We are disappointed by the American Accounting Association's (AAA) decision to retract our paper, "Governance and Taxes: Evidence from Regression Discontinuity" from *The Accounting Review*. We learned of this decision from a public disclosure on the AAA's website on January 10, 2019 following 10 months without receiving any information about their investigation or decision or being asked for input or clarification. When we requested an explanation a few hours later, we were informed that the paper was retracted because we had violated the AAA data integrity policy.

In this note, we would like to share our perspective on what transpired. We describe the timeline of the AAA's investigation and a concurrent investigation at Carnegie Mellon University.

On December 1, 2017, we received an email from *The Accounting Review* Senior Editor concerning an allegation about our paper. An anonymous concerned scholar alleged that we falsified data by incorrectly describing the methodology that generated our main results. The email stated that no investigation had commenced, but that a judgment about the necessity of a confidential investigation would be made based on our response.

We responded on December 5, 2017 with a document that immediately acknowledged an expositional mistake in the published version, provided our correspondence with *The Accounting Review* during the peer review process that demonstrated that we had no publication motive to make this error, and highlighted the other sections of the published version of our paper that maintained the correct description of this methodology. We requested that the journal allow us to issue a correction.

On January 28, 2018, an EconJournalWatch post by Alex Young claimed that the AAA had initiated an investigation of our paper. We were informed of the existence of this investigation in an email from the Senior Editor on February 5, 2018.

Following an anonymous email to the Dean of the Tepper School of Business, Carnegie Mellon University's Office of Research Integrity and Compliance (ORIC) initiated a separate confidential investigation at the request of the Provost. We proactively shared all of our research materials and correspondence we had exchanged with *The Accounting Review* and AAA, cooperating fully with the CMU investigation. The investigation process involved extensive interviews and a full vetting of our code and data by a group of highly-respected senior scholars from outside the business school with experience evaluating cases like ours.

We next heard from a representative of the AAA's confidential investigation team on March 8, 2018, who requested that we provide the data and code for our paper. We responded on March 16, 2018 with fully-documented replication code and data. In this response, we acknowledged that we had lost access to the original version of one of the datasets used in our project as well as the code that accessed and transformed that dataset into usable input for our empirical tests. We recognize the gravity of this error and deeply regret it. We reconstructed this data input from scratch using a new draw of the same commercially-available dataset, and submitted a complete comparison of our replication and original results as presented in our paper. The replication results fully support our original findings, a determination that was subsequently confirmed by the CMU investigation committee.

On August 23, 2018, the CMU ORIC investigation concluded with a unanimous decision that we had not committed any form of research misconduct. We subsequently received a letter from CMU President

Farnam Jahanian confirming that he had reviewed the ORIC investigation committee's recommendation and that he had accepted the committee's conclusion. The letter, signed by President Jahanian, follows this response.

While we understand that it is up to the AAA to determine what does and does not violate its data integrity policy, we are nonetheless extremely disappointed with the process and its outcome. We strongly disagree with any inference of an ethical lapse on our part and note that neither the retraction nor the CMU investigation suggests any such lapse. We cooperated to the fullest extent possible with both investigations and maintained complete transparency throughout. When evaluating our case and the AAA's policy, we hope that all authors consider their own research process and their ability to exactly reproduce all original data.

In line with the CMU decision and recommendation, we continue to believe that our paper should have been corrected, not retracted. Now more than ever we are pursuing fail-safe data storage systems, and we look forward to the conclusion of this difficult experience.

For scholars interested in the topic and results of our paper, we direct them to the two subsequent papers that replicate our findings:

1. Khan, M., Srinivasan, S., and Liang Tan. 2017. Institutional Ownership and Corporate Tax Avoidance: New Evidence. *The Accounting Review* 92(2): 101-122. http://www.aaajournals.org/doi/abs/10.2308/accr-51529

2. Chen, S., Huang, Y., Li, N., and T. Shevlin. 2018. How does quasi-indexer ownership affect corporate tax planning? *Journal of Accounting and Economics*, in press. https://www.sciencedirect.com/science/article/pii/S0165410118300016

OFFICE *of the* PRESIDENT

February 5, 2019

Assistant Professor Andrew Bird
Assistant Professor Stephen Karolyi

Dear Andrew and Stephen,

At your request, I am writing this letter for your use in communicating about CMU's investigation of allegations that you committed research misconduct.

Federal policy requires a finding of research misconduct be made if the action in question (described below) is a significant departure from accepted practices and was committed intentionally, knowingly or recklessly. **Our investigation has determined that you have not engaged in research misconduct.**

In February 2018, the Dean of the Tepper Business School received an anonymous allegation that you had falsified data in the paper "Governance and Taxes: Evidence from Regression Discontinuity", published in The Accounting Review (TAR), January 2017, Vol. 92, No. 1, pp 29-50. This accusation pertained to one of the tables in the published paper which reported two statistical regression results. The accusation was that the description of data in the published paper differed from a previous draft that had been made public.

Following receipt of this allegation, CMU initiated its internal process for handling allegations of research misconduct. Over the course of several months, both an inquiry and investigation were conducted. The matter was complicated by the fact that you were unable to produce the original data and code due to the failure of the laptop where it resided. However, you were able to create a "replication kit" that produced statistical results largely consistent with the results reported in the TAR article, both in terms of the estimated model coefficients and the principal hypotheses tested in the paper. The committees considered this as well as other evidence and interviews of key individuals in reaching their conclusions.

The Committee of Investigation unanimously concluded that the discrepancy between the draft paper and the published paper was the result of an unintentional editing error during the revision stage rather than an intent to falsify data. The Provost and I reviewed the Investigation Report and agreed with its conclusion.

Sincerely,

Farnam Jahanian
President
Henry L. Hillman President's Chair

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