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THE IMPACT OF TAX MANAGEMENT ON CSR PERCEPTIONS

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DEDICATION

I dedicate this work to my family, who sacrificed so that I could succeed. Without their support, I would have failed long ago. To Bill and Alex, the greatest husband and son I could ever ask for. You two are my reason for living. While completing this work required a great deal of time away from you both, I did it for you. For our future as a family. You persevered through countless hours without me, picking up the slack and going without. Rather than complain, you encouraged and supported me through it all. No matter how important I may view this dissertation to be, know that it does not come close to how important you are to me. I love you both more than all the stars in the sky. Cheers!

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ABSTRACT

Corporate tax management that reduces taxes paid has been linked in the media to social irresponsibility. This, in turn, can lead to corporate tax risk due to the potential reputational damage stemming from tax reduction being viewed as irresponsible. Perhaps due to this, management's concern about managing corporate tax risk has increased in recent years. However, little empirical research has been conducted to assess whether consumers and investors naturally incorporate corporate tax management into their perceptions of corporate social responsibility ("CSR"). I experimentally examine whether this relation exists and to what extent it might impact investor and consumer behaviors. As a follow-up, I examine whether this relation is moderated by two factors: the country in which the tax management occurs and the availability of firm-issued CSR information. I find that managing corporate taxes downward has a significant negative relation with CSR perceptions. I further find that this relation is moderated by the availability of a firm-issued voluntary CSR disclosure. I also find evidence that effective tax management negatively impacts non-professional investors' willingness to invest in a company. Interestingly, I find no support that a firm's tax management meaningfully changes consumer purchasing behaviors. Thus, while taxes paid may impact CSR perceptions, this impact does not appear to extend to behavior. Results from my study demonstrate the important role that corporate tax management and firm-issued CSR disclosures can play in influencing perceptions of CSR.

1. INTRODUCTION

Corporate tax and its relation with corporate social responsibility (CSR) has recently come under increased scrutiny. In part due to media leaks of corporate tax reduction strategies, reputational tax risk (arising from the public's perception of the irresponsibility of corporations paying low percentages of tax) has reached a crescendo. At the same time, interest in CSR is growing steadily. For example, in 2007, there were approximately 100,000 news stories related to CSR. By 2017, this number had grown to almost 250,000 (Bialkowlski and Starks, 2017). Bialkowski and Starks (2017) find evidence that investor demand for socially responsible mutual funds has increased, primarily due to investors' nonfinancial considerations. Corporate tax management[1] is not normally included in traditional conceptualizations of CSR. However, the negative connotation of firms using tax management to reduce their tax expense may impact perceptions of CSR nonetheless. Little research has yet examined the relation between corporate tax management and CSR perceptions, despite this increased attention. Calls for investigation into this relation have been issued by researchers in both accounting (e.g. Hanlon and Heitzman, 2010) and non-accounting business disciplines (e.g. Ylonen and Laine, 2015). For example, Ylonen and Laine (2015) state that, "in both the academic literature and the broader social debate, there are major disagreements with regard to whether corporate taxation should be considered an element of CSR or how the relationship between these two should be interpreted" (p.6). I therefore examine whether

[1] Corporate tax management, also referred to as tax planning, refers to the company's analysis of its business transactions from a tax perspective to be as tax-efficient as possible. Thus, it refers to the legal reduction of taxes through various legal tax strategies.

consumers and/or investors integrate tax management into their CSR perceptions. I then examine how this relation impacts purchasing and investing behavior.

Corporate tax management may impact CSR perceptions through its impact on perceived equity. As the amount of taxes paid decreases, benefits to the community through tax dollars decrease. This decrease in corporate-contributed benefits may skew public perception of the fairness of the firm's tax reduction strategy. As CSR directly relates to the fairness of corporate business practices, CSR perceptions should then likewise be impacted. Thus, effective tax management may impact CSR perceptions. However, if the public views taxes as unfair or simply an expense to be minimized, tax management may not impact equity perceptions (or may even positively impact equity perceptions).

I also examine two potential moderators of the relation between corporate tax management and CSR perceptions. The first is the economic development of the country in which the tax management occurs. As suggested by Christian Aid (2009), developing countries are more vulnerable to tax reduction strategies than developed countries. Developing countries depend more on tax revenues to meet basic societal needs than do developed countries. However, these less developed countries often do not have the institutional resources to effectively fight tax reduction strategies, making them even more vulnerable to corporate tax management. I expect consumers and investors to be aware of the disadvantages that developing countries face and adjust their CSR perceptions and behavior toward the firm accordingly. More specifically, I expect CSR perceptions to be decreased further when a company reduces its taxes paid in developing countries than in developed countries. Due in part to the Base Erosion Profit Shifting project, Country-by-Country tax expense reporting may become mandated in the near future. Thus, understanding how multi-national tax planning influences investor and consumer decisions is an important step towards understanding how companies and shareholders may be impacted by this impending regulation. The second moderator is a company-issued disclosure of other CSR information. Existing research has shown that CSR disclosures are associated with a reduced cost of equity capital (Dhaliwal, Li, Tsang, and Yang, 2011; Richardson and Welker, 2001), a reduced likelihood of corporate misconduct (Christensen, 2016), and a greater reputational resilience in the face of negative exogenous shocks (Zahller, Arnold, and Roberts, 2015). However, no research has yet examined whether voluntary CSR disclosures can act as a reputational shield against tax risk. I expect the impact of tax management on perceptions of firm CSR to vary based on whether or not non-tax CSR information is disclosed by the company.

To test my hypotheses, I conduct a 2x2x2 between-subjects experiment. Participants are given information about a target company and its respective industry. I manipulate the level of the target company's tax management, the country to which the tax management relates (either a developed or developing country), and the presence or absence of a company-issued CSR disclosure. Participants are asked to evaluate the firm's level of CSR and to indicate their willingness to invest in and purchase goods from that company. Analyses are conducted examining to what extent the manipulated variables impact the relation between the tax management and the dependent variables (CSR perceptions and willingness to purchase/invest). I recruit my subjects from TurkPrime.

I find support that corporate tax management has a significantly negative relation with CSR perceptions. I also find support that the negative relation between tax management and CSR perceptions is weaker when a firm-provided CSR disclosure is issued. Thus, firms may be able to use voluntary CSR disclosures as a reputational safeguard against negative backlash from tax management.

I further find evidence that investors attempt to punish firms paying low levels of tax in *developing* countries by reducing their willingness to invest in those companies. Thus, investors appear to take the country's level of economic development into account when incorporating corporate tax management into their investment decisions. My study is the first to find such differentiation in investor judgements.

Interestingly, though, I do not find support that this impact on perceived CSR significantly influences purchasing decisions. This suggests that, while consumers view low corporate tax expense as irresponsible, they do not appear to alter their decisions. This is in contrast to the findings of Hardeck and Hertl (2014), who find that consumers *are* willing to change their purchasing behaviors as a result of media-framed reports of corporate tax reduction. It is possible, then, that the behaviors witnessed after the release of media-framed tax reports, such as boycotts, are driven more by media frenzy and social desirability than by individuals' natural inclinations. Thus, in the absence of media framing, low corporate tax expense does not appear to elicit as strong of a response as previously believed.

An experimental methodology is imperative in this study to overcome the limitations of archival data in CSR research (Huang and Watson, 2015). First, for example, I am able to directly measure perceptions about CSR to ascertain whether consumers and investors view corporate tax management as a component of CSR. Second, I am able to isolate the effect of corporate tax management and CSR disclosure on consumer and investor decisions from potentially confounding factors that could impact such data in an archival study. Third, I am able to examine the impact of country development on CSR perceptions and consumer/investor decision-making. As country-by-country tax expense reporting is not currently mandated, archival studies are unable to accurately assess country-specific tax expense; thus, examining how the tax expense paid in a developed or developing country impacts decision-making and CSR perceptions is difficult to accomplish archivally. However, my experimental methodology allows me to gain insight into the impact of country development on the relation between tax management and CSR perceptions/decisions. My study thereby provides greater insight into the drivers of consumer and investor decision-making than can be accomplished through an archival methodology.

My study contributes primarily to the limited research on CSR perceptions and corporate tax management. To my knowledge, only two studies have thus far examined the relation. The first, Hardeck and Hertl (2014), examines consumer reactions to corporate tax reduction. They experimentally examine consumer reactions to media reports targeting corporate tax payments. Using a German sample, they manipulate whether subjects see a media report praising a company for responsible tax planning or shaming a company for attempting to minimize its tax burden. They find that consumers are less willing to purchase products or pay full price for products from corporations that have been shamed in the media for minimizing their tax liability. I extend this study in two primary ways. The first is my use of investors. While Hardeck and Hertl (2014) focus their study on consumer perceptions, I incorporate both consumers *and* investors in my study. This allows me to examine whether consumer and investor perceptions of CSR are impacted differently by corporate tax management. The second is my use of a neutrally-worded media report to discuss the firm's tax management. Hardeck and Hertl (2014) use a framed media report in which the company's tax activities are discussed in either a positive or negative manner. I extend on this by examining whether their findings are the result of the information contained in the report or the framing used in the report. I extend their results by examining consumers' and investors' *natural* reactions to corporate tax management. My study is thus the first to examine the impact of non-media framed corporate tax planning on consumer and investor CSR perceptions.

The second paper, Davis, Moore, and Rupert (2017), finds some support for a negative relation between tax management and non-professional investor CSR perceptions. They find that, when a CSR rating is absent, tax management negatively impacts CSR perceptions. When a CSR rating is present, though, the impact of tax management is conditional on whether that rating is high or low. When the firm is given a low CSR rating, tax management is negatively related to CSR perceptions. When the firm is given a high CSR rating, though, investors no longer appear to incorporate the firm's tax expense into their CSR perceptions. However, they use MBA students to proxy for investors. MBA students have been found to have an ethical idealism not found in more experienced individuals (Fischer and Rosenzweig, 1995; Smith, Skalnik, and Skalnik, 1999). As CSR is related to ethics in that they can both relate directly to equity perceptions, MBA students may limit generalizability. I thus contribute by using investors in my study to provide greater generalizability of their findings. Davis et al. also examine the relation between tax management and CSR perceptions from a domestic perspective. Given the significance of multi-national corporations to the global society (as well as the increasing reputational tax risk that corporations are facing), understanding this relation in a global context is important. For example, Christian Aid estimates that $160 billion is lost every year by developing countries due to multinational tax planning (Christian Aid, 2009). Given the country-by-country tax expense reporting (submitted to the taxing authority) required by the Base Erosion and Profit Shifting (BEPS) initiative, public country-by-country disclosure is likely on the horizon[2]. Examining differences in how corporate tax management is perceived when conducted in countries of varying economic development is important for regulators as well as companies planning long-term tax risk minimization strategies. Thus, I build upon Davis et al.'s (2017) study by examining corporate tax management in non-U.S. countries. My study will also be the first to examine the ability of voluntary corporate-issued disclosures of non-tax CSR activities to protect firm reputation from reputational tax risk. Davis et al. (2017) find some initial support that a third-party CSR rating can influence how investors perceive tax management. If non-tax CSR information is able to impact investors perception of tax management, firm-issued voluntary CSR disclosures may influence perceptions similarly to the CSR ratings. However, as firm-issued disclosures are unregulated, they provide management with the opportunity to influence investors and consumers by overstating the company's contributions to society. Thus, investors may not perceive them to be as trustworthy as third-party issued information. I thus extend Davis et al.'s (2017) study by examining firm-issued voluntary CSR disclosures. As CSR disclosures are not yet mandated in the U.S., understanding how the disclosures can be used to influence investor

[2] Country by Country reporting is not yet required for public disclosure. Currently, media reports are the most likely source of corporate tax information by country.

and consumer behavior is important in determining whether the disclosures *should* be regulated. Thus, my study provides a meaningful contribution to the discussion surrounding CSR disclosure regulation.

The remainder of my study is structured as follows. In Chapter II, I discuss the relevant literature for my study and develop my hypotheses. Chapter III discusses the methodology, sample, and primary variables used in the study. Chapter IV discusses the results of my experiment. Chapter V concludes.

2. LITERATURE REVIEW

2.1. Corporate Social Responsibility

CSR can be defined as a company's engagement in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001). Thus, behaving in a socially responsible manner means a company adheres less to shareholder theory (Friedman, 1970). The firm no longer attempts to simply maximize shareholder wealth; rather, CSR leads a firm to adhere more closely to stakeholder theory, in which the firm looks to balance benefits between shareholders and other stakeholders (Carroll, 1991). These other stakeholders include a variety of parties, including employees, customers, venders, and society. Socially responsible firms still focus on profitability; however, they add to this focus an interest in being good corporate citizens. This additional focus leads the firm to make decisions that may reduce benefits to shareholders while increasing benefits to non-shareholding stakeholders in an attempt to balance the firm's social responsibilities. This balancing act then creates competition for these benefits between shareholders and other stakeholders (Waddock and Graves, 1997; Aguilera, Rupp, Williams, and Ganapathi, 2007). Even so, the majority of publicly traded U.S. companies make at least some effort to engage in CSR (Watson, 2015).

While CSR has become an increasingly prevalent social norm in recent years, businesses have been practicing CSR for centuries. For example, Parker (2014) conducts a historical analysis of socially responsible British industrialists of the 19^{th} and early 20^{th} centuries. His analysis provides support that, not only is CSR not a new concept, but the underlying drivers of CSR engagement have largely remained consistent over time.

2.1.1. Drivers of CSR Engagement

2.1.1.1. Manager Sense of Duty

The sense of duty that management feels towards CSR behavior is one predictor of CSR engagement. Parker (2014) finds this sense of duty in his historical analysis of 19th century business leaders. Examining four leading businessmen in Britain, he believes that the men's personal beliefs regarding philosophy, religion, and duty to society helped motivate them to engage in socially responsible business practices. This same CSR predictor has been found in more recent studies, as well. For example, Borghesi, Houston, and Naranjo (2014) find that management's sense of altruism can predict CSR engagement, with female CEOs and younger CEOs being more likely to invest in CSR. Numerous other studies in both the accounting and management literatures similarly find that a firm's engagement in CSR can be motivated by normative reasons such as management's sense of duty, sense of stewardship, and morals (e.g. Bansal and Roth, 2000; Aguilera, Rupp, Williams, and Ganapathi, 2007; Davis, Schoorman, and Donaldson, 1997). CSR engagement can also be influenced when the firm incorporates management's sense of duty into the firm's mission (e.g. Bansal, 2003; Maignan, Ferrell, and Hult, 1999; Marcus and Anderson, 2006). Management is then no longer attempting to push its own sense of duty onto the firm; rather, the firm takes it upon itself to act responsibly, regardless of management. Thus, management's sense of duty with respect to corporate stakeholders is a predictor of CSR engagement.

2.1.1.2. Stakeholder Influence

While intrinsic motivation such as manager's sense of duty can predict CSR, external motivation such as stakeholder influence can also drive CSR engagement.

Stakeholders, such as customers and creditors, have the ability to influence CSR behavior through their purchasing decisions and lending agreements, among other channels of power. Rodrigue, Magnan, and Boulianne (2013) conduct a series of interviews with executives from a large Canadian firm and document this stakeholder influence on the firm's strategic performance measurement system. Through the interviews, they document that executives believe customers and creditors are concerned about environmental sustainability. Executives, in turn, react by attempting to provide a strong environmental management system while attempting to not compromise the firm's product quality and price. Thus, stakeholders have some ability to influence CSR engagement. Pondeville, Swaen, and Ronge (2013) find more support for the influence of stakeholders. Surveying 256 manufacturing companies, they find that market, community, and organizational stakeholders motivate managers to be more proactive in the development of environmental management control systems. From these studies, it is apparent that CSR engagement can be motivated by stakeholder efforts.

2.1.1.3. Firm Ownership

Another predictor of CSR engagement is institutional ownership. Gray (2010) argues that one needs to have a deep understanding of CSR to properly incorporate it into their valuation of a firm. Thus, institutional investors may be better able to account for CSR. Cho, Lee, and Pfeiffer (2013) find support for this argument. They find that, for firms with higher levels of institutional ownership, CSR performance does not significantly impact information asymmetry (proxied for by the bid-ask spread). However, for firms with lower levels of institutional investors, CSR performance reduces information asymmetry. Thus, institutional investors do not rely as heavily on CSR information as non-institutional investors. This finding is consistent with institutional investors having a better understanding of CSR information and thus understanding its potential to be used as a signal of profitability. Given that institutional owners are better able to understand the implications of CSR, it makes sense that they can influence CSR behaviors. Indeed, prior research has shown that long term institutional ownership can positively influence CSR engagement (Neubaum and Zahra, 2006; Johnson and Greening, 1999).

2.1.2. Impacts of CSR Engagement

Although CSR behavior shifts a firm's perspective towards the benefit of all stakeholders (stakeholder theory), shareholder theory is still relevant. For a firm to benefit stakeholders, it must survive. In order to survive, the firm must behave in some capacity in the interest of shareholders. The idea of benefiting shareholders while simultaneously benefiting stakeholders may appear on surface to be a paradox; however, given the ability of CSR behavior to boost firm reputation, appeal to new customers and employees, and thereby ultimately increase profitability (Jones, 1995; Porter and Kramer, 2006, 2011), CSR may indeed benefit both parties.

2.1.2.1. Firm Value and Performance

Prior research has shown that CSR engagement is positively related to both firm value and firm performance. For example, firms engaging in CSR activities may be better able to attract quality employees (Greening and Turban, 2000), have lower costs of and innovations in processes, and have improved corporate reputations (Sharma and Vredenburg, 1998), which can all lead to increased profitability. Waddock and Graves (1997) find support for a positive relation between CSR activities and return on assets, return on equity, and return on sales. Mishra and Suar (2010), in their examination of CSR in Indian firms, find support that CSR activities are positively related to industry-adjusted return on assets. Shank, Manullang, and Hill (2005) find that their portfolio of socially responsible firms has a risk-adjusted performance significantly higher than the expected market return over a ten-year period. Conversely, the returns from their portfolio of less socially responsible firms did not significantly differ from the expected market return. Thus, for investors, CSR engagement may signal long-term financial benefits. Dowell, Hart, and Yeung (2000) find that multinational firms engaging in CSR have higher firm values. Conversely, corporate social irresponsibility has been found to be positively and strongly related to financial risk (Oikonomou, Brooks, and Pavelin, 2012). Deng, Kang, and Low (2013) find evidence that acquirers with higher CSR scores show higher merger announcement returns and have better post-merger operating performance. Petersen and Vredenburg (2009) interview institutional investors and find that, while institutional investors are not willing to pay a premium for shares of CSR-active companies, they *are* in favor of owning shares in those companies. In a working paper, Margolis, Elfenbein, and Walsh (2009) conduct a meta-analysis of studies written between 1972 and 2007 that examine the relation between CSR and financial performance. Reviewing 251 publications, dissertations, and working papers, they conclude that there is a small, positive relation between CSR performance and financial performance. While they conclude that a stronger, negative relation appears to exist between being socially *irresponsible* and financial performance, their review supports the idea of a positive relation between CSR engagement and firm value.

Since Margolis et al.’s (2009) meta-analysis, more studies have been conducted finding further support for the CSR-firm value relation (e.g. Orlitzky, Schmidt, and Rynes, 2003; Renneboog, Ter Horst, and Zhang, 2008, 2011; Guenster, Bauer, Derwall, and Koedijk, 2011; Edmans, 2011, 2012; Luo and Bhattacharya, 2006; Servaes and Tamayo, 2013; Edmans, Li, and Zhang, 2014). For example, Flammer (2015) examines whether the market reacts to firms passing CSR proposals. He finds evidence that, when CSR-related shareholder proposals are passed, the market responds with positive abnormal returns. Jones and Murrell (2001), using an event study, find that firms named to *Working Mother* magazine’s “Most Family-Friendly Companies” list (a form of CSR) experienced abnormal positive returns from the market. Kansal and Joshi (2014) investigate shareholder and stockbroker perceptions of CSR initiatives in India. Through the use of surveys, they find that both shareholders and stockbrokers perceive firms engaging in CSR activities to be valued higher than firms not engaging in CSR. Recent findings by the Schroders Global Investor Study (2017) state that 64% of individual investors surveyed stated that they have increased their investment allocation to sustainable funds. Elliott, Jackson, Peecher, and White (2013) experimentally examine how investors incorporate CSR information into their assessment of firm value. They find that CSR performance increases investor perceptions of firm value. However, they also find that, when investors are asked to personally assess the firm’s CSR performance rather than relying on the provided CSR rating, this positive association diminishes. This result suggests that the positive impact of CSR on firm value may be the result of investors not explicitly assessing CSR performance and unintentionally adjusting their perceptions of firm value. Overall, though, the literature appears to support a positive relation between CSR performance and firm value.

A caveat to the association between CSR and firm value/profitability is the issue of causality. Because the majority of studies examining this relation have not been event-studies, it is difficult to ascertain whether CSR leads to firm value or firm value leads to CSR. Hong, Kubik, and Schneinkman (2012), for example, find that financial constraints significantly limit CSR engagement. Thus, firms may only be able to engage in CSR when they are performing well financially. Lys, Naughton, and Wang (2014) further examine this relation between CSR and future financial performance. They find a positive relation between current CSR expenditures and future firm performance (measured as both return on assets and operating cash flows). However, they also find that this relation is based upon CSR expenditures that are not associated with firm economics. Thus, these expenditures are greater than what would be expected based upon current firm performance. This suggests that current firm performance does not drive CSR expenditures; rather, CSR expenditures appear to be a signal of private information from management about future financial performance. Thus, more research is needed to establish causality between CSR and firm value/profitability.

2.1.2.2. Firm Reputation/Legitimacy

Related to firm value, another impact of CSR performance is firm reputation or legitimacy. In exchange for firms engaging in CSR, firms may be perceived as legitimate and granted a social license to operate (Dowling and Pfeffer, 1975; Adams, Hill, and Roberts, 1998; Gunningham, Kagan, and Thornton, 2004; Killian and O’Regan, 2016). This, in turn, should allow the firm to be more profitable. When a firm does not adhere to these social norms, its legitimacy as a "good business" is called into question. Thus, it is in the firm's best interest to comply with the social construct of CSR. Dowling and Pfeffer (1975) point out that businesses are a part of society; as such, adhering to societal expectations of CSR is necessary for success and good for business. Thus, firm reputation/legitimacy appears related to CSR performance.

While the impact of CSR on individual perceptions has not been widely researched yet in the U.S., a few international studies have examined how consumers and other stakeholders perceive CSR engagement. Öberseder, Schlegelmilch, and Murphy (2014) examine consumer perceptions of CSR in a non-U.S. context through a series of in-depth interviews with consumers. In their attempt to create a measurement model to capture consumer CSR perceptions, they find that consumers view CSR as a multi-faceted concept, with certain facets being more important to their CSR perceptions than others. Most pertinent to this study, they find that perceived contributions to society (e.g. through taxes, employment, involvement in community projects) is one of the most predictive factors for consumer CSR perceptions. Kansal and Joshi (2014) find that shareholders and stockbrokers alike perceive CSR-engaging firms to be more reputable, thus increasing their confidence in those firms.

2.1.3. Impact of CSR Disclosure

Apart from CSR performance, the voluntary disclosure of CSR activities by companies also appears to provide benefits.[3] This is great news for shareholders given

[3] However, it is difficult to assess whether the benefits result from CSR activities themselves or the decreased information asymmetry and goodwill that come from additional CSR disclosures.

that nearly all of the Fortune 500 firms release CSR (a.k.a. sustainability) reports (Kanani, 2012). The primary benefits documented by the literature are increased reputation/legitimacy, increased investor willingness to invest, and a reduced cost of capital.

2.1.3.1. Firm Reputation/Legitimacy

CSR disclosures have the ability to provide a reputational boost to firms through their impact on the firm's perceived legitimacy. For example, prior research has found evidence that companies can gain legitimacy through CSR disclosures (e.g. Deegan, Rankin, and Tobin (2002); O'Donovan (2002); Milne and Patten (2002)). Zahller, Arnold, and Roberts (2015) experimentally examine the impact of quality CSR disclosures on investor perceptions of firm legitimacy. They find support that quality firm-issued CSR disclosures not only improve perceptions of organizational legitimacy, but also protect the firm from negative investor reactions after an exogenous shock. Cho, Guidry, Hageman, and Patten (2012) find that this reputational boost extends even to the Dow Jones Sustainability Indices (DJSI). They find that membership in the DJSI seems driven more by what firms claim to do in their CSR disclosures than by what the firms *actually* do. Thus, CSR disclosures appear able to provide a boost to firm reputation separate from what is seen from CSR performance.

Prior literature has also found evidence consistent with firms believing that CSR disclosures can be used opportunistically to boost firm reputation in times of need. For example, Deegan et al. (2002) follow the disclosure policies of BHP Ltd. from 1983-1997 and find that the company regularly issued positive CSR-related disclosures after negative media reporting. This finding is consistent with the company attempting to use CSR disclosures opportunistically to restore firm reputation. Cuganesan, Guthrie, and Ward (2010) find evidence that companies in industries in which CSR is more common may choose to issue CSR disclosures to improve reputation rather than actually engaging in more CSR. Splitting the Australian food and beverage industry into sub-sectors based on socially perceived CSR, they analyze the content of each company's annual report and website looking for statements regarding CSR. They then code these statements as being meant to either inform the public about organizational behavior changes, change public perception while not changing organizational behavior, or deflect attention away from an issue of concern. They find that companies in the high-CSR subgroup are more likely to use CSR disclosures to deflect attention and change perceptions without changing organizational behaviors as compared to companies in the lower CSR subgroups. Thus, companies appear to use CSR disclosures to some extent in an attempt to improve reputation. At this time, though, there is no empirical evidence that such a strategy works.

2.1.3.2. Influence on Investment

Though not yet widely researched, another benefit of CSR disclosures is their potential influence on investment decisions. Barreda-Tarrazona, Matallin-Saez, and Balaguer-Franch (2011) experimentally examine how CSR disclosures impact investment decisions. They find that participants invest significantly more in a fund when they know about the sustainable nature of the fund. Thus, CSR disclosure may signal non-CSR benefits for investors, further influencing investment decisions.

2.1.3.3. Reduced Cost of Equity Capital

A third benefit of CSR disclosures is their ability to reduce the firm's cost of equity capital. For example, Dhaliwal, et al. (2011) examine the impact of initial CSR disclosures on the cost of equity capital by measuring the cost of capital in the year before and the year after initiation of such disclosure. They find support that firms initiating CSR disclosure experience a reduced cost of equity capital, so long as those firms have positive CSR performance. Griffin and Sun (2013) find similar results in their archival study. Examining excess stock returns around a CSR disclosure announcement date, they find that shareholders of smaller companies with limited public information benefit from voluntary CSR disclosure. This finding is consistent with CSR disclosures helping to reduce information asymmetry for some firms.

2.1.4. Consumer Reactions to CSR

Consumer interest in CSR is increasing (Berens, van Riel, and van Bruggen, 2005; Nielsen, 2014). Overall, social irresponsibility appears to be viewed negatively. Social irresponsibility leads to fewer benefits for all stakeholders, including consumers. For example, when companies reduce their charitable contributions (reducing a commonly accepted form of social responsibility), consumers relying on those charities receive fewer benefits. Support for consumers' negative perceptions of social irresponsibility come from various consumer surveys. Consumers appear to take social irresponsibility into account when making purchasing decisions. For example, Brown and Dacin (1997), using a series of experiments, find that participants lowered their evaluations of products when they believed the firm to be socially irresponsible. Using path analysis, they find that perceived social irresponsibility impacted participants' product evaluations *through* its impact on their evaluation of the corporation as a whole. When participants perceived the company to be socially irresponsible, they lowered their perception of the firm's reputation. They then lowered their evaluations of products made by that firm, not because of qualities of the product, but because doing business with that firm became less appealing. Thus, their results are consistent with CSR impacting firm value through its impact on firm reputation. According to an article in USA Today (O'Donnell, 2013), nine out of ten consumers polled said they would boycott companies found to be socially irresponsible. Surveys conducted by research institutions find that consumers claim they are willing to pay more for products and services provided by socially responsible companies (e.g. Nielsen, 2014; Mohr, Webb, and Harris, 2001[4]). For example, a recent global study conducted by Cone Communications (2015b) finds that ninety percent of consumers polled said they would boycott companies if they learned they had been irresponsible in their business practices. Ninety percent said they would switch brands to a more socially responsible brand if the product in question had similar quality and price (Cone Communications, 2015b). Another Cone Communications report stated that 80% of global consumers polled were willing to purchase from an unknown brand if that brand had high CSR (Cone Communications, 2015a). Creyer (1997) finds similar results in her study. In her survey, consumers report that the ethicality of a firm is important when deciding whether to purchase that firm's product. Thus, consumers appear willing to change their purchasing behaviors based upon the perceived CSR of the company.

2.2. Corporate Tax Management

Corporate tax management has also become a hot topic in recent news. From Apple Inc. to Starbucks, companies are being outed in rapid succession for using tax

[4] Mohr et al. (2001) provided subjects with a company's high-level environmental and philanthropic ratings to proxy for social responsibility. These ratings were either the highest or lowest in the respective industry.

management strategies (Dyreng, Hoopes, and Wilde, 2016). Tax management isn't necessarily bad business, though. Corporations are expected to create wealth for shareholders. Prior to being distributed to shareholders, this wealth (firm profit) is subject to U.S. federal income tax. These taxes can reduce pretax profits by 35 percent without the use of tax management strategies. Thus, from a shareholder perspective, tax management involves using legal means to reduce a potentially large corporate expense. However, tax management also carries with it risk. Tax risk refers to the reputational risk, legislative risk, operational risk, and enforcement risk that can result from the exposure of tax practices (EY, 2014)[5]. Reputation risk in particular is moving to the forefront of corporate tax risk management plans (EY, 2014). Thus, when deciding to engage in tax reduction strategies, firms must consider the risks and rewards.

2.2.1. Financial Performance

Prior literature has documented both financial benefits and risks associated with tax management strategies. One obvious benefit of tax management is its ability to reduce tax liability (thereby reducing corporate tax expense) and increase firm profits. Wilson (2009) finds that the average tax shelter transaction, which is typically seen as a tax management strategy, generates $375.5 million of federal tax savings. Google, Inc. was able to reduce its tax expense by $3.1 billion over a three-year period by using tax

[5] Reputational risk refers to the risk that a company's reputation might be damaged as a result of greater tax transparency. Legislative risk refers to possible policy changes that may take effect as a result of the government's knowledge of the company's tax planning. Operational risk refers to the internal challenge of adhering to compliance requirements. Enforcement risk refers to the risk of a tax audit.

management strategies[6] (Drucker, 2010). Desai and Dharmapala (2006) find evidence that firms use tax management in part to improve accounting outcomes. Robinson, Sikes, and Weaver (2010), in their survey of CFOs, find that corporate tax departments are more likely to be operated as profit centers when there are ample tax-planning opportunities, consistent with tax management increasing profits. Graham, Hanlon, Shevlin, and Shroff (2014) survey 594 corporate tax executives and find financial incentives to be a driving factor behind using tax management strategies. Of these 594 executives, 32% state that tax management strategies are marketed to their firm as a way to increase earnings. They also find that 49% of those surveyed stated that it is important for a tax management strategy to increase EPS[7]. These results are consistent with tax management having the ability to boost financial performance and increase after-tax income.

However, by using tax management strategies and having lower ETRs, firms also place themselves at risk. For example, the use of certain tax strategies could draw attention from the relevant tax authorities. This would result in a decrease in profitability by way of fines and penalties, as well as possibly additional "voluntary" taxes paid to regain some of the lost reputation. For example, Starbucks voluntarily forewent tax deductions to pay an additional £20 million in tax to the U.K. government after being publicly shamed for their tax management (Christians, 2013). Another risk associated with tax management is the risk of agency costs. For example, Kim, Li, and Zhang (2011) find evidence that the risk of future stock price crash is positively associated with tax

[6] Specifically, Google Inc. engaged in the strategy commonly known as the "Double Irish Dutch Sandwich".

[7] The remaining 61% stated it was important that the tax strategy not *reduce* EPS.

management (proxied for by the use of corporate tax shelters). However, when the firm has greater external monitoring (proxied for by a combination of analyst following, institutional ownership, and anti-takeover provisions), this association is reduced. These results are consistent with managers using tax management to engage in opportunistic behaviors, such as hoarding bad news, in the absence of strong external monitoring. This results in greater risk to the firm and fewer returns for shareholders. Abdul and Holland (2012) find a negative relation between tax management and firm value using a sample of U.K. firms. This finding is consistent with agency costs, wherein the information asymmetry related to tax management results in moral hazard on the part of management. However, Desai and Dharmapala (2009) find evidence that this agency cost can be mitigated by way of corporate governance. Specifically, they find that firms with high levels of institutional ownership have a strong, positive relation between tax management and firm value. Thus, when firms have stronger control over management, agency costs decrease, allowing tax management to increase after-tax income. However, absent this strong governance environment, agency problems can detract from the financial benefits of tax management.

2.2.2. Firm Reputation

Aside from its direct effect on a firm's financial performance, tax management can have an indirect effect through its impact on firm reputation. As a firm's tax management increases, reputational tax risk grows. Due to the increasing potential for leaked corporate tax strategies[8], reputational tax risk can be extremely costly to a firm

[8] This increased potential of leaks comes from both the increasing prevalence of dedicated data hacking groups as well as the seeming increase in whistleblowers (e.g. LuxLeaks, the Panama Papers).

and its investors. The publicizing of tax management strategies can impose significant reputational damage on a firm. In turn, then, this reputational damage bleeds into the firm's profits by impacting consumer demand, consumer willingness-to-pay[9], and stock price. There is limited and conflicting evidence that tax management leads to reputational costs for firms, though. The archival literature has found evidence consistent with firms' awareness of the potential for reputational damage. For example, Chen, Chen, Cheng, and Shevlin (2010) find in their study that family owners are more willing to forego the benefits of tax management strategies than their non-family counterparts. This finding is consistent with family-owned firms being more concerned with the reputational damage arising from publication of their tax management strategies. Austin and Wilson (2017) find empirical support that firms with valuable brands engage in lower levels of tax management. This finding is consistent with the responses gathered by Graham et al. (2014) in their survey of corporate tax executives. They find that 69% of corporate tax executives surveyed cited potential reputational damage as a key factor in their decision to not adopt a tax management strategy. Thus, it appears that firms believe tax management can negatively impact their reputation. Rego, Williams, and Wilson (2017) find evidence consistent with this reputational damage. Examining individual investors' stock holdings, they find that these investors own less stock in firms with low effective tax rates (ETR). Hanlon and Slemrod (2009) similarly find that, on average, a firm's stock price falls after news of its involvement with a corporate tax shelter breaks. Brooks, Godfrey, Hillenbrand, and Money (2016) fail to find evidence of such reputational

[9] By willingness-to-pay, I am referring to the economic term describing the maximum amount a consumer is willing to pay for a good. It is also commonly referred to as the reservation price.

damage in their U.K.-based study. They find that news releases of corporate tax management strategies have little noticeable long-term effect on stock prices, suggesting that tax planning does not damage a firm's reputation in the long-run[10]. Gallemore, Maydew, and Thornock (2014) similarly find that the negative market reaction resulting from news reports of the firms' involvement in tax shelters systematically reverses within 30 days of the report. They also fail to find evidence of long-term reputational damage from the tax shelter involvement on sales/sales growth, CEO/CFO turnover, auditor turnover, future ETR, and the firm's inclusion on *Fortune* magazine's Most Admired Companies list. Cloyd, Mills, and Weaver (2003) find similar results in their archival study. They find that, on average, when U.S. corporations reorganize in tax-haven countries, the average return is not significantly impacted in the long run. Thus, the evidence is mixed on whether or not tax management inflicts significant damage on a firm's reputation.

2.2.3. Consumer Reactions to Corporate Tax Management

To my knowledge, only one study has so far examined consumer reactions to corporate tax management. Hardeck and Hertl (2014) experimentally examine consumer reactions to media reports targeting corporate tax management. Using a German sample comprised of undergraduate students, they manipulate whether subjects see a media report praising a company for paying taxes responsibly or shaming a company for using tax management to reduce its tax expense. They find that consumers are less willing to purchase products or pay full price for products from corporations that have been shamed

[10] The exception to this finding is firms found engaging in tax shelter transactions. For these firms, share prices had a steeper and longer-lasting decline.

in the media for their tax management. However, it is difficult to determine whether the observed reactions are a result of the corporate tax management or the negative framing used in the media report to communicate the management.

Despite a call by Hanlon and Heitzman (2010), to my knowledge, no experimental research has been conducted to assess how investors and consumers naturally perceive tax management without media influence. My dissertation seeks to fill this gap and provide better insight into the potential reputational damage associated with the publication of corporate tax management.

2.3. Relation Between CSR Perceptions and Corporate Tax Management

Currently, little is known about whether corporate tax management is related to CSR perceptions. Insight into commonly accepted CSR-related activities can be gained through recommended CSR disclosure frameworks. The most beneficial of these frameworks (in regards to credibility and helpfulness to investors) comes from the Global Reporting Initiative (GRI) (GreenBiz, 2013). One of the GRI's suggested voluntary disclosures is tax activity (GRI, 2016). Specifically, the GRI recommends disclosing tax payments made to all governments by country, as well as related penalties (Disclosure 201-1). These recommendations suggest that the GRI believes tax compliance to be related to CSR. However, a company can be compliant with tax laws while still engaging in varying degrees of tax *management*. Although tax management is not mentioned as a dimension of CSR, it may still impact CSR perceptions.

The literature provides mixed evidence on whether companies believe tax management to be a component of CSR perceptions. For example, Davis, Guenther, Krull, and Williams (2016) examine the relation between CSR and cash ETR (a proxy for tax management) and find that firms appear to use non-tax CSR activities as a substitute for tax payments. Specifically, they find that firms with higher overall levels of CSR have lower ETRs and thereby higher tax management. They posit that this result is consistent with stakeholders viewing CSR as a substitute for tax payments. This finding is also consistent with firms using non-tax CSR activities to mitigate the reputational tax risk from tax management. Landry, Deslandes, and Fortin (2013) find similar results in their study using Canadian firms. They find support that (non-family owned) firms with higher overall levels of CSR engage in more tax management and thereby have lower ETRs than their low-CSR counterparts. These results are again consistent with firms using non-tax CSR activities as a reputational shield against tax risk. Thus, firms may believe that engaging in non-tax CSR activities can moderate the impact of tax management on overall CSR perceptions (reputational tax risk).

At this time, no study has examined whether or not consumers incorporate corporate tax management in their perceptions of CSR and only one paper has examined the same for investors. Davis et al. (2017), in a current working paper, provide some support for a relation between corporate tax management and CSR perceptions. Basing their predictions on affect-as-information theory, they find evidence that, when a company is given a low CSR rating by a third-party ratings agency, a company's tax management (proxied for by ETR) is negatively related to investor CSR perceptions. However, due to their use of MBA students, their sample may not be generalizable to non-professional investors given MBA students' ethical idealism (e.g. Smith et al., 1999). Fischer and Rosenzweig (1995) find evidence of this ethical idealism by examining differences in MBA student and accounting practitioner responses to earnings management. They find that, for the manipulation of earnings through the timing of expenses, MBA students viewed the earnings management as significantly less ethical than did accounting practitioners. Deshpande (1997) finds corroborating results. Examining middle-level manager reactions to unethical behavior, Deshpande (1997) finds that managers with graduate degrees were more judgmental of unethical behavior than managers without a graduate degree. It is also likely that MBA students are impacted by the increased offering of graduate ethics courses. As a result of the accounting scandals of the early millennium, the AACSB issued a call for increased ethics education in business programs (AACSB, 2004). In addition, Davis et al. (2017) use a third-party CSR rating. Investors may trust this rating more than a firm-issued CSR disclosure. Thus, it is possible that investors will formulate their perceptions of CSR differently than Davis et al.'s (2017) sample due to the ethical connotations of CSR as well as their use of a potentially more trust-worthy CSR source.

2.4. Equity Theory

A common theme in evaluations of both CSR and tax management is the concept of equity. CSR is built fundamentally around the idea of stakeholders being treated equitably. Similarly, low corporate tax expense raises the question of whether corporate tax management is fair to society. Most research regarding equity is rooted in equity theory (Adams, 1965). Equity theory posits that individuals expect comparable ratios of contributions and distributions across all members of an exchange. Thibaut and Walker (1975) dissect equity theory into two primary components: distributional equity and procedural equity.

2.4.1. Distributional Equity

Distributional equity posits that individuals expect similar ratios of inputs to outputs in an exchange. What one party of an exchange contributes should be similar in magnitude to what they receive. This ratio is expected to be similar across all parties involved. This expectation leads to three distinguishable types of distributional equity: exchange, vertical, and horizontal. Exchange equity refers to equity between the exchanging parties. It is the belief that each unit of contribution deserves a set outcome. Thus, distributions should be predictable based upon the amount of the individual's contribution to the exchange. Vertical and horizontal equity refer to equity across contributors. Vertical equity means that individuals with greater levels of resources should contribute more and those with lesser levels of resources should contribute less to an exchange. Horizontal equity means that individuals with equal levels of resources should make equal contributions to an exchange.

2.4.2. Procedural Equity

Procedural equity posits that the underlying procedures governing a distribution must be applied uniformly and fairly[11]. Per Leventhal (1980, p. 17), procedural equity refers to "an individual's perception of the fairness of procedural components of the social system that regulate the allocative process." Thus, this includes all parts of the exchange up until the actual distribution. Numerous studies have documented the direct effect of procedural equity on total equity perceptions (e.g. Latour, 1978; Lind, Kurtz, Musante, Walker, and Thibaut, 1980; Cropanzano and Folger, 1989; Folger and Konovsky, 1989;

[11] For an earlier review of the procedural equity literature, see Lind and Tyler, 1988.

Folger and Martin, 1986; Tyler, 1984, 1986, 1990). Perceptions of procedural equity are a composite of several different components. For example, Leventhal (1980) and Greenberg (1986) both dissect procedural equity into seven components. Folger and Konovsky (1989) argue for twenty-six separate components. Generally, though, these components involve items such as: providing opportunity for parties of the exchange to provide feedback on the procedures; applying the procedures consistently; suppressing bias; using accurate information; and having the ability to correct a procedural decision if found to be inequitable.

Most research regarding procedural equity focuses on exchanges with some type of authority. That authority creates a set of procedures for an exchange with individuals under the authority's jurisdiction. Under this setting, procedural equity has the ability to convey the authority's value of the affected individual (Lind and Tyler, 1988; Tyler and Lind, 1992). Thus, when procedures are perceived be inequitable, individuals may perceive this as a slight by the authority. This can then lead to commitment to and compliance with the system to suffer.

2.4.3. Interaction of Procedural and Distributional Equity

While both procedural and distributional equity are valuable in their own right, they both have the power to moderate the impact of the other. For example, procedural equity perceptions have the ability to moderate the impact of distributional equity perceptions on outcomes such as outcome satisfaction and commitment to group goals. Leventhal (1980) states that "evaluations (of procedural equity) affect the perceived fairness of the final distribution of reward" (p.20). Cropanzano and Folger (1991) similarly suggest that “a full understanding of fairness cannot be achieved by examining the two constructs (distributions and procedures) separately. Rather, one needs to consider the interaction between outcomes and procedures” (p. 136). Numerous studies have found support for this supposition. For example, Greenberg and Folger (1983) find that trial defendants view verdicts positively when believed to be the result of equitable procedures. Greenberg (1987) finds that subjects receiving low pay levels viewed the pay as fair when equitable procedures were used. McFarlin and Sweeney (1992) find that, when procedures are perceived to be fair in an organizational setting, organizational commitment is high despite dissatisfaction with personal outcomes such as low pay. Brockner and Wiesenfeld (1996) document in their literature review the ability of procedural equity to moderate the impact of distributional equity when outcome fairness is low. Thus, procedural equity has the ability to moderate the impact of distributions.

Distributional equity *also* has the power to moderate the impact of procedural equity perceptions. For example, Greenberg (1987) finds that subjects receiving high pay levels viewed the pay as fair regardless of the fairness of the underlying procedures. Shapiro (1991) examines the impact of different explanations for deception on participants’ perceptions of equity. Participants are told that they are applying for a bank loan with a partner. Should they be approved for a loan, they will receive $10. If they are not approved, they will receive $5. If either the participant or their partner is caught lying to the loan officer, though, participants are told they will receive nothing. The partner is caught to be deceptive. Participants are then randomly awarded either $10, $5, or nothing. They are also told that the partner lied either for selfish reasons, for altruistic reasons, or unintentionally. Shapiro finds that the distribution they received (either $10, $5, or nothing) moderates the extent to which the various types of explanations moderate subjects' feelings of procedural equity. In an organizational setting, McFarlin and Sweeney (1992) experimentally examine how distributional and procedural equity jointly predict employee satisfaction with personal and organizational outcomes. They suggest that, for personal outcomes such as pay, distributional equity may be a more important predictor of employee satisfaction and moderate the impact that procedural equity has on satisfaction.

2.4.4. Exceptions to Distributional Equity

While equity theory posits that parties to an exchange are expected to be subject to similar rules and realize similar ratios of inputs to outputs, prior research suggests that equity perceptions may also be influenced by the varying perceived needs of the parties. Termed the social responsibility norm, this norm posits that allocations made based upon the relative perceived need of the recipient (rather than based upon a consistently applied ratio) may be viewed as equally fair as allocations made based upon respective contributions (e.g. Homans, 1961; Berkowitz, 1972; Pruitt, 1972; Leventhal, Weiss, and Buttrick, 1973; Deutsch, 1975; Leventhal, 1976). The social responsibility norm can commonly be seen in needs-based academic scholarships, the U.S. welfare system, and nonfamily transplant donors.

2.4.5. Consequences of Inequity

When an exchange is perceived be inequitable, either because of distributional or procedural equity perceptions, individuals will attempt to restore equity (Adams, 1965; Walster, Walster, and Berscheid, 1978). To do this, individuals can either attempt to convince themselves that the situation is truly equitable or attempt to restore equity themselves through their contributions. For example, using an experiment, Kim (2002) finds that taxpayers who perceive that they are treated inequitably relative to other taxpayers generally report less income. By reporting less income, these taxpayers alter the overall equity of the exchange. A number of studies involving taxpayers have also shown that taxpayers often alter their tax compliance to counter the perceived equity of the tax system (Wallschutzky, 1984; Yankelovich, Skelly, and White, 1984). Thus, when an exchange is seen as unfair, individuals will attempt to alter the exchange through whatever means are available.

3. THEORY AND HYPOTHESIS DEVELOPMENT

3.1 Corporate Tax Management and CSR Perceptions

I hypothesize that tax management negatively impacts CSR perceptions because it relates to the perception of equity, the fundamental core of social responsibility. Applying distributional equity theory to a tax setting, investors and consumers would expect corporations to pay levels of tax similar to those paid by other parties of the exchange (whether those parties be corporations or individuals). When that expectation is not met due to tax management effectively reducing tax expense, the tax expense may be viewed as unfair and socially irresponsible (e.g. Starbucks (BBC, 2012; Christians, 2013), Ikea (Sheffield, 2016), Amazon and Apple (Chapman, 2017)).

Given such limited research, whether investors and consumers take corporate tax management into consideration when evaluating a company's CSR is at this point still an underdeveloped, multi-faceted question. However, given the similar ethical undertone of both CSR and tax management, I predict that tax management will negatively impact CSR perceptions. As such, my first hypothesis is formally stated as:

> *H1: Corporate tax management is negatively related to investor and consumer CSR perceptions.*

3.2. The Impact of Corporate Tax Management on Consumer Behavior

If corporate tax management *is* negatively related to CSR perceptions, it may as a result lead to changes in behavior. As discussed above, when faced with perceived inequity, individuals will attempt to restore equity through whatever means are available to them. If tax management reduces perceived CSR because it is perceived to be inequitable, consumers may attempt to restore equity to the exchange by punishing firms reducing their tax expense through tax management. They may use boycotts or choose not to purchase the firm's products/lower their valuation of those products when that firm engages in tax management to reduce tax expense, as suggested by Hardeck and Hertl (2014). If tax management lowers consumers' CSR perceptions, it should create a similar behavior to that found by Hardeck and Hertl (2014) without the media framing. I thus hypothesize the following:

H2: Consumers are less likely to purchase and will pay less for products from companies using tax management.

3.3. The Impact of Corporate Tax Management on Investor Behavior

Non-professional investor[12] behavior may also be impacted by CSR and equity perceptions. Specifically, I predict that corporate tax management may impact investment behavior in two separate ways. First, if tax management reduces perceived CSR because it is perceived to be inequitable and thereby a tax risk, investors' may lower their valuation of the firm to accommodate that increased risk. Second, if they perceive the firm's tax expense to be unfair, they may decrease their willingness to invest in that firm. I next expand on each of these possible predictions separately.

[12] As the FASB's disclosure framework focuses on how information will be viewed by a reasonable investor, decisions made by non-professional investors are of importance to the accounting practice. Non-professional investors also represent a significant portion of share owners (Belzile, Fortin, and Viger, 2006). Non-professional investors are thus commonly studied in experimental settings (e.g. Elliott et al., 2014; Rennekamp, 2012). Because my study includes variables that may be included in disclosures in the future (country by country tax expense and CSR disclosure), I include non-professional investors in my study to speak back to both the practice and to legislators.

Equity perceptions can impact firm value (and profit) by impacting tax risk. When tax management strategies are perceived to be unfair to society, the offending firm's reputation may suffer (i.e. reputational tax risk). This impact on reputation may then similarly impact the firm's profitability by decreasing sales. Investors may seek to invest in firms with low reputational tax risk so as to minimize their own potential for loss. I thereby expect that investors will decrease their perceptions of CSR for firms engaging in more tax management than their peers. This then increases their perceptions of tax risk, which should decrease investor perceptions of firm value in a rational economic manner. I predict that this will result in investors perceiving a lower value for the stock of these firms.

Equity perceptions may also impact investors' willingness to invest by reducing investors' willingness to be associated with the firm. If investors find tax management to be inequitable, it may lead investors to reduce their perceptions of the firms' social responsibility. Moreover, if the investors believe the firm is inequitable, they may be less willing to be associated with that firm from a punitive standpoint. Rather than basing their investment decision on the firm's financial merits, investors may choose to not invest in the firm because they do not want to be associated with what they perceive as an irresponsible firm. I thus predict that investors will be less likely to invest in these companies.

Based upon investors' equity perceptions of the firm, I predict that investors will value firms engaging in less tax management higher than firms engaging in more tax management to compensate for the additional risk. I also predict that investors will act punitively by being less likely to invest in firms that manage their taxes downward. Formally stated, my third hypothesis is:

H3: Investors are less likely to invest in and perceive a lower value for companies engaging in tax management.

3.4. The Moderating Effect of Economic Development

Other variables may moderate the relation between corporate tax management and CSR perceptions. One such variable is the country in which the tax management occurs. Multi-national enterprises (MNEs) operate globally, providing the opportunity for taxes to be paid to both developed and developing countries. Developing countries are generally less wealthy than developed countries. As such, they have more difficulties in meeting basic human needs through tax revenues (Christian Aid, 2009). Thus, the country's perceived level of need may moderate the impact that tax management (which leads to a reduction in tax revenues) has on CSR perceptions.

Applying the social responsibility norm to a multinational setting, individuals may view corporate tax management as less fair when perpetrated in developing countries than in developed countries. This perception of fairness, based upon the country in which the tax management is occurring, should then moderate the relation between perceived CSR and tax management. This moderation is expected to lower CSR perceptions for companies engaging in greater amounts of tax management in developing countries compared to developed countries. This interaction should impact consumer and investor behavior accordingly. Formally stated, my fourth hypothesis is:

H4a: The effect of tax management on investor and consumer perceptions of CSR will be moderated by the country's level of economic development.

H4b: The effect of tax management on consumers' willingness to pay for and purchase products from MNEs will be moderated by the country's level of economic development.

H4c: The effect of tax management on investors' perceived value and willingness to invest in MNEs will be moderated by the country's level of economic development.

3.5. The Moderating Effect of Disclosing Other CSR Activity

Despite the benefits of increased perceptions of equity and CSR, corporations may be unwilling to use less tax management and increase their tax payments to influence these perceptions and reduce tax risk given the significant portion of corporate profits that already go towards taxes. However, drawing attention to the company's other, non-tax CSR contributions through voluntary disclosure may provide a reputational barrier against negative perceptions from corporate tax management.

Using CSR activities as a reputational shield may work in part because CSR activities act as additional inputs to the company's exchange with society. Thus, the CSR activities help to balance the exchange equity. This should lead to consumers and investors perceiving the exchange as more equitable. This increase in perceived equity may then lessen consumer/investor sensitivity to corporate tax management, thereby acting as a reputational shield.

No work has yet been done to establish whether *disclosing* non-tax CSR activities is an effective reputational shield against tax risk. If engagement in non-tax CSR activities can moderate the relation between tax management and CSR perceptions, so too might the disclosure of such activities. As CSR disclosures are typically provided voluntarily by management, they may be viewed as opportunistic rather than altruistic. Currently, the disclosures are unregulated and unaudited. Despite this, these voluntary disclosures may still have the power to act as reputational safeguards. By disclosing information about non-tax CSR activities, firms may be able to boost consumers' and investors' CSR perceptions in the face of negative tax press. By publicizing the firm's commitment to non-tax CSR activities, the firm may be able to increase its perceived contributions to the exchange between themselves and the government/community and increase perceptions of equity.

My fifth hypothesis thus examines the ability of a CSR disclosure to act as a reputational shield from the reputational tax risk associated with tax management. Specifically, I predict both a direct effect of CSR disclosure and an interaction effect. I predict that a CSR disclosure will have a direct positive effect on CSR perceptions due to its predicted ability to increase the corporation's perceived contributions to society. Furthermore, I predict that a CSR disclosure will interact with tax management to provide more reputational shielding as tax management increases. When a firm engages in low levels of tax management, the disclosure should increase the perceived equity of the corporation's tax expense. As tax management increases, so too should the reputational benefits associated with the CSR disclosure. I again expect consumer and investor behavior to adjust accordingly for the proposed interaction. Formally stated, my fifth hypothesis is as follows:

> *H5a: The effect of tax management on investor and consumer perceptions of CSR will be moderated by the presence of a firm-issued CSR disclosure.*
>
> *H5b: The effect of tax management on consumers' willingness to pay for and purchase products from MNEs will be moderated by the presence of a firm-issued CSR disclosure.*
>
> *H5c: The effect of tax management on investors' perceived value for and willingness to invest in MNEs will be moderated by the presence of a firm-issued CSR disclosure.*

4. RESEARCH DESIGN AND SAMPLE

4.1. Independent Variables

To test my hypotheses, I use a 2x2x2 (ETR X country X non-tax CSR disclosure) between-subjects experimental design[13]. I use firm ETR as a proxy for corporate tax management. The ETR variable is manipulated at two levels relative to the industry average ETR. The target company's ETR is set to either 25% (average tax management compared to an industry average ETR of 25%) or 15%. Rather than using GAAP ETR as my metric, as many other studies have chosen to do, I use a country-specific ETR published in a neutral media report. This was done to more closely simulate the recent media reports outing corporate tax avoiders. These media reports typically discuss corporate ETRs in a single country. As this information may soon become even more readily available due to the BEPS project, utilizing a country-specific ETR also allows me to gain valuable insight on the potential consequences of public country-by-country tax reporting.

The country variable is manipulated at two levels, with the country in which the corporate tax management has occurred being either economically developed (Germany

[13] My experimental design is a 2x2x2. I could use a Latin Square design to reduce my number of cells and better approximate my planned analyses. However, the additional data is easy to collect at this point. Although I do not predict a three-way interaction, one may exist. By collecting the data, I am able to examine the three-way interaction and assess its implications regarding my predictions.

or the U.K.) or developing (Guatemala or Indonesia[14]). I use two countries from each category to ensure that participants' strong feelings towards any particular country do not significantly impact my results.

The non-tax CSR information variable is also manipulated at two levels, with some participants receiving firm-issued CSR information about the firm's activities in the respective country and others receiving no such information.

4.2. Design and Procedures

Participants are asked to evaluate a hypothetical company on how socially responsible they perceive the company to be and how willing they would be to purchase the company's product and/or stock. My instrument begins with basic background information about a target company and its respective industry. Participants are told that the target company operates in the athletic wear industry. They are also told where the target company is currently positioned within that industry in terms of brand recognition, quality, and price. Participants are also provided with a short financial summary, consisting of the current year earnings, a brief Balance Sheet, and comparisons across industry for earnings growth, EPS, and current stock price. However, the target company's stock price is not provided at this stage.

[14] Both the developed and developing countries were chosen based upon their inclusion in the OECD's listing of economically developed and developing countries. Per my pilot study, results across the two countries in each manipulation were not significantly different.

Next, participants are given a neutrally-worded media report[15] stating the company's ETR in a specific foreign country (either developed or developing). This report also provides the industry average ETR in that country.

Participants in the CSR Report Present condition are also provided with a brief press release issued by the company[16], providing information regarding other CSR activities in which the firm engages. This report, though brief, contains information regarding charitable giving, employee safety, sustainability, and supply chain management (including anti-bribery and avoiding child labor). These four activities were selected to provide participants with a wide array of activities to provide a strong manipulation.

After viewing the above information, participants are asked a series of questions designed to address my hypotheses. They are asked how socially responsible they believe the target company to be, for how much they expect the company's product to sell, and how likely they would be to purchase the company's product assuming a reasonable price. They are also asked to provide a stock price estimate for the target company within the range of $30 per share to $55 per share, as well as their likelihood of investing in the

[15] This media report is based on the media report issued regarding Starbucks' tax management in the U.K. However, I have removed any accusatory or negative language from the report in order to present a neutral, yet realistic, media report.

[16] The order in which participants receive the media report and press release is randomized across conditions.

company[17]. While all participants are asked these investment questions for simplicity, only the answers provided by the investor sample are analyzed.

Participants are next provided with manipulation check questions. The first asks participants to choose in what country the media report said the company had paid taxes. The second asks participants to choose what percentage of profits the company had paid in that country in taxes. The third asks in what other community-driven activities the company was investing per their press release. Only one possible answer for this question was present in the CSR report (charitable giving). Participants are then provided with construct validity check questions. They are asked how tax aggressive they believe the company to be, how economically developed they perceive the respective country to be, and how socially responsible they perceive charitable contributions. Participants are then asked to provide insight into their answers, answering on a scale from “None at All” to “A Great Deal” to what extent the target company’s tax payments had impacted their choice of stock price/willingness to invest, their choice of product price/willingness to purchase, and their assessment of the company’s CSR.

The remaining questions attempt to capture the participants’ views of corporate tax planning, CSR, and the corporation’s responsibility to pay taxes, as well as other

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[17] Asking investors to provide a stock price estimate will provide insight into their perception of the firm’s potentially reduced value due to the tax risk. Asking investors their likelihood of investing in the company will provide insight into their perceptions of the firm’s equity. An investor may, based upon risk, perceive a stock price to be fair. However, if the investor perceives the company to be socially irresponsible / inequitable, their willingness to invest in that company should decrease even at the perceived reasonable price per share.

control questions. I ask participants both their economic and political views to control for the impact that those views may have over my results, as well as participants' age, household income, and gender. Participants are also asked about their educational background, such as the number of accounting and finance courses taken, and their personal beliefs regarding their duties to pay taxes.

4.3. Participants

Using TurkPrime, I recruit 447 participants. Of these participants, 206 are non-professional investors. The remainder (241 participants) are members of the general public. To capture the investor sample, I enlist TurkPrime to screen candidates for investment experience. Candidates who invest in the stock market either in their spare time or through their employer via an employee purchase/retirement plan[18] are admitted into the study as investors. I then do an additional screening of those participants to verify their qualification by asking them about their investment experience and knowledge at the end of the instrument. I utilize a short quiz to assess investment knowledge. Specifically, I ask participants true or false questions regarding the meaning of short-selling stocks, efficient stock markets, dividends, IPOs, compound interest, and growth strategy mutual funds. Participants either stating that they have no current investments or

[18] Investment through an employer may allow the individual to invest without performing any investment analysis. Thus, the individual may not be qualified as a non-professional investor. However, as I further screen participants by using an investment knowledge quiz, I am confident that all individuals in my investment sample have relevant investment knowledge suitable to a non-professional investor.

demonstrating insufficient investment knowledge[19] are omitted from the study. No such screening was done for the general public sample.

For the above samples, I paid TurkPrime $3.75 for each investor and $3.25 for each member of the general public. On average, my instrument took participants 14.6 minutes to complete, with a median time to complete of 10 minutes. See Table 1 for the overall demographic profile of my full sample and Table 2 for the demographic profile by sample group.

[Insert Table 1 Here]

[Insert Table 2 Here]

I conduct a series of t-tests and chi-square tests between the investor sample and consumer sample to compare the characteristics of the two groups. As expected, the two groups do significantly differ on age, income, education, college major, experience, and gender. The mean age of the investor sample is 41.9 years (standard deviation of 12.8 years), while the mean age of the consumer sample is 44.5 years (standard deviation of 16.3 years). The investor sample has significantly higher income (mean of $93,798; std. dev. of $55,898) than the consumer sample (mean of $67,448; std. dev. of $51,836). The average investor has completed some graduate school and has analyzed financial statements two to four times, while the average consumer holds an associate's degree and has analyzed financial statements only once. Lastly, the two groups significantly differ

[19] As I am assessing non-professional investors, I do not expect participants to correctly answer all questions on the quiz. Thus, I classify insufficient investment knowledge as missing all questions on the investment quiz. So long as participants answer at least one question correctly, I include them in my sample.

on gender makeup. While 71% of the recruited investors are male, only 34% of the recruited consumer sample are male.

4.4. Pilot Test

Before conducting my full experiment, I perform a pilot test using 42 students from an undergraduate accounting course at a large public university[20] and an additional 40 participants via Amazon Mechanical Turk. This pilot test differed from my final instrument in the manipulation of tax management. In the pilot test, the tax management manipulation was operationalized by presenting participants with a company paying an ETR of either 15% (very low ETR) or 22% (average ETR). However, participants in the pilot study did not perceive these two levels of tax management to be significantly different, undermining the validity of my construct. In the final instrument, I have strengthened this manipulation by using an ETR of 25% to represent the average ETR condition rather than 22%.

Overall, results of the pilot test support three of my hypotheses and fail to support two of my hypotheses. Using ANOVA, I find a significant main effect of tax management on CSR perceptions despite participants' consciously answering that the levels of tax management did not differ. Thus, H1 is supported. Despite participants not being consciously aware of their differentiation in ETRs, the results suggest that they subconsciously viewed the two levels of tax management differently. Using planned

[20] I recruited a total of 44 undergraduate students to participate. Of these students, 2 failed more than one manipulation check question. As this equates to a 4.5% failure rate, the manipulation is deemed salient. Inclusion of the 2 students does not significantly impact results.

contrast weights, I find a significant interaction between tax management and country development, supporting H4a. I similarly find a significant interaction between tax management and the presence of a CSR report using planned contrast weights. H5a is thus supported. However, I fail to find support for my second or third hypotheses, as well as H4b, H4c, H5b, and H5c. These hypotheses are regarding consumer and investor behavior. I speculate that this result is due to a lack of power as a result of my small pilot test sample size.

5. ANALYSES AND EMPIRICAL RESULTS

5.1. Test of Random Assignment

Participants were randomly assigned to one of eight conditions (i.e. average/low ETR, developed/undeveloped country, and present/absent CSR report). I use ANOVA to examine whether the participants are randomly assigned with regards to my control variables. I separately set each control variable (with the exception of gender) as the dependent variable in the ANOVA and set my three manipulations and their interactions as the independent variables. This allows me to identify whether any manipulation conditions differ on any one control variable. I find no significant differences for income, experience looking at financial statements, education, or beliefs about corporate duty[21] across the manipulations. Thus, I conclude that participants are randomly assigned for these variables. I find that my economically developed country manipulation was not evenly dispersed with regards to participant age. As such, I include Age as a variable in my hypothesis testing. To test for the random assignment of gender, I utilize a chi-square test. The results of this test are insignificant; thereby, I conclude that participants are randomly assigned to my manipulations with regard to gender. See Table 3 for the cell means.

[Insert Table 3 here]

[21] For participant beliefs about corporate duty, I follow Davis et al. (2017) in using a 9-question scale asking various questions about whether a corporation is responsible to shareholders or stakeholders. I code the shareholder-focused questions as positive scores and the stakeholder-focused questions as negative scores. I then net the shareholder- and stakeholder-focused responses to identify whether the participant believes corporations should be more shareholder or stakeholder oriented.

5.2. Manipulation and Construct Validity Check Questions

Overall, my manipulations were salient. Of 495 total participants, 109 participants incorrectly answered the question regarding in which country the company was said to have paid taxes. When asked about the company's ETR, 91 participants answered incorrectly. Only 40 participants incorrectly answered the question regarding the community-driven activities in which the company was investing. Participants who correctly answered all three manipulation questions spent a mean of 14.2 minutes (standard deviation of 20.2 minutes; median of 11.0 minutes), while participants missing only one question spent a mean of 15.6 minutes (standard deviation of 61.4 minutes; median of 7.9 minutes). Participants missing two of these manipulation questions spent significantly less time on the instrument at 7.0 minutes (standard deviation of 8.0 minutes; median of 4.4 minutes). Participants missing all three questions were not allowed to proceed any further in the instrument, so the average time spent is unavailable for those subjects. However, it is likely that those participants, along with those missing two questions, did not pay adequate attention to the information as suggested by the lower amount of time spent. Thus, participants were retained if they were able to correctly answer two of these three questions. Of 495 total participants, 48 subjects failed to answer more than one manipulation check question correctly. This represents a failure rate of 9.7%. These subjects were randomly distributed amongst conditions, with no particular condition resulting in significantly more or less failures. These 48 participants were removed from the analyses, leaving a total of 447 participants in my sample.

Participants were also asked two construct validity questions: how economically developed they perceived their manipulated country and how aggressive they perceived the company to be with its tax planning. Answers for the development question ranged from Not at All (1) to Fully Developed (5) and answers for the ETR question ranged from Not Aggressive at All (1) to Extremely Aggressive (7). For the economic development question, participant responses were significantly different ($p<.0001$) based upon condition. In untabulated results, the mean for participants in developing countries was 2.6864 (standard deviation of 0.9589), while the mean for participants in developed countries was 4.0573 (standard deviation of 1.0396)[22]. Thus, participants presented with a developed country (either Germany or the U.K.) perceived that country as economically developed. Participants presented with a developing country (either Guatemala or Indonesia) perceived that country as still in development.

For the tax management construct, participant responses were again significantly different ($p<.0001$) based upon condition. In untabulated results, the mean for participants in the high tax management condition was 4.8120 (standard deviation of 1.2425) while the mean for participants in the average tax management condition was 4.0892 (standard deviation of 1.4428)[23]. Participants presented with an average ETR (25%) perceived the

[22] The mean for Guatemala (2.5490; s.d. of 0.8632) was significantly different from the mean for Indonesia (2.8051; s.d. of 1.0233). The mean for the U.K. (3.8750; s.d. of 1.0832) was also significantly different from the mean for Germany (4.2348; s.d. of 0.9673). However, results are not significantly different when either particular country is used exclusively. Thus, in the proceeding analyses, participants receiving either Indonesia or Guatemala are in the developing country condition and participants receiving either the U.K. or Germany are in the developed country condition.

[23] Because the means for both ETR conditions were close to the midpoint of the response scale, I repeated all analyses using only the top and bottom terciles of ETR-aggressiveness perceptions from each condition. Results, though stronger, were not significantly different.

target company to be significantly less egregious with their tax management than participants presented with a lower ETR (15%).

5.3. Primary Analyses

While I independently collect an investor sample and a general public sample, I am aware that my investors are a part of the general public. Similarly, some of my general public sample may have experience as investors. As such, I use the combined sample for my analyses regarding consumer behavior[24]. However, I examine for a potential moderating effect from the included investors. For the investor behavior analyses, I first run all analyses with my sample of investors. I then add to this sample members of the general public who claim investment experience and meet or exceed the mean score of the investor sample on the investment knowledge quiz. I then run all analyses again with this larger sample. Results are not significantly different and, as such, the following discussion is based upon the initial sample split.

As many of my control variables are highly correlated with each other (namely, experience, education, income, and gender), I use stepwise regression to determine which control variables increase the significance of the model for each of my dependent variables. See Table 4 for a correlation table of these variables. Stepwise regression includes variables into the model if their squared partial correlations exceed the predetermined F-value necessary for inclusion (Dillon and Goldstein, 1984). Variables are included into the model one at a time, beginning with the variable that results in the

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[24] I use both investing and non-investing consumers in my sample to better generalize to the U.S. consumer population.

highest F-value. Once a variable is included in the model, it is removed if and when the inclusion of another variable results in the F-value contributed by the initial variable to fall below the predetermined F-value requirement. Using stepwise regression allows me to identify the control variables that result in the highest R^2 for the model. The identified control variables are then included in the proceeding analyses.

[Insert Table 4 here]

5.3.1. Analysis of CSR Perceptions

My first hypothesis predicts that corporate tax management impacts perceptions of CSR. I use ANCOVA to test this prediction. See Table 5 for my results. Controlling for my two predicted moderators, I find a significant main effect of tax management on CSR perceptions (p=.0579[25]).[26] As the tax management increases, CSR perceptions significantly decrease overall. H1 is thereby supported.

[Insert Table 5 here]

I further predict that the negative impact of corporate tax planning on CSR perceptions will be greater when the tax planning occurs in economically undeveloped countries (H4a). Using ANCOVA, I find an insignificant interaction between the level of

[25] Unless otherwise stated, all reported p-values are two-tailed.

[26] In untabulated results, I include a dummy variable for my investor sample to determine if investors incorporate tax management into their CSR perceptions differently than consumers. I interact this dummy variable with my tax management variable (ETR), as well as the interactions with country development and CSR disclosure. All interactions with this dummy variable provide insignificant p-values. Thus, I fail to find evidence that investors and consumers do not similarly incorporate corporate tax management into their CSR perceptions.

economic development and tax management when no CSR disclosure is provided ($p=0.8501$). However, as the interaction I predict is ordinal, I use contrast coding to supplement my ANCOVA. See Table 5, Panel C for the results of my contrast coding. The contrast codes used are derived from my hypothesis. I apply my contrast codes across my country conditions, regardless of CSR disclosure condition. I predict that CSR perceptions will be highest when companies engage in low levels of tax management. I do not predict any significant difference between country level of development when tax management is low. Thus, I assign a code of 1.5 to the low tax management conditions in both developed and developing countries. I predict that the negative impact on CSR perceptions will be strengthened when the country is still developing economically. Thus, as tax management increases, I predict that CSR perceptions will decrease more in developing countries than in developed countries. For the high tax management/developed country condition, I assign a code of -1 to represent the negative impact of the increased tax management. For the high tax management/developing country condition, I assign a code of -2 to represent the predicted greater negative impact of the increased tax management compared to its impact in the developed country. See Figure 1 for my predicted contrast codes.

[Insert Figure 1 here]

Using my planned contrast weights for my cell means, my hypothesis test is significant ($F=4.78$, $p=0.0292$). See Figure 2. Thus, I find support that the effect of tax management differs across country conditions. I thereby analyze the simple effects of tax management at each level of my country condition. Specifically, I look to ascertain whether tax management has a meaningful impact in developing countries and developed countries. To do this, I first examine whether greater tax management leads to lower CSR perceptions in developed countries by coding the high tax management condition as -1 and the low tax management as condition 1. All other conditions are coded as 0. I find no support that CSR perceptions fall as a result of greater tax management in developed countries (p=0.1519). I repeat this analysis for the developing country condition. I again find no support that CSR perceptions fall when tax management increases in developing countries (p=0.1687). H4(a) is thereby not supported.

[Insert Figure 2 here]

I also predict that the negative impact of tax management on CSR perceptions will be lessened when a CSR disclosure is provided[27]. I again use ANCOVA as a preliminary test for this moderation. I find a significant interaction between the presence of a CSR disclosure and tax management (p=0.1832, two-tailed; p=0.0916, one-tailed). I again use contrast coding to supplement my ANCOVA. See Table 5, Panel C for the results of my contrast coding. My contrast codes are again derived from my hypothesis and applied across my disclosure conditions. While H5 predicts an interaction, equity theory would also point to a positive direct effect of CSR disclosure. When a CSR disclosure is present, it should increase the company's perceived contributions to the exchange regardless of their level of tax management. Thus, I predict that CSR perceptions will be highest when companies engage in low levels of tax management when a CSR disclosure is present. I

[27] I do not manipulate the extent of CSR disclosure. In my experiment, all participants receive a disclosure showing four CSR activities. I do not test whether different results would be found with more or fewer activities disclosed.

code my low tax management/CSR disclosure present condition as 1.5 accordingly. I do not predict a significant difference between my low tax management/CSR disclosure absent condition and my high tax management/CSR disclosure present condition because I predict the CSR disclosure will moderate the negative impact of the high tax management. Thereby I code both of these conditions slightly lower than my highest condition with a 1. Lastly, I predict that the lowest CSR perceptions will result from the high tax management/CSR disclosure absent condition. Thus, I code that condition as -3.5 to represent the more negative impact of tax management when a CSR disclosure is not present to act as a reputational shield. See Figure 3 for my contrast codes.

[Insert Figure 3 here]

Using my planned contrast weights for my cell means, my hypothesis test is significant ($F=42.38$, $p<.0001$). See Figure 4. Thus, I find support that the effect of tax management differs across CSR disclosure conditions. I thereby analyze the simple effects of tax management at each level of my disclosure condition. Specifically, I look to ascertain whether the impact of tax management is stronger in conditions in which a CSR disclosure is absent. To do this, I first examine whether greater tax management leads to lower CSR perceptions when a CSR disclosure is absent by coding the high tax management condition as -1 and the low tax management condition as 1. All other conditions are coded as 0. Using these simple effects tests, I find support for H5(a). I find that the negative impact of tax management on CSR perceptions is greater when a CSR disclosure is absent ($p=0.0223$) than when a CSR disclosure is present ($p=0.5617$). My predicted interaction from H5(a) is thereby supported.

[Insert Figure 4 here]

5.3.2. Analysis of Consumer Behavior

Given the supported impact of corporate tax management on CSR perceptions, I next examine whether tax management meaningfully impacts consumer decisions (H2). To test this, I again use ANCOVA. I first examine consumer willingness-to-purchase. I expect to find a significantly negative direct effect of tax management on consumer willingness-to-purchase. See Table 6 for my results. I find an insignificant main effect of tax management on participants' willingness-to-purchase (p=0.9567)[28]. Thus, consumers do not appear to change their purchasing decision based upon the company's tax management.

[Insert Table 6 here]

To assess whether my investing and non-investing consumer samples react similarly, I split my sample and repeat the above analysis on both samples separately. In untabulated results, I find that neither my investing consumers (p=0.5907) nor my non-investing consumers (p=0.6747) change their willingness to purchase a product based upon the company's tax management.

I next examine whether the country's level of development moderates the impact of tax management on consumers' willingness-to-purchase (H4b). While corporate tax

[28] In untabulated results, I include a dummy variable for my investor sample to determine if investors incorporate tax management into their purchasing decisions differently than consumers. I interact this dummy variable with my tax management variable (ETR), as well as the interactions with country development and CSR disclosure. All interactions with this dummy variable provide insignificant p-values. Thus, I fail to find evidence that investors and consumers do not similarly incorporate corporate tax management into their purchasing decisions.

management alone does not appear to impact consumers' decision, it *may* impact their decision when interacted with the country's level of development. While my ANCOVA shows an insignificant interaction (p=0.5746), I rely on contrast coding to test my predicted ordinal interaction, using the same contrast codes as I use for H4a. See Table 6, Panel C, as well as Figure 5. However, I again find no support that the impact of tax management differs across country conditions (p=0.8062). Thus, I conclude that consumers do not change their willingness-to-purchase regardless of the location of the corporation's tax management.

[Insert Figure 5 here]

I again split my sample and repeat the above analysis on both samples separately to assess whether my investing and non-investing consumer samples react similarly. In untabulated results, I find via ANCOVA that the interaction of tax management and country development does not significantly impact investing consumers' willingness to purchase a product (p=0.4462). Using my predicted contrast codes on this sample, I again fail to find any support for the ability of country development to moderate the impact of tax management on investing consumers' willingness to purchase a product (p=0.4650). Similarly, for non-investing consumers, I find no support through either ANCOVA (p=0.2597) or contrast coding (p=0.6103) that country development moderates the impact of tax management on willingness to purchase.

I also examine whether the presence of a CSR disclosure moderates the impact of tax management on consumers' willingness-to-purchase (H5b). My ANCOVA again shows an insignificant interaction (p=0.4090). Turning again to contrast coding, I use the same contrast codes as I use for H5a. See Table 6, Panel C, as well as Figure 6. Here, I find support that the impact of tax management differs across CSR Disclosure conditions (p=0.1146, two-tailed; p=0.0573, one-tailed). I thereby analyze the simple effects of tax management at each level of my disclosure condition. Specifically, I look to ascertain whether the impact of tax management is stronger in conditions in which a CSR disclosure is absent. To do this, I first examine whether greater tax management leads to lower purchase intentions when a CSR disclosure is absent by coding the high tax management condition as -1 and the low tax management condition as 1. All other conditions are coded as 0. Using these simple effects tests, I find no meaningful support for H5(b). When a CSR disclosure is absent, I find no support that purchase intentions fall when tax management increases (p=0.6503). I find similar results when a CSR disclosure is present (p=0.9541). Thus, I conclude that consumers do not significantly change their willingness-to-purchase based upon the company's tax management regardless of the presence of a CSR disclosure.

[Insert Figure 6 here]

I again split my sample and repeat the above analysis on both samples separately. In untabulated results, I find via ANCOVA that the interaction of tax management and CSR disclosure does not significantly impact investing consumers' willingness to purchase a product (p=0.8364). Using my contrast codes on this sample, I again fail to find any support for the ability of CSR disclosure to moderate the impact of tax management on investing consumers' willingness to purchase a product (p=0.8570). Similarly, for non-investing consumers, I find no support through either ANCOVA (p=0.2180) or contrast coding (p=0.2847) that CSR disclosure moderates the impact of tax management on willingness to purchase.

I next conduct similar tests for consumers' willingness-to-pay for products. I predict that consumers will be less willing to pay for products produced by companies that manage their taxes downward. See Table 7 for results. I fail to find support for this prediction (p=0.2604).

[Insert Table 7 here]

Again, I split my sample into investing and non-investing consumers and repeat the above analysis on both samples separately. I find that neither my investing consumers (p=0.6643) nor my non-investing consumers (p=0.2750) change their willingness-to-pay for a product based upon the company's tax management. See Tables 8 and 9 for these results.

[Insert Table 8 here]

[Insert Table 9 here]

I then examine whether the country's level of development moderates the impact of corporate tax management on consumers' willingness-to-pay (H4b). While my ANCOVA shows an insignificant interaction (p=0.2211), I rely on contrast coding to test my predicted ordinal interaction, again using the same predicted contrast codes that I use for H4a. See Table 7, Panel C, as well as Figure 7. However, I again find no support that this moderation exists (p=0.2879). Thus, I conclude that consumers do not change their willingness-to-pay based upon corporate tax management regardless of the country in which the tax management occurs.

[Insert Figure 7 here]

I again split my sample and repeat the above analysis on both samples separately. I find via ANCOVA that the interaction of tax management and country development *does* significantly impact investing consumers' willingness-to-pay for a product (p=0.0759). See Table 8 for results. However, after using my contrast codes on this sample, I fail to find support for my predicted interaction (p=0.8570). For non-investing consumers, I find no support through either ANCOVA (p=0.6521) or contrast coding (p=0.1847) that country development moderates the impact of tax management on willingness to purchase. See Table 9 for results.

I further examine whether the presence of a CSR disclosure moderates the impact of corporate tax management on consumers' willingness-to-pay (H5b). Here, my ANCOVA shows a significant interaction (p=0.1966, two-tailed; p=0.0983, one-tailed). However, after supplementing with contrast coding (using the same predicted codes I use for H5a), I fail to find support for my predicted interaction between CSR disclosure and tax management (p=0.3919). See Figure 8. Thus, I conclude that consumers do not change their willingness-to-pay in the direction predicted. However, as I find a significant two-way interaction effect in my ANCOVA, as well as a significant three-way interaction effect (p=0.0194), I conclude that a *disordinal* interaction does exist. Thus, CSR disclosure can moderate the relation between tax management and willingness-to-pay conditional on the country's level of development. Specifically, I find that CSR disclosure significantly moderates the impact of corporate tax management on CSR perceptions only when the tax management occurs in developed countries. This moderation is not present when the tax management occurs in developing countries.

[Insert Figure 8 here]

After splitting my sample and repeating the above analysis on both investing and non-investing consumer samples separately, I find via ANCOVA that the interaction of tax management and CSR disclosure does not significantly impact investing consumers' willingness-to-pay for a product (p=0.2790). See Table 8 for results. I again find no support for my predicted interaction using contrast coding (p=0.7071). For non-investing consumers, I also find no support through either ANCOVA (p=0.4230) or contrast coding (p=0.5139) that country development moderates the impact of tax management on willingness to purchase. See Table 9 for results.

5.3.3. Analysis of Investor Behavior

Given the supported impact of corporate tax management on CSR perceptions, I also examine whether corporate tax management meaningfully impacts investor decisions (H3). First, I expect to find a significantly negative direct effect of tax management on willingness to invest. See Table 10 for my results. Using ANCOVA, I find the impact of tax management on willingness to invest to be insignificant (p=0.4861). Thus, I fail to find support that investors would be less willing to invest in companies managing their taxes downward.

[Insert Table 10 Here]

I then examine whether the country's level of development moderates the impact of tax management on investors' willingness to invest (H4c). My ANCOVA shows a significant interaction (p=0.0511). However, after supplementing with contrast coding (using the same predicted codes I use for H4a), I fail to find support for my predicted interaction between country development and tax management (p=0.3306). See Figure 9. Thus, I conclude that investors do not change their willingness to invest in the direction predicted. However, from my ANCOVA, I do find that investors are less willing to invest in firms engaging in greater levels tax management in developing countries relative to the industry average. In developed countries, investors appear to *increase* their willingness to invest when companies manage their taxes downward. This finding is consistent with investors viewing tax management as good business so long as they occur in developed countries. Thus, while I do not find support for my predicted interaction, I do find support for a different and perhaps more interesting interaction between tax management and economic development. To gain additional insight into my results, I analyze the simple main effect of tax management under the two country development conditions. This allows me to see if tax management has a meaningful effect in either country. In untabulated results, I find a significant negative impact of tax management on investors' willingness to invest in still developing countries (p=0.0663). Therefore, I find support for a meaningful negative impact on willingness-to-invest of corporate tax management occurring in developing countries. However, I do not find support for a meaningful positive effect in developed countries[29]. Thus, although H4c is not supported, I find a meaningful interaction between tax management and country economic development.

[Insert Figure 9 here]

I further examine whether the presence of a CSR disclosure moderates the impact of tax management on investors' willingness to invest (H5c). Here, my ANCOVA shows

[29] As this finding may be due to a lack of power because of my sample partitioning, I follow up with a regression analysis to increase my power (as suggested by Irwin and McClelland, 2001). However, I again find no significant impact of tax management on investors' willingness to invest in developed countries.

an insignificant interaction (p=0.5821). After supplementing with contrast coding (using the same codes I use for H5a), I fail to find support for my predicted interaction between CSR disclosure and tax management (p=0.4626). See Figure 10. Thus, I conclude that the presence of a CSR disclosure does not significantly moderate the impact of corporate tax management on investors' willingness to invest.

[Insert Figure 10 here]

I next conduct a similar test for investors' stock price valuations. I predict that participants will value the stock of a company managing their tax expense downward lower than stock of a company engaging in lesser amounts of tax management. See Table 11 for results. I again find insignificant results (p=0.3395).

[Insert Table 11 here]

I then examine whether the country's level of development moderates the impact of corporate tax management on investors' stock price valuation (H4c). Here, I find a significant interaction (p=0.1406, two-tailed; p=0.0703, one-tailed). In developing countries, investors appear to lower their valuations of firms engaging in tax management. In developed countries, though, the means suggest that investors value such tax management and increase their stock price valuations. To gain additional insight into my results, I again analyze the simple main effect of tax management under the two country development conditions. However, in untabulated results, I fail to find a significant impact of corporate tax management on investors' stock price valuations, regardless of country[30]. Similarly, after supplementing with contrast coding (using the same predicted codes I use for H4a), I fail to find support for my predicted interaction between country development and tax management (p=0.3725). See Figure 11. Thus, I conclude that investors do not change their stock price valuations in the direction predicted.

[Insert Figure 11 here]

I further examine whether the presence of a CSR disclosure moderates the impact of corporate tax management on investors' stock price valuations (H5c). My ANCOVA shows an insignificant interaction (p=0.6550). After supplementing with contrast coding (again using the same predicted codes I use in H5a), I fail to find support for my predicted interaction between CSR disclosure and tax management (p=0.7179). See Figure 12. Thus, I conclude that the impact of tax management on investors' stock price valuations does not significantly change when a CSR disclosure is present.

[Insert Figure 12 here]

5.4 Supplemental Analyses

In my primary analyses, I include in my sample all participants who correctly answer two of my three manipulation check questions. However, it is possible that including participants missing even one of these questions may have negatively biased my analyses. I conduct supplemental analyses to examine the impact of these

[30] As this finding may be due to a lack of power because of my sample partitioning, I again follow up with a regression analysis to increase my power. However, I again find no significant impact of tax management on investors' stock price valuations, regardless of country development.

participants in my results. Thus, I replicate all of my primary analyses, including the failure of at least one manipulation check question as a moderating variable in my models.

5.4.1 Supplemental Analysis of CSR Perceptions

Replicating my analysis of my first hypothesis, I again use ANCOVA to test my prediction. I create a dummy variable to indicate whether a manipulation check question was missed. Controlling for my two predicted moderators, I again find a significant main effect of tax management on CSR perceptions for participants accurately responding to all manipulation check questions (p=0.0769). As tax management increases, CSR perceptions significantly decrease overall. H1 is thereby still supported. I also find that, when participants miss a manipulation check, tax management does *not* significantly impact CSR perceptions (p=0.8529). See Table 12, Panel B for results of this ANCOVA.

[Insert Table 12 here]

I further predict that the negative impact of corporate tax planning on CSR perceptions will be greater when the tax planning occurs in economically undeveloped countries (H4a). When participants miss no manipulation check questions, I find an insignificant interaction between the level of economic development and tax management when no CSR disclosure is provided (p=0.5398). This finding is consistent with the findings of my primary analysis. I again supplement my ANCOVA with contrast coding, using the same predicted codes that I use in my primary analysis. I code all conditions in which a manipulation check question is missed as 0. See Table 12, Panel C for the results of my contrast coding.

Using my planned contrast weights for my cell means, my hypothesis test is again significant (F=2.67, p=0.1033). Thus, I find support that the effect of tax management differs across country conditions for participants accurately answering all manipulation check questions. I again analyze the simple effects of tax management at each level of my country condition using the same contrast codes as used in my primary analysis. I again find support that CSR perceptions fall as a result of greater tax management in developed countries (p=0.0510). I repeat this analysis for the developing country condition. However, I do not find significant support that CSR perceptions fall when tax management increases in developing countries (p=0.7815). Thus, while I find support that the impact of tax management differs across country conditions, I do not find support that this impact is greater in developing countries as predicted. Rather, I find that the impact of tax management is greater in developed countries. Thus, I find no evidence that my inclusion of participants missing one manipulation check question significantly impacted my primary result.

My ANCOVA shows a significant three-way interaction between tax management, country development, and my manipulation check question dummy variable (p=0.0412). Thus, I have statistical reason to further examine this interaction. I use the same contrast codes as used in my above analysis. For my primary contrast coding analysis, I find that, when a manipulation check question is missed, my predicted interaction between tax management and country development is not supported (p=0.3930, untabulated). Thus, while including participants missing a manipulation check question negatively biased my primary analyses, my primary findings regarding the ability of the country’s economic development to moderate the impact of tax management on CSR perceptions are still supported.

I also predict that the negative impact of tax management on CSR perceptions will be lessened when a CSR disclosure is provided. Using ANCOVA, when participants correctly answer all manipulation check questions, I find an insignificant interaction between the presence of a CSR disclosure and tax management (p=0.4648). I again use contrast coding to supplement my ANCOVA. See Table 12, Panel C for the results of my contrast coding. My contrast codes are identical to those used in my primary analyses. All conditions in which a manipulation check question is missed are coded as 0 so that my contrast test captures those participants accurately answering all manipulation check questions.

Using my planned contrast weights for my cell means, my hypothesis test is again significant (F=33.55, p<.0001). Thus, for participants correctly answering all manipulation check questions, I again find support that the effect of tax management differs across CSR disclosure conditions. Analyzing the simple effects of tax management at each level of my disclosure condition, I again find support for H5(a). I find that CSR perceptions fall more when a CSR disclosure is absent (p=0.0478) than when a CSR disclosure is present (p=0.7588). As such, my primary findings regarding H5(a) are again supported.

5.4.2 Supplemental Analysis of Consumer Behavior

I next replicate my analyses for H2. Using ANCOVA, I first examine consumer willingness-to-purchase to examine whether my inclusion of participants missing a manipulation check question significantly impacted my primary results. See Table 13 for my results. Consistent with my primary finding in Chapter 5.3, I find an insignificant main effect of tax management on participants' willingness-to-purchase (p=0.5811). Thus, the inclusion of participants missing a manipulation check question does not significantly moderate my results. Consumers do not appear to change their purchasing decision based upon the company's tax management.

[Insert Table 13 here]

I next examine whether the number of manipulation check questions missed moderates the interaction between the country's level of development and tax management on consumers' willingness-to-purchase (H4b). While my ANCOVA shows an insignificant interaction (p=0.9621), I rely on contrast coding to test my predicted ordinal interaction, using the same contrast codes as I use for H4a. See Table 13, Panel C. Here, I find support that the impact of tax management differs across country conditions when participants correctly answer all manipulation check questions (p=0.1379, two-tailed; p=0.0690). However, after examining the simple effects split for country condition, I find no support that purchase intentions fall when tax management increases in developing countries, as predicted (p=0.9019). Thus, my results do not change when I exclude participants who do not correctly answer all manipulation check questions.

Next, I examine whether the presence of a CSR disclosure moderates the impact of tax management on consumers' willingness-to-purchase (H5b) when I include attention check questions missed as a moderator. My ANCOVA again shows an insignificant interaction (p=0.3259). Turning again to contrast coding, I use the same contrast codes as I use for H5a. See Table 13, Panel C. Contrary to my primary result, I find support through my contrast code test that the impact of tax management differs across CSR Disclosure conditions (p=0.0632). Thus, I follow up on this result with simple effects tests. While I find that CSR disclosure interacted with tax management does negatively impact purchasing decisions (p=0.0917), I do not find support that tax management reduces purchase intentions when a CSR disclosure is absent (p=0.7795). Thus, my prediction that a CSR disclosure will lessen the impact of tax management compared with the absence of a CSR disclosure is again not supported.

I next repeat similar tests for my prediction that consumers will be less willing to pay for products produced by companies that manage their taxes downward. I again include manipulation check questions missed as a moderator. See Table 14 for results. I again fail to find support for this prediction (p=0.2251). Thus, my inclusion of participants missing a manipulation check question did not significantly impact my results.

[Insert Table 14 here]

I then examine whether the country's level of development moderates the impact of corporate tax management on consumers' willingness-to-pay (H4b), including the manipulation check question dummy variable as an additional moderator. While my ANCOVA again shows an insignificant interaction (p=0.3749), I rely on contrast coding to test my predicted ordinal interaction, again using the same predicted contrast codes that I use for H4a. See Table 14, Panel C. However, I again find no support that this moderation exists (p=0.4337). Thus, I again find that consumers do not change their willingness-to-pay based upon corporate tax management regardless of the country in which the tax management occurs.

I repeat my analysis of whether the presence of a CSR disclosure moderates the impact of corporate tax management on consumers' willingness-to-pay (H5b), including my manipulation check variable as an additional moderator. Here, my ANCOVA shows a significant interaction (p=0.0135), similar to that found in my primary analysis. However, after supplementing with contrast coding (using the same predicted codes I use for H5a), I fail to find support for my predicted interaction between CSR disclosure and tax management (p=0.7861). Thus, I conclude that participants' failure to answer all manipulation check questions correctly does not moderate the interaction between country development and tax management's impact on consumer willingness-to-pay.

5.4.2 Supplemental Analysis of Investor Behavior

Lastly, I replicate my analyses of tax management's influence on investor behavior. See Table 15 for my results. Using ANCOVA, I find the impact of tax management on willingness to invest to be insignificant (p=0.6260). This finding is consistent with the result from my primary analysis.

[Insert Table 15 Here]

I then replicate my examination of whether the country's level of development moderates the impact of tax management on investors' willingness to invest (H4c). Again, I include the manipulation check dummy variable as a moderator. My ANCOVA shows a significant interaction (p=0.1674, two-tailed; p=0.0837, one-tailed), consistent with my primary analysis. After supplementing with contrast coding (using the same codes I use for H4a), I find that my predicted relation is not supported (p=0.2642). Thus, similar to my findings in my primary analyses, my predicted relation is not supported.

I further replicate my examination of whether the presence of a CSR disclosure moderates the impact of tax management on investors' willingness to invest (H5c). Again, I include the manipulation check dummy variable as a moderator. Here, my ANCOVA shows an insignificant interaction (p=0.9082), consistent with my primary analysis. After supplementing with contrast coding (using the same codes I use for H5a), I again fail to find support for my predicted interaction between CSR disclosure and tax management (p=0.8056).

I next repeat the test for investors' stock price valuations. See Table 16 for results. I again find an insignificant result (p=0.3014).

[Insert Table 16 here]

In replicating my tests for H4(c) for stock price valuation, I find a significant interaction (p=0.2041, two-tailed; p=0.1020, one-tailed) between tax management and country development. However, after supplementing with contrast coding, I fail to find support for my predicted interaction (p=0.4869). Thus, tax management does not appear to impact investors' stock price valuations more when conducted in developing countries than developed countries. I find no evidence that this result is moderated by participants missing a manipulation check question.

In replicating my tests for H5(c) for stock price valuation, I find an insignificant interaction (p=0.5995) between tax management and CSR disclosure, consistent with my primary results. I again find no evidence that this result is moderated by participants missing a manipulation check question. After supplementing with contrast coding (again using the same predicted codes I use in H5a), I again fail to find support for my predicted interaction between CSR disclosure and tax management ($p=0.5803$). Thus, I conclude that the impact of tax management on investors' stock price valuations does not significantly change when a CSR disclosure is present.

Overall, the results of my supplemental analysis provide support of the validity of my primary results. I find no support that participants' failure to answer all manipulation check questions correctly significantly biased the results of any of my hypothesis tests.

6. CONCLUSION

In this dissertation, I examine the impact of corporate tax management on CSR perceptions. Consistent with Davis et al. (2017), I find support that investors perceive firms engaging in higher levels of tax management to be more socially irresponsible than firms engaging in lower levels of tax management. Individuals appear to alter their perceptions of firm CSR for corporate tax management without being prompted towards such an alteration. My results are also consistent with Rego et al.'s (2017) findings of reputational damage arising from tax management. I then extend the work of Davis et al. (2017) and Rego et al. (2017) by finding support that this relation is moderated by the presence of a firm-issued voluntary CSR disclosure.

As a follow-up, I examine whether this relation impacts consumer and investor decisions in a meaningful way. Interestingly, though, my study finds that these altered CSR perceptions do not lead to as great a change in behavior as may have been supposed. I find no support that a firm's tax management impacts consumer decisions regarding their willingness-to-purchase or willingness-to-pay. This finding is contrary to the results of Hardeck and Hertl's (2014) study, suggesting that media framing may play an important role in consumer reactions to corporate tax management. I also find little support that investors are willing to change their investment behaviors (either willingness-to-invest or stock price valuation) for firm tax management. The only exception I find to this is that investors appear less willing to invest in companies managing their tax expense downward in *developing* countries. My results are contrary to the results found by Davis et al. (2017) regarding investor behaviors. Davis et al. (2017) find support that investors, proxied for by MBA students, are willing to pay a price premium for the stock of socially responsible companies that manage their tax expense downward. However, I fail to find support that investors change their firm valuations regardless of tax management or additional CSR information.

My findings should be considered in light of certain limitations. In my study, select information was provided about the target firm to allow the study to be completed in a reasonable amount of time. Investors would have access to a much larger quantity of information outside of my study. Future research could expand the information set provided in the study to determine if a greater amount of information or a different selection of information meaningfully changes investors' decisions. Also, I manipulated the target company's tax management at two set levels. However, it is possible that different changes in my tax management proxy (ETR) could also impact consumer and investor behaviors. Future research could explore the impact of varying levels of changes in tax management on decision making. I also did not manipulate the tax strategies used by the target company to manage its tax expense downward. Rather, I focused solely on consumer/investor reactions to the tax management. Future studies can examine whether the different strategies used to manage tax expense impact decision making differently. Lastly, I used a corporate-issued CSR disclosure in my instrument. Although the results for the relation between CSR and tax management are consistent with those found by Davis et al. (2017) using a third-party CSR rating, it is still possible that people perceive these corporate-issued disclosures differently than they perceive the CSR rating. Future research can investigate how trustworthy individuals perceive voluntary CSR disclosures and whether or not those disclosures have an impact on behavior similar to that of third-party CSR ratings.

Despite these limitations, my findings meaningfully contribute to the emerging literature tying taxes to CSR perceptions. I find significant support that corporate tax management does indeed impact CSR perceptions. My study also is the first to examine the impact of international tax management on CSR perceptions. I find significant support that the economic development of the country in which the tax management occurs impacts the influence of the tax management on investor decisions. When the tax management occurs in less developed countries, investors are less willing to invest than when the tax management occurs in more developed countries. This is especially important given the potential for public country-by-country tax expense reporting in the future. Should public country-by-country tax expense reporting become mandatory, firms may be able to minimize their tax risk by paying higher tax expense in these lesser developed countries. Also, my findings regarding investor behavior resulting from corporate tax management differ from those found by Davis et al. (2017). Thus, I provide some support that the differences between our studies may be important for tax and CSR constructs. First, MBA students may not be an appropriate proxy for investors for ethically-charged constructs such as tax management and CSR. Alternatively, investors may not rely upon voluntary firm-issued CSR disclosures as heavily as third-party issued CSR ratings.

My study is also the first to examine the ability of company-issued CSR disclosures to act as reputational safeguards for corporate tax management. I find support that company-issued CSR disclosures *do* have the ability to act as a reputational safeguard against tax management. Thus, I build on and extend the findings of Zahller et al. (2015) regarding the ability of CSR disclosures to protect the firm from exogenous shocks. When companies issue voluntary CSR disclosures, CSR perceptions are impacted less by corporate tax management. This finding is especially important for companies looking to reduce their tax risk. As CSR disclosures are not yet regulated, issuing such a disclosure may be a cost-effective way to protect the firm's reputation from potential leaks of corporate tax strategies.

TABLE 1

Overall Demographic Profile

Sample (n=447)		**Number of Respondents**	
Age		n	%
	21-29	84	18.79%
	30-39	137	30.65%
	40-49	81	18.12%
	50-59	62	13.87%
	60-69	64	14.32%
	>69	19	4.25%
Gender			
	Female	218	48.77%
	Male	229	51.23%
Income			
	<$25,000	58	12.98%
	$25,001 - $45,000	79	17.67%
	$45,001 - $75,000	122	27.29%
	$75,001-$120,000	107	23.94%
	<$120,000	81	18.12%
Education			
	High School	48	10.74%
	Some College	53	11.86%
	Associate's Degree	39	8.72%
	Bachelor's Degree	178	39.82%
	Some Graduate School	22	4.92%
	Graduate Degree	107	23.94%
College Major			
	Business	93	26.88%
	Liberal Arts	67	19.36%
	Science/Engineering	82	23.70%
	Social Science	42	12.14%
	Other	62	17.92%
Experience Analyzing Financial Statements			
	Never	172	38.48%
	1 Time	56	12.53%
	2 Times	120	26.85%
	3 Times	44	9.84%
	4 Times	55	12.30%

TABLE 2

Demographic Profile by Sample Group

		Investors Sample	n=206	Non-Investors Sample	n=241	t	p
Age		n	%	n	%		
	21-29	34	16.50%	50	20.75%		
	30-39	74	35.92%	63	26.14%		
	40-49	39	18.93%	42	17.43%	1.76	**0.0792**
	50-59	33	16.02%	29	12.03%		
	60-69	21	10.19%	43	17.84%		
	>69	5	2.43%	14	5.81%		
Gender							
	Female	59	28.64%	159	65.98%	-8.46	**<.0001**
	Male	147	71.36%	82	34.02%		
Income							
	<$25,000	13	6.31%	45	18.67%		
	$25,001 - $45,000	24	11.65%	55	22.82%		
	$45,001 - $75,000	49	23.79%	73	30.29%	-5.13	**<.0001**
	$75,001-$120,000	71	34.47%	36	14.94%		
	<$120,000	49	23.79%	32	13.28%		
Education							
	High School	0	0.00%	48	19.92%		
	Some College	1	0.49%	52	21.58%		
	Associate's Degree	3	1.46%	36	14.94%		
	Bachelor's Degree	114	55.34%	64	26.56%	-12.98	**<.0001**
	Some Graduate School	15	7.28%	7	2.90%		
	Graduate Degree	73	35.44%	34	14.11%		
College Major							
	Business	61	29.76%	32	22.70%		
	Liberal Arts	41	20.00%	26	18.44%		
	Science/Engineering	50	24.39%	32	22.70%	2.26	**0.0242**
	Social Science	24	11.71%	18	12.77%		
	Other	29	14.15%	33	23.40%		
Experience Analysing Financial Statements							
	Never	44	21.36%	128	53.11%		
	1 Time	24	11.65%	32	13.28%		
	2 Times	69	33.50%	51	21.16%	-8.00	**<.0001**
	3 Times	29	14.08%	15	6.22%		
	4 Times	40	19.42%	15	6.22%		

TABLE 3

Cell Means

	15% ETR		25% ETR	
Developed Country / CSR Report Absent	n:	61	n:	60
	Age:	43.1	Age:	41
	Experience:	2-4 times	Experience:	2-4 times
	Education:	Bachelor's Degree	Education:	Bachelor's Degree
	Male:	46%	Male:	58%
	Income	$75,378	Income	$77,914
Developing Country / CSR Report Absent	n:	60	n:	55
	Age:	46.1	Age:	46.3
	Experience:	Once	Experience:	Once
	Education:	Bachelor's Degree	Education:	Bachelor's Degree
	Male:	50%	Male:	49%
	Income	$91,186	Income	$87,319
Developed Country / CSR Report Present	n:	54	n:	52
	Age:	40.2	Age:	40
	Experience:	Once	Experience:	Once
	Education:	Bachelor's Degree	Education:	Bachelor's Degree
	Male:	52%	Male:	50%
	Income	$82,654	Income	$77,001
Developing Country / CSR Report Present	n:	58	n:	45
	Age:	41.1	Age:	49.5
	Experience:	2-4 times	Experience:	Once
	Education:	Bachelor's Degree	Education:	Bachelor's Degree
	Male:	53%	Male:	53%
	Income	$80,422	Income	$61,363

TABLE 4

Correlation Matrix

Variable	Age	Experience	Education	Gender	Income
Age	1				
Experience	**0.0437**	1			
Education	**0.0137**	0.2963	1		
Gender	-0.0920	-0.3589	-0.2316	1	
Income	**0.0148**	0.2024	0.3241	-0.1017	1

The table finds the correlation between the control variables using the sample of 447 observations. Pearson correlations are reported. All correlations are significant at least at the 10% level except the correlations in bold. See below for variable definitions.

Variable Definitions:

Age	= Age of participant as measured in years.
Experience	= Number of times the participant has personally analyzed financial statements for investment purposes.
Education	= The highest level of education the participant has achieved academically (e.g. High School, Bachelor's Degree, Graduate Degree).

TABLE 5

Descriptive Statistics and ANCOVA Results for CSR Perceptions
Hypotheses 1, 4, and 5 Analysis

Panel A: Descriptive Statistics

CSR Perceptions when CSR Disclosure is NOT Provided

	Developing			**Developed**		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	55	4.7348	1.0713	60	5.0887	0.8771
High Tax Management	60	4.6021	1.0826	61	4.5402	1.1406

CSR Perceptions when CSR Disclosure is Provided

	Developing			**Developed**		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	45	5.5349	1.2100	52	5.5756	1.0172
High Tax Management	58	5.3081	1.3624	54	5.6848	1.0220

Panel B: ANCOVA Results for CSR Perceptions

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	83.8235	9	9.3137	7.65	**<.001**
Tax Management	4.4028	1	4.4028	3.62	**0.0579**
Economic Development	3.3859	1	3.3859	2.78	**0.0961**
CSR Report	67.9461	1	67.9461	55.81	**<.001**
Tax Man. x Econ. Dev.	0.0436	1	0.0436	0.04	0.8501
Tax Man. x CSR Report	2.163	1	2.163	1.78	0.1832
Econ. Dev. x CSR Report	0.1080	1	0.1080	0.09	0.7659
Tax Man. x Econ. Dev. x CSR Report	3.8967	1	3.8967	3.20	0.7430
Education	0.9079	1	0.9079	0.78	0.3883
Age	2.4089	1	2.4089	1.98	0.1602
Error	531.9847	437	1.2174		

Panel C: Planned Contrasts

H4 Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, CSR Perceptions are highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	4.78	**0.0292**
Simple Effects			
CSR perceptions fall as a result of greater tax management in developing countries (contrast weights: -1, 1)	1	1.90	0.1687
CSR perceptions fall as a result of greater tax management in developed countries (contrast weights: -1, 1)	1	2.06	0.1519
H5 Hypothesized Contrasts	**df**	**F-Value**	**p-value**
H5: Across disclosure conditions, CSR Perceptions are highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	42.38	**<.0001**
Simple Effects			
When a CSR disclosure is present, CSR perceptions fall when tax management increases (contrast weights: 1, -1)	1	0.34	0.5617
When a CSR disclosure is absent, CSR perceptions fall when tax management increases (contrast weights: 1, -1)	1	5.26	**0.0223**

Reported p-values are two-tailed.

TABLE 6

Descriptive Statistics and ANCOVA Results for Purchasing Intentions
Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Purchasing Intentions when CSR Disclosure is NOT Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	55	65.0881	22.6791	60	66.9456	21.0080
High Tax Management	60	62.7679	21.8729	61	65.4643	23.7603

Purchasing Intentions when CSR Disclosure is Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	45	67.0277	22.7229	52	70.8633	19.8430
High Tax Management	58	71.5325	26.3111	54	69.6943	24.1214

Panel B: ANCOVA Results for Purchasing Intentions

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	11072.7996	9	1230.3111	2.45	**0.0101**
Tax Management	1.4832	1	1.4832	0.00	0.9567
Economic Development	286.5147	1	286.5147	0.57	0.4509
CSR Report	2427.8028	1	2427.8028	4.82	**0.0286**
Tax Man. x Econ Dev.	158.81	1	158.81	0.32	0.5746
Tax Man. x CSR Report	343.7225	1	343.7225	0.68	0.4090
Econ Dev. x CSR Report	44.6554	1	44.6554	0.09	0.7659
Tax Man. x Econ Dev. x CSR Report	289.3191	1	289.3191	0.57	0.4487
Investor Sample	810.9325	1	810.9325	1.61	0.2050
Age	7390.2639	1	7390.2639	14.69	**<.0001**
Error	217378.9289	432	503.1920		

Panel C: Planned Contrasts

Hypothesized Contrasts	**df**	**F-Value**	**p-value**
H4: Across country conditions, purchase intentions are highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	0.06	0.8062
H5: Across disclosure conditions, purchase intentions are highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	2.50	0.1146
Simple Effects			
When a CSR disclosure is present, Purchase intentions fall when tax management increases (contrast weights: 1, -1)	1	0.00	0.9541
When a CSR disclosure is absent, Purchase intentions fall when tax management increases (contrast weights: 1, -1).	1	0.21	0.6503

Reported p-values are two-tailed.

TABLE 7

Descriptive Statistics and ANCOVA Results for Willingness to Pay
Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Willingness to Pay when CSR Disclosure is NOT Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	55	83.3977	22.9293	60	86.5166	22.0780
High Tax Management	60	85.4350	21.8186	61	83.7344	21.6911

Willingness to Pay when CSR Disclosure is Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	45	90.5857	23.5136	52	79.5392	22.6010
High Tax Management	58	88.1121	26.4567	54	92.4537	21.1594

Panel B: ANCOVA Results for Willingness to Pay

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	11222.3624	9	1246.9292	2.44	**0.0102**
Tax Management	648.5491	1	648.5491	1.27	0.2604
Economic Development	188.4675	1	188.4675	0.37	0.5438
CSR Report	929.812	1	929.812	1.82	0.1779
Tax Man. x Econ Dev.	766.7053	1	766.7053	1.50	0.2211
Tax Man. x CSR Report	854.0310	1	854.0310	1.67	0.1966
Econ Dev. x CSR Report	455.6109	1	455.6109	0.89	0.3454
Tax Man. x Econ Dev. x CSR Report	2813.6334	1	2813.6334	5.51	**0.0194**
Investor Sample	4136.8311	1	4136.8311	8.00	**0.0046**
Age	0.8024	1	0.8024	0.00	0.9684
Error	223163.1141	437	510.6707		

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, willingness to pay is highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	1.13	0.2879
H5: Across disclosure conditions, willingness to pay is highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.73	0.3919

Reported p-values are two-tailed.

TABLE 8

Descriptive Statistics and ANCOVA Results for Investing Consumers' Willingness to Pay Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Willingness to Pay when CSR Disclosure is NOT Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	26	87.6356	17.2217	31	93.0767	12.4220
High Tax Management	26	89.3980	21.8186	27	87.6772	22.5081

Willingness to Pay when CSR Disclosure is Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	20	96.2189	18.7184	19	78.5389	26.5060
High Tax Management	30	87.0299	20.9977	27	96.1463	18.8462

Panel B: ANCOVA Results for Willingness to Pay

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	5481.0306	8	685.1288	1.81	**0.0775**
Tax Management	71.6119	1	71.6119	0.19	0.6643
Economic Development	72.9473	1	72.9473	0.19	0.6613
CSR Report	0.0673	1	0.0673	0.00	0.9894
Tax Man. x Econ Dev.	1206.5334	1	1206.533	3.18	**0.0759**
Tax Man. x CSR Report	446.6795	1	446.6795	1.18	0.2790
Econ Dev. x CSR Report	472.2214	1	472.2214	1.25	0.2657
Tax Man. x Econ Dev. x CSR Report	3582.2349	1	3582.2349	9.45	**0.0024**
Age	409.3396	1	409.3396	1.08	0.2999
Error	74659.9063	197	378.9843		

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, willingness to pay is highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	0.03	0.8570
H5: Across disclosure conditions, willingness to pay is highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.14	0.7071

Reported p-values are two-tailed.

TABLE 9

Descriptive Statistics and ANCOVA Results for Non-Investing Consumers' Willingness to Pay Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Willingness to Pay when CSR Disclosure is NOT Provided

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	32	80.6872	26.2663	29	80.2927	27.3480
High Tax Management	35	82.4205	24.3182	34	80.4222	20.7921

Willingness to Pay when CSR Disclosure is Provided

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	30	87.6003	26.0005	33	79.3058	26.8380
High Tax Management	28	89.9481	24.5141	27	89.0667	22.9874

Panel B: ANCOVA Results for Willingness to Pay

Source of Variation	SS	df	MS	F-Stat	p-value
Corrected Model	4081.6478	8	510.2060	0.82	0.5882
Tax Management	747.6089	1	747.6089	1.20	0.2750
Economic Development	497.7244	1	497.7244	0.80	0.3729
CSR Report	1869.2021	1	1869.202	2.99	**0.0849**
Tax Man. x Econ Dev.	127.235	1	127.235	0.20	0.6521
Tax Man. x CSR Report	402.3481	1	402.3481	0.64	0.4230
Econ Dev. x CSR Report	176.8994	1	176.8994	0.28	0.5951
Tax Man. x Econ Dev. x CSR Report	312.3581	1	312.3581	0.50	0.4801
Age	64.1011	1	64.1011	0.10	0.7490
Error	149255.9489	239	624.5019		

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, willingness to pay is highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	1.77	0.1847
H5: Across disclosure conditions, willingness to pay is highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.43	0.5139

Reported p-values are two-tailed.

TABLE 10

Descriptive Statistics and ANCOVA Results for Investing Intentions
Hypotheses 3, 4, and 5 Analysis

Panel A: Descriptive Statistics

Investing Intentions when CSR Disclosure is NOT Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	26	59.9779	24.1615	31	59.8339	21.9671
High Tax Management	26	55.9199	21.0854	27	62.9834	22.9019

Investing Intentions when CSR Disclosure is Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	20	71.4135	17.2212	19	56.3990	23.3201
High Tax Management	30	58.3678	27.0068	27	61.3840	24.2685

Panel B: ANCOVA Results for Investing Intentions

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	5019.5552	8	627.4444	1.21	0.2933
Tax Management	251.9976	1	251.9976	0.49	0.4861
Economic Development	80.2153	1	80.2153	0.16	0.6942
CSR Report	245.1047	1	245.1047	0.47	0.4921
Tax Man. x Econ Dev.	1993.5022	1	1993.502	3.85	**0.0511**
Tax Man. x CSR Report	157.2177	1	157.2177	0.30	0.5821
Econ Dev. x CSR Report	1119.9622	1	1119.9622	2.16	0.1428
Tax Man. x Econ Dev. x CSR Report	363.8887	1	363.8872	0.70	0.4027
Age	1543.5095	1	1543.5095	2.98	**0.0857**
Error	101936.9933	197	517.4467		

Panel C: Planned Contrasts

Hypothesized Contrasts	**df**	**F-Value**	**p-value**
H4: Across country conditions, investing intentions are highest when CSR Report is present and tax management is low and when CSR Report is absent and tax management is low, lower when CSR Report is present and tax management is high, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1.5, -1, -2).	1	0.95	0.3306
H5: Across disclosure conditions, investing intentions are highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.54	0.4626

Reported p-values are two-tailed.

TABLE 11

Descriptive Statistics and ANCOVA Results for Valuation of Stock
Hypotheses 3, 4, and 5 Analysis

Panel A: Descriptive Statistics

Stock Valuation when CSR Disclosure is NOT Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	26	40.6591	9.5718	31	38.0253	12.1797
High Tax Management	26	40.5201	12.8345	27	39.6986	9.6628

Stock Valuation when CSR Disclosure is Provided

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	20	41.4472	8.3746	19	36.3080	7.9348
High Tax Management	30	39.9995	14.0192	27	42.0333	10.3267

Panel B: ANCOVA Results for Stock Valuation

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	658.4527	8	82.3066	0.71	0.6799
Tax Management	105.8330	1	105.8330	0.92	0.3395
Economic Development	133.8769	1	133.8769	1.16	0.2828
CSR Report	2.4477	1	2.4477	0.02	0.8844
Tax Man. x Econ Dev.	252.6352	1	252.6352	2.19	0.1406
Tax Man. x CSR Report	23.1194	1	23.1194	0.20	0.6550
Econ Dev. x CSR Report	0.3842	1	0.3842	0.00	0.9541
Tax Man. x Econ Dev. x CSR Report	89.2873	1	89.2873	0.77	0.3802
Age	95.9608	1	95.9608	0.83	0.3630
Error	22741.5133	197	115.4392		

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, investing intentions are highest when CSR Report is present and tax management is low and when CSR Report is absent and tax management is low, lower when CSR Report is present and tax management is high, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1.5, -1, -2).	1	0.80	0.3725
H5: Across disclosure conditions, stock price valuation is highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.13	0.7179

Reported p-values are two-tailed.

TABLE 12

Supplemental Analyses
Descriptive Statistics and ANCOVA Results for CSR Perceptions
Hypotheses 1, 4, and 5 Analysis

Panel A: Descriptive Statistics

CSR Perceptions when CSR Disclosure is NOT Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	N	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	35	4.6270	1.0578	49	5.0995	0.8548
High Tax Management	43	4.5733	0.9014	46	4.4472	1.1599

Manipulation Checks Missed = 1

	Developing			Developed		
	N	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	20	4.9112	1.0923	11	5.0499	1.0124
High Tax Management	17	4.6663	1.4572	15	4.8224	1.0710

CSR Perceptions when CSR Disclosure is Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	32	5.3557	1.2061	31	5.7056	0.9070
High Tax Management	43	5.3758	1.2561	38	5.6459	1.0569

Manipulation Checks Missed = 1

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	13	5.9678	1.1719	21	5.3838	1.1555
High Tax Management	15	5.1239	1.6688	16	5.7799	0.9638

Panel B: ANCOVA Results for CSR Perceptions

Source of Variation	SS	df	MS	F-Stat	p-value
Corrected Model	92.2461	17	5.4262	4.45	**<.001**
Tax Management	33861.0000	1	3.3861	3.14	**0.0769**
Economic Development	2.3866	1	2.3866	1.96	0.1627
CSR Report	52.1423	1	52.1423	42.72	**<.001**
Attention Check	0.9925	1	0.9925	0.81	0.3677
Tax Man. x Att. Check	0.042	1	0.042	0.03	0.8529
Tax Man. x Econ. Dev.	0.4596	1	0.4596	0.38	0.5398
Tax Man. x Econ. Dev. x Att. Check	5.1176	1	5.1176	4.19	**0.0412**
Tax Man. x CSR Report	0.6533	1	0.6533	0.54	0.4648
Tax Man. x CSR Report x Att. Check	0.5689	1	0.5689	0.47	0.4951
Tax Man. x Econ. Dev. x CSR Report	0.3411	1	0.3411	0.28	0.5973
Tax Man. x Ec. Dev. x CSR x Att. Check	0.6815	1	0.6815	0.56	0.4553
Education	1.1291	1	1.1291	0.93	0.3367
Age	2.6364	1	2.6364	2.16	0.1424
Error	523.5621	429	1.2204		

** Interactions not of interest have been omitted from the above table*

Panel C: Planned Contrasts

H4 Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, when all manipulation check questions are answered correctly, CSR Perceptions are highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	2.67	0.1033
Simple Effects			
CSR perceptions fall as a result of greater tax management in developing countries (contrast weights: -1, 1)	1	0.08	0.7815
CSR perceptions fall as a result of greater tax management in developed countries (contrast weights: -1, 1)	1	3.83	**0.0510**

H5 Hypothesized Contrasts	df	F-Value	p-value
H5: Across disclosure conditions, when all manipulation check questions are answered correctly, CSR Perceptions are highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	33.55	**<.0001**
Simple Effects			
When a CSR disclosure is present, CSR perceptions fall when tax management increases (contrast weights: 1, -1)	1	0.09	0.7588
When a CSR disclosure is absent, CSR perceptions fall when tax management increases (contrast weights: 1, -1)	1	3.94	**0.0478**

Reported p-values are two-tailed.

TABLE 13

Supplemental Analyses
Descriptive Statistics and ANCOVA Results for Purchasing Intentions
Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Purchasing Intentions when CSR Disclosure is NOT Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	35	63.8967	23.5861	49	69.458	21.1120
High Tax Management	43	62.0813	20.3692	46	68.2393	23.4243

Manipulation Checks Missed = 1

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	20	67.3537	21.4790	11	55.3953	20.6850
High Tax Management	17	64.7644	23.0983	15	56.9038	23.1183

CSR Perceptions when CSR Disclosure is Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	32	67.9127	22.9259	31	81.0638	29.0980
High Tax Management	43	71.1278	21.3507	38	68.2946	26.0072

Manipulation Checks Missed = 1

	Developing			Developed		
	n	**LS Mean**	**S.D.**	**n**	**LS Mean**	**S.D.**
Low Tax Management	13	65.6289	17.6569	21	55.4378	21.3510
High Tax Management	15	72.4737	15.0620	16	72.6721	19.5967

Panel B: ANCOVA Results for Purchasing Intentions

Source of Variation	**SS**	**df**	**MS**	**F-Stat**	**p-value**
Corrected Model	22920.1437	17	1348.2437	2.78	**0.0002**
Tax Management	147.7921	1	147.7921	0.30	0.5811
Economic Development	80.1618	1	80.1618	0.17	0.6845
CSR Report	2953.3714	1	2953.3714	6.09	**0.014**
Attention Check	2245.9868	1	2245.9868	4.63	**0.0319**
Tax Man. x Att. Check	1720.3855	1	1720.3855	3.55	**0.0603**
Tax Man. x Econ Dev.	1.0943	1	1.0943	0.00	0.9621
Tax Man. x Econ. Dev. x Att. Check	1211.4776	1	1211.4776	2.50	0.1146
Tax Man. x CSR Report	468.9544	1	468.9544	0.97	0.3259
Tax Man. x CSR Report x Att. Check	1368.6461	1	1368.6461	2.82	**0.0935**
Tax Man. x Econ Dev. x CSR Report	144.5942	1	144.5942	0.30	0.5852
Tax Man. x Ec. Dev. x CSR x Att. Check	709.9036	1	709.9036	1.46	0.2269
Investor Sample	979.8618	1	979.8618	2.02	0.1558
Age	5308.8977	1	5308.8977	10.95	**0.0010**
Error	205531.5848	424	484.7443		

** Interactions not of interest have been omitted from the above table*

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, when all manipulation check questions are answered correctly, purchase intentions are highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	2.21	0.1379
Simple Effects			
In Developed countries, purchase intentions fall when tax management increases (contrast weights: 1, -1).	1	3.76	**0.0530**
In Developing countries, purchase intentions fall when tax management increases (contrast weights: 1, -1).	1	0.02	0.9019
H5: Across disclosure conditions, when all manipulation check questions are answered correctly, purchase intentions are highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	3.47	**0.0632**
Simple Effects			
When a CSR disclosure is present, purchase intentions fall when tax management increases (contrast weights: 1, -1)	1	2.86	**0.0917**
When a CSR disclosure is absent purchase intentions fall when tax management increases (contrast weights: 1, -1)	1	0.08	0.7795

Reported p-values are two-tailed.

TABLE 14

Supplemental Analyses
Descriptive Statistics and ANCOVA Results for Willingness to Pay
Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Willingness to Pay when CSR Disclosure is NOT Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	35	77.7872	21.5492	49	86.5287	19.8210
High Tax Management	43	87.2397	18.9396	46	85.9850	17.5499

Manipulation Checks Missed = 1

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	20	92.7144	22.2829	11	86.3269	26.8090
High Tax Management	17	81.1548	32.9609	15	76.8812	30.8820

Willingness to Pay when CSR Disclosure is Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	32	91.0799	26.2657	31	83.4348	23.2170
High Tax Management	43	83.0577	24.4062	38	90.6367	20.9483

Manipulation Checks Missed = 1

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	13	89.3209	15.6357	21	73.9630	15.6590
High Tax Management	15	102.5027	28.8234	16	96.7300	21.8387

Panel B: ANCOVA Results for Willingness to Pay

Source of Variation	SS	df	MS	F-Stat	p-value
Corrected Model	21288.5286	17	1252.2664	2.52	**0.0008**
Tax Management	733.0975	1	733.0975	1.48	0.2251
Economic Development	799.4480	1	799.4480	1.61	0.2053
CSR Report	1803.0101	1	18030101	3.63	**0.0574**
Attention Check	252.9087	1	252.9087	0.51	0.4759
Tax Man. x Att. Check	64.6481	1	64.6481	0.13	0.7185
Tax Man. x Econ Dev.	391.8628	1	391.8628	0.79	0.3749
Tax Man. x Econ. Dev. x Att. Check	57.5378	1	57.5378	0.12	0.7338
Tax Man. x CSR Report	3053.3215	1	3053.3215	6.15	**0.0135**
Tax Man. x CSR Report x Att. Check	6143.0173	1	6143.0173	12.37	**0.0005**
Tax Man. x Econ Dev. x CSR Report	1478.4589	1	1478.4589	2.98	**0.0852**
Tax Man. x Ec. Dev. x CSR x Att. Check	433.2256	1	433.2256	0.87	0.3509
Investor Sample	4857.6268	1	4857.6268	9.78	**0.0019**
Age	0.0780	1	0.0780	0.00	0.9900
Error	213096.9480	429	496.7295		

** Interactions not of interest have been omitted from the above table*

Panel C: Planned Contrasts

Hypothesized Contrasts	Df	F-Value	p-value
H4: Across country conditions, when all manipulation check questions are answered correctly, willingness to pay is highest in developed/developing countries with low tax management, lower in developed countries with high tax management, and lowest in developing countries with high tax management (contrast weights: 1.5, 1.5, -1, -2)	1	0.61	0.4337
H5: Across disclosure conditions, when all manipulation check questions are answered correctly, willingness to pay is highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.07	0.7861

Reported p-values are two-tailed.

TABLE 15

Supplemental Analyses
Descriptive Statistics and ANCOVA Results for Willingness to Invest
Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Willingness to Invest when CSR Disclosure is NOT Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	15	63.1370	23.9161	26	62.2433	21.5700
High Tax Management	19	57.3532	21.1025	21	68.4993	14.3926

Manipulation Checks Missed = 1

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	11	55.4318	25.0331	5	47.1737	16.3490
High Tax Management	7	52.8010	25.5650	6	43.6968	36.6606

Willingness to Invest when CSR Disclosure is Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	13	71.0046	18.4443	12	62.6641	23.1220
High Tax Management	27	57.4369	24.0656	20	63.1258	26.3990

Manipulation Checks Missed = 1

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	7	72.6572	15.7208	7	45.5572	31.9840
High Tax Management	3	66.1932	15.1767	7	55.9419	18.0449

Panel B: ANCOVA Results for Willingness to Invest

Source of Variation	SS	df	MS	F-Stat	p-value
Corrected Model	11039.2602	16	689.9538	1.36	0.1659
Tax Management	120.9626	1	120.9626	0.24	0.6260
Economic Development	1208.3000	1	1208.3000	2.38	0.1245
CSR Report	1076.8817	1	1076.8817	2.12	0.1469
Attention Check	2338.7617	1	2338.7617	4.61	**0.0331**
Tax Man. x Att. Check	59.9363	1	59.9363	0.12	0.7315
Tax Man. x Econ Dev.	974.9275	1	974.9275	1.92	0.1674
Tax Man. x Econ. Dev. x Att. Check	55.8147	1	55.8147	0.11	0.7405
Tax Man. x CSR Report	6.7613	1	6.7613	0.01	0.9082
Tax Man. x CSR Report x Att. Check	306.2546	1	306.2546	0.60	0.4382
Tax Man. x Econ Dev. x CSR Report	213.0563	1	213.0563	0.42	0.5178
Tax Man. x Ec. Dev. x CSR x Att. Check	135.3970	1	135.3970	0.27	0.6061
Age	2155.4785	1	2155.4785	4.25	**0.0407**
Error	95917.2884	189	507.4989		

** Interactions not of interest have been omitted from the above table*

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, when all manipulation check questions are answered correctly, investing intentions are highest when tax management is low in both developed and developing countries, lower when tax management is high in developed countries, and lowest when tax management is high in developing countries (contrast weights: 1.5, 1.5, -1, -2)	1	1.25	0.2642
H5: Across disclosure conditions, when all manipulation check questions are answered correctly, investing intentions are highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.06	0.8056

Reported p-values are two-tailed.

TABLE 16

Supplemental Analyses
Descriptive Statistics and ANCOVA Results for Valuation of Stock
Hypotheses 2, 4, and 5 Analysis

Panel A: Descriptive Statistics

Stock Valuation when CSR Disclosure is NOT Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	15	40.8572	9.4582	26	38.9829	12.578
High Tax Management	19	41.4425	10.8075	21	40.5509	8.7211

Manipulation Checks Missed = 1

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	11	40.3435	10.1766	5	33.0209	14.2580
High Tax Management	7	38.1657	16.0920	6	36.7193	12.9254

Stock Valuation when CSR Disclosure is Provided

Manipulation Checks Missed = 0

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	13	40.0769	9.5963	12	38.1238	10.1970
High Tax Management	27	39.4843	8.1067	20	42.6129	10.9516

Manipulation Checks Missed = 1

	Developing			Developed		
	n	LS Mean	S.D.	n	LS Mean	S.D.
Low Tax Management	7	44.0842	5.2915	7	33.1759	19.4770
High Tax Management	3	44.5311	5.1316	7	40.2885	8.7069

Panel B: ANCOVA Results for Stock Valuation

Source of Variation	SS	df	MS	F-Stat	p-value
Corrected Model	1208.2746	16	75.5172	0.64	0.8457
Tax Management	126.0641	1	126.0641	1.07	0.3014
Economic Development	354.2702	1	354.2702	3.02	**0.0840**
CSR Report	83.1558	1	83.1558	0.71	0.4011
Attention Check	74.7618	1	74.7618	0.64	0.4259
Tax Man. x Att. Check	5.0431	1	5.0431	0.04	0.8360
Tax Man. x Econ Dev.	190.6813	1	190.6813	1.62	0.2041
Tax Man. x Econ. Dev. x Att. Check	23.1082	1	23.1082	0.20	0.6578
Tax Man. x CSR Report	32.4941	1	32.4941	0.28	0.5995
Tax Man. x CSR Report x Att. Check	10.1404	1	10.1404	0.09	0.7692
Tax Man. x Econ Dev. x CSR Report	13.1409	1	13.1049	0.11	0.7383
Tax Man. x Ec. Dev. x CSR x Att. Check	6.0125	1	6.0125	0.05	0.8212
Age	64.8520	1	64.8520	0.55	0.4583
Error	22191.6915	189	117.4164		

** Interactions not of interest have been omitted from the above table*

Panel C: Planned Contrasts

Hypothesized Contrasts	df	F-Value	p-value
H4: Across country conditions, when all manipulation check questions are answered correctly, investing intentions are highest when tax management is low in both developed and developing countries, lower when tax management is high in developed countries, and lowest when tax management is high in developing countries (contrast weights: 1.5, 1.5, -1, -2)	1	0.49	0.4869
H5: Across disclosure conditions, when all manipulation check questions are answered correctly, stock price valuation is highest when CSR Report is present and tax management is low, lower when CSR Report is present and tax management is high and when CSR Report is absent and tax management is low, and lowest when CSR Report is absent and tax management is high (contrast weights: 1.5, 1, 1, -3.5)	1	0.31	0.5803

Reported p-values are two-tailed.

Figure 1

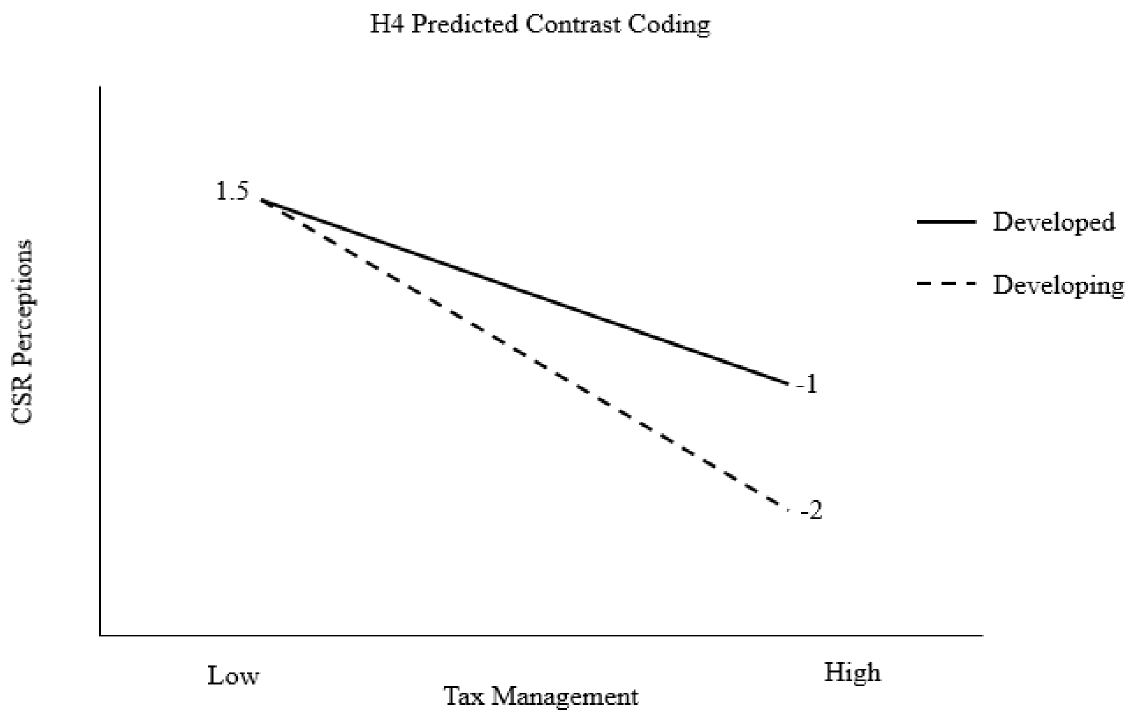
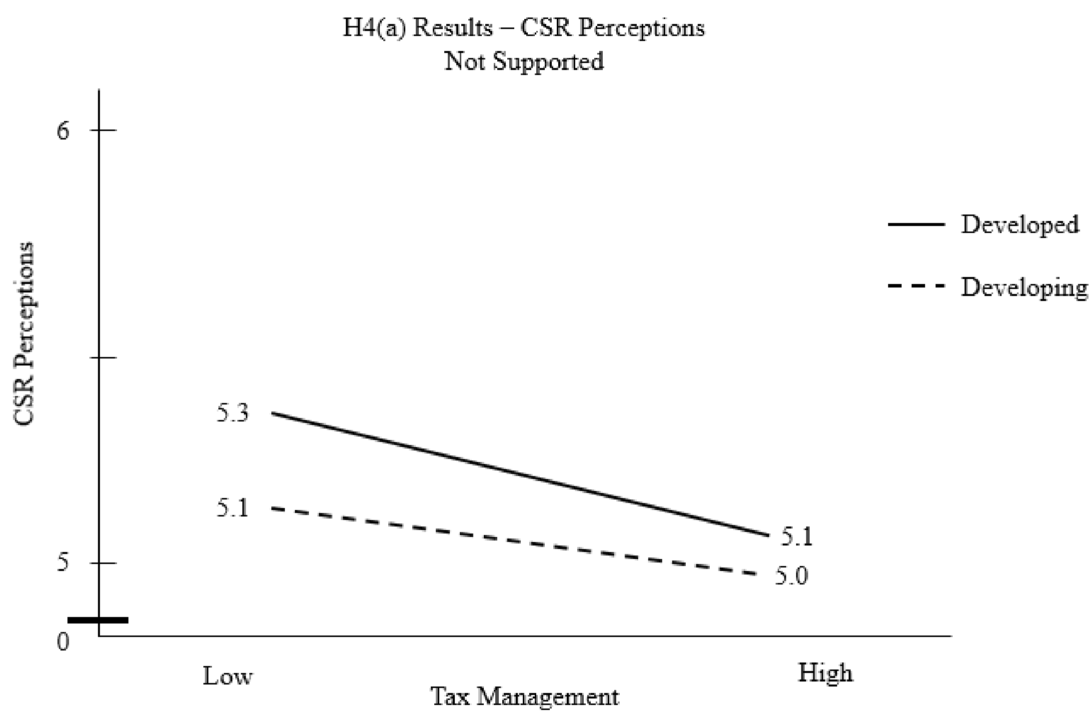


Figure 2



*Means presented above are across development conditions, regardless of CSR Disclosure condition.

Figure 3

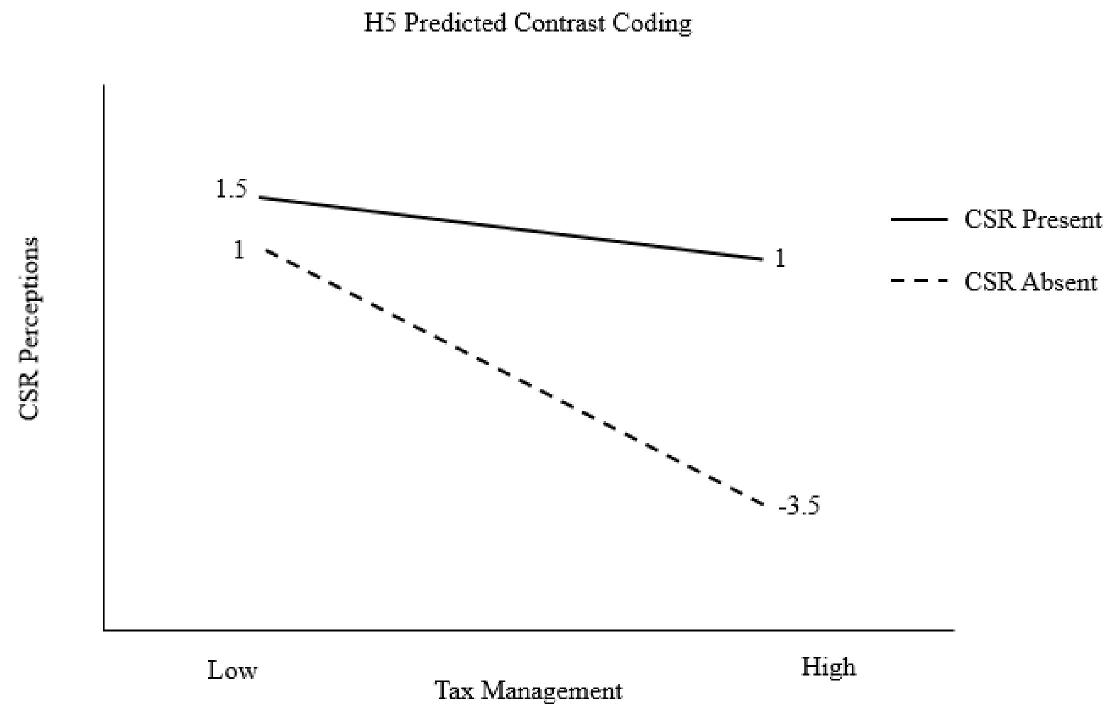
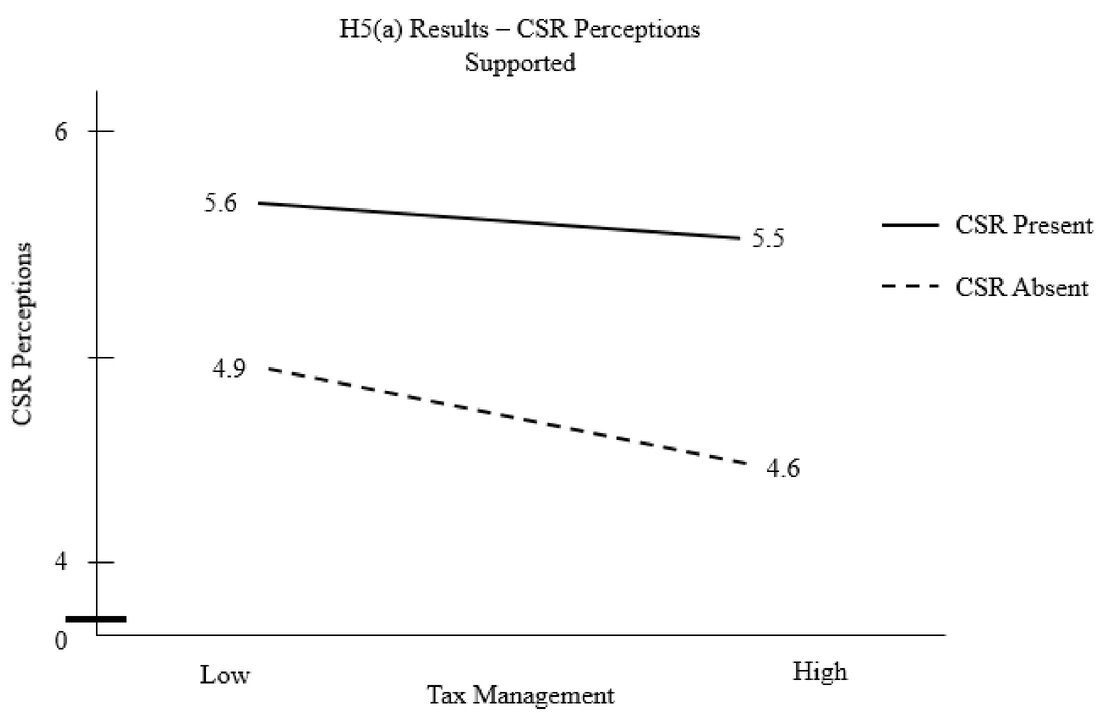
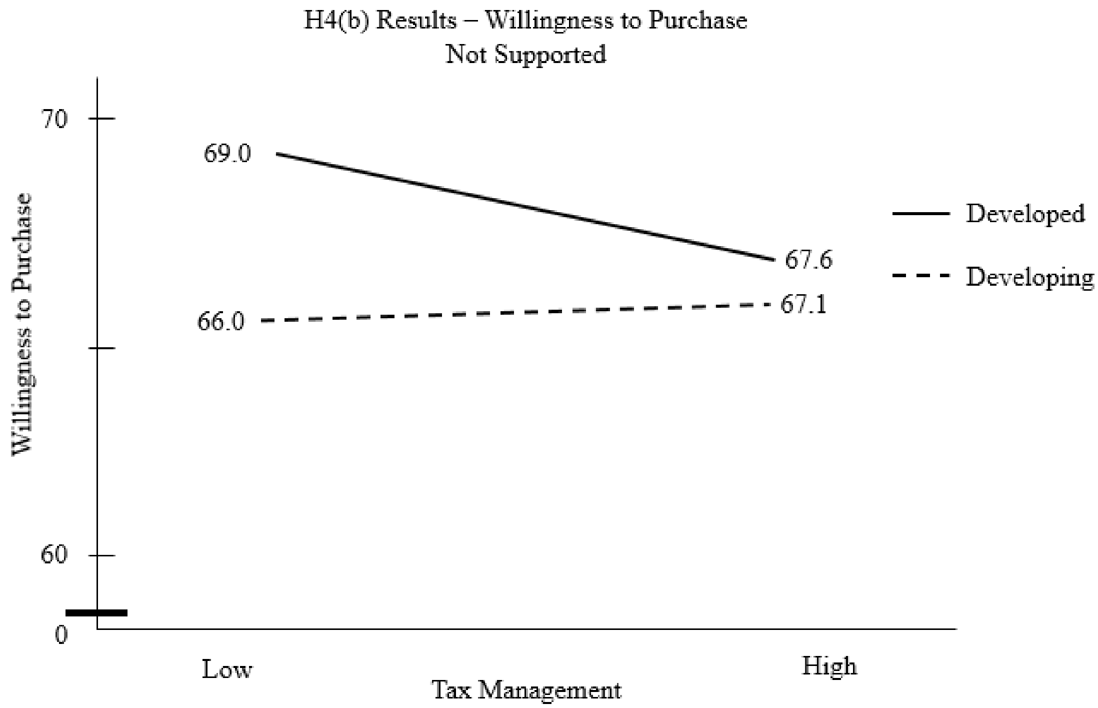


Figure 4



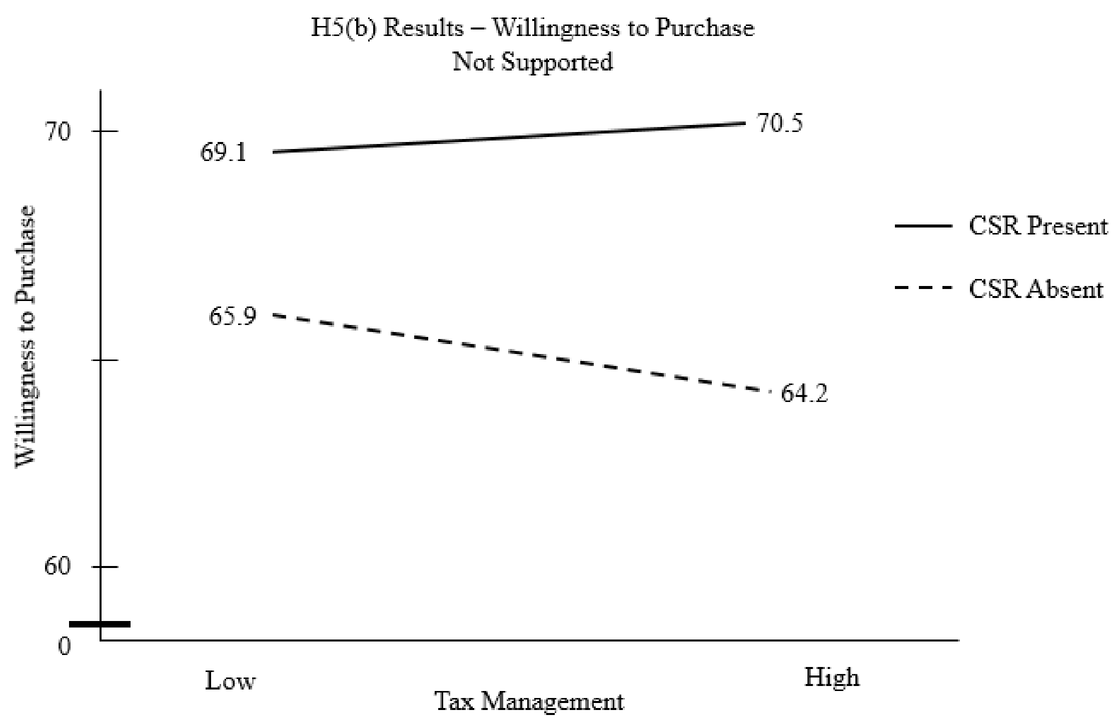
*Means presented above are across CSR Disclosure conditions, regardless of Development condition.

Figure 5



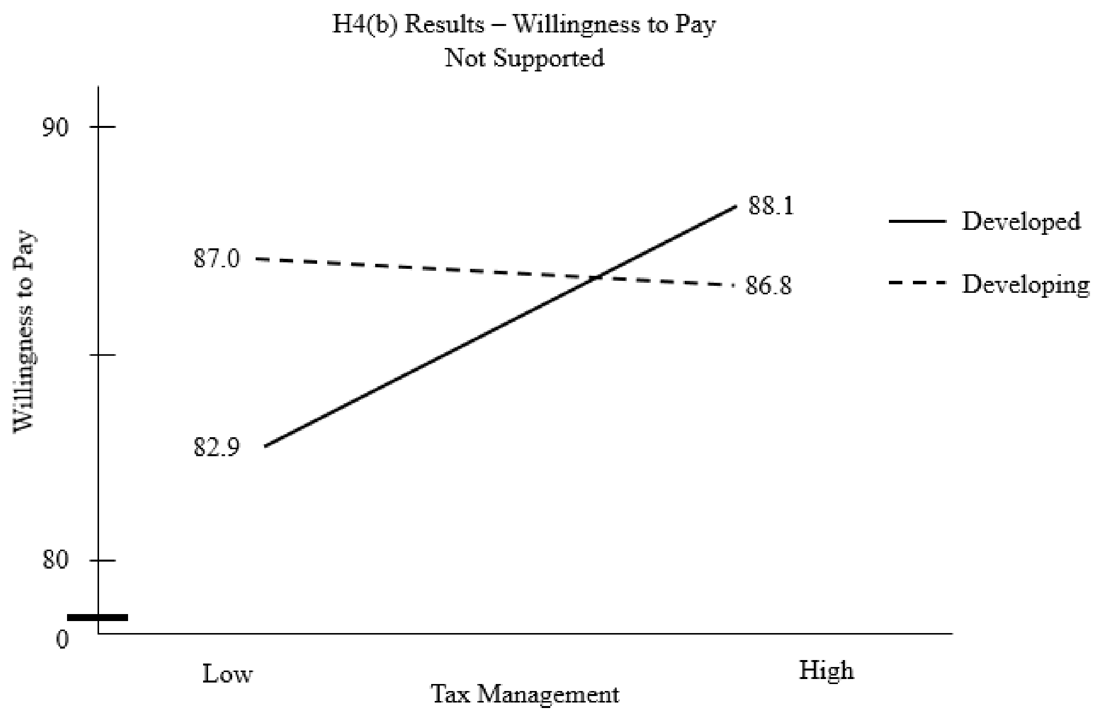
*Means presented above are across development conditions, regardless of CSR Disclosure condition.

Figure 6



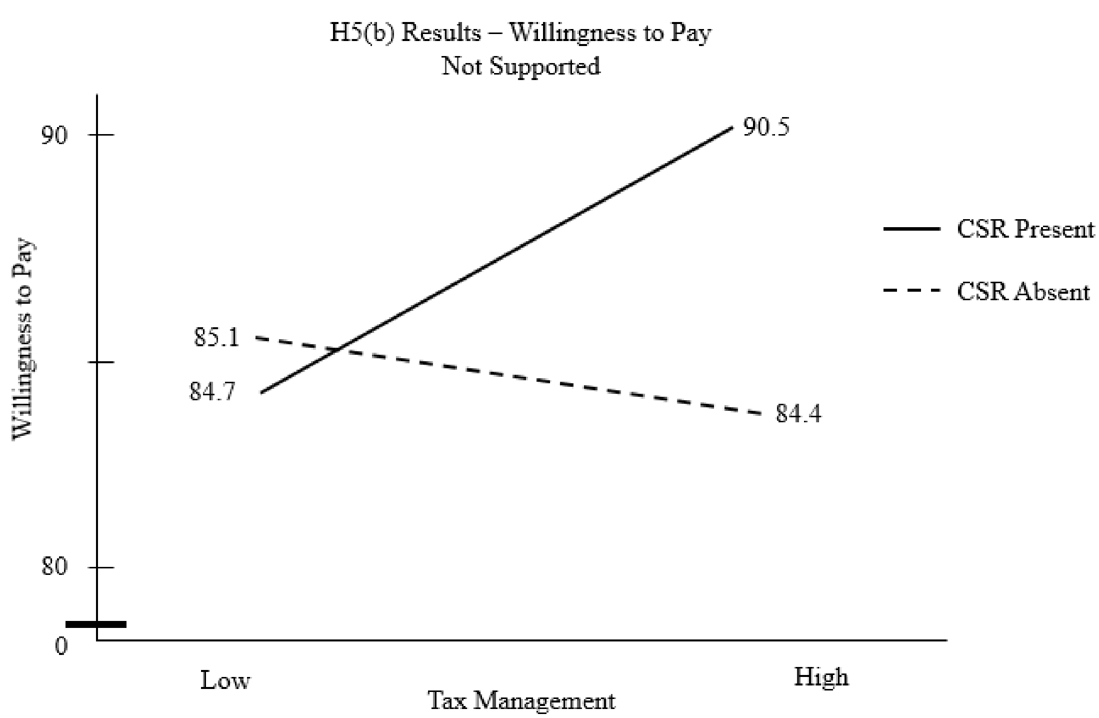
*Means presented above are across CSR Disclosure conditions, regardless of Development condition.

Figure 7



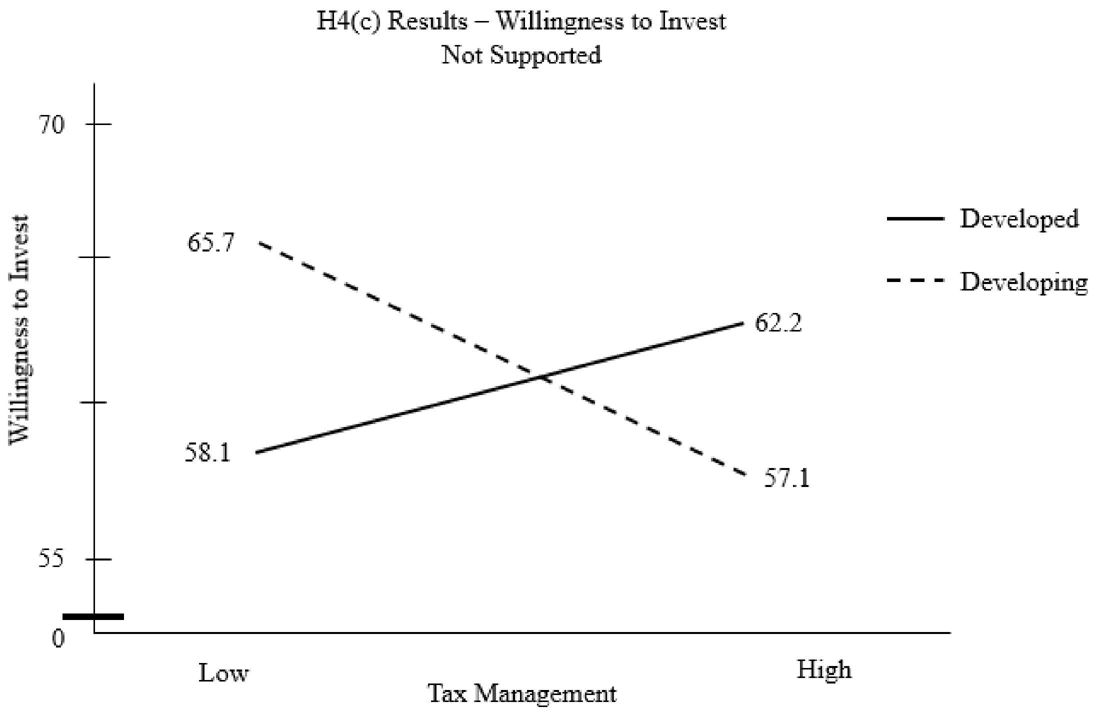
*Means presented above are across development conditions, regardless of CSR Disclosure condition.

Figure 8



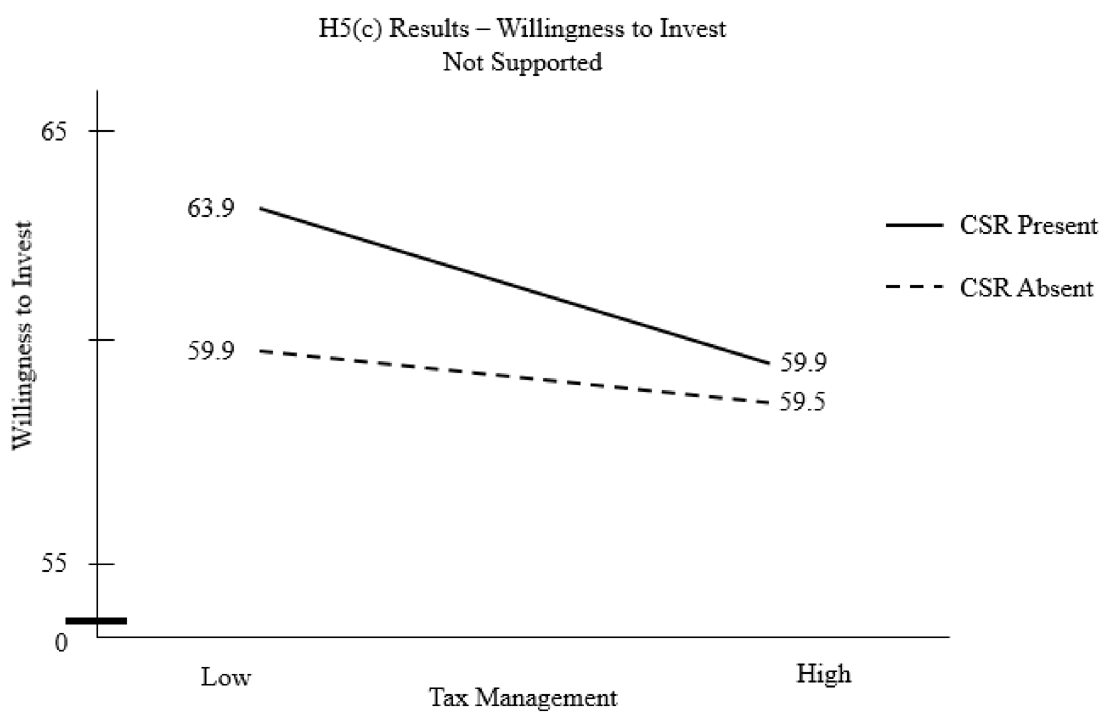
*Means presented above are across CSR Disclosure conditions, regardless of Development condition.

Figure 9



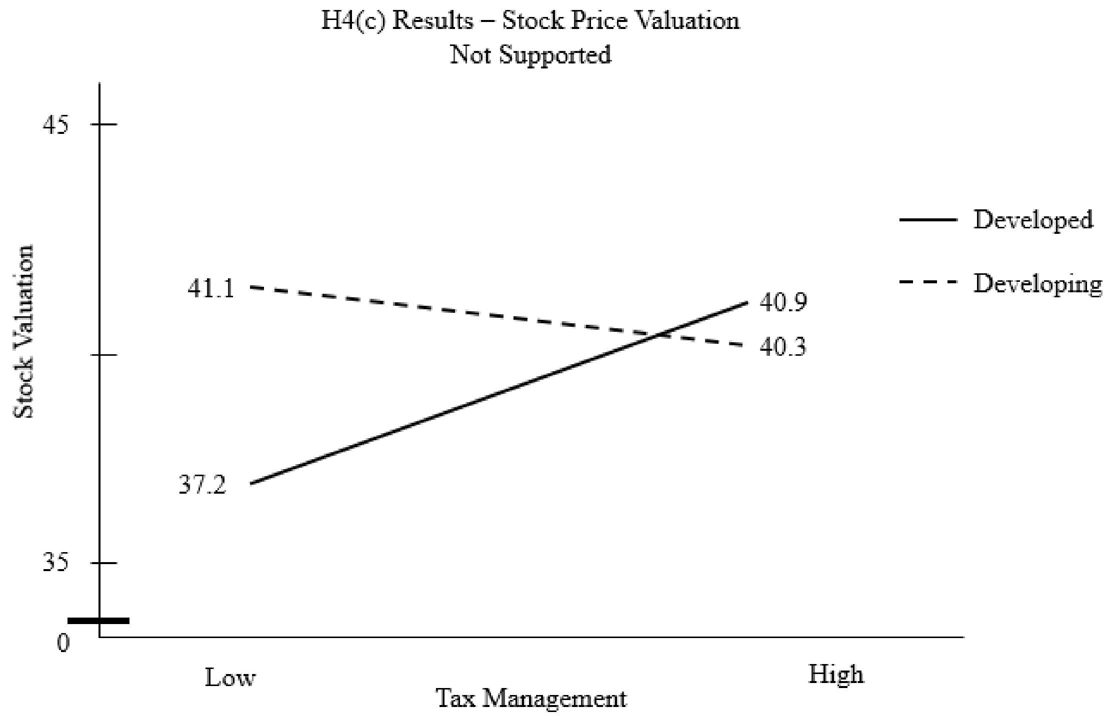
*Means presented above are across development conditions, regardless of CSR Disclosure condition.

Figure 10



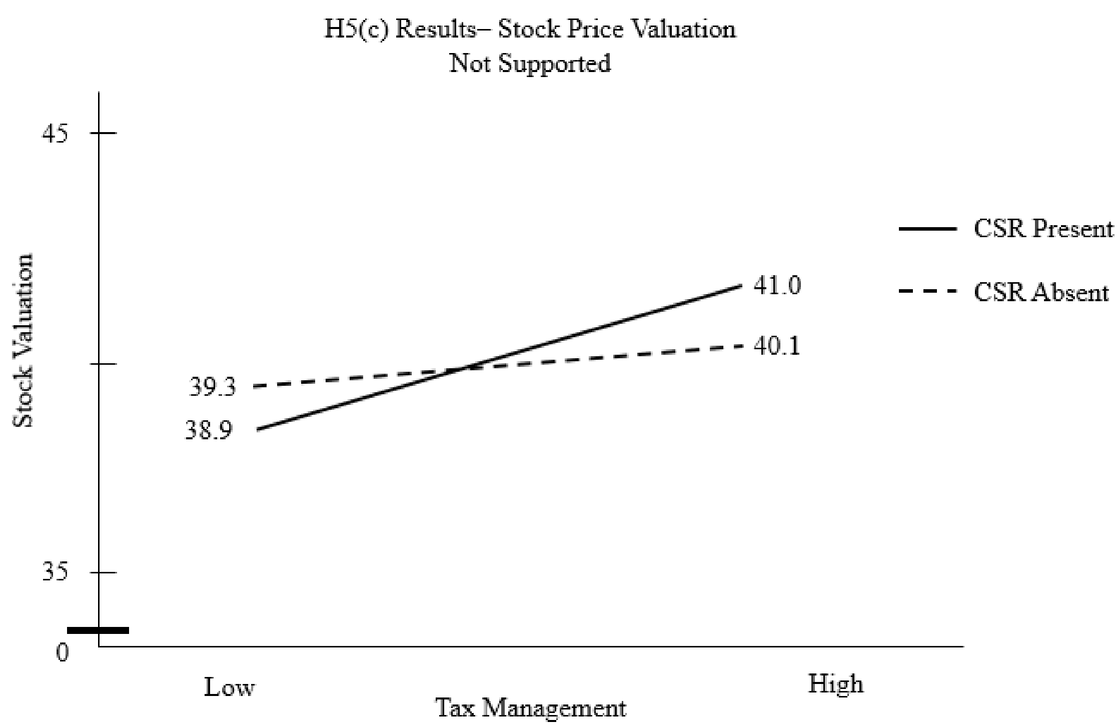
*Means presented above are across CSR Disclosure conditions, regardless of Development condition.

Figure 11



*Means presented above are across development conditions, regardless of CSR Disclosure condition.

Figure 12



*Means presented above are across CSR Disclosure conditions, regardless of Development condition.

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APPENDIX A - INSTRUMENT

****Introduction and IRB form omitted*

General Information

Later, you will be asked to estimate the stock price of a company. The information included in the case is not intended to be completely representative of what would normally be available when you evaluate a company. Providing you with that level of detail would require more time to complete the case than could realistically be expected. Please make the best judgments you can based on the information provided in these materials.

Company Background

Industry Overview

XYZ, Inc. is an American-based, publicly traded company that manufactures and sells athletic gear and footwear across the globe. Because the industry is highly concentrated, with a few major companies holding a large share of the market, athletic-wear manufacturers are very competitive. Consumer demand for affordable athletic wear has resulted in moderate performance for the industry as a whole.

Company Overview

XYZ is not one of the most recognized brands in the industry (compared to brands such as Nike or Adidas), but their products are generally thought to be as comfortable and durable as those made by the more recognized brands. The company sells their gear and footwear at a moderate price, generally 10-15% less than products sold by their big-name competitors. This positioning as a lower-cost, similar-quality brand is reflected in the company's commitment to cut costs and to only incur expenses associated with its key operations and core values.

Financial Information

Current Year Performance Press Release

You have received the following press release that was issued today by the company (as reported by Bloomberg Information Services).

Headline: XYZ Announces 2017 Annual results

Dateline: Rockford, IL

Text: XYZ, Inc. (XYZ) today reported net income of $1.056 billion for the fiscal year ended December 31, 2017 versus $0.991 billion in fiscal 2016, an increase of $0.065 billion.

The following provides financial statement information included with the press release. This table compares XYZ's results with those of its primary competitors and the overall industry average:

Key Performance Indicators:	XYZ	Nike	Under Armour	Columbia	Industry Average (all industry firms)
Earnings Growth	13%	15%	-15%	10%	**12%**
Earnings per Share	$2.47	$2.21	$0.45	$2.75	**$2.45**
Current Stock Price	?	$57.95	$20.60	$55.64	-

Summary Income Statement
(years ended in December 31, in millions)

	2017	2016	2015
Revenues	$17,986	$17,178	$16,389
Expenses	16,930	16,187	15,504
Net Income	**$1,056**	**$991**	**$885**
Earnings per share	**$2.47**	**$2.32**	**$2.14**

Summary Balance Sheet
(at December 31, in millions)

	2017	2016
Assets	$14,802	$13,160
Liabilities and Stockholders' Equity	$14,802	$13,160

Media Report

Following XYZ's press release, the media releases the following financial news report:

Financial News

During its 10 years in business, XYZ, Inc. has paid $8.6 million in corporate tax to **the U.K. (Germany/Guatemala/Indonesia)**.

XYZ, Inc. is valued at $15 billion and has generated more than $2 billion of sales in **the U.K. (Germany/Guatemala/Indonesia)** since 2008.

It has paid **15% (25%)** in corporate tax.

In comparison, the rest of the athletic-wear industry paid an average of **25%** of profits in corporate tax.

CSR Press Release

CSR Following the above news release, XYZ, Inc. issued the following:

XYZ, Inc. Press Release

At XYZ, Inc., we value our commitment to both our shareholders and the communities in which we operate. Following is a brief overview of our social, economic, and environmental impacts over the last 10 years.

Charitable Giving: We believe the local communities in which we operate should be supported through charitable giving. As such, we have dedicated a portion of all profits to donations to local schools and hospitals in **the U.K. (Germany/Guatemala/Indonesia).**

Sustainability: We share our stakeholders' belief that a sustainable future is possible. We continue to improve our product processes to reduce our carbon footprint, and we adhere to the highest industry environmental standards. As such, we have instituted a recycling program in our **U.K.(German/Guatemalan/Indonesian)** operations to better support the environment.

Employee Safety: We believe training is a fundamental component of employee safety. We have maintained a comprehensive employee safety policy and training program in **the U.K. (Germany/Guatemala/Indonesia)** that industry peers have praised and replicated in their own facilities.

Supply Chain: We continue to be a leader in combating labor rights abuses in our **U.K. (German/Guatemalan/Indonesian)** supply chains, and we work diligently to ensure all foreign workers within our supply chain are paid a livable wage and given access to affordable housing and health care. We have instituted a third-party due diligence program that has been successful in managing risks in our supply chain related to anti-bribery and corruption, trade compliance, and child labor.

Hypothesis Questions

Q1 Based on the information available to you, please state the extent to which you agree/disagree with the following statements:

In my opinion, XYZ:

	Strongly disagree (1)	Disagree (2)	Somewhat disagree (3)	Neither agree nor disagree (4)	Somewhat agree (5)	Agree (6)	Strongly agree (7)
Follows high ethical standards	O	O	O	O	O	O	O
Probably has a wonderful reputation	O	O	O	O	O	O	O
Is concerned with improving the well-being of society	O	O	O	O	O	O	O
Is socially responsible	O	O	O	O	O	O	O

Q2 Based on the information available to you, how much would you pay for a pair of XYZ's athletic shoes? For comparison, a similar pair of Nike-brand shoes are sold for $120 and a similar pair of Adidas-brand shoes are sold for $110.

0 20 40 60 80 100 120 140

Q3 Assuming you have decided to purchase new athletic shoes and you believe XYZ's shoes are reasonably priced, what is the likelihood (0-100%) you would purchase XYZ's shoes rather than shoes from another brand?

0 10 20 30 40 50 60 70 80 90 100

Q4 Assuming you have decided to invest in an athletic-wear company, and based on the information available to you, what is the likelihood (0-100%) you would invest in XYZ?

0 10 20 30 40 50 60 70 80 90 100

Q5 Based on the information available to you, what is YOUR best estimate of the value of a share of XYZ stock?

Analysts expect the stock to sell for between \$30-\$55 per share.

0 10 20 30 40 50 60 70

Saliency Checks

Q6 In the media report, in what country was XYZ, Inc. said to have paid taxes?

-Germany

-The U.K.

-Guatemala

-Indonesia

-None of the Above

Q7 In the media report, the industry average tax rate was 25% of profits. What percentage of profits had XYZ paid in taxes?

-25%

-15%

-8%

-0%

Q8 In what community-driven activities was XYZ investing, per their press release?

-Charitable Giving

-Doctors without Borders

-None

-I received no press release from the company

Construct Validity

Q9 How would you describe ${/ChoiceGroup/SelectedChoices} in terms of economic development?

Not at All	*Some Development*	*A Moderate Amount of Development*	*Almost Fully Developed*	*Fully Developed*
(1)	*(2)*	*(3)*	*(4)*	*(5)*

Q10 Given XYZ's tax rate compared to the industry average, how tax aggressive do you believe XYZ is with tax planning?

Not Aggressive at All	*An Insignificant Amount*	*A Little*	*A Moderate Amount*	*A Significant Amount*	*A Lot*	*Extremely Aggressive*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

Insight Questions

Q11 To what extent did the information about XYZ's tax payments explain the following:

	None at all (1)	A little (2)	A moderate amount (3)	A lot (4)	A great deal (5)
Your choice of XYZ's stock price?	O	O	O	O	O
Your willingness to invest in XYZ?	O	O	O	O	O
Your choice of XYZ's shoes' selling price?	O	O	O	O	O
Your willingness to purchase XYZ's product?	O	O	O	O	O
Your assessment of XYZ's social responsibility?	O	O	O	O	O

Control Questions

Q12 To what extent do you agree/disagree with the following statements?

-Corporations have an equal duty to all of their stakeholders including employees, the government, the community, suppliers, shareholders, etc.

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

-A corporation's primary duty is to its shareholders

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

-A corporation's duty is to its shareholders, even if its decisions to benefit shareholders harm other stakeholders

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

-I believe corporations are better situated than the government to address social problems

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

-I believe companies have a moral duty to pay their fair share of taxes

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

-Taxes are just like any other cost or expense of a company and should be minimized as much as legally possible

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

-Paying taxes is a component of corporate social responsibility

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

- A company that does not do everything legally possible to reduce its taxes is defrauding its shareholders of potential profits

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

- A company that does not pay its fair share of taxes is defrauding the community it operates in, which benefits from the taxes of its citizens

Strongly Disagree	*Disagree*	*Somewhat Disagree*	*Neither Agree nor Disagree*	*Somewhat Agree*	*Agree*	*Strongly Agree*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

Q13 How many times have you evaluated a company's performance by analyzing its financial statements (in a course or as part of an actual investment decision)?

-Never

-Once

-2-4 times

-5-9 times

-More than 10 times

Q14 Which of the following best describes your economic views?

Liberal/Neutral/Conservative

Q15 Which of the following best describes your social views?

Liberal/Neutral/Conservative

Q16 What is your age?

Q17 What is your gender?

Male/Female

Q18 What is your annual household income?

Q19 What is your highest level of formal education?

-*Elementary School*

-*High School*

-*Some College*

-*Associate's Degree*

-*College Graduate*

-*Some Graduate School*

-*Completed Graduate School*

Q20 What was your college major?

-*Business*

-*Liberal Arts*

-*Science/Engineering*

-*Social Science*

-*Other*

Q21 How many college courses have you taken in Accounting/Finance/Taxation?

	0	*1*	*2*	*3*	*4*	*5*	*More than 5*
Accounting							
Finance							
Taxation							

Q22 Which of the following describes your household's ownership of corporate stock? Check all that apply.

□ I/we own **no** corporate stock, either directly or through stock mutual funds.

□ I/we own stock **in my employer,** received through an employee stock-ownership plan (aka ESOP).

□ I/we own stock via a stock mutual fund maintained in an **employer-sponsored retirement plan** (e.g. a 401(K) plan).

□ I/we own stock **outside of a retirement account** primarily via **indexed stock mutual funds** (i.e. funds that invest in a broad cross-section of the stock market with little or no active management) purchased directly from an investing company.

☐ I/we own stock **outside of a retirement account** primarily via **actively-managed stock mutual funds** (e.g. growth-, value-, industry-focused funds) purchased directly from an investment company.

☐ I/we directly purchase (including purchasing through a broker) stocks in specific companies.

☐ I/we have sold stock short.

☐ I/we have dealt in call or put options.

Q24 I would describe my knowledge of business and finance as:

No Knowledge at All			*About the same as the general public*			*Expert*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

Q25 I would describe my knowledge of the stock market and investing as:

No Knowledge at All			*About the same as the general public*			*Expert*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

Q26 Please indicate whether the below statements are true or false:

Short-selling a stock means that the stock is sold without actually owning it	*True*	*False*
Assuming an efficient stock market, it is not possible to beat the market in the long run	*True*	*False*
Dividends are additional payments to the management of a company	*True*	*False*
The abbreviation IPO refers to a financial regulatory authority which supervises the placement of securities at a stock exchange	*True*	*False*
The Japanese stock index is called the Hang-Seng Index	*True*	*False*
Compound interest refers to a situation in which the lending rate is larger than the borrowing rate	*True*	*False*
A mutual fund with a growth strategy invests primarily in companies whose stock it believes is currently undervalued	*True*	*False*

Q27-Q31 are tax morale questions