

Issues in Taxation for Accounting and Finance, 47-711

Instructor: Prof. Andrew Bird

Place: GSIA 384

Time: M/W 3:30 - 5:20pm

Contact: apmb@andrew.cmu.edu

Office hours: POS 238 - anytime, email

This course will cover research in accounting, finance and economics related to business taxation. We will discuss a mix of empirical and theoretical work, with a goal of stimulating new research ideas in this area. Topics include international taxation and the effects of tax havens, measuring and explaining the cross-sectional pattern of corporate tax avoidance, issues in accounting for income taxes, and the taxation of executive compensation.

Grading

Class participation	20%
Presentations (3-4)	40%
Written assignments (2 – Nov. 13, Dec 9)	40%

Reading

Suggested Book

“Taxes and Business Strategy: A Planning Approach” (Scholes, Wolfson, Erickson, Maydew and Shevlin, 2009)

Survey Papers

“Empirical Tax Research in Accounting” (Shackelford and Shevlin, 2001 JAE)

“A Review of Tax Research” (Hanlon and Heitzman, 2010 JAE)

“Research in Accounting for Income Taxes” (Graham, Raedy and Shackelford, 2012 JAE)

Required papers are listed below and can be found in the class Dropbox folder.

Tentative Schedule (* denotes student presentation, # denotes additional required reading)

1. Wednesday, October 23 – Tax Planning: Introduction

“An evaluation of alternative measures of corporate tax rates” (Plesko, 2003 JAE)

“What Can We Infer About a Firm’s Taxable Income from its Financial Statements?” (Hanlon, 2003 NTJ)

“Long-run Corporate Tax Avoidance” (Dyreng, Hanlon and Maydew, 2008 TAR)

“Investments in Tax Planning” (Erickson, Maydew and Mills, 1998 JATA)

“How Much Will Firms Pay for Earnings That Do Not Exist? Evidence of Taxes Paid on Allegedly Fraudulent Earnings” (Erickson, Hanlon and Maydew, 2004 TAR)

2. Monday, October 28 – Tax Planning: Some Interesting Costs

#“Corporate Tax Avoidance and Firm Value” (Desai and Dharmapala, 2009 ReStat)

“Financial Constraints and the Incentive for Tax Planning” (Edwards, Schwab and Shevlin, 2013 working paper)

“The Effect of Political Sensitivity and Bargaining Power on Taxes: Evidence from Federal Contractors” (Mills, Nutter and Schwab, 2013 TAR)

“The Importance of the Internal Information Environment for Tax Avoidance” (Gallemore and Labro, 2013 working paper)

“The Effect of Hedge Fund Activism on Corporate Tax Avoidance” (Cheng et al., 2012 TAR)

3. Wednesday, October 30 – Tax Planning: The Role of Executives

*“Corporate tax avoidance and high-powered incentives” (Desai and Dharmapala, 2006 JFE)

*“The effects of executives on corporate tax avoidance” (Dyreng, Hanlon and Maydew, 2010 TAR)

*“Do CEO Performance Measures Motivate Tax Planning?” (Powers, Robinson and Stromberg, 2013 working paper)

“The Incentives for Tax Planning” (Armstrong, Blouin and Larcker, 2010 JAE)

4. Monday, November 4 – Tax Planning: Effects of Disclosure

*“The Effect of Public Disclosure on Reported Taxable Income: Evidence from Individuals and Corporations in Japan” (Hasegawa et al., 2013 NTJ working paper)

*“Do IRS Audits Deter Corporate Tax Avoidance?” (Hoopes, Mescall and Pittman, 2012 TAR)

*“The Impact of Legal Enforcement: An Analysis of Corporate Tax Aggressiveness after an Audit” (DeBacker et al., 2013 working paper)

“Pre-Empting Disclosure? Firms’ Decisions Prior to FIN No. 48” (Blouin, Gleason, Mills, Sikes, 2010 TAR)

“Does Tax Aggressiveness Reduce Corporate Transparency?” (Balakrishnan, Blouin and Guay, 2012 working paper)

5. Wednesday, November 6 – Tax Competition: Introduction

#“The Theory of International Tax Competition and Coordination” (Keen and Konrad, 2013 Handbook of Public Economics)

#“What do we know about corporate tax competition?” (Devereux and Loretz, 2013 NTJ)

6. Monday, November 11 – Tax Competition: Extensions

*“Tax competition when firms choose their organizational form: Should tax loopholes for multinationals be closed?” (Bucovetsky and Haufler, 2008 JIE)

*“Tax Competition When Governments Lack Commitment: Excess Capacity as a Countervailing Threat” (Janeba, 2000 AER)

*“Do Countries Compete over Tax Rates?” (Devereux, Lockwood and Redoano, 2008 JPubE)

7. Wednesday, November 13 – International Tax: Introduction **(Assignment #1 is due)**

#“International Taxation” (Gordon and Hines, 2002 Handbook of Public Economics)

#“Through a glass darkly: what can we learn about a U.S. multinational corporation’s international operations from its financial statement disclosures?” (Donohoe, McGill and Outslay, 2012 NTJ)

#“Using Financial Accounting Data to Examine the Effect of Foreign Operations Located in Tax Havens and Other Countries on U.S. Multinational Firms’ Tax Rates” (Dyreng and Lindsey, 2009 JAR)

“Conduit Entities: Implications of Indirect Tax-Efficient Financing Structures for Real Investment” (Mintz, 2004 ITax)

“The Effects of Taxes and Financial Constraints on Income Shifting by U.S. Multinationals” (Dyreng and Markle, 2013 working paper)

8. Monday, November 18 – International Tax: Empirics

*“Altered States: Taxes and the Location of Foreign Direct Investment in America” (Hines, 1996 AER)

*“Repatriation taxes and foreign direct investment: Evidence from tax treaties” (Smart, 2011 working paper)

*“Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act” (Dharmapala, Foley and Forbes, 2011 JF)

“Where the Money Really Went: A New Understanding of the AJCA Tax Holiday” (Brennan, 2013 working paper)

“Are U.S. Multinational Corporations Becoming More Aggressive Income Shifters?” (Klassen and Laplante, 2012 JAR)

9. Wednesday, November 20 – Transfer Pricing: Introduction and Empirics

#“Tax-motivated transfer pricing and US intrafirm trade prices” (Clausing, 2003 JPubE)

#“Why pay more? Corporate tax avoidance through transfer pricing in OECD countries” (Bartelsman and Beetsma, 2003 JPubE)

10. Monday, November 25 – Transfer Pricing: Models

*“Integrating Managerial and Tax Incentives in Transfer Pricing” (Baldenius, Melumad and Reichelstein, 2004 TAR)

*“Transfer Pricing Rules and Tax Competition” (Kanbur and Mintz, 1996 JPubE)

*“The arm's length principle and distortions to multinational firm organization” (Keuschnigg and Devereux, 2013 JIE)

11. Monday, December 2 – International Tax and M&A

“International Taxation and the Direction and Volume of Cross-border M&As” (Huizinga and Voget, 2009 JF)

#“The Effects of Taxes on the Market for Corporate Control” (Bird, 2013 working paper)

12. Wednesday, December 4 – Tax Havens

*“In praise of tax havens: International tax planning and foreign direct investment” (Hong and Smart, 2010 EER)

*“Tax Competition with Parasitic Tax Havens” (Slemrod and Wilson, 2009 JPubE)

*“The Demand for Tax Haven Operations” (Desai, Foley and Hines, 2005 AER)

13. Monday, December 9 – Taxes and Executive Compensation **(Assignment #2 is due)**

#“The Taxation of Executive Compensation” (Hall and Liebman, 2000 NBER)

#“Taxes and Executive Compensation: Evidence from Stock Options” (Bird, 2013 working paper)

14. Wednesday, December 11 – Taxes and Executive Compensation (2)

*“Analyzing the tax benefits from employee stock options” (Babenko and Tserlukevich, 2009 JF)

*“What Happens When You Tax the Rich? Evidence from Executive Compensation” (Goolsbee, 2000 JPE)

*“Taxes and the backdating of stock option exercise dates” (Dhaliwal, Erickson and Heitzman, 2009 JAE) -see also associated discussion in (Armstrong and Larcker, 2009 JAE)

“Managerial discretion and the economic determinants of the disclosed volatility parameter for valuing ESOs” (Bartov, Mohanram and Nissim, 2007 RAS)