European International University, EIU-Paris

Doctoral Thesis

Title:

How do People Justify not Paying their Taxes? A Study on Moral Disengagement and Tax In International Business

Submitted by:

Mukaram Riaz

EIU777568

In Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy (Ph.D.) in International Business

Supervisor:

Dr.Asif

Date:

August,2023

Doctor of Philosophy (Ph.D) In International Business

Mukaram Riaz Muhammad Riaz Mughar

P.hd

THESES AND DISSERTATIONS

How do People Justify not Paying their Taxes? A Study on Moral Disengagement and Tax In International Business

(ANALYSING THE IMPLICATIONS OF DOMESTIC REFORMS AND INTERNATIONAL RELATIONS ON INTERNATIONAL BUSINESS)

PARIS

EUROPEAN INTERNATIONAL UNIVERSITY

MUKARAM RIAZ MUHAMMAD RIAZ MUGHAR

ABSTRACT..... 5

CHAPTER 1: INTRODUCTION..... 6

Organization of the Study..... 7

Problem Statement..... 7

Theoretical Framework..... 10

Need for the Research..... 11

Assumptions and Limitations 11

Definition of Terms 12

CHAPTER 2: LITERATURE REVIEW..... 14

The Beginning of History—Economic Deterrent Models..... 16

Studies in the 1970s—The Cost-Benefit Relationship 17

Studies in the 1980s—The Uncertainty Variable 19

Studies in the 1990s—Audit Rates Questioned..... 20

Studies in the 2000s—Looking for New Explanations..... 21

Looking for New Explanations—Fiscal Psychology Models 22

Early Studies..... 22

Studies in the 1970s—Taxpayer Characteristics Explored..... 23

Studies in the 1980s—Taxpayer Attitudes Explored..... 23

Studies in the 1990s—Ethics and Tax Evasion 26

Studies in the 2000s—Small Businesses and Taxes..... 27

Moral Disengagement..... 31

CHAPTER 3: METHODOLOGY 38

Research Design 42

Population and Sample 44

Sampling Procedure..... 45

Instrumentation 45

Moral Disengagement Instrument..... 45

Income Tax Scenario 48

CHAPTER 4: FINDINGS 53

Descriptive Characteristics of the Sample 53

Results..... 55

CHAPTER 5: DISCUSSION..... 60

REFERENCES 63

APPENDIX A MORAL DISENGAGEMENT INSTRUMENT 82

APPENDIX B INCOME TAX SCENARIO..... 83

Abstract

Early studies on the reasons for tax evasion focused on economics. When economic reasons were deemed insufficient to explain all decisions, researchers added psychological and sociological constructs to their explorations. These studies focused on whether taxpayers see their tax compliance decisions as ethical ones. For those who believe their choice is ethical, they must come to grips with their own internal ethical standards and feelings of guilt when they make an unethical decision. They must then employ some mechanism to disconnect these feelings of guilt from their unethical decision. Researchers have characterized this mechanism of disconnection as neutralization, rationalization, and/or disengagement. The current study utilized the moral disengagement instrument developed by Moore et al. (2012) to investigate whether there exists a

relationship between a person's likelihood to morally disengage and their likelihood to evade taxes. The findings indicate moral disengagement is a predictor of the likelihood to evade paying taxes. This study is the first to make use of this moral disengagement instrument in the context of tax evasion and serves as a springboard for future research into the psychological mechanisms taxpayers employ.

Keywords: taxpayer, compliance, decision-making, tax evasion, moral disengagement

Chapter 1: Introduction

The U.S. tax system is a voluntary system. Taxpayers are expected to file returns and report the income they have received. Those who pay less than they owe or do not file their returns at all are considered tax evaders. Tax evasion is not a new notion. Tax evaders have often been creative. In the third century, Roman citizens would bury their valuables to evade taxes. In the 18th century, English citizens would cover their fireplaces with brick to evade the hearth tax (Slemrod, 2007). Modern day evaders include a Minnesota chiropractor who was sentenced to 33 months in prison in April 2017. He did not file his tax returns from 2004 through 2014 and tried to hide the money he earned by cashing checks at a check-cashing facility instead of depositing it into a bank account. When he got caught, he tried to pay off his tax liability with a fake financial instrument that he claimed was worth $300 million (Internal Revenue Service [IRS], 2017). According to the Supreme Court, tax evasion is considered a criminal offense if the act was a willful intent to mislead (Cheek v. United States, 1991). An act is deemed to be willful if it is a "voluntary, intentional violation of a known legal duty" (Cheek v. United States, 1991; United States v. George, 2005). If the evasion is found to be a criminal act, the evader can be subject to

a fine or imprisonment or both. Not all understatements of tax or failures to file are willful. A taxpayer may be unaware of the rules or inadvertently omit income from the tax return. In Cheek v. United States (1991), the court held that the taxpayer's good-faith belief that he did not violate the tax law was a proper defense to willfulness. Research in this area attempts to identify whether a taxpayer willfully evaded their filing responsibilities. The current study focused on tax evasion (i.e., the willful intent of the taxpayer to not comply with their income tax filing requirements). Noncompliance may involve not filing a tax return when it is required, the

purposeful omission of income from their tax return, or the deduction of expenses not allowed under tax law.

Noncompliance by taxpayers reduces the amount of taxes collected by the IRS. The IRS periodically estimates the amount of tax that should be paid and compares it to the amount actually paid. The difference between the two amounts is known as the "tax gap." The IRS estimates that the federal tax gap for all taxpayers is $441 billion for the period between 2011–2013 (IRS, 2019). According to the IRS (2019), the compliance rate has not changed significantly over the past decade and most of the change is attributed to better data collection. Tax evasion has been and continues to be a serious problem in the United States. Previous studies on tax evasion identified various explanations for this behavior based on economic, social, and psychological rationales. Building on prior studies seeking to explain taxpayers' evasion behaviors, this study sought to advance an ethical understanding of the role played by moral disengagement.

Organization of the Study

This study is organized into various chapters, a section for references, and two appendices. Chapter 1 outlines the research problem, theoretical framework, purpose statement,

research hypothesis, significance of the study, assumptions and limitations, and definition of terms. A review of the literature can be found in Chapter 2. Chapter 3 explains the research methods. The findings of the study are located in Chapter 4, and Chapter 5 summarizes the conclusions.

Problem Statement

The study of tax evasion began with Allingham and Sandmo (1972) who defined tax evasion as the "illegal and intentional actions taken by individuals to reduce their legally due tax

obligations" (p. 55). Tax avoidance is distinguished from tax evasion in that the former utilizes legal loopholes in the law to reduce taxes (Slemrod & Yitzhaki, 2002). Typically, a taxpayer will underreport income or overreport deductions in an attempt to evade taxes. Previous studies have supported the notion that ethics and attitude affect taxpaying behavior (Bailey & Plecnik, 2020; Wenzel, 2005). Grasmick and Scott (1982) found that individuals in their study considered cheating on one's taxes to be morally wrong. Thurman et al. (1984) asked survey respondents whether it was okay to not pay their taxes in some circumstances. The authors found that the respondents felt less guilty about tax evasion when, for example, they did not know the rules, or in times of inflation, or if the government wastes your money. These strategies for rationalization, or "neutralization," help explain how people justify not paying their taxes. The neutralization process reduces guilty feelings about an anticipated behavior. Neutralization occurs in one's mind before the act takes place (Thurman et al., 1984). Moral disengagement is similar in that it explains how people justify their immoral behavior.

The current study followed Moore et al. (2012), Bandura (1986), Sykes and Matza (1957), and Thurman et al. (1984) with the presumption that moral disengagement occurs before the act takes place. The Moore et al. (2012) instrument was used in the current study as it tests a

variety of unethical behaviors as dependent variables to determine whether the propensity to morally disengage helps predict unethical behavior. The current study connects moral disengagement theory to tax-evasive behavior by describing a scenario in which the respondent must indicate whether they would have reported income they have received when the income is undetected by the authorities. This study explored the relationship between moral disengagement and the decision to report or not report the income described in the scenario.

Neutralization theory was developed originally to help explain criminal behavior (Sykes & Matza, 1957). Similar concepts were developed in social science research and described as moral disengagement theory. Both theories help explain how people can justify actions that conflict with their personal moral beliefs. The purpose of this study was to explore whether moral disengagement helps explain a taxpayer's failure to comply with their income tax filing requirements. When a taxpayer considers whether to comply with the tax laws, they may experience conflict in making the decision. They may want to cheat on their taxes to potentially save some money, but guilt may make them aware that it would be unethical to do so. There is a potential for an individual to morally disengage when their self-interest and morals conflict (Kish-Gephart et al., 2014). An individual may morally disengage when presented with an ethical decision to rationalize that decision either before or after the fact (Detert et al., 2008). Mechanisms of moral disengagement include the use of moral justification, innocuous language, contrasting the behavior with something worse, displacing responsibility for the behavior, blaming the victim, diffusing responsibility, minimizing the consequences, and devaluing the victim (Bandura et al., 2000).

Although tax evasion is illegal, and therefore considered unethical, there are some who do not always consider it unethical (McGee, 2006). The way information is framed impacts

ethical decision-making (Moore et al., 2012). For example, when business and economics students were asked if tax evasion was unethical if the system was unfair, or the money ended up in the hands of corrupt politicians or was wasted, they were less averse than if the money was spent wisely (McGee, 2012). Dr. McGee (2012) developed an 18-question survey to measure attitudes towards tax evasion. The underlying assumption in the survey is that the individual perceives the decision to be an ethical one. The survey's goal is to determine the participant's tax

morale or attitude toward tax evasion: Is is okay to evade under certain conditions? The survey instrument employs phrases that draw on mechanisms of moral disengagement such as moral justification (e.g. the money is wasted), diffusion of responsibility (e.g. everyone is doing it), or blaming the victim (e.g. the government is not entitled to take as much as it is taking from me; McGee, 2012). If there are times when individuals do not comply with tax laws, is it because they are using moral disengagement mechanisms? The use of moral disengagement mechanisms indicates that one has dissassociated from their internalized ethical standards when making their decision (Bandura, 1986). This dissassociation may allow a taxpayer to feel good about an unethical decision with regard to taxes. This study sought to understand whether a correlation exists between moral disengagement and the likelihood to evade taxes. Did the taxpayer who indicated they would not report all of the income they received justify the decision by means of moral disengagement? If this is true, then the relationship between the decision to evade and likelihood to morally disengage should be significant. The results help explain why some taxpayers are able to reconcile the unethicality of their decision with their own ethical standards. An alternative explanation may be a misunderstanding of the tax law. Some may believe that when they receive cash that is unreported to the taxing authority, it is not income and does not have to be included on a tax return. In this case, there would be no moral disengagement as there

is no unethical act to defend. The decision may be a computational error or misunderstanding of tax law. Moral disengagement theory presumes the existence of an ethical decision.

Theoretical Framework

Understanding the reasons behind taxpayer compliance with income tax filing requirements has been explored through various behavioral theories including moral disengagement theory. Moral disengagement allows an individual to accomplish two goals:

avoiding guilt while taking advantage of an opportunity that would otherwise be considered unethical. The unethical behavior happens when one's self-regulatory mechanisms of guilt and disapproval become disengaged (Bandura, 1986). I discuss the theory of moral disengagement in greater detail in Chapter 2.

Need for the Research

Much of the earlier literature has focused on the taxpayer's analysis of the taxpayer's decision-making through the lens of a cost-benefit analysis (Allingham & Sandmo, 1972; DeVos, 2011; Jackson & Jones, 1985; Srinivasan, 1973). The theories associated with cost-benefit analyses included prospect theory, utility theory, and the theory of planned behavior. I discuss these theories in further detail in Chapter two as they help explain the progression in the research from economic to psychological considerations.

Tax compliance research provides a familiar real-world setting in which choice theories can be explored and expanded upon to apply to other decision-making scenarios. The study of moral disengagement and unethical behavior has wide applicability outside of accounting in many everyday facets of life. For example, spreading rumors about coworkers was found to be

positively correlated to moral justification, which is one of the moral disengagement mechanisms (Duffy et al., 2005). The study of taxpayer behavior is important to policymakers, taxing authorities, and tax preparers who want to know how to encourage compliance among taxpayers.

Assumptions and Limitations

This study is limited in that the individuals may or may not represent the vast general population of taxpaying individuals, whose level of income and rate of taxation may vary widely. The results of this study may not be generalizable to taxpayers in other geographical locations. This study investigated the relationship between moral disengagement and the decision to evade

taxes. Additional information was collected including each participant's age, gender, religious affiliation, income level, and income source. These variables have been included in previous studies on tax evasion (Jackson & Milliron, 1986; Richardson, 2006). Age, level of education, and services income have been found to be negatively related to tax evasion (Richardson, 2006). Khlif and Achek (2015) suggested that future studies should control for these variables as they have been significant in explaining tax evasion.

Definition of Terms

The following terms are used throughout this paper to help explain previous theories on tax evasion.

Fiscal psychology. Research models based on the blending of economic and psychological theories (DeVos, 2011).

Tax avoidance. Tax avoidance involves the utilization of legal loopholes in the law to reduce taxes (Slemrod & Yitzhaki, 2002).

Tax compliance. A taxpayer is in compliance if they have filed all required tax returns accurately, on time, and in accordance with the Internal Revenue Code, state rules and

regulations, and court decisions in effect at the time the return is due (Richardson & Sawyer, 2001).

Tax evasion. An illegal activity that involves the taxpayer deliberately breaking the law by not filing income tax returns or making a false return (Mohamad & Mohd Ali, 2017).

Tax mentality. The degree to which an individual resists paying taxes (Schmolders, 1959).

13

Tax morale. The inherent motivation to pay taxes (Torgler, 2007). Alm and McClellan (2012) considered tax morale as a positive attitude, or "sympathy," toward the requirement to pay taxes.

14

Chapter 2: Literature Review

In the latter half of the 18th century, Adam Smith identified four principles of a just and utilitarian tax policy. These principles indicated that the tax system should be equitable, certain, convenient, and efficient. In defining efficiency, Smith believed the government should take out only as much as it needs to operate. Smith went on to cite instances where the government may take out more than required, thus making the tax system inefficient and lacking utility. For example, the government may take out more than is necessary when the government employs people who are paid large salaries with many perquisites. A tax system may tax a specific industry so greatly that no one wants to engage in that business, even though it might, if properly structured, employ a large number of people. A tax system may assess penalties for evasion that

are so extensive they would ruin the payer and thus deprive the economy of their production. Finally, a tax system may expose taxpayers to excessive audits, which are costly in terms of money and grief (Smith, 2010). Specifically, with regard to the assessment of penalties, Adam Smith (2010) noted, "The law, contrary to all the ordinary principles of justice, first creates the temptation, and then punishes those who yield to it..." (p. 604). A tax system that assesses penalties for evasion creates an opportunity for the taxpayer to weigh the cost of those penalties against the benefit of not paying the tax.

This section provides a historical record of articles identifying determinants of tax evasion based on economic deterrence models and fiscal psychology. The earliest articles on tax evasion sought to understand the relationship between economic sanctions as a deterrent to tax evasion (Allingham & Sandmo, 1972; Srinivasan, 1973). These models proposed a cost-benefit relationship between the taxpayer's tax liability and penalties that might be assessed if they were caught; as long as the amount of the tax evaded exceeded the likely penalty, it was thought that

the taxpayer would choose to evade. Over time, it became apparent that economic deterrents did not completely explain taxpayer behavior. Other factors like age, gender, class, education and occupation, along with attitude toward taxes, were incorporated into what are known as fiscal psychology models (Lewis, 1979; Spicer, 1974; Vogel, 1974).

Although there was some earlier research on noneconomic factors in tax compliance (Schmolders, 1959), psychological variables did not become the focus until the 1970s. It was during this time that the volume of research into tax compliance increased for various reasons. Some speculate that the increase was due to worldwide economic growth (Webley et al., 1991). Others blame it on the disparity between the economic growth and amount of taxes collected, also known as the "tax gap" (Richardson & Sawyer, 2001). The increase in research efforts

spawned new thinking around the problem of tax evasion. Having explored economic deterrents and finding that the resulting theories did not completely explain taxpayer behavior, researchers have looked to other nonaccounting areas for possible explanations. A predominant area of study since the 1970s has been on the relationship between ethics and taxpayer compliance (Richardson & Sawyer, 2001). Early studies indicated a significant relationship between ethics and compliance (Jackson & Milliron, 1986). Later research expanded on the relationship with studies of ethics as a mediator between tax compliance and variables that had been studied in the economic deterrent research, such as probability of detection, opportunity to evade, and demographic variables, to name a few (Detert et al., 2008). Researchers use the term, "fiscal psychology" to describe this interplay between economic and psychological factors.

The following paragraphs highlight articles that help explain the shift in research over the decades from purely economic factors to psychological and social factors. Building on prior

research, this study identifies the variable moral disengagement as a potential explanation for taxpayer noncompliant behavior.

The Beginning of History—Economic Deterrent Models

The tax gap spurned much early research around the reasons why individual taxpayers choose to file or not file tax returns (DeVos, 2011). Research from 1970 to 1990 focused on the economic reasons for not filing. Taxing authorities wanting to curb noncompliance engaged in either preventive or detective measures, or both. Preventive measures include the imposition of stiff fines and penalties for not filing, whereas detective measures include taxpayer audits. The potential for these measures to be exacted was thought to influence taxpayer behavior. Research on economic deterrents explored whether individuals would weigh the potential fines or a potential audit against the money saved by not complying with the tax laws to determine whether

it was worthwhile to not comply (Fischer et al., 1992). These economic models grew out of research studying criminal behavior to determine whether criminals would be deterred if the penalties were severe enough (Becker, 1968).

Like any criminal, a taxpayer will decide whether to evade taxes by weighing the cost of the decision against its anticipated benefit (Allingham & Sandmo, 1972). The cost being the potential penalty, fine, or jail time; the benefit being the amount of tax evaded. The basic model has been extended over the years to include considerations for risk of audit and perceived probability of detection (DeVos, 2014; Gemmel & Hasseldine, 2012; Khlif & Achek, 2015; Richardson, 2006; Yitzhaki, 1974; Yusof & Lai, 2014), tax and penalty rates (DeVos, 2014; Ghosh & Crain, 1993; Khlif & Achek, 2015; Richardson, 2006), the complexity of the tax system (DeVos, 2014; Khlif & Achek, 2015; Riahi-Belkoaoui, 2004; Richardson, 2006), and

moral considerations (Bobek & Hatfield, 2003; DeVos, 2014; Khlif & Achek, 2015; Richardson, 2006; Yusof & Lai, 2014), among others.

Studies in the 1970s—The Cost-Benefit Relationship

Tax compliance research in the 1970s was based on the economic maximization model, known as utility theory. Allingham and Sandmo (1972) first applied utility theory to income tax compliance. Under this cost-benefit theory, the taxpayer will pay taxes only because they are afraid of having to pay a penalty for not reporting income. Said differently, the taxpayer will evade whenever the return on the evasion is positive. If the taxpayer can save tax dollars by not reporting income, the taxpayer is likely to not report if they believe they are unlikely to be caught nor pay a penalty. The penalty is the economic cost that must be considered against the potential benefit of paying less in taxes. Allingham and Sandmo indicated ambiguous results with regard to the effect of the tax rate on tax evasion. There are two different factors to consider when a

taxpayer is deciding how much income to report when tax rates are increasing. One factor reflects the loss of income a taxpayer experiences when tax rates increase. These results show that the effect of this income factor yields greater willingness to comply as taxpayers are less willing to take risks as they become poorer. The study also reports that the return on evasion is another factor at work at the same time as the income factor. Taxpayers are more willing to evade when the return on evasion is increasing if it is assumed that risk aversion is decreasing. For example, if unreported income is $100,000 and the tax rate is 20%, then the taxpayer makes $120,000 if not caught. If unreported income is $100,000 and the tax rate is now 25%, the taxpayer makes $125,000 if not caught. Thus, the return on evasion has increased with the tax rate. For taxpayers who are not risk averse, the greater return will serve as encouragement to not

report all of their income (Allingham & Sandmo, 1972). Later research also indicates that taxpayer compliance decreases as tax rates increase (Alm, 2019).

Srinivasan (1973) developed a model based on the assumption that taxpayers will maximize their utility. The author proposed there is an amount of income that, if not reported, provides the greatest amount of net income. Net income in this case is income the taxpayer realizes after paying taxes assessed on the amount reported and any potential penalties that may be assessed on the income that was not reported. Therefore, as net income increases, evasion should also increase. However, the author admitted there are many other factors that affect a taxpayer's decision.

Extending the Allingham and Sandmo (1972) model, Yitzhaki (1974) proposed that if the penalty for noncompliance was pegged to the amount of tax and not to income (as in the Allingham and Sandmo (1972) model), the tax rate would have no effect on the risk-reward ratio. The penalty would rise and fall with the tax rate. Therefore, only the amount of income

would affect the cost-benefit analysis and not the return on evasion as the return on evasion would not change. Yitzhaki found that a higher tax rate will cause people to be more compliant as income decreases. Subsequent research contradicts the Yitzhaki model, indicating that tax evasion increases as tax liabilities increase (Andreoni et al., 1998; Baldry, 1987; Clotfelter, 1983; Friedland et al., 1978; Pudney et al., 2000).

Kahneman and Tversky (1979) authored the original article on prospect theory as a rebuttal to utility theory. At the time, utility theory was considered the best predictor of decision-making behavior. Originally, the theory was developed to predict monetary outcomes that were simply based on known probabilities (Kahneman & Tversky, 1979). Prospect theory identifies two phases involved in decision-making: the editing or framing phase and evaluation phase

(Tversky & Kahneman, 1992). The first phase involves an analysis of the options, identifying the potential outcomes. The second phase evaluates those options and the resulting choice has the highest value. During the first phase, the potential outcomes are identified as gains or losses. People tend to dislike losses more than they like gains (Bhattacharjee et al., 2015). If a taxpayer expects to owe tax with the filing of their return, this is framed as a loss in the taxpayer's mind. If the taxpayer expects a refund, it is framed as a gain. It follows then that taxpayers will take more aggressive tax positions if they expect a loss than if they expect a gain (Dusenbury, 1994; Schepanski & Kelsey, 1990; Schisler, 1996; White et al., 1993). Prospect theory has direct implications for taxpayers making compliance decisions as it can be applied when there are a number of possible outcomes and unknown probabilities (Kahneman & Tversky, 1979). Typically, a taxpayer will not know whether they will be discovered by the taxing authority or

how much it will cost if they are caught, suggesting that prospect theory is an appropriate lens for the analysis.

Studies in the 1980s—The Uncertainty Variable

Scotchmer and Slemrod (1989) added the variable uncertainty to the economic model. Their model compares the amount to be collected from a wayfaring taxpayer to the uncertainty of being audited. The taxpayer does not know whether they will be audited, and this not knowing, or uncertainty, is due to the randomness of tax audits. The authors maintained that there is some optimal balance between the number of audits and randomness of the assessments from taxpayer to taxpayer that would increase revenue. The study is criticized for being too simplistic in its assumptions (DeVos, 2011). Although risk and uncertainty are not the same, without uncertainty there is no risk. Risk is measurable uncertainty, whereas true uncertainty is

not measurable (Knight, 1921). A person may be risk-averse and therefore not want to take a chance on the risk of audit.

In the 1980s, researchers also studied the effects of increased penalties on taxpayer compliance. Models indicated that if taxpayers believed they were unlikely to be audited, they might still be compliant if the penalties were high enough (Jackson & Jones, 1985). During this decade, the relationships between audit rates, collection rates, tax rates, fines, and complexity were examined (Graetz & Wilde, 1985; Reinganum & Wilde, 1986; Slemrod, 1989). Although the economic model was still the basis for most studies during the 1980s, it was becoming apparent that the economic model could not explain the varying results (DeVos, 2011; Slemrod, 1989). The IRS (2014) Oversight Board Attitude Survey supports the difficulties in determining whether taxpayers pay taxes because of economic motivations in lieu of other explanations. Of the taxpayers surveyed, 59% indicated fear of an audit would either greatly or somewhat

influence whether they would report and pay their taxes honestly; 93% indicated personal integrity would greatly or somewhat influence their decision; third-party reporting like W-2s for wages influenced 62% to report and file honestly; belief that neighbors are reporting and paying honestly, 41%; and belief that friends and associates are reporting and paying honestly, 51%. Fear of an audit does not necessarily reflect solely monetary considerations; however, audits can be costly in terms of time and money. The survey does support the notion that the cost-benefit analysis cannot explain all taxpayer behavior (IRS, 2014).

Studies in the 1990s—Audit Rates Questioned

One important finding in the 1990s was the realization that taxpayers do not have actual knowledge of audit or penalty rates. In previous studies, these rates were treated as though they were actually known, and therefore an external variable. Cuccia (1994) determined that

taxpayers were not privy to the probability of an audit and penalty amount that might be assessed. Taxpayers perceived that the rates were higher than they really were. For example, less than 1% of the returns filed in 2015 were audited (IRS, 2016). The perceived rates were therefore an internal variable, not an external variable. Other researchers have also suggested that the actual rates may not really matter; it is the percieved rates that may affect compliance (Andreoni et al., 1998; DeVos, 2011; Jackson & Milliron, 1986). This perception is backed up by experimental research indicating that more people should be noncompliant given the low audit rates (Alm et al., 1995). The inability of these studies to accurately assess noncompliance indicated researchers should consider psychological and social influences on taxpayer behavior (Andreoni et al., 1998).

Studies in the 2000s—Looking for New Explanations

Economic deterrents such as taxpayer audits, changes in tax rates, and penalties continue

to be studied in the 2000s (Ariel, 2012; Muh Dularif et al., 2019). Research findings in this decade support previous findings concluding that tax audits and increased penalties reduce tax evasion (D'Agosto et al., 2018; Kleven et al., 2011; Muh Dularif et al., 2019) unless the taxpayer is in a high income bracket, in which case the findings may be reversed (Slemrod et al., 2001). Yitzhaki's (1974) previous assertion that an increase in tax rates would increase compliance was contradicted by Dhami and Al-Nowaihi (2007) whose study indicated that an increase in tax rates would yield a higher tax benefit as the amount evaded would also increase. Additional research during this decade supports the negative relationship between tax rate and tax compliance (Alstadsaeter & Jacob, 2016; Kanagaretnam et al., 2016; Muh Dularif et al., 2019; Park & Hyun, 2003).

22

It is noted that there is increasing interest among researchers into the moral and social factors influencing tax compliance in studies completed in the first 2 decades of the 2000s (Alm, 2012; Alm et al., 2017; Kafkalas et al., 2014; Torgler et al., 2008). This next section highlights what are known as fiscal and social psychology models (DeVos, 2011) that blend the economic deterrent models discussed above with social psychology variables.

Looking for New Explanations—Fiscal Psychology Models

Early Studies

In one of the earliest articles on fiscal psycholgy, Schmolders (1959) provided the directive for this type of research: "The main task of fiscal psychology remains, however, to analyze the direct resistance to direct taxation of individuals and nations according to their general 'tax mentality'" (p. 341). Schmolders' idea of "tax mentality" can be described as a person's level of resistance toward taxation. Resistance can be measured by comparing the amount of tax received by the government to the amount owed. This requires some voluntary

compliance by the taxpayers. An alternate method would be to make decisions about a person's tax mentality by understanding their commitment to their community. This can be discerned by observing social and business memberships, professions, and the neighborhood in which they live (Schmolders, 1959). Tax mentality and tax morale are similar concepts. The former is a measure of resistance to taxation, whereas the latter measures attitude toward taxes, either positive (high tax morale) or negative (low tax morale). Schmolders' definition would allow for one to potentially have a low level of resistance toward taxes as evidenced by their compliance with filing requirements, but hate doing it and therefore have low tax morale. Schwartz and Orleans (1967) studied individuals' attitudes toward penalties and other sanctions for not filing.

Their results indicated that tax policies that appealed to conscience were more effective at deterring noncompliance than threatening penalties.

Studies in the 1970s—Taxpayer Characteristics Explored

Studies in the 1970s began to scratch the fiscal psychology surface. Spicer (1974) developed a model incorporating social characteristics such as level and type of income, age, and previous experience with tax audits. The study noted a negative correlation between age and the likelihood to evade, indicating that younger taxpayers are more likely to evade than their parents. Vogel (1974) extended the study of noneconomic variables in this decade with their research correlating personal morals to taxpayer compliance. Importantly, Vogel also found that taxpayers still evaded even though they did not condone the behavior. This was understood to be an indicator that intention is not the only predictor of behavior. Later that decade, researchers examined taxpayers' ethical attitudes toward paying taxes as an indicator of their likelihood to comply with the tax law (Song & Yarbrough, 1978). Although the findings showed a correlation between ethical values and attitude toward tax compliance, the author noted that basic attitudes

are not neccesarily related to actual behavior. Lewis' (1979) study of social characteristics found that taxpayers with higher income levels were less averse to tax evasion and they thought evaders should not be severely punished.

Studies in the 1980s—Taxpayer Attitudes Explored

In their study of 43 articles related to tax compliance from 1970–1985, Jackson and Milliron (1986) noted that prior research indicated ethics to be significantly related to tax compliance. The authors also noted the lack of research on the relationship between ethics and taxpayer behavior prior to 1986. Since then, there has been much evidence supporting ethics as an important variable (Richardson & Sawyer, 2001). The difficulty in measuring ethics has

continued to be a challenge to researchers since Jackson and Milliron (1986; Richardson & Sawyer, 2001). Some have asked ethical questions and applied a scale to measure ethicality (Baldry, 1987), while others have questioned whether the subject would feel guilty if they evaded as a representation of their ethical standards (Stalans et al., 1989). Regardless of the manner in which ethics was measured, its significance as a variable in taxpaying behavior was consistent in studies from 1986–2000 (Richardson & Sawyer, 2001).

The theory of reasoned action (TRA), developed by Ajzen and Fishbein (1980), falls under the heading of fiscal psychology models. This model suggests that a person's intentions determine their behavior; intentions are a function of attitude and subjective norms. An example of subjective norms would be the individual's beliefs about whether others would approve of them evading taxes. The TRA is limited in its ability to analyze behavior in that its two constructs, attitude toward the behavior and subjective norms, do not consider the taxpayer's control over the decision's outcome (Sheppard et al., 1988). Building on the TRA, Lewis (1982) examined taxpayers' attitudes toward tax evasion. They found a significant relationship between

the intent to evade and a person's moral outlook and the perception that others were likely to evade (Lewis, 1982). Lewis also noted that further research was needed where actual behavior could be observed instead of using surveys to gather data. Antecedents to intention include internal deterrents such as the taxpayer's moral standards and their perceived likelihood of detection by the taxing authorities. The external deterrents that have been identified in the tax compliance literature include penalties, tax rates, and the risk of being caught (DeVos, 2014; Ghosh & Crain, 1993; Khlif & Achek, 2015; Richardson, 2006).

Studies on attitudes toward tax evasion were prevalent in the 1980s. Grasmick and Scott (1982) found that taxpayers feel more guilt when they steal than when they cheat the

government. However, guilty feelings are more likely to deter evasion than theft (Grasmick & Scott, 1982). Similarly, Stalans et al. (1989) found that taxpayers who feel guilty about tax evasion are less likely to evade.

Following Song and Yarbrough (1978) and Lewis (1979), Groenland and van Veldhoven (1983) demonstrated the effect of attitude and situational factors on taxpaying behavior. Situational factors included income, age, education, tax knowledge, and equity. In this study, attitude was defined as the person's evaluation of the tax system. Taxpayers who are older, more educated, and of a higher income level have a less positive attitude toward the tax system and are more disposed toward tax evasion (Groenland & van Veldhoven, 1983).

In a study of undergraduate students, results indicated that ethical values affected the decision to comply with the tax laws (Kaplan & Reckers, 1985). These students determined their ethical values based on referents other than the tax law, like their peer group and family members. By comparison, Smith and Kinsey (1987) theorized that taxpayer behavior was driven more by situational factors and not based on intention. The authors considered factors like

complexity of the tax law and the opportunity to evade. Taxpayer behavior may be unintentional as a result of not understanding the tax law due to its complexity, and not following it because ignorance allows for lack of accountability (Smith & Kinsey, 1987).

Slemrod (1989) identified the ability to predict, enforce, manipulate, and comprehend as aspects of tax law complexity. However, the author did not test the effect of these factors on compliance due to lack of data on tax evaders. One source of potential data is the Individual Master File the IRS maintains on the errors they find in taxpayers' returns. Long and Swingen (1988) used the Individual Master File to study the relationship between the level of complexity of a line item on a tax return and number of errors committed by taxpayers on that line item. The

results showed that greater complexity corresponds to greater noncompliance. The authors concluded that taxpayers are less able and willing to comply with the tax law when it is perceived as complicated.

Direct observations are difficult to come by in this area as most taxpayers will not want to confess their wayward ways. However, Cialdini (1989) was able to obtain direct observations, which they used in case studies. They found that the complexity of the tax system deterred compliance because taxpayers feel the complexity makes it an unfair system. Cialdini concluded that tax compliance could be improved by increasing the taxpayer's level of commitment toward paying taxes. Cialdini hypothesized that commitment could be affected by educating taxpayers (Cialdini, 1989). Of course, simplifying the tax system might also help make the system seem more equitable.

Studies in the 1990s—Ethics and Tax Evasion

Taxpayers' attitudes toward tax compliance continued to be the focus of research during the 1990s. A person's attitude can be defined as their disposition toward an event as favorable or

unfavorable (Ajzen, 1993; Eagly & Chaiken, 1993). Taxpayer attitudes reflect that they do not necessarily see evasion as an ethical question. This was noted when Alm et al. (1992) ran the same survey twice, once including the word "evasion," and a second time with no mention of taxes or evasion. There was no variation in the response with and without the references to taxes, suggesting that the participants did not connect tax evasion with ethicality.

Surveys from the previous decade indicated ethical beliefs to be related to an individual's attitude toward tax evasion when the taxpayer sees noncompliance as an ethical issue (Reckers et al., 1994). Taxpayers who do not see the compliance decision as a moral one will be more strongly influenced by other factors such as the expectation of a refund versus a liability (Chang

& Schultz, 1990). If the taxpayer does consider evasion to be an ethical issue, ethical values are considered better deterrents to tax evasion than economic deterrents (Smith, 1990).

In an effort to examine the relationship between fairness of the tax law and complexity, Carnes and Cuccia (1996) compared the complexity of specific tax items to perceptions of equity to determine whether the complexity of some items might be perceived as justified while others may not. The authors concluded that taxpayers believe in the need for the tax law to be complex, but they do not particularly like it.

Studies in the 2000s—Small Businesses and Taxes

Although economic and noneconomic variables continued to be studied in this decade, greater emphasis was placed on the differences between employed individuals and the individual small business owner. In a sample of Australian small business owners, Ahmed and Braithwaite (2005) noted that the effectiveness of deterrence mechanisms did not vary between employed individuals and individual small business owners.

Although the factors themselves did not vary between small business owners and

employed individuals, there was a noted difference in the way the former feels about their tax responsibilities. Small business owners feel like they pay out of their own pocket for services they do not necessarily support (Ahmed & Braithwaite, 2005). However, employed individuals do not directly feel this "out of pocket" sensation. Employed individuals are subject to withholding from their paychecks, and generally do not have to think about writing a check for their taxes during the year. It is only when they come up short at the end of the year that they have to physically write a check for the difference. Small business owners are often considered to be self-employed and therefore not subject to third-party withholding from wages. They must think about taxes on a regular basis and physically write checks throughout the year. As a result,

the small business owner has many opportunities to make taxpaying decisions during the year. There is some evidence that small business owners are more likely to underreport than other taxpayers (Kirchler et al., 2006). At the very least, small business owners have many opportunities to not comply with the rules (Kamleitner et al., 2012). Opportunity is a significant factor in explaining tax evasion (Webley, 2004). Opportunities for evasion exist anytime income is not subject to third-party reporting or withholding (Williams & Round, 2009).

Small business owners perceive themselves as owners of all of the monies they receive in their businesses (Adams & Webley, 2001), whether it is earned or simply collected to be remitted to the government. In countries other than the United States, companies are responsible

for the value-added tax. In a UK study, business owners generally felt they owned the value-added tax money (Adams & Webley, 2001) when, in reality, they were serving as a collection

agency for the government. This sense of ownership was related to an increase in reporting of

noncompliance (Webley, 2004). One reason for noncompliance stems from the feeling of ownership and subsequent loss of the funds (Kamleitneret al., 2012). According to Kahneman and Tversky (1979), a feeling of loss is more painful than the feeling you experience when you hand over funds you never owned. The authors characterized this as a nongain situation. If the business owners feel they owned the monies and then had to pay them over to the authorities, they suffered a loss. If they felt the monies always belonged to the government, the perception might be a nongain for the same amount of funds. Thus, the business owner may engage in noncompliance to avoid the feeling of loss (Kamleitner et al., 2012). Paying taxes is painful. It may be more painful for the small business owner than for the employed because they are more likely to owe than receive a refund on filing their returns (Ahmed & Braithwaite, 2005). Small business owners who were expecting a refund of $1,000 or more were significantly more

compliant than those expecting to owe (Ahmed & Braithwaite, 2005; Kirchler & Maciejovsky, 2001).

Knowledge of the tax rules increases the small business owner's chances of business success (Haber & Reichel, 2007). In the United States, the state tax forms are often complicated, requiring knowledge of tax laws that may vary from state to state. Not only are the tax laws complex, but they change often (Chittenden et al., 2003). The cost to comply is highest for small business owners (Chittenden et al., 2005) who are generally not experts in tax laws, so they must pay for accounting and tax services. Small business owners have less tax knowledge and feel less competent in completing their tax returns than business students (Kirchler et al., 2003). In spite of the feelings of incompetency, they feel like they must participate in the process themselves, even if it means just keeping sufficient records (Coolidge et al., 2009). Both subjective and actual tax knowledge relate positively to compliance (Kirchler & Maciejovsky, 2001; Kirchler et

al., 2006). Also noted in these studies, feelings of incompetence, lack of understanding of the complex laws, and the costliness of obtaining the help to overcome these obstacles are hindrances to tax compliance.

One way to avoid those obstacles is to not pay one's taxes. That thought is not considered unethical by all people in every situation. According to McGee (2012), there are four views on the ethics of tax evasion predominant in the literature:

1. Tax evasion is always unethical. It is unethical for three main reasons. First, taxpayers have a duty to the state to pay taxes. Second, the individual has a duty to the rest of the taxpayers. All consumers should contribute to the provision of services. Third, we all have a duty to God to pay our taxes.

2. There is no duty to pay taxes. The taking of taxes is equivalent to the taking of property by force. The government is stealing from us.
3. Tax evasion is sometimes unethical.
4. The taxpayer actually has a duty to not pay taxes in some circumstances.

Robert McGee has written or cowritten over 900 articles on tax evasion. He summarized his surveys of various populations finding that people mainly justify tax evasion when they cannot afford their tax bill, when the government is corrupt, or they disagree with the way the government is spending their money (McGee & Benk, 2019).

If these reasons sound like rationalizations, they may well be. The theory of moral disengagement holds that we all want to think we are doing the right thing while we are acting unethically (Bandura, 1986). To reconcile our actions with our ethical values, we may morally disengage by utilizing various mechanisms. These mechanisms include justification on moral grounds—the government is wasting my money or the government is corrupt. Other mechanisms

include blaming others (e.g., the government) and distorting the consequences (Bandura et al., 2000). The current study sought to shed some light on the factors that influence taxpayers making the compliance decision. The taxpayer may be more inclined to moral disengagement and unethical decision-making when there is a greater likelihood of personal gain (Kish-Gephart et al., 2014). The effects of the influence of the personal gain motivation may be less for people who are highly conscientious (Kish-Gephart et al., 2014). The theory of moral disengagement is discussed in greater detail below.

In the taxpaying scenario, the personal gain is equivalent to the money saved by not filing a tax return. The question here is, are taxpayers more motivated by personal gain than by their ethical values? What is interfering with their ethical decision-making process? The cost/benefit

studies discussed previously often indicated that every taxpayer performs this mental cost-benefit analysis before deciding to correctly file their tax returns. However, these studies often conflicted, and most would agree they did not explain every behavior. It follows then, that not everyone performs the cost-benefit analysis all of the time. Those who do perform this analysis do not have strongly internalized moral norms (Kroneberg et al., 2010).

A review of the literature indicates substantial research has been done on the economic deterrents to tax evasion. The considerations, however, are not limited to economic costs. It is apparent that there are psychological and social considerations as well. Khlif and Achek (2015) recapped studies to date:

In sum, the general implications of these theories are that tax evasion is deterred by sanctions, can be viewed as an economic decision under uncertainty in which taxpayer estimates the economic advantages and costs of tax evasion and tax noncompliance can be explained by non-economic factors related to taxpayers' attitudes and perception on

compliance. (p. 489)

This next section explores the theory of moral disengagement and its potential for explaining taxpayer compliance behavior.

Moral Disengagement

The theory of moral disengagement is an offspring of social cognitive theory. Social cognitive theory holds that individuals make decisions according to personal standards of moral behavior. These standards help guide and regulate behavior (Bandura, 1986). If a person acts counter to their own personal standards, they will evaluate themselves negatively and censure their own behavior (Bandura, 1999). Therefore, individuals will generally act in ways that are consistent with their own personal standards. Bandura (1999) maintained that this regulatory

function operates only when it is activated, and it can be deactivated by means of moral disengagement.

Although there is still much to be discovered, it is observed that moral disengagement may occur before one begins to deliberate over a course of action (Moore et al., 2012) by employing one of its mechanisms. Similarly, Sykes and Matza (1957) and Bandura et al. (1996) stressed that the mechanisms of moral disengagement precede and are therefore involved in causing the immoral act (Ribeaud & Eisner, 2010). Mechanisms of moral disengagement include (a) the use of moral justification, (b) innocuous language, (c) contrasting the behavior with something worse, (d) displacing responsibility for the behavior, (e) blaming the victim, (f) diffusing responsibility, (g) minimizing the consequences, and (h) devaluing the victim (Bandura et al., 2000). Individuals who use moral justification, innocuous language, and advantageous comparison are justifying their behavior by characterizing the harm they are doing as something other than it really is. Hiring young children to work in sweat shops is better than letting their

families go hungry. Beating out the competition is a euphemism for lying to your customers. Bombing a residential neighborhood is collateral damage. At work, employees may blame their employer for their bad behavior, thereby displacing or diffusing the responsibility. Noncompliant taxpayers may feel they are not really hurting anyone, thus minimizing the consequences. A complicated income tax system may be blamed for noncompliance, making the state (victim) to blame. The likelihood to morally disengage is positively related to unethical organizational behavior (Moore et al., 2012). Unethical acts in organizations have been tied to rationalizations that include displacement of responsibility, blaming the victim, and minimizing the consequences (Anand et al., 2005). Corporate taxpayers involved in offshore tax schemes often displace responsibility, minimize the consequences, and blame the victim to rationalize their

behavior (Evertsson, 2019). Although the literature identifies specific contexts in which moral disengagement is a likely explanation, not enough studies have been done to conclude that moral disengagement does not vary with context (Paciello et al., 2008). If specific contextual influences trigger moral disengagement, then specific moral disengagement mechanisms may be triggered when anticipating a tax compliance decision. Table 1 provides examples of each of the eight justification mechanisms Bandura et al. (2000) identified. The language used in the study was meant to portray everyday circumstances where an individual may justify their behavior to determine a general propensity to morally disengage.

Table 1

Sample Justification Language	Justification Mechanism	(Bandura et al., 2000)
Justification Language	Moral justification	I am doing them a favor by eating this meal, they would have thrown the food away anyway so I should not have to pay for it.

Using innocuous language Killing civilians in time of war is collateral damage.

Contrasting the behavior I am just looking at the exam answers before the test. It's not like I'm copying them like some of my friends. Displacement of responsibility My boss asked me to do it.

Blaming the victim It was the cashier's fault she made a mistake.

Diffusion of responsibility Everyone is doing it.Minimization of consequences It's not harming anyone.

Devaluing the victim They deserved it.

34

People not only tend toward moral disengagement (Detert et al., 2008; Duffy et al., 2005; Moore et al., 2012), but certain situations where there is an opportunity for personal gain may trigger it (Kish-Gephart et al., 2014). In some situations, personal interest is a powerful motivator (Moore & Lowenstein, 2004). The opportunity to save money by not paying taxes may be one such motivator. Self-interest may conflict with one's moral standards when there is an opportunity for personal gain. Furthermore, unethical behavior results when self-interest conflicts with one's moral standards and self-interest prevails (Bandura, 1986). The unethical behavior happens when one's self-regulatory mechanisms of guilt and disapproval become disengaged (Bandura, 1986). The actor no longer perceives their behavior as offensive because they have justified it morally and/or socially (Bandura et al., 2000). People want to benefit themselves, but they also want to feel good about their decisions (Bandura, 1986; Batson et al., 2003; Cooper, 2001; Haidt, 2001; Haidt & Kesebir, 2010; Jones & Ryan, 1997; Kunda, 1990; Tsang, 2002). Moral disengagement allows an individual to accomplish both goals: avoid guilt while being opportunistic.

The relationship between moral disengagement and unethical decision-making has been supported in studies involving children (Bandura et al., 2001; Bandura et al., 1996) and adults

(Detert et al., 2008; Duffy et al., 2005). McGee (2012) identified specific situations in which taxpayers are asked to decide whether tax evasion is ethical. Generally, the author found that tax evasion is sometimes unethical. The McGee studies did not assume that tax evasion is always unethical. The studies assumed the respondents were making an ethical analysis of the question. In other words, the assumption was that tax evasion is an ethical question. Noncompliance with the tax rules may be ethical or unethical depending on the circumstances (McGee, 2012).

35

The current study aimed to discover whether individuals are likely to morally disengage within the specific context of tax evasion. In other words, could their decision to evade be the result of some rationalization or justification mechanism? In an early study on neutralization strategies, Thurman et al. (1984) developed statements related to tax evasion to test the use of these strategies. The neutralization mechanisms are similar to the Bandura et al. (2000) mechanisms as seen in Table 2. The current study sought to explore whether a taxpayer who indicates a likelihood to evade taxes is also likely to use moral disengagement justification mechanisms. Thurman et al. studied taxpayer attitude toward evasion and the use of neutralization mechanisms to justify the attitude. Although neutralization mechanisms may predict behavior, Thurman et al. did not present a scenario in which the study participants were required to make a decision as to whether they would comply with the tax rules. Thurman et al. (1984) outlined the similarities between moral justification mechanisms and neutralization techniques (as shown in Table 2) and provided support for the theory that taxpayers may justify evasion by implementing moral disengagement mechanisms.

36

Table 2

Justification Mechanisms and Neutralization Statements Justification Mechanism

(Bandura et al., 2000)

Neutralization Techniques (Sykes & Matza, 1957)

Neutralization Statements (Thurman et al., 1984)

Percent not strongly disagreeing (Thurman etal., 1984)

Moral justification Euphemistic language Appeal to higher loyalties Euphemistic language (implied)

It is okay to claim underserved tax deductions or fail to report certain income when you have donated more to charities and worthy causes than you are allowed to deduct. 50.0

Displacement of responsibility Denial of responsi-bility

It is okay to claim an undeserved tax deduction in the case where you are not really sure what the rule is. 61.4

Dehumanization Denial of the victim It is okay not to report income since inflation requires that you hold onto every dollar possible. 48.6

Distortion of consequences Denial of injury It is not so wrong to fail to report certain income since it does not really hurt anyone. 53.1

Advantageous comparison Appeal to higher loyalties

It is all right to occasionally fail to report certain income or claim an undeserved tax deduction since you are generally a very loyal and law-abiding citizen. 46.6

Attribution of Blame Denial of the victim It is not wrong to fail to claim certain income on your tax return since the government is often careless with your tax dollar. 50.0

Using the Thurman et al. (1984) study as a guide, the current study attempted to identify which moral disengagement mechanisms taxpayers are likely to use. The next section describes the methodology used to examine whether a correlation exists between the justification

mechanisms Bandura et al. (2000) identified and an individual's likelihood to evade, and if so, the mechanism most likely to be used.

Chapter 3: Methodology

This chapter discusses the research design, population and sample, sampling procedure, instrumentation, data collection procedures, data analysis, and limitations. The purpose of this study was two-fold. First, I aimed to determine whether the relationship between the general likelihood to morally disengage is positively related to the intention to evade taxes. Second, I sought to discover if there is a positive relationship to determine whether there is a significant

relationship between the likelihood to evade taxes and likelihood to utilize a specific mechanism to do so. The eight mechanisms under consideration were those identified in Moore et al.'s (2012) study. These questions were designed to provide more focus to the moral disengagement literature by shedding light on one of the contexts in which moral disengagement may operate and identifying the mechanisms used within that specific context. This study is meant to be a first step in determining which of the various mechanisms predict tax-evasive behavior. Exploration of specific contexts in which moral disengagement may be apparent is noted as a gap in the literature (Moore et al., 2012). A summary of the hypotheses identified below are also listed in Table 5.

I sought to determine whether there is a significant relationship between the likelihood to morally disengage and likelihood to evade taxes. The research question therefore was as follows: Is there a significant relationship between the likelihood to morally disengage and likelihood to evade taxes?

If the relationship between the general likelihood to morally disengage and intent to evade is positive, taxpayers who are likely to be morally disengaged will also be likely to evade taxes. If the relationship between the likelihood to evade taxes and likelihood to morally disengage is significant, the first hypothesis would be supported.

H1: There is a statistically significant relationship between the likelihood to evade taxes and likelihood to morally disengage.

The literature supports the notion that specific moral disengagement mechanisms may be used more often in some situations than others (Kish-Gephart et al., 2014). It may be helpful to taxing authorities to understand which disengagement mechanisms taxpayers use most. An understanding of the taxpayers' thought processes would aid in designing an approach to curb

evasion. It is notable from the data provided above in the Thurman et al. (1984) study that of all of the neutralization techniques, the one that was claimed most often was the denial of responsibility. This is evidenced by the 61.4% of participants who did not strongly disagree with the statement that it was okay to take an unwarranted tax deduction if you do not understand the rules. The Thurman et al. study has not been replicated since its first publication. The current study tested the results of the Thurman et al. study, specifically for the indication that of those participants who are likely to morally disengage will do so by not taking responsibility for their actions. Therefore, the second research hypothesis of this study was as follows:

H2: There is a significant relationship between displacement of responsibility and the anticipated decision to evade taxes.

Blaming the government is another way taxpayers may justify not paying their taxes. Bandura et al. (2000) classified this specific type of displacement of responsibility as "attribution of blame." This moral justification mechanism is distinguished from displacement of responsibility, which claims no responsibility, by specifically identifying the government as the one to blame for one's lack of compliance. If taxpayers are likely to use the mechanism, attribution of blame to evade taxes, the following hypothesis would be supported:

H3: There is a significant relationship between attribution of blame and the anticipated decision to evade taxes.

The tax gap and ever-increasing national debt have long been concerns for the American public. It may be worthwhile when designing communications with taxpayers to know whether taxpayers are unaware of the effect of their taxpaying decisions on the national debt. Given the recently reported estimated tax gap at $441 billion for the period 2011–2013 (IRS, 2019), and ongoing increases to the national debt, communicating the effect of noncompliance decisions

may have a valuable impact on tax compliance. Taxpayers who distort the consequences of their actions and deny injury indicate this thought pattern with "It is not so wrong to fail to report certain income since it does not really hurt anyone" (Thurman et al., 1984, p. 315). Slightly over 53% of the Thurman et al. (1984) study participants indicated this neutralization technique. The current study served to validate this as an indicator that a taxpayer may use this specific technique when deciding to not comply with the tax rules because they do not connect paying their taxes with an increase in the national debt. If the use of this specific moral disengagement mechanism is significant, the following hypothesis would be supported:

H4: There is a significant relationship between distortion of consequences and the anticipated decision to evade taxes.

Similar to the technique, distortion of consequences, is the belief that tax evasion is a victimless crime. The lack of a victim is noted in Sykes and Matza's (1957) neutralization technique, "denial of injury." Bandura et al. (2000) characterized this technique as "dehumanization." In other words, the victim should not be treated like a human being; therefore, there is no human victim nor injury. If taxpayers hold to this belief and are also likely to evade taxes, the following hypothesis would be supported in the current study:

H5: There is a significant relationship between dehumanization and the anticipated decision to evade taxes.

The Thurman et al. (1984) study noted that 50% of respondents indicated it is okay to fail to report certain income if you can morally justify your actions because of your other many virtuous activities. Moral justification can also be used when one would claim it is okay to not report certain income because the taxes will be used by a corrupt government or a cause you do not believe in. If the participants in the current study applied this specific moral disengagement

technique, the following hypothesis would be supported:

H6: There is a significant relationship between moral justification and the anticipated decision to evade taxes.

The moral disengagement technique, advantageous comparison, is similar to moral justification in that the taxpayer will compare their actions to less desirable actions. The Thurman et al. (1984) study suggested the taxpayer will mentally argue they are generally a law-abiding citizen, so fudging on one's taxes is no big deal. Moore et al. (2012) would say fudging a little bit is not the same as fudging a lot, like other people do. If the participants in this current study utilized this specific moral disengagement mechanism, the following hypothesis would be supported:

H7: There is a significant relationship between advantageous comparison and the anticipated decision to evade taxes.

A tax evader may decide not to report all of their income as a "business decision" or to "offset a budgetary shortfall." These are examples of euphemistic language used to justify tax evasion. If a taxpayer is prone to using this type of euphemistic language to justify their tax-evasive intentions, the following hypothesis would be supported in the current study:

H8: There is a significant relationship between euphemistic language and the anticipated decision to evade taxes.

Lastly, a taxpayer may take their moral cues from what they believe everyone else is doing. If they believe everyone is cheating on their taxes, then it must be okay. This is

characterized as diffusion of responsibility (Moore et al., 2012). The person agreeing with this approach to moral disengagement will likely agree with the statement, "People can't be blamed for doing things that are technically wrong when all their friends are doing it too" (Moore et al., 2012). If the taxpayer is also likely to evade taxes, the following hypothesis would be supported:

H9: There is a significant relationship between diffusion of responsibility and the anticipated decision to evade taxes.

Research Design

This study is quantitative. The most commonly used correlation is the Pearson correlation (Gravetter & Wallnau, 2008). I anticipated that the Pearson correlation would be the appropriate measure to assess the relationship between the likelihood to evade taxes and moral disengagement and likelihood to evade taxes and each of the moral disengagement mechanisms. The main assumption of a Pearson correlation requires that the variables are continuous and have a linear relationship (Gravetter & Wallnau, 2008).

Some researchers view Likert scales as being strictly categorical, and therefore not subject to parametric analysis (Jamieson, 2004; Miller & Salkind, 2002). However, some studies have indicated a parametric analysis is appropriate when the data are not ordered on an interval scale and do not reflect equal differences in magnitude (Baggaley & Hull, 1983; Baker et al., 1966; Glass et al., 1972; Labovitz, 1970). The number may be a representation of a level of agreement with the question or statement (Harpe, 2015) and there may be an infinite number of

unequal values between the levels of agreement. One's likelihood to morally disengage is more accurately portrayed as a tendency represented by a number along a continuum. Pearson is appropriate when the variable is continuous (Gravetter & Wallnau, 2008). In addition, the Pearson correlation is appropriate when the relationship is expected to be linear. Spearman

would be more appropriate for a nonlinear relationship. It is noted that the authors of the instrument used in the current study reported results utilizing ordinary least squares regression analysis (Detert et al., 2008), indicating a linear relationship among the variables. A scatterplot matrix was used to examine the relationship across variables. Examination of the matrix revealed that the relationship was linear in nature and no variables were found to be curvilinear. The assumption for Pearson was therefore met.

Likelihood to commit tax evasion was measured by participants' responses to the Bailey and Plecnik (2020) scenario and survey (see Appendix A). This survey consists of one question that asks participants to rate on a Likert scale how likely they would be to make the same decision as in the scenario. There are eight subscales within the moral disengagement instrument (see Appendix B). A composite score was computed for moral disengagement in accordance with the instrument authors' process. Descriptive statistics were calculated for demographic variables and each of the variables of interest.

Cronbach's alpha tests variables to determine how closely related a set of test questions are as a group (Taber, 2018). The reliability of the moral disengagement survey was verified with a Cronbach's alpha reliability analysis (α=.90). According to George and Mallery (2016), Cronbach's alpha values of .70 or greater indicate acceptable reliability. Cronbach's alphas cannot be calculated for each subscale or the likelihood to commit tax evasion, as they are comprised of only one survey question each.

The results of the correlation indicated the strength and magnitude of the relationship between the variables, and the correlation coefficients, r, were expected to be somewhere between -1 and 1. A coefficient of 0 would indicate that there is no relationship between the variables, whereas a coefficient of 1 or -1 represents a perfect positive or perfect negative linear

relationship between the variables. Additionally, positive coefficients indicate that as one variable increases, the other variable also increases, whereas negative coefficients indicate that as one variable increases, the other variable decreases. Cohen's standard was used to evaluate the correlation coefficient, where 0.10 to .29 represents a weak association between the two variables, 0.30 to 0.49 represents a moderate association, and 0.50 or larger represents a strong association (Cohen, 1988).

Population and Sample

The population of this study includes individual taxpayers chosen at random by Survey Monkey. The participants were selected because of the convenience of access to them through the survey software platform. Convenience sampling is common as it allows the researcher the ability to determine the appropriateness of the participants (Carland et al., 2001). The potential participants were selected randomly by Survey Monkey. Survey Monkey charges researchers a fee to use this service. The measures used to select the participants included number of years of experience filing a tax return as an indicator of taxpaying history along with additional demographic information such as age, gender, and education, which were collected concurrently. Previous studies have indicated that demographic information may be a factor in tax evasion decision-making (Moore et al., 2012).

Sampling Procedure

The data were collected and imported from Survey Monkey into SPSS (2021) online computer software for analysis. Participants with missing responses were excluded from the analysis. The use of Survey Monkey provides for anonymity. In the process of administering the surveys, the participants were informed that their participation is voluntary and anonymous, and

that the information provided would be used solely for the purpose of this study. As in the Bailey and Plecnik (2020) study, participants were selected who have been working in the United States for 3 or more years at a job paying at least the amount equal to the standard deduction for their marital status. Bailey and Plecnik indicated this would ensure that those selected would have experience with filing returns as income below that amount may be exempt from filing.

Research indicates responses to electronic surveys range from 1% to 33% (Nulty, 2008). The most commonly used confidence level is 95% (McLeod, 2019). A power analysis for a Pearson product-moment correlation test was calculated using G*Power (Faul et al., 2007). The calculation indicated that the minimum sample size to yield a statistical power of at least .8 with $\alpha = .05$ and a medium effect size ($r = .3$) is 85. The participants were screened by Survey Monkey prior to taking the survey. One hundred eighty-nine individuals responded to the survey, resulting in 162 usable responses.

Instrumentation

Moral Disengagement Instrument

Moore et al. (2012) developed the moral disengagement instrument used in the current study to measure one's disposition toward moral disengagement. The researchers sought to determine whether the propensity toward moral disengagement could explain unethical behavior by employees in an organization. That study concluded the likelihood to morally disengage was

strongly correlated with unethical decision-making and behavior (Moore et al., 2012). Three scales were developed during the course of the Moore et al. study. The first, a 24-item scale ($\alpha = .90$) was reduced to 16 items ($\alpha = .88$) and finally to 8 items ($\alpha = .80$). The reductions were made based mostly on theoretical grounds to make it easier to use in research. The 8-item scale was used in the current study and is included in Appendix A. The 8-item scale is the scale used

predominantly in surveys related to business ethics, as can be seen in Table 3. The instrument uses a Likert scale ranging from strongly disagree to strongly agree to assess the participants' likelihood to morally disengage under the described circumstances. The instrument has been used in multivariate analysis as well as single-factor analysis (Moore et al., 2012). I obtained permission to use the instrument from one of the authors, Dr. Detert, via email correspondence. A summary of the studies related to business topics relying on either the 8-item, 16-item, or 24-item scales (Moore et al., 2012) can be found in Table 3. These studies, performed in business settings, indicate the reliability of the Moore et al. instrument to be acceptable as Cronbach's alpha values of .7 or higher are generally acceptable (Nunnally, 1978).

Table 3

Summary of Selected Moral Disengagement Studies

References Business Context Moral Disengagement MeasureSample Size and Description Findings

Beaudoin et al. (2015)

Earnings management Moore et al. (2012) (8 item)

83 financial statement preparers α=.76 β=.025 t=.21

47 References Business Context Moral Disengagement Measure Sample Size and Description Findings Bonner et al. (2016)

Supervisor M/D*; Employee M/D Moore et al. (2012) (8 item)

172 working adults α.=88; α.=93 B=-0.21; B=-0.14 t=-1.36; t=-1.26

Chen et al. (2016) Organizational behavior Moore et al. (2012) (8 item)

wages, receives cash income for work done on the side. The taxpayer decides not to report the additional income to the IRS. Each survey participant was asked about the likelihood that they would have made the same decision based on a Likert scale. Bailey and Plecnik (2020) developed the scenario, which can be found in Appendix B. Bailey and Plecnik devised the scenario in their study on the likelihood to comply with tax laws by individuals with certain personality traits. The study concluded that the intention to evade, as measured by this scenario, correlates with the likelihood of judging a friend who acted according to the scenario. As this was a recent study, the vignette has not been tested except by the authors. The vignette produced similar correlation results in the testing and retesting of 340 participants in an initial test and another 340 participants in a subsequent test (P = 0.80, Cohen's d = .05). Taxpayers' intention was measured both before and after the Tax Cuts and Jobs Act (TCJA) became effective. The study's main dependent variable was the intent to evade taxes. There was not a significant

change in the correlations before and after the TCJA. Intention to evade significantly correlated with four variables relevant to the current study (see Table 4).

Table 4

Variables Correleated with Intention to Evade Variable r value before TCJA r value post TCJA Likelihood to be punished -0.453 -0.402 Likelihood to be punished harshly -0.249 -0.265 Commitment to paying taxes -0.450 -0.490 Desire for government approval -0.262 -0.267

Note. TCJA = Tax Cuts and Jobs Act

The authors noted that the income stated in the scenario reflects the median income in the United States at the time the study was conducted. The IRS (2021) Statistics of Income report indicated that taxpayers at this income level receive about 6% of their total income from undocumented

sources (IRS, 2021). It is this undocumented income that is most likely to be underreported (Williams & Round, 2009). The scenario is stated from a third-person perspective, which can help adjust for social desirability bias (Bailey & Plecnik, 2020).

50

Table 5

Hypotheses Matrix Hypothesis Survey Items Dependent Variable Independent Variable Variable Level Statistical Analysis

H1: The likelihood to Morally disengage is positively related to the likelihood to evade taxes.

Bailey and Plecnik (2020) scenario and Moore et al. (2012) 8 -item scale Likelihood to evade taxes

Propensity to morally disengage Continuous Pearson Correlation

H2: There is a significant relationship between displacement of responsibility, and the anticipated decision to evade taxes Moore et al. (2012) 8-item scale Likelihood to evade taxes

Likelihood to displace responsibility (As a subscale of moral disengagement)Continuous Pearson Correlation

H3: There is a significant relationship between attribution of blame, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes Likelihood to attribute blame (As a subscale of moral disengagement) Continuous Pearson Correlation

51 Hypothesis Survey Items Dependent Variable Independent Variable , Variable Level Statistical Analysis

H4: There is a significant relationship between distortion of consequences, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes

Likelihood to distort consequences(As a subscale of moral disengagement) Continuous Pearson Correlation

H5: There is a significant relationship between de humanization, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes

Likelihood to dehumanize (As a subscale of moral disengagement) Continuous Pearson Correlation

H6: There is a significant relationship between moral justification, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes Likelihood to moral justification (As a subscale of moral disengagement) Continuous Pearson Correlation

52 Hypothesis Survey Items Dependent Variable Independent Variable Level Statistical Analysis

H7: There is a significant relationship between advantageous comparison, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes Likelihood to advantageous comparison (As a subscale of moral disengagement) Continuous Pearson Correlation

H8: There is a significant relationship between euphemistic language, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes Likelihood to use euphemistic language (As a subscale of moral disengagement) Continuous Pearson Correlation

H9: There is a significant relationship between diffusion of responsibility, and the anticipated decision to evade taxes. Moore et al. (2012) 8-item scale Likelihood to evade taxes Likelihood to diffuse responsibility (As a subscale of moral disengagement) Continuous Pearson Correlation

53

Chapter 4: Findings

The purpose of this study was to empirically determine whether a relationship exists between the likelihood to morally disengage and likelihood to evade taxes. Previous studies on moral disengagement have suggested investigation of the use of moral disengagement in various contexts (Moore et al., 2012). The relationship between moral disengagement and tax evasion has not previously been studied. Thurman et al. (1984) identified two neutralization techniques that were more likely to be used in justifying tax evasion: denial of responsibility and denial of injury. The current study does not support these findings. The relationship between the likelihood to morally disengage and likelihood to evade taxes is significant. However, the relationships between the likelihood to evade and neither the denial of responsibility nor denial of injury were found to be significant. The single significant finding indicates a relationship between the moral disengagement technique, advantageous comparison, and likelihood to evade taxes. This chapter includes this finding along with descriptive characteristics of the sample and findings of each of the eight hypotheses.

Descriptive Characteristics of the Sample

Data were collected by Survey Monkey in a random survey resulting in 162 usable responses. The responses were completely anonymous to minimize social desirability bias in measuring the variables. The participants ranged in age between 25 and 99 with at least 3 years of experience filing their own tax returns. No additional criteria were specified. Additional

demographic data were collected for future research and are included in Table 6.

54

Table 6
Demographic Data Gender Frequency Percent Male 82 46.3 Female 75 50.6 Prefer not to say 5 3.1 Total 162 100.0

Age Frequency Percent 25–29 27 16.7 30–44 55 34 45–60 57 35.2 >60 18 11.1 Prefer not to say 5 3.1 Total 162 100.1

Ethnicity Frequency Percent African American 13 8.0 Asian 17 10.5 Hispanic 14 8.6 Non-Hispanic White 104 64.2 Other 7 4.3 Prefer not to say 7 4.3 Total 162 99.9

Current Employment Status Frequency Percent Business owner 13 8.0 Independent contractor 15 9.3 W-2 employee 134 82.7 Total 162 100.0

55

Religious Affiliation Frequency Percent Catholic 36 22.2 Jewish 3 1.9 Muslim 2 1.2 None/Atheist/Agnostic 51 31.5 Other Christian 70 43.2 Total 162 100.0

Household Income Frequency Percent $25,000–$49,999 40 24.7 $50,000–$74,999 40 24.7 $75,000–$99,999 28 17.3 $100,000–$149,999 32 19.7 $150,000–$200,000 17 10.5 Missing 5 3.1 Total 162 100

Results

This section describes the analysis of the variables considered in the current study. The variables included the dependent variable (likelihood to evade taxes (EVADE)) and independent variables (likelihood to displace responsibility (DSR), likelihood to attribute blame (AB), likelihood to distort consequences (DC), likelihood to dehumanize (DH), likelihood to use moral justification (MJ), likelihood to use advantageous comparison (AC), likelihood to use euphemistic language (EL), and likelihood to diffuse responsibility (DFR)).

The research question sought to determine whether a significant relationship exists between the likelihood to morally disengage (MD) and likelihood to evade taxes (EVADE). The results indicate that the first hypothesis is supported. Therefore, there is a significant relationship between the likelihood to morally disengage and likelihood to evade taxes. The Pearson

56

correlation for the data revealed that the likelihood to evade taxes and likelihood to morally disengage were positively related, r = +.392, n = 162, p<.001, two tails.

Table 7

H1 Results Variable MD (Mean) EVADE EVADE Pearson Correlation 1 .392** Significance (2-tailed) .000

N 161 161 MD Pearson Correlation .392** 1

Significance (2-tailed) .000 N 161 162

Note. ** Correlation is significant at the 0.01 level (2-tailed); EVADE = likelihood to evade taxes; MD = likelihood to morally disengage

I performed a multiple regression to identify the significance of the relationship between EVADE and each of the independent variables. For the purpose of this analysis, the predictor variables were DSR, AB, DC, DH, MJ, AC, EL, and DFR. The predictor variables were treated as continuous or interval data. The outcome variable, EVADE, was also treated as continuous or interval in nature. Examination of the model summary table revealed an adjusted R2 of .183, suggesting that the data were the appropriate fit for the model. Examination of Table 8 revealed that one of the items, "Considering the ways people grossly misrepresent themselves, it's hardly a sin to inflate your own credentials a bit" (AC) was a significant predictor for EVADE (p=.007); therefore, H7 is supported. Examining the unstandardized beta shows that for every one unit of

57

point one is less likely to implore the moral disengagement mechanism, advantageous

comparison (AC), and the participant is also less likely to evade taxes (EVADE) by .348.

Table 8

Results from Multiple Regression Variable Unstandardized Coefficients Std. Error

Standardized Beta t Significance

(Constant) 3.886 11.792 .330 .742 MJ -.037 .146 -.026 -.253 .801 EL .048 .216 .030 .222 .825 AC .348 .127 .270 2.750 .007* DSR .037 .121 .029 .308 .759 DFR .207 .272 .118 .762 .447 DC .010 .176 .007 .057 .954 DH -.064 .138 -.049 -.466 .642 AB .236 .137 .183 1.724 .087

Note. MJ = likelihood to use moral justification; EL = likelihood to use euphemistic language; AC = likelihood to use advantageous comparison; DSR = Likelihood to displace responsibility; DFR = likelihood to diffuse responsibility; DC = likelihood to distort consequences; DH = likelihood to dehumanize; AB = likelihood to attribute blame

The interaction between DSR and EVADE was not significant; thus, H2 is not supported. Thurman et al. (1984) characterized one making this justification because they did not understand the rules. One possible explanation for the lack of relationship may be that the vignette depicted a straightforward scene where one received income they knew should be reported but did not. If the scenario was more complicated, the results may have been different. Future research might explore scenarios not as clearly defined in the tax code.

The interaction between AB and EVADE was not significant; therefore, H3 was not supported. Thurman et al. (1984) used language indicating the government is careless with people's money, therefore they are justified in not paying taxes. The Moore et al. (2012) survey question suggested that people who are mistreated have usually brought it on themselves. It may be that our current "Me Too" movement may make this response politically incorrect in any

situation. A longitudinal study may shed some light on changing responses during changing political and socioeconomic environments.

The relationship between DC and EVADE is also not significant, meaning H4 is not supported. According to Moore et al. (2012), this mechanism is characterized by thinking it is okay to take credit for ideas that are not your own. According to Thurman et al. (1984), this mechanism infers that tax evasion is a victimless crime. About half (53.1%) of the Thurman et al. respondents did not disagree with the statement, "It is not so wrong to fail to report certain income since it does not really hurt anyone." I would have expected the outcome to be similar in the current study.

The moral disengagement mechanism, DH, is not a significant predictor of EVADE; thus, H5 is not supported. This dehumanization mechanism may not be relevant to tax evasion as it indicates poor treatment of others is necessary when people lack feelings. Thurman et al. (1984) included a statement in their survey implying the taxpayer is the victim because of their need for monetary assistance in times of inflation. Perhaps if the survey question was worded in a way that tied it directly to the tax evasion scenario, the results may have been different.

The relationship between MJ and EVADE is also not significant; therefore, H6 is not supported. The moral disengagement mechanism, MJ, is not a predictor of tax evasion. This mechanism implies an appeal to higher loyalties. Notably, the McGee (2012) survey instrument

employs phrases that draw on mechanisms of moral disengagement such as moral justification asking whether it is okay to evade taxes if the government is corrupt, the money is wasted, or the money is spent on causes I do not believe in. Positive responses are consistently high for these questions. A meta-analysis of the surveys related to tax evasion and ethics would be helpful for future research.

Similarly, EL is not a predictor of EVADE, meaning H7 is not supported. The wording in the scenario did not utilize euphemistic language. The lack of congruency between the moral disengagement instrument language and scenario was done purposely to avoid self-reporting bias. However, the arrangement may have also eliminated the opportunity for the participant to make the connection between their decision to pay taxes and their everyday ethical decisions. Lastly, DFR is not a significant predictor of EVADE; therefore, H9 is not supported.

Thurman et al. (1984) used language indicating it is okay to not pay taxes because everyone is doing it. Moore et al. (2012) conveyed the diffusion of responsibility mechanism by indicating you cannot be blamed if an authority figure told you to do it. Future research involving a larger sample size for comparison of responses by demographics may provide additional insights into the lack of support for this and each of the unsupported hypotheses.

Chapter 5: Discussion

Early studies in fiscal psychology models of tax compliance indicated tax policies that appealed to conscience were more effective at deterring noncompliance than threatening penalties (Schwartz & Orleans, 1967). It was also noted that tax evaders do not necessarily condone the behavior (Vogel, 1974). These early studies and those that followed suggest there is a disconnect between what we think we should do and what we actually do. McGee and Benk (2019) found that people justify their noncompliance with various explanations. For example, a survey participant might claim it is okay to evade taxes if the government is corrupt or wastes your money. These rationalizations help people justify their unethical behavior with moral reasons for not complying or by comparing their behavior to something worse, blaming the tax

law complexity, among other reasons. We try to explain away why we just do not do the things we know we should do. There is a disconnect between our ethical values and behavior; however, the disconnect is not complete. We still want to feel good about the decisions we make. To feel good about our decisions, we must come up with reasons or justifications. We may do this subconsciously. We may do it either before or after the bad behavior. How is it that we can feel good about our bad behavior while our conscience is telling us the behavior is wrong? Moral disengagement theorists say we explain away the behavior using the various mechanisms tested in the current study. A person may use one or more of these mechanisms and different mechanisms in different contexts. The current study focused on a single context, tax evasion, and sought to determine whether a relationship exists between tax evasion and moral disengagement. Furthermore, this study sought to identify which mechanism is most likely to be used in that context. The propensity to morally disengage has been found to be a significant predictor of unethical behavior in organizations (Moore et al., 2012). The current study supports the general

finding for a relationship between moral disengagement and unethical behavior and expands its application to a new context—tax evasion. This study further validates the use of the Moore et al. (2012) 8-item scale as a measure of the propensity to morally disengage. Moore et al. suggested that the propensity to morally disengage may vary with context and that certain contexts may trigger the disengagement. The authors also suggested that specific mechanisms may be used in particular circumstances. The findings here, although not exhaustive, support the existence of a relationship between moral disengagement and the likelihood to evade taxes. In addition, the moral disengagement mechanism most likely to be triggered is advantageous comparison, where the tax evader is likely to justify their planned behavior by mentally comparing it to some worse crime. This study is limited in that only one tax evasion scenario was proposed. Future research

might explore the use of the same moral disengagement mechanism with varying amounts of potentially unreported income. There may be an amount of income at which a taxpayer may use a justification mechanism other than advantageous comparison. If a relationship exists between an increase in the amount of income and the moral disengagement mechanism used, is it because the taxpayer has subconsciously performed a cost/benefit analysis before disengaging? A study along these lines would have an opportunity to incorporate previous research indicating taxpayers perform a cost/benefit analysis when deciding whether to pay all of the taxes they owe. The timing as to when the moral disengagement actually takes place is not definitive in the research. Ascertaining whether the disengagement takes place before or after a cost/benefit analysis is performed would add to our understanding of the taxpayers' thought process. Future research to determine the timing and potential coordination with economic considerations would shed light on these missing pieces.

62

Self-employed people are required to self-assess and pay their taxes on a quarterly basis. They must think about their taxes more often than the employed individual whose wages are subject to withholding. There is something to be said for not having seen the money in your bank account before you pay your taxes as it eliminates the opportunity to spend it. The self-employed person thereby has many opportunities to make taxpaying decisions during the year (every time a quarterly payment is due). Future research on the relationship between tax evasion and moral disengagement might focus specifically on self-employed individuals to determine whether a relationship exists between the variables for this specific group of individuals and how the findings compare to wage-earning employees.

This study is helpful to taxing authorities when considering how to ameliorate the tax gap. Appeals to conscience have been shown to be effective in reducing noncompliance. An

appeal specifically addressing the taxpayer who uses the moral disengagement mechanism, advantageous comparison, might use a comparison to get the point across. The "this is your brain on drugs" advertisement in the 1990s was very engaging in comparing the brain on drugs to a fried egg. A taxpayer using advantageous comparison might be moved if their actions were compared to stealing; for example: "Stealing is a crime; not paying your taxes is stealing from the government."

This study is useful to academia as a tool to teach ethics to accounting majors. Engaging students in a discussion on ethics through the use of these surveys could build a foundation for such a class. This knowledge is important for all students, particularly accounting students, who will be expected to uphold a strict set of ethical standards. Students must come to understand the ways in which people may be lead or lead themselves astray and give into tax evasion.

References

Adams, C., & Webley, P. (2001). Small business owners' attitudes on VAT compliance in the UK. Journal of Economic Psychology, 22(2), 195–216. https://doi.org/10.1016/S0167-4870(01)00029-0

Ahmed, E., & Braithwaite, V. (2005). Understanding small business taxpayers - Issues of deterrence, tax morale, fairness and work practice. International Small Business Journal, 23(5), 539–568. https://doi.org/10.1177%2F0266242605055911

Ajzen, I. (1993). Attitude theory and the attitude-behavior relation. In D. Krebs & P. Schmidt (Eds.), New directions in attitude measurement (pp. 41–57). Walter de Gruyter.

Ajzen, I., & Fishbein, M. (1980). Understanding attitudes and predicting social behavior.

Prentice-Hall.

Allingham, M., & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. Journal of Public Economics, 1(3–2), 323–338. https://doi.org/10.1016/0047-2727(72)90010-2

Alm, J. (2012). Measuring, explaining, and controlling tax evasion: Lessons from theory, experiments, and field studies. International Tax and Public Finance, 19(1), 54–77. https://doi.org/10.1007/s10797-011-9171-2

Alm, J. (2019). What motivates tax compliance? Journal of Economic Surveys, 33(2), 353–388. https://doi.org/10.1111/joes.12272

Alm, J., & McClellan, C. (2012, February 14). Tax morale and tax compliance from the firm's perspective [Working paper]. Tulane University, Department of Economics. New Orleans: Tulane University. Retrieved February 14, 2014, from http://ideas.repec.org/p/tul/wpaper/1211.html>

64

Alm, J., Bloomquist, K. M., & McKee, M. (2017). When you know your neighbor pays taxes: Information, peer effects, and tax compliance. Fiscal Studies, 38(4), 587–613. https://doi.org/10.1111/1475-5890.12111

Alm, J., McClelland, G. H., & Schulze, W. D. (1992). Why do people pay taxes? Journal of Public Economics, 48(1), 21–38. https://doi.org/10.1016/0047-2727(92)90040-M

Alm, J., Sanchez, I., & De Juan, A. (1995). Economic and non-economic factors in tax compliance. Kyklos, 48(1), 3–18. https://doi.org/10.1111/j.1467-6435.1995.tb02312.x

Alstadsaeter, A., & Jacob, M. (2016). Tax incentives and noncompliance: Evidence from Swedish micro data. Public Finance Review, 46(4), 1–26. https://doi.org/10.1177%2F1091142116673900

Anand, V., Ashforth, B. E., & Joshi, M. (2005). Business as usual: The acceptance and

perpetuation of corruption in organizations. Academy of Management Executive, 19(4), 9–23. https://doi.org/10.5465/AME.2005.19417904

Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax compliance. The Journal of Economic Literature, 36(2), 818–860. http://dx.doi.org/10.1007/978-3-8349-8282-7_12

Ariel, B. (2012). Deterrence and moral persuasion effects on corporate tax compliance: Findings from a randomized controlled trial. Criminology, 50(1), 27–69. https://doi.org/10.1111/j.1745-9125.2011.00256x

Baggaley, A. R., & Hull, A. L. (1983). The effect of nonlinear transformations on a Likert scale. Evaluation & The Health Professions, 6(4), 483–491. https://doi.org/10.1177%2F016327878300600408

Bailey, C., & Plecnik, J. M. (2020). Honesty in personal tax reporting: Ethical prompts, individual factors, and tax reform. Journal of Forensic Accounting Research, 5(1), 352–386. https://doi.org/10.2308/JFAR-2019-504

Baker, B. O., Hardyck, C. D., & Petrinovich, L. F. (1966). Weak measurements vs. strong statistics: An empirical critique of S. S. Stevens' proscriptions on statistics. Educational & Psychological Measurement, 26(2), 291–309. https://doi.org/10.1177%2F001316446602600204

Baldry, J. (1987). Income tax evasion and tax schedule: Some experimental results. Public Finance, 42, 355–384.

Bandura, A. (1986). Social foundations of thought and action. Prentice Hall.

Bandura, A. (1999). Moral disengagement in the preparation of inhumanities. Personal and Social Psychology Review, 3, 193–209.

Bandura, A., Barbaranelli, C., Caprara, G. V., & Pastorelli, C. (1996). Mechanisms of moral

disengagement in the exercise of moral agency. Journal of Personality and Social Psychology, 71(2), 364–374. https://psycnet.apa.org/doi/10.1037/0022-3514.71.2.364

Bandura, A., Caprara, G. V., & Zsolnai, L. (2000). Corporate transgressions through moral disengagement. Journal of Human Values, 6(1), 57–64. https://doi.org/10.1177%2F097168580000600106

Bandura, A., Caprara, G., Barbaranelli, C., Pastorelli, C., & Regalia, C. (2001). Sociocognitive self-regulatory mechanisms governing transgressive behavior. Journal of Personality and Social Psychology, 80(1), 125–135. https://psycnet.apa.org/doi/10.1037/0022-3514.80.1.125

Batson, C., Lishner, D. A., Carpenter, A., Dulin, L., Harjusola-Webb, S., Stocks, E. L., & Sampat, B. (2003). "As you would have them do unto you": Does imagining yourself in the other's place stimulate moral action? Personality and Social Psychology, 29(9), 1190–1201. https://doi.org/10.1177%2F0146167203254600

Beaudoin, C. A., Cianci, A. M., & Tsakumis, G. T. (2015). The impact of CFOs' incentives and earnings management ethics on their financial reporting decisions: The mediating role of moral disengagement. Journal of Business Ethics, 128, 505–568. https://doi.org/10.1007/s10551-014-2107-x

Becker, G. S. (1968). Crime and punishment: An economic approach. Journal of Political Economy, 76(2), 169–217.

Bhattacharjee, S., Moreno, K. K., & Salbador, D. A. (2015). The impact of multiple tax returns on tax compliance behavior. Behavioral Research in Accounting, 27(1), 99–119.

Bobek, D. D., & Hatfield, R. C. (2003). An investigation of the theory of planned behavior and the role of moral obligation in tax compliance. Behavioral Research in

Accounting, 15(1), 13-38.

Bonner, J. M., Greenbaum, R. L., & Mayer, D. M. (2016). My boss is morally disengaged: The role of ethical leadership in explaining the interactive effect of supervisor and employee moral disengagement on employee behaviors. Journal of Business Ethics, 137, 731–742. https://doi.org/10.1007/s10551-014-2366-6

Carland, J. W., Carland, J. C., & Ensely, M. D. (2001). Hunting the Heffalump: The theoretical basis and dimensionality of the Carland Entrepreneurship Index. Academy of Entrepreneurship Journal, 7(2), 51–84.

67

Carnes, G., & Cuccia, A. D. (1996). An analysis of the effect of tax complexity and its perceived justification on equity judgments. The Journal of the American Taxation Association, 18(2), 40–56.

Chang, O., & Schultz, J. J. (1990). The income tax withholding phenomenon: Evidence from TCMP data. The Journal of the American Taxation Association, 9, 88–93.

Cheek v. United States, 498 U.S. 192, 200 (1991).

Chen, M., Chen, C. & Sheldon, O. J. (2016). Relaxing moral reasoning to win: How organizational identification relates to unethical pro-organizational behavior. Journal of Applied Psychology, 101(8), 1082–1096. https://psycnet.apa.org/doi/10.1037/apl0000111

Chittenden, F., Kauser, S., & Poutziouris, P. (2003). Tax regulation and small business in the USA, UK, Australia and New Zealand. International Small Business Journal, 21(1), 93–115. http://dx.doi.org/10.1177/0266242603021001244

Chittenden, F., Kauser, S., & Poutziouris, P. (2005). PAYE-NIC compliance costs - Empirical evidence from the UK SME economy. International Small Business Journal, 23(6), 635–56. https://doi.org/10.1177%2F0266242605057656

Christian, J. S., & Ellis, A. P. (2014). The crucial role of turnover intentions in transforming moral disengagement into deviant behavior at work. Journal of Business Ethics, 119, 193–208. https://doi.org/10.1007/s10551-013-1631-4

Cialdini, R. (1989). Social motivations to comply: Norms, values and principles. In J. A. Roth & J. T. Scholz (Eds.), Taxpayer compliance (Vol. 2, pp. 200–227). University of Pennsylvania Press. https://doi.org/10.9783/9781512806281-008

Clotfelter, C. (1983). Tax evasion and tax rates: An analysis of individual returns. Review of Economics and Statistics, 65(3), 363–373. https://doi.org/10.2307/1924181

Cohen, J. (1988). Statistical power analysis for the behavior sciences (2nd ed.) West Publishing Company.

Coolidge, J., Ilic, D., & Kisunko, G. (2009). Small businesses in South Africa: Who outsources tax compliance work and why? [Working paper] World Bank. http://ssrn.com/paper=1368079

Cuccia, A. (1994). The economics of tax compliance: What do we know and where do we go? Journal of Accounting Literature, 13, 81–116.

D'Agosto, E., Manzo, M., Pisani, S., & D'Arcangelo, F. M. (2018). The effect of audit activity on tax declaration: Evidence on small businesses in Italy. Public Finance Review, 46(1), 29–57. https://doi.org/10.1177/1091142117698035

Detert, J., Trevino, L. K., & Sweitzer, V. L. (2008). Moral disengagement in ethical decision making: A study of antecedents and outcomes. Journal of Applied Psychology, 93(2), 374–391. https://psycnet.apa.org/doi/10.1037/0021-9010.93.2.374

DeVos, K. (2011). An investigation of the factors which influence and deter the compliance behaviour of Australian individual taxpayers [Doctorate dissertation, Monash

University]. https://doi.org/10.4225/03/589bfa016cc8b

DeVos, K. (2014). Factors influencing individual taxpayer compliance behaviour. Springer.

Dhami, S., & Al-Nowaihi, A. (2007). Why do people pay taxes? Prospect theory versus expected utility theory. Journal of Economic Behavior & Organization, 64(1), 171–192. https://doi.org/10.1016/j.jebo.2006.08.006

69

Duffy, M., Aquino, K., Tepper, B. J., Reed, A., & O'Leary-Kelly, A. M. (2005). Moral disengagement and social identification: When does being similar result in harm doing? [Paper presentation] Academy of Management Annual Conference, Honolulu, Hawaii, USA.

Dusenbury, R. (1994). The effect of prepayment position on individual taxpayer's preferences for risky tax-filing options. The Journal of the American Taxation Association, 16(1), 1–16.

Eagly, A., & Chaiken, S. (1993). The psychology of attitudes. Harcourt Brace.

Evertsson, N. (2019). Corporate tax avoidance and neutralization techniques: A case study on the Panama papers. Critical Criminology, 1–18. https://doi.org/10.1007/s10612-019-09455-7

Faul, F., Erdfelder, E., Lang, A. G., & Buchner, A. (2007). G*Power 3: A flexible statistical power analysis program for the social, behavioral, and biomedical sciences. Behavior Research Methods, 39(2), 175–191. https://doi.org/10.3758/bf03193146

Fischer, C., Wartick, M., & Mark, M. M. (1992). Detection probability and taxpayer compliance: A review of the literature. Journal of Accounting Literature, 11(2), 1–46.

Friedland, N., Maital, S., & Rutenberg, A. (1978). A simulation study of income tax evasion. Journal of Public Economics, 10(1), 107–116. https://doi.org/10.1016/0047-2727(78)90008-7

Gemmell, N., & Hasseldine, J. (2012). The tax gap: a methodological review. Emerald Group

Publishing Limited.

George, D., & Mallery, P. (2016). Frequencies. In IBM SPSS statistics 23 step by step (pp. 115–125). Routledge.

Ghosh, D., & Crain, D. L. (1993). Structure of uncertainty and decision making: An experimental investigation. Decision Sciences, 24(4), 789–798. https://doi.org/10.1111/j.1540-5915.1993.tb00489.x

Glass, G. V., Peckham, P. D., & Sanders, J. R. (1972). Consequences of failure to meet assumptions underlying the fixed effects analyses of variance and covariance. Review of Educational Research, 42(3), 237–288. https://doi.org/10.3102%2F00346543042003237

Graetz, M., & Wilde, L. L. (1985). The economics of tax compliance: Fact and fantasy. National Tax Journal, 38(3), 355–363. https://doi.org/10.1086/NTJ41792032

Grasmick, H., & Scott, W. J. (1982). Tax evasion and mechanisms of social control: A comparison with grand and petty theft. Journal of Economic Psychology, 2(3), 213–230. https://doi.org/10.1016/0167-4870(82)90004-6

Gravetter, F., & Wallnau, L. B. (2008). Essentials of statistics for the behavioral sciences (6th ed.). Thomson Higher Education.

Groenland, E., & van Veldhoven, G. M. (1983). Tax evasion behavior: A psychological framework. Journal of Economic Psychology, 3(2), 129–144. https://doi.org/10.1016/0167-4870(83)90069-7

Haber, S., & Reichel, A. (2007). The cumulative nature of the entrepreneurial process: The contribution of human capital, planning and environment resources to small venture performance. Journal of Business Venturing, 22(1), 119–45.

https://doi.org/10.1016/j.jbusvent.2005.09.005

Haidt, J. (2001). The emotional dog and its rational tail: A social intuitionist approach to moral judgment. Psychological Review, 108(4), 814–834.

https://psycnet.apa.org/doi/10.1037/0033-295X.108.4.814

71

Haidt, J., & Kesebir, S. (2010). Morality. In S. T. Fiske, D. T. Gilbert, & G. Lindzey (Eds.), Handbook of social psychology (5th ed., Vol. 2, pp. 797–832). John Wiley & Sons.

Harpe, S. E. (2015). How to analyze Likert and other rating scale data. Currents in Pharmacy Teaching and Learning, 7(6), 836–850. https://doi.org/10.1016/j.cptl.2015.08.001

He, P., Peng, Z., Zhaao, H., & Estay, C. (2017). How and when compulsory citizenship behavior leads to employee silence: A moderated mediation model based on moral disengagement and supervisor-subordinate guanxi. Journal of Business Ethics, 155, 259–274. https://doi.org/10.1007/s10551-017-3550-2

Internal Revenue Service. (2014). Taxpayer attitude survey. IRS Oversight Board. https://www.treasury.gov/IRSOB/reports/Documents/IRSOB%20Taxpayer%20Attitude%20Survey%202014.pdf

Internal Revenue Service. (2016). Internal Revenue Service data book (Vol. Publication 55B).

Internal Revenue Service. (2017). Examples of non-filer investigations - Fiscal year 2017.

Retrieved January 11, 2020, from https://www.irs.gov/compliance/criminal-investigation/examples-of-non-filer-investigations-fiscal-year-2017

Internal Revenue Service. (2019). Internal Revenue Service releases new tax gap estimates: Compliance estimates remain substantially unchanged from prior estimates. Retrieved

January 12, 2020, from https://www.irs.gov/newsroom/irs-releases-new-tax-gap-estimates-compliance-rates-remain-substantially-unchanged-from-prior-study

Internal Revenue Service. (2021). Internal Revenue Service statistics of income. Retrieved August 23, 2021, from https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income

Jackson, B., & Jones, S. (1985). Salience of tax evasion penalties versus detection risk. Journal of the American Taxation Association, 7–17.

Jackson, B., & Milliron, V. C. (1986). Tax compliance research: Findings, problems, and prospects. Journal of Accounting Literature, 5, 125–161.

Jamieson, S. (2004). Likert scales: How to (ab)use them. Medical Education, 38(12), 1217–1218. https://doi.org/10.1111/j.1365-2929.2004.02012.x

Jones, T. M., & Ryan, L. V. (1997). The link between ethical judgment and action in organizations: A moral approbation approach. Organization Science, 8(6), 663–680. https://doi.org/10.1287/orsc.8.6.663

Kafkalas, S., Kalaitzidakis, P., & Tzouvelekas, V. (2014). Tax evasion and public expenditures on tax revenue services in an endogenous growth model. European Economic Review, 70, 438–453. https://doi.org/10.1016/j.euroecorev.2014.06.014

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica, 47(2), 263–292.

Kamleitner, B., Korunka, C., & Kirchler, E. (2012). Tax compliance of small business owners: A

review. International Journal of Entrepreneurial Behaviour & Research, 18(3), 330–351. https://doi.org/10.1108/13552551211227710

Kanagaretnam, K., Lee, J., Lim, C., & Lobo, G. J. (2016). Relation between auditor quality and tax aggressiveness: Implications of cross-country institutional differences. Auditing: A Journal of Practice & Theory, 35(4), 105–135. https://doi.org/10.2308/ajpt-51417

Kaplan, S., & Reckers, P. M. (1985). A study of tax evasion judgements. National Tax Journal, 38(1), 97–102.

Keem, S., Shalley, C. E., Kim, E., & Jeong, I. (2018). Are creative individuals bad apples? A dual pathway model of unethical behavior. Journal of Applied Psychology, 103(4), 416–431. https://doi.org/10.1037/apl0000290

Khlif, H., & Achek, I. (2015). The determinants of tax evasion: A literature review. International Journal of Law and Management, 57(5), 486–497. https://doi.org/10.1108/IJLMA-03-2014-0027

Kirchler, E., & Maciejovsky, B. (2001). Tax compliance within the context of gain and loss situations, expected and current asset position, and profession. Journal of Economic Psychology, 22(2), 173–94. https://doi.org/10.1016/S0167-4870(01)00028-9

Kirchler, E., Maciejovsky, B., & Schneider, F. (2003). Everyday representations of tax avoidance, tax evasion, and tax flight: Do legal differences matter? Journal of Economic Psychology, 24(4), 535–53. https://doi.org/10.1016/S0167-4870(02)00164-2

Kirchler, E., Niemirowski, A., & Wearing, A. (2006). Shared subjective views, intent to cooperate and tax compliance: Similarities between Australian taxpayers and tax officers. Journal of Economic Psychology, 27(4), 502–17. http://dx.doi.org/10.1016/j.joep.2006.01.005

Kish-Gephart, J., Detert, J., Trevino, L. K., Baker, V., & Martin, S. (2014). Situational moral disengagement: Can the effects of self-interest be mitigated? Journal of Business Ethics, 2014(125), 267–285. https://doi.org/10.1007/s10551-013-1909-6

Kleven, H., Knudsen, M. B., Kreiner, C. T., Pedersen, S., & Saez, E. (2011). Unwilling or unable to cheat? Evidence from a tax audit experiment in Denmark. Econometrica, 79(3), 651–692. https://doi.org/10.3982/ECTA9113

Knight, F. (1921). Risk, uncertainty, and profit. Houghton Mifflin.

Kroneberg, C., Heintze, I., & Mehlkop, G. (2010). The interplay of moral norms and instrumental incentives in crime causation. Criminology, 48(1), 259–294. https://psycnet.apa.org/doi/10.1111/j.1745-9125.2010.00187.x

Kunda, Z. (1990). The case for motivated reasoning. Psychological Bulletin, 108(3), 480–498. https://psycnet.apa.org/doi/10.1037/0033-2909.108.3.480

Labovitz, S. (1970). The assignment of numbers to rank order categories. American Sociological Review, 35(3), 515–524.

Lee, A., Schwarz, G., Newman, A., & Legood, A. (2017). Investigating when and why psychological entitlement predicts unethical pro-organizational behavior. Journal of Business Ethics, 154(1), 109–126. https://doi.org/10.1007/s10551-017-3456-z

Lewis, A. (1979). An empirical assessment of tax mentality. Public Finance, 34(2), 245–257.

Lewis, A. (1982). The psychology of taxation. Blackwell.

Long, S., & Swingen, J. A. (1988). The role of legal complexity in shaping taxpayer compliance. In P. Van Koppen, D. Hessing, & G. Van den Heuvel (Eds.), Lawyers on psychology and psychologists on law (pp. 127–146). Swets and Zeitlinger.

McGee, R. (2012). The ethics of tax evasion perspectives in theory and practice. Springer.

McGee, R. W. (2006). Three views on the ethics of tax evasion. Journal of Business Ethics, 67(1), 15–35. https://doi.org/10.1007/s10551-006-9002-z

McGee, R., & Benk, S. (2019). Christian attitudes toward ethics of tax evasion: A case study. Journal of Financial Crime, 26(1), 74–94. https://doi.org/10.1108/JFC-11-2017-0104

McLeod, S. A. (2019, June 10). What are confidence intervals in statistics? Simply Psychology.

Retrieved December 30, 2021, from https://www.simplypsychology.org/confidence-interval.html

75

Miller, D. C., & Salkind, N. J. (2002). Handbook of research design and social measurement. Sage.

Mohamad, M., & Mohd Ali, M. A. (2017). Examining the factors of tax non-compliance: A case study of small and medium enterprises in metro area. SHS Web of Conferences, 36, Article 17. http://dx.doi.org/10.1051/shsconf/20173600017

Moore, C., Detert, J. R., Trevino, L. K., Baker, V. L., & Mayer, D. M. (2012). Why employees do bad things: Moral disengagement and unethical organizational behavior. Personnel Psychology, 65(1), 1–48. https://doi.org/10.1111/j.1744-6570.2011.01237.x

Moore, D., & Lowenstein, G. (2004). Self-interest, automaticity, and the psychology of conflict of interest. Social Justice Research, 17(2), 189–202. http://dx.doi.org/10.1023/B:SORE.0000027409.88372.b4

Muh Dularif, S., Saraswati, N., & Saraswati, E. (2019). Is deterrence approach effective in combating tax evasion? A meta-analysis. Problems and Perspectives in Management, 17(2), 93–113. https://doi.org/10.21511/ppm.17(2).2019.07

Nulty, D. D. (2008). The adequacy of response rates to online and paper surveys: What can be done? Assessment & Evaluation in Higher Education, 33(3), 301–314. https://doi.org/10.1080/02602930701293231

Nunnally, J. (1978). Psychometric theory. McGraw-Hill.

Paciello, M., Fida, R., Tramontano, C., Lupinetti, C., & Caprara, G. V. (2008). Stability and change of moral disengagement and its impact on aggression and violence in late adolescence. Child Development, 79(5), 1288–1309. https://doi.org/10.1111/j.1467-8624.2008.01189.x

Park, C. G., & Hyun, J. K. (2003). Examining the determinants of tax compliance by experimental data: A case of Korea. Journal of Policy Modeling, 25(8), 673–684. https://doi.org/10.1016/S0161-8938(03)00075-9

Pudney, S., Pyle, D., & Saruc, T. (2000). Income tax evasion: An experimental approach. In A. MacDonale & D. Pyle (Eds.), Illicit activity: The economics of crime and tax fraud (pp. 267–289). Routledge.

Reckers, P., Sanders, D. L., & Roark, S. J. (1994). The influence of ethical attitudes on taxpayer compliance. National Tax Journal, 47(4), 825–836. https://doi.org/10.1086/NTJ41789111

Reinganum, J., & Wilde, L. (1986). Equilibrium verification and reporting policies in a model of tax compliance. International Economic Review, 27(3), 739–760. https://doi.org/10.2307/2526692

Riahi-Belkaoui, A. (2004). Relationship between tax compliance internationally and selected determinants of tax morale. Journal of International Accounting, Auditing and Taxation,

13(2), 135–143. https://doi.org/10.1016/j.intaccaudtax.2004.09.001

Ribeaud, D., & Eisner, M. (2010). Are moral disengagement, neutralization techniques, and self-serving cognitive distortions the same? Developing a unified scale of moral neutralization

of aggression. International Journal of Conflict and Violence, 4(2), 298–315. https://doi.org/10.4119/ijcv-2833

Richardson, G. (2006). Determinants of tax evasion: A cross-country investigation. Journal of International Accounting, Auditing & Taxation, 15(2), 150–169. https://doi.org/10.1016/j.intaccaudtax.2006.08.005

77

Richardson, M., & Sawyer, A. (2001). A taxonomy of the tax compliance literature: Further findings, problems and prospects - Tables. Australian Tax Forum, 16(2), 136–288.

Samnani, A., Salamon, S. D., & Singh, P. (2014). Negative affect and counterproductive workplace behavior: The moderating role of moral disengagement and gender. Journal of Business Ethics, 119(2), 235–244. https://doi.org/10.1007/s10551-013-1635-0

Schepanski, A., & Kelsey, D. (1990). Testing for framing effects in taxpayer compliance decisions. Journal of the American Taxation Association, 12(2), 60–77.

Schisler, D. (1996). An experimental examination of the effects of withholding positions and tax preparer recommendations on taxpayer aggressiveness. Advances in Taxation, 8, 149–173.

Schmolders, G. (1959). Fiscal psychology: A new branch of public finance. National Tax Journal, 12(4), 340–345. https://www.jstor.org/stable/41790780

Schwartz, R., & Orleans, S. (1967). On legal sanctions. University of Chicago Law Review,

34(2), 274–300. https://doi.org/10.2307/1598934

Scotchmer, J., & Slemrod, J. (1989). Randomness in tax enforcement. Journal of Public Economics, 38(1), 44–45. https://doi.org/10.1016/0047-2727(89)90009-1

Sheppard, B. H., Hartwick, J., & Warshaw, P. R. (1988). The theory of reasoned action: Ameta-analysis of past research with recommendatiotions for modifications and future research.

Journal of Consumer Research, 15(3), 325–343. https://doi.org/10.1086/209170

Slemrod, J. (1989). Complexity compliance costs and tax evasion. In J. A. Roth (Ed.), Taxpayer compliance (Vol. 2, pp. 156–182). University of Pennsylvania Press.

Slemrod, J. (2007). Cheating ourselves: The economics of tax evasion. Journal of Economic Perspectives, 21(1), 25–48. https://doi.org/10.1257/jep.21.1.25

78

Slemrod, J., & Yitzhaki, S. (2002). Tax avoidance, evasion and administration. In A. J. Auerbach & M. Feldstein (Eds.), Handbook of public economics (Vol. 3, pp. 1424–1465). Elsevier Science.

Slemrod, J., Blumenthal, M., & Christian, C. (2001). Taxpayer response to an increased probability of audit: Evidence from a controlled experiment in Minnesota. Journal of Public Economics, 79(3), 455–483. https://doi.org/10.1016/S0047-2727(99)00107-3

Smith, A. (2010). The wealth of nations: An inquiry into the nature and causes of the wealth of nations. Harriman House. Retrieved January 21, 2021, from https://scholarsbank.uoregon.edu/xmlui/bitstream/handle/1794/782/wealth.pdf

Smith, K. (1990). Integrating three perspectives on noncompliance - A sequential decision model. Criminal Justice and Behavior, 17(3), 350–369.

https://doi.org/10.1177%2F0093854890017003008

Smith, K., & Kinsey, K. A. (1987). Understanding taxpaying behavior: A conceptual framework with implications for research. Law & Society Review, 21(4), 639–663. https://doi.org/10.2307/3053599

Song, Y., & Yarbrough, T. E. (1978). Tax ethics and taxpayer attitudes: A survey. Public Administration Review, 38(5), 442–452. https://doi.org/10.2307/975503

Spicer, M. (1974). A behavioral model of income tax evasion [Doctoral dissertation, Ohio State University]. ProQuest Dissertations and Theses.

https://www.proquest.com/docview/302712630?pq-origsite=gscholar&fromopenview=true

Srinivasan, T. (1973). Tax evasion: A model. Journal of Public Economics, 2(4), 339–346. https://doi.org/10.1016/0047-2727(73)90024-8

79

Stalans, L., Smith, K. W., & Kinsey, K. A. (1989). When do we think about detection? Structural opportunity and taxpaying behavior. Law and Social Inquiry, 14(3), 481–503. https://doi.org/10.1111/j.1747-4469.1989.tb00071.x

Sykes, G., & Matza, D. (1957). Techniques of neutralization: A theory of delinquency. American Sociological Review, 22(6), 664–670. https://doi.org/10.2307/2089195

Taber, K. S. (2018). The use of Cronbach's alpha when developing and reporting research instruments in science education. Research in Science Education, 48(6), 1273–1296. https://doi.org/10.1007/s11165-016-9602-2

Tasa, K., & Bell, C. M. (2017). Effects of implicit negotiation beliefs and moral disengagement

on negotiator attitudes and deceptive behavior. Journal of Business Ethics, 142(1), 169–183. https://doi.org/10.1007/s10551-015-2800-4

Thurman, Q., St. John, C., & Riggs, L. (1984). Neutralization and tax evasion: How effective would a moral appeal be in improving compliance to tax laws? Law & Policy, 6(3), 309–328. https://doi.org/10.1111/j.1467-9930.1984.tb00329.x

Torgler, B. (2007). Tax compliance and tax morale: A theoretical and empirical analysis. Edward Elgar Publishing.

Torgler, B., Demir, I. C., Macintyre, A., & Schaffner, M. (2008). Causes and consequences of tax morale: An empirical investigation. Economic Analysis and Policy, 38(2), 313–339. https://doi.org/10.1016/S0313-5926(08)50023-3

Tsang, J. (2002). Moral rationalization and the integration of situational factors and psychological processes in immoral behavior. Review of General Psychology, 6(1), 25–50. https://doi.org/10.1037%2F1089-2680.6.1.25

Tversky, A., & Kahneman, D. (1992). Advances in prospect theory: Cumulative representation of uncertainty. Journal of Risk and Uncertainty, 5, 297–323. https://doi.org/10.1007/BF00122574

United States v. George, 420 F.3d 991, 999 (9th Cir.) (2005).

Valle, M., Kacmar, K. M., & Zivnuska, S. (2017). Understanding the effects of political environments on unethical behavior in organizations. Journal of Business Ethics. https://doi-org.georgefox.idm.oclc.org/10.1007/s10551-017-3576-5.

Vogel, J. (1974). Taxation and public opinion in Sweden: An interpretation of recent survey data. National Tax Journal, 27(4), 499. https://doi.org/10.1086/NTJ41861983

Webley, P. (2004). Tax compliance by businesses. In H. Sjögren (Ed.), New perspectives on

economic crime (pp. 95–126). Edward Elgar Publishing.

Webley, P., Robben, H., Elffers, H., & Hessing, D. (1991). Tax evasion: An experimental approach. Cambridge University Press.

Wenzel, M. (2005). Motivation or rationalisation? Causal relations between ethics, norms and tax compliance. Journal of Economic Psychology, 26(4), 491–508. https://doi.org/10.1016/j.joep.2004.03.003

White, R., Harrison, P., & Harrell, A. (1993). The impact of income tax withholding on taxpayer compliance: Further empirical evidence. The Journal of the American Taxation Association, 15(2), 63–78.

Williams, C., & Round, J. (2009). Evaluating informal entrepreneurs' motives: Evidence from Moscow. International Journal of Entrepreneurial Behavior & Research, 15(1), 94–107. https://doi.org/10.1108/13552550910934477

Yitzhaki, S. (1974). A note on income tax evasion: A theoretical analysis. Journal of Public Economics, 3, 201–202.

Yusof, N., & Lai, M. L. (2014). An integrative model in predicting corporate tax fraud. Journal of Financial Crime, 21(4), 424–432. https://doi.org/10.1108/JFC-03-2013-0012

Zheng, X., Qin, X., Liu, X., & Liao, H. (2019). Will creative employees always make trouble? Investigating the roles of moral identity and moral disengagement. Journal of Business Ethics, 157(3), 653–672. https://doi.org/10.1007/s10551-017-3683-3

Appendix A

Moral Disengagement Instrument

Please insert the appropriate number in the space provided for the following statements.

1_____2_____3_____4_____5_____6_____7

Strongly Agree Strongly Disagree

1._____It is okay to spread rumors to defend those you care about. (MJ)

2._____Taking something without the owner's permission is okay as long as you're just borrowing it. (EL)

3._____Considering the ways people grossly misrepresent themselves, it's hardly a sin to inflate your own credentials a bit. (AC)

4._____People shouldn't be held accountable for doing questionable things when they were just doing what an authority figure told them to do. (DSR)

5._____People can't be blamed for doing things that are technically wrong when all their friends are doing it too. (DFR)

6._____ Taking personal credit for ideas that were not your own is no big deal. (DC)

7._____ Some people have to be treated roughly because they lack feelings that can be hurt. (DH)

8._____ People who get mistreated have usually done something to bring it on themselves. (AB)

Appendix B

Income Tax Scenario

Instructions: Please read the following scenario and answer the question that follows. This survey is voluntary. Your responses will remain completely anonymous.

Please insert the appropriate number in the space provided for the following question.
Pat is a taxpayer in the United States, whose primary income this year was $51,000 in salary from a local business. Pat also earned $5,500 for other work done on the side. Pat's regular $51,000 salary was paid by direct deposits and reported on a W-2 form, while Pat's other income of $5,500 was paid in cash and not reported. While preparing the current year's tax return, Pat realizes that the $5,500 should be listed as "other income," resulting in additional taxes. However, Pat also knows that this income would be hard for an IRS audit to find. Pat could use the extra money to pay expenses and decides not to report any of the $5,500 of cash income, to avoid paying more taxes to the IRS.

How likely are you to agree with Pat and leave the additional income off your tax return?

1_____2_____3_____4_____5_____6_____7

Very likely to agree with Pat Very unlikely to agree with Pat

Disagree

My primary ethnic background is (check all that apply):

___Non-Hispanic White ___Hispanic ____African-American ____Asian ____Other

My religious affiliation is:

____Catholic ____Other Christian _____Jewish _____Muslim ___None/Atheist/Agnostic

I have filed income tax returns for the past (check one):

0 years 1-3 years 3+ years

I am currently employed as an (check one):

Independent contractor W-2 employee Business owner

My gender is: _____Male _____Female _____Prefer not to say

My age is ____25–29 ____30–44 ____45–60 ____>60 ____Prefer not to say

My ethnicity is _____African-American _____Asian _____Hispanic

_____Non-Hispanic white _____Other _____Prefer not to say

I am employed as an _____Business owner _____Independent contractor _____W-2 employee

My religious affiliation is _____Catholic_____Jewish _____Muslim _____Non/Atheist/Agnostic _____Other Christian

My household income is: _____$25,000–$49,999 _____$50,000–$74,999

_____$75,000–$99,999 _____$100,000–$149,999_____$150,000-$200,000