

Acctg 579
PhD Seminar: Research in Taxation
Reading List: Fall 2006
Professor Terry Shevlin
Mon/Wed 3.30-5.20pm, Balmer 306
(unless time conflicts for any of the first or second years)

The first paper listed for each session is the main paper for discussion in the session. The second (and sometimes third) listed papers are set as additional reading. These papers either precede or extend the paper under discussion. The session leader should incorporate/integrate the background paper wherever necessary into the discussion of the main paper.

Background Reading for the seriously interested:

Scholes, Wolfson, Erickson, Maydew and Shevlin (SWEMS) 2002 Taxes and Business Strategy: A Planning Approach. Englewood Cliffs, NJ: Prentice-Hall, Inc.

1. Wednesday, September 27 Introduction and overview

Shackelford, D., Shevlin, T., 2001. Empirical tax research in accounting. *Journal of Accounting and Economics*, 31, 321-387.

Shevlin, T., 1999. Research in taxation. *Accounting Horizons* 13 (4), 427-441.

Tax and nontax costs

2. Monday, October 2

Scholes, M., Wilson, P., Wolfson, M., 1990. Tax planning, regulatory capital planning, and financial reporting strategy for commercial banks. *Review of Financial Studies*, 625-650.

Collins, J., Shackelford, D., Wahlen J., 1995. Bank differences in the coordination of regulatory capital, earnings and taxes. *Journal of Accounting Research* 33 (2), 263-291.

3. Wednesday, October 4

Matsunaga, S., Shevlin, T., Shores, D., 1992. Disqualifying dispositions of incentive stock options: Tax benefits versus financial reporting costs. *Journal of Accounting Research* 30 (Supplement), 37-76.

Johnson, W.B. and D., Dhaliwal, 1988. LIFO abandonment, *Journal of Accounting Research* 26 (2), 236-272.

4. Monday, October 9

Hunt, A., Moyer, S., and T. Shevlin, 1996. Managing interacting accounting measures to meet multiple objectives: A study of LIFO firms. *Journal of Accounting and Economics* 21 (3), 339-374.

Dhaliwal, D., Frankel, M., and R. Trezevant, 1994. The taxable and book income motivations for a LIFO layer liquidation. *Journal of Accounting Research* 32 (2), 278-289.

5. Wednesday, October 11 Organizational form and agency problems

Guenther, D., 1992. Taxes and organizational form: A comparison of corporations and master limited partnerships. *The Accounting Review* 67 (1), 17-45. (His UW thesis paper)

Shevlin, T., 1987. Taxes and off-balance-sheet financing: Research and development limited partnerships. *The Accounting Review* 52 (3) 480-509. (My thesis paper)

Hodder, L., M. L. McAnally, and C. Weaver, 2003, The influence of tax and nontax factors on banks' choice of organizational form, *The Accounting Review*, 78(1), 297-325.

Implicit taxes (or Tax capitalization)

6. Monday, October 16

Shackelford, D., 1991. The market for tax benefits: Evidence from leveraged ESOPs. *Journal of Accounting and Economics* 14 (2), 117-145.

Berger, P., 1993. Explicit and implicit tax effects of the R&D tax credit. *Journal of Accounting Research* 31 (2), 131-171.

Guenther, D. 1994. The relation between tax rates and pretax returns: Direct evidence from the 1981 and 1986 tax rate reductions. *Journal of Accounting and Economics* 18 (3), 379-393.

7. Wednesday, October 18

Erickson, M., Maydew, E., 1998. Implicit taxes in high dividend yield stocks. *The Accounting Review* 73 (4), 435-458.

Ayres, B., C. B. Cloyd and J., Robinson, 2002. The effect of shareholder-level dividend taxes on stock prices: Evidence from the Revenue Reconciliation Act of 1993. *The Accounting Review*, 77 (4): 933-947.

Lang, M., Shackelford, D., 2000. Capitalization of capital gains taxes: Evidence from stock price reactions to the 1997 rate reductions. *Journal of Public Economics*, 76 (1): 69-85.

8. Monday, October 23

Dhaliwal, D., L. Krull, O. Zhen Li, and W. Moser, 2005. Dividend taxes and implied cost of equity capital, *Journal of Accounting Research*, 43(5), 675-708.

Dhaliwal, D., O. Zhen Li, and R. Trezevant, 2003. Is a dividend tax penalty incorporated into the return on a firm's common stock? *Journal of Accounting and Economics*, 35(2), 155-178.

Income shifting

9. Wednesday, October 25

Intertemporal income shifting

Randolph, D., G., Salamon, and J. Seida, 2005. Quantifying the costs of intertemporal taxable income shifting: Theory and evidence from the property-casualty insurance industry, *The Accounting Review* 80(1), 315-349.

Maydew, E., 1997. Tax-induced earnings management by firms with net operating losses. *Journal of Accounting Research* 35 (1), 83-96.

- 10. Monday, October 30** **Multijurisdictional income shifting**
Collins, J., Kemsley, D., Shackelford, D., 1997. Transfer pricing and the persistent zero taxable income of foreign-controlled U.S. corporations. *Journal of the American Taxation Association* 19 (Supplement), 68-83.
Collins, J., Kemsley, D., Lang, M., 1998. Cross-jurisdictional income shifting and earnings valuation. *Journal of Accounting Research* 36 (2), 209-229.
- 11. Wednesday, November 1** **Multijurisdictional income shifting**
Krull, L. 2004. Permanently reinvested foreign earnings, taxes and earnings management, *The Accounting Review*, 79(3), 745-767.
Oler, M., T. Shevlin, and R. Wilson, 2006. Examining investor expectations concerning tax savings on the repatriations of foreign earnings under the American Jobs Creation Act of 2004, Working paper, University of Washington. (a tax capitalization paper using pre)
Blouin, J., and L. Krull, 2006, Bringing it Home: A study of the Incentives Surrounding the Repatriation of Foreign Earnings Under AJCA 2004, Wharton working paper.

Book-tax interface

- 12. Monday, November 6** **Detecting earnings management with tax accounts**
Phillips, J., M. Pincus, and S. Olhott Rego, 2003. Earnings management: New evidence based on deferred tax expense. *The Accounting Review* 78 (2), 491-521.
Dhaliwal, D., C. Gleason, and L. Mills, 2004. Last-Chance earnings management using the tax expense to meet analysts' forecasts. *Contemporary Accounting Research*, 21(2), 431-459
Myers Frank, M.M., and S. Olhott Rego, 2006. Do managers use the valuation allowance account to manage earnings around certain earnings targets, *Journal of the American Taxation Association*, 28(1), 43-65.
- 13. Wednesday, November 8** **Information content in tax accounts**
Hanlon, M., 2005. The persistence and pricing of earnings, accruals and cash flows when firms have large book-tax differences. *The Accounting Review*, 80(3), 137-167. (Her UW thesis)
Schmidt, A., 2006. The persistence, forecasting ability, and valuation implications of the tax change components of earnings, *The Accounting Review*, 81(3), 589-616. (His Arizona thesis paper)
- 14. Monday, November 13** **Information content of taxable income**
Hanlon, M., S. Laplante and T. Shevlin, 2005. Evidence on the possible information loss of conforming book income and taxable income. *Journal of Law and Economics*, 48(2), 407-442
Hanlon, M., E. Maydew and T. Shevlin, 2006, Book-tax conformity and the information content of earnings Working paper, University of Michigan, Ann Arbor.

15. Wednesday, November 15

Erickson, M., M., Hanlon and E., Maydew, 2004. How much will firms pay for earnings that do not exist? Evidence of taxes paid on allegedly fraudulent earnings. *The Accounting Review*, 79(2), 387-408.

Desai, M., and D. Dharmapala, 2006. Corporate tax avoidance and high-powered incentives, *Journal of Financial Economics*, 79, 145-179.

16. Monday, November 20

Manzon, G., and G. Plesko, 2002, The relation between financial and tax reporting measures of income, *Tax Law Review*, 79(1), 1039-1074.

Myers, M.M., L. Lynch, and S. Olhoft, 2006, Does aggressive financial reporting accompany aggressive tax reporting (and vice versa), University of Iowa working paper.

Dyreg, S., M. Hanlon and E. Maydew, 2005, Long-run corporate tax avoidance, Working paper, University of North Carolina.

Capital structure

17. Wednesday, November 22

Collins, J., Shackelford, D., 1992. Foreign tax credit limitations and preferred stock issuances. *Journal of Accounting Research* 30 (Supplement), 103-124.

Newberry, K., 1998. Foreign tax credit limitations and capital structure decisions. *Journal of Accounting Research* 36 (1), 157-166.

18. Monday, November 27

Graham, J., M. Lang and D. Shackelford, 2004, Employee stock options, corporate taxes and debt policy, *Journal of Finance*, 59, 1585-1618.

Dhaliwal, D., Trezevant, R., Wang, S. 1992. Taxes, investment related tax shields and capital structure. *Journal of the American Taxation Association* 14 (1), 1-21.

Graham, John R., Michael Lemmon and James Schallheim, 1998, Debt, leases, taxes, and the endogeneity of corporate tax status, *Journal of Finance* 53, 131-161.

19. Wednesday, November 29

Graham, J., 1996a. Debt and the marginal tax rate. *Journal of Financial Economics*, 41-74.

Graham, J., 1996b. Proxies for the marginal tax rate. *Journal of Financial Economics*, 187-221.

Plesko, G., 2003. An evaluation of alternative measures of corporate tax rates, *Journal of Accounting and Economics*, 35(2), 201-226.

20. Monday, December 4 (examples of multi-party)

Engel, E., Erickson, M., Maydew, E., 1999. Debt-equity hybrid securities. *Journal of Accounting Research* 37 (2), 249-274.

Graham, J., 2000, How Big Are the Tax Benefits of Debt?, *Journal of Finance* 55, 1901-1941.

21. Wednesday, December 6

Wrap-up

Graham, John R., 2003, Taxes and Corporate Finance: A Review, *Review of Financial Studies* 16, 1074-1128.

Shevlin, T., 2006, The future of tax research: From an accounting professor's perspective, *Journal of the American Taxation Association*, forthcoming.

Graham, John R., and Campbell Harvey, 2001, The Theory and Practice of Corporate Finance: Evidence from the Field, *Journal of Financial Economics* 60, 187-243.

Bonus Class at end of exam week – date to be determined:

Hanlon, M. 2003, What can we infer about a firm's taxable income from its financial statements? *National Tax Journal*, 56, 831-863

McGill, G., and E. Outslay, 2004, Lost in translation: Detecting tax shelter activity in financial statements, *National Tax Journal* 57, 739-756.

Hanlon, M. and T. Shevlin, 2002, Accounting for tax benefits of employee stock options and implications for research, *Accounting Horizons*, 16, 1-16.

Other papers:

Heltzer, W., 2006, Conservatism and book-tax differences, University of Chicago working paper.

Wilson, R., 2006, An examination of corporate tax shelter participants, University of Washington working paper (his UW thesis).

Hanlon, M. and J. Slemrod, 2006, What does tax aggressiveness signal? Evidence from stock price reactions to news about tax aggressiveness, University of Michigan working paper.