjects’ responses to three tax-reporting issues (Appendix A) similar to those used by Cuccia (1994) and Schisler (1994, 1995). Each issue is an ambiguous tax reporting decision. The first issue concerns the inclusion (or exclusion) of an income item. The second issue relates to the deductibility of an expense item. The third issue addresses the basis to be used to calculate taxable gain. Each subject is asked to rate how he or she would report the issue on the client’s income tax return using a seven-point Likert scale with one being the least aggressive and seven being the most aggressive. For example, in the income (deduction) scenario, the scale was anchored by “definitely include in income (deduct)” to “definitely not include in income (deduct)”. The dependent variable is an average of responses to the three issues. The average of the three scenarios was used to guard against the decisions of subjects being case specific. This dependent measure is similar to that used in related prior research (see Schisler 1994, 1995). Overall, the subjects reported that they were familiar with the scenarios used. Subjects indicated that in practice, 85 percent had encountered the income issue, 86 percent had experienced the deduction issue, and 78 percent had dealt with the basis issue.

Independent Variables

Moral Reasoning. The DIT2 (Rest et al. 1999a) is used to measure moral reasoning. The DIT has been optically scored by the Center for Ethical Development at the University of Minnesota. The P score and the N2 score are each included in the analysis.

Client Preference. The hypothetical client in the tax reporting scenarios is either aggressive or conservative. The aggressive client was said to have “made it very clear that he prefers to pay the absolute lowest tax possible.” The conservative client was said to have “made

---

2 Analyses were also run for each scenario separately with comparable results.
it very clear that he wants an absolutely correct tax return with zero threat of IRS audit.” Subjects were randomly assigned to one of the two client preference conditions.

**Control Variables**

In addition to demographic characteristics of respondents (see Table 1), subject experience and political ideology were specifically included as control variables due to issues raised in prior literature.

*Experience.* Pei et al. (1992) and Helleloid (1989) claim that client pressure has a greater impact on less experienced tax professionals. In contrast, Cuccia (1994) and Kahle and White (2004) assert that client pressure has a greater effect on more experienced tax professionals. Given the conflicting results, an *a priori* relationship between experience and client pressure is not posited. Instead, the number of months of experience is used as a control variable.

*Political Ideology.* There is some debate in the psychology (Emler, Renwick and Malone 1983; Rest 1986; Barnett, Evans and Rest 1995; Emler and Palmer-Canton 1998; Emler and Stace 1999; Rest et al. 1999b) versus the accounting literature (Fisher and Sweeney 1998, 2002; Sweeney and Fisher 1998, 1999; Bernardi, Bean and Massey 2004) regarding a suspected liberal bias to the DIT. Not controlling for the shared variance between DIT scores and political ideology, as high as .4 in some samples (Rest et al. 1999b), may result in a failure to present a person’s true moral reasoning abilities (Fisher and Sweeney 2002). Given that accountants are primarily conservative (e.g., Sweeney 1995), the concern is that the liberal bias may understate the moral reasoning abilities of accountants. Fisher and Sweeney (2002) assert that researchers using the DIT should control for political ideology. Political ideology is measured using a seven-point Likert scale with one being extremely liberal and seven being extremely
conservative. As shown in Table 1, the tax professionals surveyed tended to be somewhat conservative.

RESULTS

Descriptive Statistics

Descriptive statistics for the dependent and independent variables are presented in Table 2. The subjects’ reporting is fairly conservative for each scenario. They are most conservative with regard to the basis for gain issue (2.37), followed closely by the income issue (2.75) and then the deduction issue (3.85). The mean for the average aggressiveness measure is 2.99, indicating that the tax reporting positions taken by the subjects are predominantly conservative. In comparison to research employing a similar task, subject responses appear to be more conservative than observed in previous studies (Schisler 1994; Cuccia 1994; Cuccia et al. 1994).

Insert Table 2

There were two moral reasoning scores. The mean P score is 34.10. Although below the expectation for college graduates, the P score is not inconsistent with other samples of accountants (See Ponemon and Gabhart 1994; Jones, Massey and Thorne 2003). The mean N2 score is 34.06. When asked to compare themselves to their peers, the subjects consider themselves to be rather conservative (mean of 3.88). This result is in stark contrast to the subjects in Schisler (1994) who rated themselves as more aggressive than their peers. In fact, on a 1 to 7 scale, none of the current tax professionals rated themselves as a 7. However, using a 1 to 100 scale, Schisler had at least one respondent who self-rated aggressiveness at 100. A potential reduction in perceived aggressiveness is consistent with the change in the accounting environment during the time period between the two surveys. Finally, consistent with Schisler

---

3 Self-reported aggressiveness (as compared to peers) was measured on a 7-point Likert scale from (1) not aggressive to (7) extremely aggressive. This variable was included in the analysis and did not affect the results.
(1995), the vast majority of the subjects believe that tax reporting is an ethical decision (See Table 1).

**Tests of Hypothesis**

Panel A of Table 3 reports the ANCOVA results using the average aggressiveness measure as the dependent variable, the DIT P score, assigned client preference, and an interaction term for the P score and client preference as independent variables. The results fail to support H1 through H3. Neither moral reasoning, as measured by the P score (p = .17), nor client preference (p=.66) is statistically related the tax professionals reporting decisions. The interaction of moral reasoning and client preference (p=.61) also failed to produce the expected result. Analysis including all control variables is shown in Panel B. The only significant variable is source [of subjects]. Source may be acting as crude proxy for ethical environment as investigated by Bobek and Radtke (2007).

**Insert Table 3 Here**

Table 4, Panels A and B reports the results of the same analysis (as Table 3), but employing the N2 score as the measure of moral reasoning. As with the P score, the N2 score is not significant (p=.13). Similarly, neither client preference nor the interaction term is significant. Thus, H1 through H3 are not supported. Again, the only control variable that was significant was source (p=.06).

**Insert Table 4**

The sample instrument included a check for the client preference manipulation. Nineteen subjects failed this check. Based on Gendron, Suddaby and Lam (2006), this “failure” could, perhaps, actually signal a shift of tax professionals to a more strict reliance on the tax law. The manipulation may have been so insignificant that they ignored. An interesting result occurs if
the 19 subjects that failed to properly identify the client preference are included in the analysis. The P score (Table 5) and the N2 score (Table 6) are consistently significant whether or not the control variables are included in the analysis.

As shown in Panel A of Tables 5 and 6, respectively, the P score is marginally significant (p=.055) and the N2 score is significant at conventional levels (p=.044) when all subjects are included in the analysis. Therefore, H1 is supported. Client preference and the interaction between moral development and client preference are not significant. Thus, H2 and H3 are not supported. A potential explanation for this finding is that at least some of these subjects may have failed to attend to the client pressure manipulation because of the weight given to pursuing what they believe to be the moral course of action. The significance of moral development remains fairly consistent when control variables are included in the analysis. Another notable difference between the sample of 95 subjects and the sample of 114 subjects is that age becomes a significant control variable. Prior moral development literature has linked age to moral development. Finally, the source of subjects is no longer significant.

**SUMMARY AND DISCUSSION**

The purpose of this study was to examine the relationship between the tax professionals’ moral reasoning abilities and aggressive tax reporting positions and to consider whether moral reasoning abilities interact with client preference for aggressive tax advice. Cruz et al. (2000) previously detected a relationship between moral reasoning and the aggressiveness of tax advice.

---

4 The 19 subjects did not significantly differ from the original sample in terms of aggressiveness (mean 2.70), P score (mean 32.76) and N2 score (mean 33.07).
Each of the scenarios they employed presented a client demanding aggressive advice. As a result, whether or not moral reasoning abilities interact with client pressure was not explored. The results of the present study suggest that moral reasoning abilities influence the reporting decisions of tax professionals independent of client preference. As the level of moral reasoning increases, the aggressiveness of the reporting position is found to decrease.

Contrary to prior research, client pressure was not related to the reporting decisions. There are three possibilities offered for this result. First, the scenarios used may not have been sufficiently ambiguous. Although steps were taken to use scenarios consistent with those used in prior research and although the scenarios were deemed by the sample to be familiar, the subjects did seem to feel that the appropriate treatment was somewhat clear. In the end, the scenarios may have presented issues that are not ambiguous enough, given issues of practice risk, to make them feel that consideration of client pressure is warranted.

Second, failure to find an influence for client pressure may be an artifact of the present sample. Although the sample is not random, it is reasonably diverse. Forty-one percent of the sample was drawn from an international tax training seminar, albeit from one firm. Another thirty-six percent came from a tax training seminar located in a large metropolitan city, with participants coming from various firms. Despite the reasonable diversity of the sample, the subjects claim to be less aggressive than their peers. They rate themselves to be much less aggressive than did subjects in earlier studies. Perhaps this sample is less representative of the general population than are previous samples or perhaps a shift in the aggressive tendencies of tax professionals is occurring.

Third, the timing of data collection may have influenced the results. This data was collected at a time when public accountants were receiving a large amount of negative press.
One interpretation is that tax professionals may be shifting toward more accountable behavior, as suggested by Gendron et al. (2006). Perhaps these professionals are taking to heart the problems identified in the accounting industry, particularly problems highlighting inappropriate client relations, and making a statement that client pressure should not influence tax reporting decisions. At this time in history it would be difficult for an accounting professional to avoid taking stock of his duty to the system and the intent of public responsibility on which that duty was founded. Another similar interpretation is that recent accounting improprieties have had legal ramifications which may have promoted a renewed sense of the legality of tax rules. Smith and Hume (2005) suggest that, when compared to other cultures, American accounting professionals are more focused on legal factors. Alternatively, the results may simply reflect a social desirability bias (Fernandes and Randall 1992; Geiger and O’Connell 2000; Bernardi, Delorey, LaCross and Waite 2003). Social desirability is frequently labeled as a “need for social approval” (Fernandes and Randell 1992). If a social desirability bias exists in this sample respondents may have answered the questions in a manner they thought was the most acceptable and not based on their moral convictions.
APPENDIX: Sample Instrument

Jim Singer is a widower and is raising two children. You have been preparing his tax return for years and it has been pretty straightforward. After being unemployed for part of the year, Jim has recently started a new job. He brought you all of the pertinent information relating to the current tax year and he completed an online organizer. Even though money is tight, Jim has made it very clear that he wants an absolutely correct tax return with zero threat of IRS audit.

You have reviewed the information that Jim submitted and are now in the process of completing his tax return. There are three issues that need to be settled. Each issue involves a seemingly ambiguous item, the treatment of which is not certain. In addition, the amounts associated with each issue are material to Jim’s taxable income. Please read each item and make a determination as to how it should be reported on Jim’s return. There is no additional information to be obtained from the client or any more research to be done. Make your determination based on the facts and information presented.

**Issue #1.**

Jim is an engineer. He left his job (job 1) during the year under unusual circumstances. A few years ago, a client of the engineering firm experienced an accident that a competitor purported to be a result of the firm’s negligence. While Jim and the firm were cleared of all responsibility, Jim’s reputation was severely damaged. The firm let Jim go, and he was unable to get another job for quite some time. Jim is now working for a different engineering firm (job 2) for a substantially lower salary.

In connection with Jim’s prior job (job 1), he received $10,000 from his former employer on account of his leaving. This amount was not owed to Jim for any specific back services, vacation pay, or the like, and was in addition to his normal salary. Jim and his boss had become good friends, and it was paid simply “to help tide Jim and his family over until he found a new job.”

Internal Revenue Code Section 102 excludes gifts from the taxable income of the recipient. However, it is often difficult to distinguish a gift from other transfers which are taxable. The intent of the donor is usually the deciding factor, with gifts being motivated by “love, affection, kindness, sympathy, generosity, admiration or similar emotion.”
**Issue #2.**

During the year, Jim had a small indoor pool built in the family home. The pool was constructed for Jim upon the advice of a physician, which Jim has documented. According to Jim, the pool is necessary to treat a heart condition, and is intended solely for his use. The cost of the pool was $12,000. An appraiser estimated that it increased the value of the house by $6,000.

Capital expenditures for medical purposes may be deductible to the extent they exceed the increase in the value of the related property. A taxpayer cannot, however, deduct expenses that have both therapeutic and personal enjoyment unless the item is necessary and the only method of treating the illness. The IRS has previously disallowed the deduction for the cost of a swimming pool in some cases, even when advised by a physician. On the other hand, the courts have allowed such a deduction in other situations.

**Issue #3.**

Jim sold a piece of land during the year that he inherited from his grandfather ten years ago. You have a copy of the estate tax return. The land was valued at $30,000 on the estate return. However, when Jim first inherited the land, he attempted to sell it, and received an offer of $40,000. Jim has provided you with a signed copy of that offer. The property was sold during the current tax year for $48,000.

The basis of inherited property is the fair market value on the date of death. This is also the value used to determine the value for estate tax purposes, unless an alternate valuation date is used. In this case, the date of death (not the alternate valuation date) was used for estate tax purposes.
REFERENCES


<table>
<thead>
<tr>
<th>Item</th>
<th>Mean (Std. Dev.)</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age¹</td>
<td>34.26 (11.24)</td>
<td>22</td>
<td>78</td>
</tr>
<tr>
<td>Experience²</td>
<td>62.28 (60.41)</td>
<td>2</td>
<td>360</td>
</tr>
<tr>
<td>Political Ideology³</td>
<td>4.47 (1.36)</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Tax is Ethical Issue⁴</td>
<td>5.24 (1.41)</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Gender (% Male)</td>
<td>53.68</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>CPA (%)</td>
<td>68.42</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

¹ Years of age (n=92).
² Number of months in public accounting practice.
³ Measured on a 7-point Likert scale from (1) extremely liberal to (7) extremely conservative (n=94).
⁴ Measured on a 7-point Likert scale from (1) Tax reporting is not an ethical decision to (7) Tax reporting is an ethical decision.
### TABLE 2
Descriptive Statistics

#### Panel A: Dependent Variables

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Mean (Std Dev)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue 1: Income(^1)</td>
<td>2.75 (1.76)</td>
</tr>
<tr>
<td>Issue 2: Expense(^2)</td>
<td>3.85 (1.54)</td>
</tr>
<tr>
<td>Issue 3: Basis for Gain(^3)</td>
<td>2.37 (1.67)</td>
</tr>
<tr>
<td>Agressiveness(^4)</td>
<td>2.99 (.99)</td>
</tr>
</tbody>
</table>

**NOTE:** All measures rated from least to most aggressive tax reporting.

\(^1\)Measured on a 7-point Likert scale from (1) definitely include in income to (7) definitely not include in income.

\(^2\)Measured on a 7-point Likert scale from (1) definitely not deduct to (7) definitely deduct.

\(^3\)Measured on a 7-point Likert scale from (1) definitely use lower basis to (7) definitely use higher basis.

\(^4\)Average of the three aggressive issues.

#### Panel B: Independent Variables

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Mean (Std Dev)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moral Reasoning - Pscore(^1)</td>
<td>34.10 (12.44)</td>
</tr>
<tr>
<td>Moral Reasoning - N2Score(^1)</td>
<td>34.06 (12.35)</td>
</tr>
<tr>
<td>Client Preference(^2)</td>
<td>.526 (n/a)</td>
</tr>
</tbody>
</table>

\(^1\)Pscore and N2Score as measured by the DIT2.

\(^2\)Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.
### TABLE 3

**Panel A: ANCOVA**

**Tax Professional Aggressiveness by P Score and Client Preference (n=95)**

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Score</td>
<td>1.87192395</td>
<td>1</td>
<td>1.87192395</td>
<td>1.91</td>
<td>.1705</td>
</tr>
<tr>
<td>Client Preference</td>
<td>.19562413</td>
<td>1</td>
<td>.19562413</td>
<td>.20</td>
<td>.6562</td>
</tr>
<tr>
<td>P Score * Client Preference</td>
<td>.25406226</td>
<td>1</td>
<td>.25406226</td>
<td>.26</td>
<td>.6120</td>
</tr>
</tbody>
</table>

1. P score as measured by the DIT2.
2. Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.

### Panel B: ANCOVA

**Tax Professional Aggressiveness by P Score and Client Preference - with controls (n=95)**

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Score</td>
<td>.79366605</td>
<td>1</td>
<td>.79366605</td>
<td>.87</td>
<td>.3551</td>
</tr>
<tr>
<td>Client Preference</td>
<td>.20232979</td>
<td>1</td>
<td>.20232979</td>
<td>.22</td>
<td>.6398</td>
</tr>
<tr>
<td>P Score * Client Preference</td>
<td>.22976270</td>
<td>1</td>
<td>.22976270</td>
<td>.25</td>
<td>.6180</td>
</tr>
<tr>
<td>Age</td>
<td>1.75861490</td>
<td>1</td>
<td>1.75861490</td>
<td>1.92</td>
<td>.1702</td>
</tr>
<tr>
<td>Experience</td>
<td>.10470417</td>
<td>1</td>
<td>.10470417</td>
<td>.11</td>
<td>.7363</td>
</tr>
<tr>
<td>Political Ideology</td>
<td>5.52127752</td>
<td>6</td>
<td>5.52127752</td>
<td>1.00</td>
<td>.4292</td>
</tr>
<tr>
<td>Tax as an Ethical Issue</td>
<td>1.08787277</td>
<td>1</td>
<td>1.08787277</td>
<td>1.19</td>
<td>.2795</td>
</tr>
<tr>
<td>Gender</td>
<td>.65137905</td>
<td>1</td>
<td>.65137905</td>
<td>.71</td>
<td>.4019</td>
</tr>
<tr>
<td>CPA</td>
<td>.00573923</td>
<td>1</td>
<td>.00573923</td>
<td>.01</td>
<td>.9371</td>
</tr>
<tr>
<td>Source</td>
<td>9.19799525</td>
<td>4</td>
<td>9.19799525</td>
<td>2.51</td>
<td>.0492</td>
</tr>
</tbody>
</table>

1. P score as measured by the DIT2
2. Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.
3. Control variable (see Table 1).
4. Control variable. There were five separate sources of tax professional subjects.
### TABLE 4

**Panel A: ANCOVA**  
Tax Professional Aggressiveness by N2 Score and Client Preference (n=95)

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>N2 Score$^1$</td>
<td>2.32603593</td>
<td>1</td>
<td>2.32603593</td>
<td>2.40</td>
<td>.1252</td>
</tr>
<tr>
<td>Client Preference$^2$</td>
<td>.54540412</td>
<td>1</td>
<td>.54540412</td>
<td>.56</td>
<td>.4556</td>
</tr>
<tr>
<td>N2 Score * Client Preference</td>
<td>.71010824</td>
<td>1</td>
<td>.71010824</td>
<td>.73</td>
<td>.3947</td>
</tr>
</tbody>
</table>

$^1$ N2 Score as measured by the DIT2.  
$^2$ Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.

**Panel B: ANCOVA**  
Tax Professional Aggressiveness by N2 Score and Client Preference - with controls (n=95)

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>N2 Score$^1$</td>
<td>.93549757</td>
<td>1</td>
<td>.93549757</td>
<td>1.03</td>
<td>.3145</td>
</tr>
<tr>
<td>Client Preference$^2$</td>
<td>.39447790</td>
<td>1</td>
<td>.39447790</td>
<td>.43</td>
<td>.5128</td>
</tr>
<tr>
<td>N2 Score * Client Preference</td>
<td>.46406228</td>
<td>1</td>
<td>.46406228</td>
<td>.51</td>
<td>.4779</td>
</tr>
<tr>
<td>Age$^3$</td>
<td>1.63959732</td>
<td>1</td>
<td>1.63959732</td>
<td>1.80</td>
<td>.1841</td>
</tr>
<tr>
<td>Experience$^3$</td>
<td>.03805136</td>
<td>1</td>
<td>.03805136</td>
<td>.04</td>
<td>.8387</td>
</tr>
<tr>
<td>Political Ideology$^3$</td>
<td>5.36367114</td>
<td>6</td>
<td>5.36367114</td>
<td>.98</td>
<td>.4449</td>
</tr>
<tr>
<td>Tax as an Ethical Issue$^3$</td>
<td>1.05489696</td>
<td>1</td>
<td>1.05489696</td>
<td>1.16</td>
<td>.2857</td>
</tr>
<tr>
<td>Gender$^7$</td>
<td>.74714600</td>
<td>1</td>
<td>.74714600</td>
<td>.82</td>
<td>.3684</td>
</tr>
<tr>
<td>CPA$^3$</td>
<td>.01324570</td>
<td>1</td>
<td>.01324570</td>
<td>.01</td>
<td>.9044</td>
</tr>
<tr>
<td>Source$^4$</td>
<td>8.55335220</td>
<td>4</td>
<td>8.55335220</td>
<td>2.35</td>
<td>.0627</td>
</tr>
</tbody>
</table>

$^1$ N2 Score as measured by the DIT2.  
$^2$ Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.  
$^3$ Control variable (see Table 1).  
$^7$ Control variable. There were five separate sources of tax professional subjects.
TABLE 5

Panel A: ANCOVA
Tax Professional Aggressiveness by P Score and Client Preference (n=114)

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Score</td>
<td>3.71251530</td>
<td>1</td>
<td>3.71251530</td>
<td>3.75</td>
<td>.0553</td>
</tr>
<tr>
<td>Client Preference</td>
<td>.03677415</td>
<td>1</td>
<td>.03677415</td>
<td>.04</td>
<td>.8475</td>
</tr>
<tr>
<td>P Score * Client Preference</td>
<td>.05978440</td>
<td>1</td>
<td>.05978440</td>
<td>.06</td>
<td>.8063</td>
</tr>
</tbody>
</table>

1 P Score as measured by the DIT2.
2 Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.

Panel B: ANCOVA
Tax Professional Aggressiveness by P Score and Client Preference - with controls (n=114)

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Score</td>
<td>3.19724278</td>
<td>1</td>
<td>3.19724278</td>
<td>3.21</td>
<td>.0768</td>
</tr>
<tr>
<td>Client Preference</td>
<td>.01542674</td>
<td>1</td>
<td>.01542674</td>
<td>.02</td>
<td>.9013</td>
</tr>
<tr>
<td>P Score * Client Preference</td>
<td>.04203375</td>
<td>1</td>
<td>.04203375</td>
<td>.04</td>
<td>.8378</td>
</tr>
<tr>
<td>Age</td>
<td>4.25143726</td>
<td>1</td>
<td>4.25143726</td>
<td>4.26</td>
<td>.0419</td>
</tr>
<tr>
<td>Experience</td>
<td>.39158715</td>
<td>1</td>
<td>.39158715</td>
<td>.39</td>
<td>.5326</td>
</tr>
<tr>
<td>Political Ideology</td>
<td>4.01699382</td>
<td>6</td>
<td>4.01699382</td>
<td>.67</td>
<td>.6731</td>
</tr>
<tr>
<td>Tax as an Ethical Issue</td>
<td>.25048463</td>
<td>1</td>
<td>.25048463</td>
<td>.25</td>
<td>.6175</td>
</tr>
<tr>
<td>Gender</td>
<td>.61026157</td>
<td>1</td>
<td>.61026157</td>
<td>.61</td>
<td>.4362</td>
</tr>
<tr>
<td>CPA</td>
<td>.00089240</td>
<td>1</td>
<td>.00089240</td>
<td>.00</td>
<td>.9762</td>
</tr>
<tr>
<td>Source</td>
<td>5.49118774</td>
<td>4</td>
<td>5.49118774</td>
<td>1.38</td>
<td>.2486</td>
</tr>
</tbody>
</table>

1 P Score as measured by the DIT2.
2 Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.
3 Control variable (see Table 1).
4 Control variable. There were five separate sources of tax professional subjects.
TABLE 6
Panel A: ANCOVA
Tax Professional Aggressiveness by N2 Score and Client Preference (n=114)

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>N2 Score(^1)</td>
<td>4.08799847</td>
<td>1</td>
<td>4.08799847</td>
<td>4.15</td>
<td>.0440</td>
</tr>
<tr>
<td>Client Preference(^2)</td>
<td>.16551203</td>
<td>1</td>
<td>.16551203</td>
<td>.17</td>
<td>.6826</td>
</tr>
<tr>
<td>N2 Score * Client Preference</td>
<td>.25637631</td>
<td>1</td>
<td>.25637631</td>
<td>.26</td>
<td>.6108</td>
</tr>
</tbody>
</table>

1 N2 Score as measured by the DIT2.
2 Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.

Panel B: ANCOVA
Tax Professional Aggressiveness by N2 Score and Client Preference - with controls (n=114)

<table>
<thead>
<tr>
<th></th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>N2 Score(^1)</td>
<td>3.84333958</td>
<td>1</td>
<td>3.84333958</td>
<td>3.89</td>
<td>.0518</td>
</tr>
<tr>
<td>Client Preference(^2)</td>
<td>.14563836</td>
<td>1</td>
<td>.14563836</td>
<td>.15</td>
<td>.7021</td>
</tr>
<tr>
<td>N2 Score * Client Preference</td>
<td>.26072716</td>
<td>1</td>
<td>.26072716</td>
<td>.26</td>
<td>.6089</td>
</tr>
<tr>
<td>Age(^3)</td>
<td>3.65252406</td>
<td>1</td>
<td>3.65252406</td>
<td>3.69</td>
<td>.0578</td>
</tr>
<tr>
<td>Experience(^3)</td>
<td>.03238438</td>
<td>1</td>
<td>.03238438</td>
<td>.03</td>
<td>.8568</td>
</tr>
<tr>
<td>Political Ideology(^3)</td>
<td>4.40769618</td>
<td>6</td>
<td>4.40769618</td>
<td>.74</td>
<td>.6166</td>
</tr>
<tr>
<td>Tax as an Ethical Issue(^3)</td>
<td>.34874102</td>
<td>1</td>
<td>.34874102</td>
<td>.35</td>
<td>.5541</td>
</tr>
<tr>
<td>Gender(^3)</td>
<td>.67387253</td>
<td>1</td>
<td>.67387253</td>
<td>.68</td>
<td>.4113</td>
</tr>
<tr>
<td>CPA(^3)</td>
<td>.01010821</td>
<td>1</td>
<td>.01010821</td>
<td>.01</td>
<td>.9197</td>
</tr>
<tr>
<td>Source(^4)</td>
<td>5.10574092</td>
<td>4</td>
<td>5.10574092</td>
<td>1.29</td>
<td>.2797</td>
</tr>
</tbody>
</table>

1 N2 Score as measured by the DIT2.
2 Client preference is a dichotomous variable. Tax professionals were randomly assigned to condition of conservative or aggressive client reporting preference.
3 Control variable (see Table 1).
4 Control variable. There were five separate sources of tax professional subjects.
Founded in 1892, the University of Rhode Island is one of eight land, urban, and sea grant universities in the United States. The 1,200-acre rural campus is less than ten miles from Narragansett Bay and highlights its traditions of natural resource, marine and urban related research. There are over 14,000 undergraduate and graduate students enrolled in seven degree-granting colleges representing 48 states and the District of Columbia. More than 500 international students represent 59 different countries. Eighteen percent of the freshman class graduated in the top ten percent of their high school classes. The teaching and research faculty numbers over 600 and the University offers 101 undergraduate programs and 86 advanced degree programs. URI students have received Rhodes, Fulbright, Truman, Goldwater, and Udall scholarships. There are over 80,000 active alumnae.

The University of Rhode Island started to offer undergraduate business administration courses in 1923. In 1962, the MBA program was introduced and the PhD program began in the mid 1980s. The College of Business Administration is accredited by The AACSB International - The Association to Advance Collegiate Schools of Business in 1969. The College of Business enrolls over 1400 undergraduate students and more than 300 graduate students.

Mission

Our responsibility is to provide strong academic programs that instill excellence, confidence and strong leadership skills in our graduates. Our aim is to (1) promote critical and independent thinking, (2) foster personal responsibility and (3) develop students whose performance and commitment mark them as leaders contributing to the business community and society. The College will serve as a center for business scholarship, creative research and outreach activities to the citizens and institutions of the State of Rhode Island as well as the regional, national and international communities.

The creation of this working paper series has been funded by an endowment established by William A. Orme, URI College of Business Administration, Class of 1949 and former head of the General Electric Foundation. This working paper series is intended to permit faculty members to obtain feedback on research activities before the research is submitted to academic and professional journals and professional associations for presentations.

An award is presented annually for the most outstanding paper submitted.