ADVANCES IN TAXATION

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ADVANCES IN TAXATION

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ABOUT THE EDITOR

Since 2011, Dr. John Hasseldine has been a Professor of Accounting and Taxation in the Peter T. Paul College of Business and Economics at the University of New Hampshire. Previously he was a Chair and Head of the Accounting and Finance Department at the University of Nottingham Business School. John, a Kiwi, qualified as a chartered accountant in New Zealand and is a Fellow of the Association of Chartered Certified Accountants (FCCA) based in London.

John has served on three government committees in the UK and was a contributor to the Mirrlees Review of the UK tax system conducted by the Institute of Fiscal Studies. He has been an external expert at the International Monetary Fund, a visiting professor at the University of New South Wales, Sydney, and a keynote speaker at several international tax conferences. He travels widely, speaking at national and global conferences, including one on VAT organized by the OECD, World Bank and IMF, and a conference on dealing with the national tax gap held at the US Library of Congress in Washington DC. He is a co-author of *Comparative Taxation: Why Tax Systems Differ* (Fiscal Publications, 2017), and an International Fellow at the University of Exeter Tax Administration Research Centre.

John received his PhD in Accounting in 1997 from the Kelley School of Business at Indiana University-Bloomington, and his Master of Commerce in Accounting and Bachelor of Commerce from the University of Canterbury, Christchurch, New Zealand.

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INTRODUCTION

TAX RESEARCH IN EVER-CHALLENGING TIMES

Reflecting on my editorial for Volume 29, it seems that the world is still dealing with, and will seemingly continue to be challenged by the COVID-19 pandemic. Again, since the prior volume, there have been steady submissions to *Advances in Taxation* from many different countries. I remain grateful to the editorial board for their support and am also pleased to acknowledge the 11 ad hoc expert reviewers listed below for their valuable and timely reviewing activity during 2021–2022.

Yunshil Cha (University of New Hampshire)
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In Volume 30, there are six articles. In the lead article, K.C. Lin, Jared Moore, and David Tree examine the stock market reaction to the Tax Cuts and Jobs Act of 2017 during its enactment process, focusing on its international provisions. They report lower returns for high-foreign-activity firms, indicating a negative market reaction to the international provisions overall. They then further consider specific international provisions, and find that the market reaction was more positive (negative) for firms likely most affected by the shift to a quasi-territorial system for taxing foreign earnings (the transition tax on existing unrepatriated earnings, the tax on global intangible low-taxed income, and/or the base erosion and anti-abuse tax) than for other firms.

Next, in a paper specifically on firm repatriations, Andy Duxbury examines patterns of making or deferring strategic repatriations that firms can use to either meet analysts' forecasts or defer to maintain future reported earnings flexibility. He examines the extent to which firms repatriate earnings from high foreign tax subsidiaries to decrease US tax expense, resulting in increased net income and lower cash taxes. By using federal tax return information, he reports evidence that firms strategically repatriate these earnings to meet or beat current analysts' forecasts. Additionally, he shows that firms that are able to obtain current year tax reductions defer these repatriations in an attempt to build cookie jar reserves and that firms do not disclose high foreign tax repatriations, even when required by SEC rules.

In the third paper, Kaishu Wu investigates the relationship between CSR and tax planning, leveraging the staggered adoptions of constituency statutes in US states. Using a staggered difference-in-differences method, he finds that firms incorporated in states that have adopted constituency statutes exhibit significantly higher effective tax rates (ETRs) based on current tax expense suggesting that managers, with the legitimacy to consider the social impact of tax avoidance, become less aggressive in tax planning. He further reports that the effect of adoption is stronger for financially unconstrained firms and firms in retail businesses, where the demand (cost) for tax avoidance is lower (higher) and that the main results are driven by firms located in states with a high sense of social responsibility and firms with high levels of tax avoidance prior to the adoption.

A set of three papers then examines individual behavioral responses to different tax issues. In the fourth article, Jon Lee, Candice Correia, John Correia, and Zhuoli Axelton investigate the renunciation of US citizenship due to the impact of the Foreign Account Tax Compliance Act's (FATCA) reporting requirements. Within this context, they examine how FATCA compliance costs can affect taxpayer behavior in a manner that reduces economic efficiency. Using responses from 197 experienced US taxpayers living in the US they find that when tax compliance costs are high, taxpayers may be more likely to renounce their citizenship to avoid FATCA reporting requirements and that these tax compliance costs may increase the likelihood of citizenship renunciation even in the presence of a minimal US tax burden.

In the fifth paper, Michaele Morrow, Jacob Suher, and Ashley West investigate the effect of imposing a tax on sugar-sweetened beverages (SSBs) on the likelihood of purchasing SSBs. Using an experimental framework, they find that imposing a tax, in addition to increasing the conspicuousness of the tax by explaining the presence of a tax (and in some cases, the negative health effects) reduces the likelihood of purchasing an SSB anywhere from 8.39% to 18.15% and conclude that imposing a tax on SSBs may be an effective tool for decreasing SSB consumption that is made more effective when the tax is conspicuous.

Lastly, Mohd Allif Anwar Abu Bakar, Mohd Rizal Palil, and Ruhanita Maelah use responses from 592 salaried and self-employed taxpayers in East Malaysia to examine social media, tax morale, and tax compliance behavior. Their findings showed that social media had no significant effect on tax compliance, although there was a significant and negative relationship between social media and tax morale, and a significant and positive effect of tax morale on tax compliance.

John Hasseldine
Editor, Advances in Taxation