

PUBLIC PERCEPTION OF TAX AVOIDANCE

by

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Abstract

Many conversations about business ethics involve the question of if something is legal, is it ethical? This research study examines participants' personal ethical beliefs about tax havens, tax avoidance, tax evasion. It also compares how participants react to media biases and if the factors presented affect the participant's ethical views of tax decisions.

Participants believe that tax avoidance, while legal, is slightly unethical. Biases in media sources can also affect a participant's viewpoint of a company or person. Companies and individuals should use this evidence in determining the harm of their reputation if there were to be a scandal involving tax avoidance strategies.

Introduction

In 1789, Benjamin Franklin wrote in a letter “nothing in this world can be said to be certain, except death and taxes.” However, there are still individuals and corporations that work towards paying fewer taxes. There are plenty of legal ways to reduce your tax payment, but does the average American view them as ethical?

One purpose of this research is to learn what participants think are ethical and unethical in regard to tax strategies. Additionally, businesses may want to consider the results of the research when confronting with an ethically “gray” tax-related issue. For example, according to Fortune, Uber was originally valued at \$68 billion dollars. But due in part to criminal probes, sexual harassment allegations and software questions the value of Uber in 2017 was only \$48 billion dollars. While they didn’t break any laws, the harm of their image was still damaged by these investigations.

Surveying participants to learn whether they view certain tax strategies as ethical or unethical can give corporations and individuals insight to the costs of a potential scandal or help companies determine if controls need to be added to reduce the likelihood of a scandal related to tax decisions.

Background:

Freeman and Kirshner stated in 1946 that “it is the natural, right and historically justified for a man to attempt to keep his tax obligations as low as possible.” This is still believed today and can be used as the defense for why many companies and individuals participate in tax avoidance and tax evasion. Tax avoidance and tax evasion are two different ways to not pay taxes. Tax avoidance is a “legal reduction” while tax evasion is completely illegal. One example of avoidance is when a U.S. corporation chooses to build a manufacturing plant in a foreign location with lower corporate tax rates. However, evasion is related to purposefully withholding information on revenue in order to not pay taxes on said revenue. Evasion typically involves a foreign bank (Gravelle 2009).

Gravelle (2009) states that individuals are more likely to be involved in evasion. One example of a tax to individuals is income tax, but if income is held in a shell firm, then income tax does not need to be paid on it. Shell firms can also hide illegal revenue of individuals, like bribes or kickbacks. On the other hand, corporations are more likely to use avoidance because it is related to business decisions.

Sometimes it doesn't take a shell company to avoid paying taxes. Sharife presents a case where an American lottery company, GTech, merged with an Italian company, IGT, to create their new headquarters in the United Kingdom where the nominal tax rate was expected to fall to 17% by 2020 (2017). However, “more than half of the combined company's real economic activity remains in the United States.” But this move was legal and can be argued as so. The governments themselves who are losing revenue are sure to step in and make sure the thin line between tax evasion and tax avoidance is not crossed. While the SEC has made no comment on

the merger and move of headquarters, the Italian government settled with IGT and required IGT to pay a fine of \$40 million dollars due to “charges of alleged tax evasion and price manipulation in intra-company trade (Sharife, 2017).”

Another example of tax avoidance is through the use of transfer pricing (Gravelle 2009). This occurs between two related companies when they sell goods to each other. In absence of tax avoidance, when two related companies sell goods to each other the selling price and purchase price should be similar. But when participating in tax avoidance, this is not the case. One company, in the high tax country, will price their goods at a relatively low price. But the second company, in a low tax country, will have a relatively high purchase price on those goods. This effectively shifts the income from the high tax region to the low tax region (Gravelle 2009).

There have been efforts overall to curb tax avoidance. One of these ways is through initiatives called “base erosion and profit shifting” from the Organization for Economic Cooperation and Development (OECD) (Sharife, 2017). One initiative would require companies to “disaggregate” financial information, but only for the country where the parent company is based. Current laws only require information to be divided by the aggregated or project level (Sharife, 2017).

There are two other broader ways to prevent tax avoidance and tax evasion: first, make the tax system clearer and more simple; or secondly, decrease taxes overall (Tomaskova, 2012). If taxes are decreased, then the cost and various fees related to creating and implementing a profitable tax strategy will not be worth the saved tax revenue. However, the revenue lost from companies and individuals who do not use a tax avoidance structure must be weighed against the benefits of decreasing tax avoidance overall.

Hypotheses:

It may seem appealing to a company or individual to simply use a tax strategy that is legal but runs along the thin line of tax evasion or if the penalty is low enough, to not pay those taxes at all. There is, of course, the monetary costs associated with the fines and court fees to argue against these penalties but there is another cost that exists: reputational fee. But how likely is a company or individual's reputation likely to be harmed by the news of these tax "scandals?" This is the main topic of the survey questions.

My research gains insight into how the general public views tax evasion and avoidance. Since the previous research on this topic is slim, I hope it will cause other accounting researchers to delve into the issue. I also hope it will give direction on how to decrease the amount of illegal activities regarding taxes. It may bring up some issues that law makers have not thought of and want to address.

If lawmakers realize that the general public doesn't have a negative view of tax evasion and avoidance, then it would be a good idea to start some type of political campaign. This campaign would show the public how tax evasion and avoidance deprive the government of potential tax revenue. The research questions I ask pertain to specific groups and locations that could help the government create a good public plan in an attempt to change the public's view.

Since my survey covers many questions related to the public perception of tax avoidance, I have hypotheses for 4 major themes.

Hypothesis 1: Survey participants will view companies and individuals with the same level of ethics in regard to taking advantage of foreign tax laws in order to pay less taxes.

Hypothesis 2: Participants will be affected by a media bias when determining if they believe certain tax strategies are ethical.

Hypothesis 3: Participants will support tax benefits for companies who want to build new warehouses or offices.

Hypothesis 4: A majority of participants will say they are not at all knowledgeable of tax law, tax avoidance and tax evasion.

Methodology

This survey was given out to persons entering the university library at a large public research university. The survey was on paper and participants were given as much time as they needed, but they average participant finished in about 14 minutes. The contents of the survey is found in the Appendix.

Data Analysis

Each section of the survey has been split into detailed sections and is discussed in the following pages:

General Perceptions of Companies and Industries

The following questions were used to survey the sample participants on general ideas and perceptions related to legal tax avoidance. The questions focus on asking what industries or locations were most likely to use legal tax avoidance and the reasoning behind the participant's answer choice.

Company A and Company B are in the retail industry. Select the company you think is more likely to use legal strategies to avoid paying taxes.

This question relates to the perception of companies in the retail industry, with the independent variable being size. Company A was portrayed as a small business started by friends and Company B was described as a large business that has been in operation for over 100 years and carries a variety of items. The answer was given on a range of 1 to 6 with 1 indicating that "Company A is definitely more likely to use legal tax strategies to avoid paying taxes" to 6 indicating that "Company B is definitely more likely to use legal tax strategies to avoid paying taxes." Given a mean of 4.22 and a median response of 5, participants are more likely to assume that Company B, the larger retail company, is more likely to use legal tax strategies to avoid paying taxes.

Company C and Company D are two large companies. Select the company you think is more likely to use legal strategies to avoid paying taxes.

This question relates to the industry a large company is in. The dependent variable for this question was the industry. Company C was defined as a company in the technology industry with headquarters in Denver, Colorado and Company D was described as grocery company headquartered in Cincinnati, Ohio. The answer was given on a range of 1 to 6 with 1 indicating that "Company C is definitely more likely to use legal tax strategies to avoid paying taxes" to 6 indicating that "Company D is definitely more likely to use legal tax strategies to avoid paying taxes." Given a mean of 3.33 and a median of 3, the sample participants surveyed are only slightly more likely to assume that Company C, the company in the technology industry, is more likely to use legal tax strategies to avoid paying taxes.

Based on your opinion, rate the following locations from most likely to be a tax haven (1) to least likely to be a tax haven (5)

This question relates to the location of tax havens. Participants were given 5 locations, "Belgium", "Cayman Islands", "Florida", "Hong Kong" and "Ireland," to rank based on which one was most likely to be a tax haven. When analyzing strictly the mean, there was no clear answer that stood out among the five options due to an average of approximately 3 each. But when looking at the median, there are two locations that stand out. First, the median number for the Cayman Islands was 2, meaning that it is more likely to be a tax haven. Second, the median number for Florida was 4, meaning it was less likely to be a tax haven.

The next question asks about the reason for the ranking on the previous questions. The answer choices were: "Best guess", "Media coverage", "Political atmosphere of that area" and "Business culture of that area." The most popular reason was "Best guess" with 37.62% of the

answers. Second most chosen answer was “business culture of that area” with 29.7% of the answers.

Do you think it is ethically correct for companies to take advantage of foreign tax laws in order to pay less taxes?

For this question, participants were given a range to answer from, which 1 being “Definitely not ethical” to 5 being “Definitely ethical. The mean was 2.36 and the median was 2.0. This signifies that our sample participants believe companies who use foreign tax laws to pay less taxes are slightly less ethical than companies who don’t use foreign tax laws.

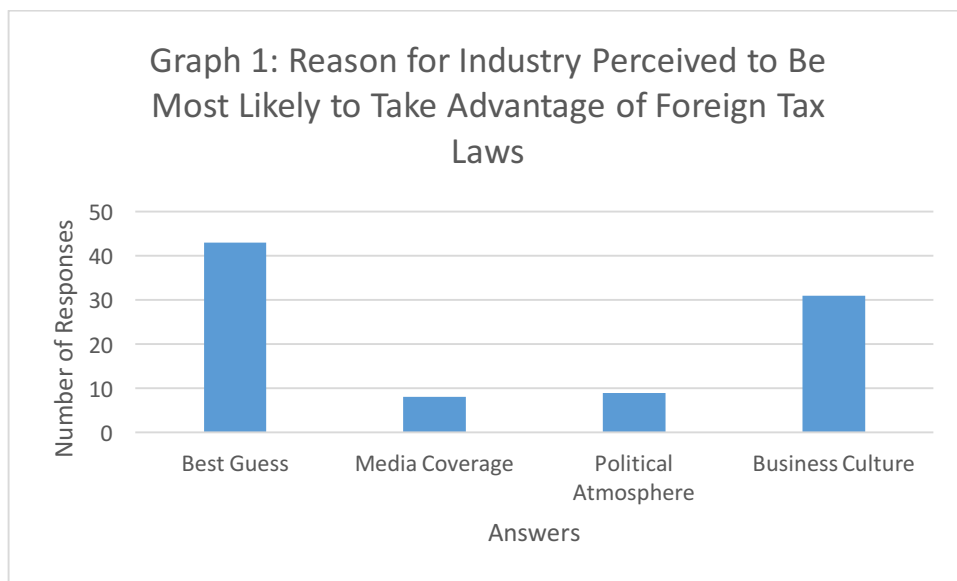
There is a marginal correlation (p value of .0905) between this question and questions pertaining to Google and Ikea’s punishment. If a participant answered that it was ethical in this question, then they were likely to say Google and Ikea should only have paid a fine. But if a participant answered that it wasn’t ethical for a company to use foreign tax laws, then the participant was likely to choose jail time and a fine for the company.

Based on your opinion, rate the following industries from most likely to use legal tax strategies to avoid paying taxes (1) to least likely to use legal tax strategies to avoid paying taxes (5).

This question expands on the earlier question related to industries and whether participants think that industry is likely to use legal tax strategies to avoid paying taxes. Individuals were given 5 choices: “Automobile Industry”, “Fast Food/Chain Industry”, “Pharmaceutical Industry”, “Retail Industry” and “Technology Industry.” Automobile, Fast Food/Chain, and Pharmaceutical industries were each given a median rank of 3, retail industry was given a median rank of 3.5, and technology industry with 2.0. This evidence disputes the earlier question related to whether participants thought retail or technology industry were

more likely to use strategies to avoid paying taxes. In the earlier question, participants selected that technology over retail was slightly more likely to use strategies to avoid taxes. But in this questions, participants selected retail as the most likely to use *foreign* strategies to pay less taxes. While the phrasing of this question is different from the earlier question, it still pertains to the topic of legal strategies.

The following question pertains to the reasons why participants selected which industry they think is most likely to take advantage of foreign tax laws in order to pay less taxes. Just like the previous reasoning question, the answers were: “Best guess”, “Media coverage”, “Political atmosphere of that area” and “Business culture of that area.” Similar to the previous reasoning question, the most popular reason was “Best guess” with 42.57% of the answers. The second most chosen answer was “Business culture of that area” with 30.69% of the answers. This is exemplified in the following graph: Reason for Industry Perceived to Be Most Likely to Take Advantage of Foreign Tax Laws.



Comparison Based on Media Source

Please read the news article excerpt below and answer the following questions to your best ability.

In this scenario, participants were given one of two articles about Apple's legal tax avoidance. The first article was critical of Apple and specifically mentioned how unrealistic Apple's tax reasoning was. The second article was less critical of Apple and mentions that the methods Apple used were also "used by hundreds of big companies aside from Apple." Both articles pointed out that Apple's methods were completely legal, but the first article mentions "the gimmicks, schemes and complex corporate structures that allowed the company to sidestep taxes." The sources of the articles were not given in order to prevent personal biases.

How much do you think Apple should pay in fines related to the situation described above?

The averages for fines that Apple should pay was similar for both articles. The first article, the more critical article, had an average of approximately \$10 billion while the second article, the less critical article, had an average of \$9 billion. While there is a bit of a difference in the averages, the difference is not statistically significant.

Do you believe tax strategies like the one described above are typical?

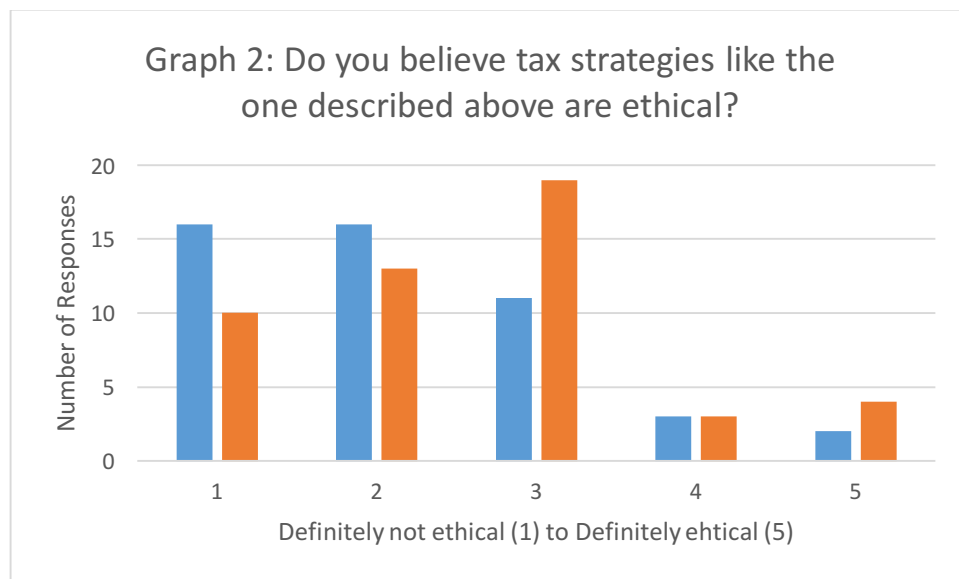
Participants were given a range for this question ranging from "definitely not typical" (1) to "definitely typical" (5). The mean for the first article was 3.94, while the mean for the second article was 4.02. The mean of approximately 4 for both articles indicates that participants believe the tax strategy presented by Apple was slightly but not definitely typical. Basically, the

varying degree of critique in each article did not affect whether participants expected the example tax strategy to be typical.

Do you believe tax strategies like the one described above are ethical?

Once again, participants were given a range for this question ranging from “definitely not ethical” (1) to “definitely ethical” (5). The mean for the first article was 2.13 and the mean for the second article was 2.52. This is shown in the following graph, Graph 2. The mean for both articles were statistically significant, with a p-value of .03585. This means that the content of the article did affect the answers for this question. If given the first article, the more critical article, participants were more likely to think Apple’s actions were not ethical. Overall, the way the media covers it does affect whether readers think it’s ethical or not, but it doesn’t continue through to if participants think it’s typical and how they should be penalized in fines.

For the graph below, the blue line represents the responses from the first article, which was more critical of Apple, and the orange represents the responses from the second article, which was more supportive of Apple.



Comparison of Individuals vs Companies

In this segment, questions about various companies and individuals are asked to compare whether participants impose higher penalties to either party. A brief article with the cited source are given to give a background of the party. The following two questions are asked for each article given.

How surprised are you to learn this information?

Answers were given on a range starting with “very surprised” (1) and ending with “not at all surprised” (5). The range ends with 5, giving individuals a neutral answer choice.

What do you feel is an appropriate punishment for this tax avoidance?

Participants were given 5 options for an answer. For an example involving a company, the answers are as follows: (a) “*Given Company/Individual* should have paid a fine,” (b) “The responsible individuals within the company (CEO, CFO, etc.) should have received a short jail sentence (a few days to a few months),” (c) “The responsible individuals within the company (CEO, CFO, etc.) should have received a long jail sentence (a few months to over a year),” (d) “*Given company* should have paid a fine and responsible individuals should have received a jail sentence,” as well as an (e) “Other” option.

For examples involving an individual, the answers are as follows: (a) “*given individual* should have paid a fine,” (b) “*given individuals* should have received a short jail sentence (a few days to a few months),” (c) “*given individual* should have received a long jail sentence (a few

months to over a year),” (d) “*given individual* should have paid a fine and received a jail sentence,” lastly an (e) “Other” option.

Company and Individual Questions

Ikea

Participants were not surprised that Ikea had been accused of not paying a large amount of taxes. The mean was 3.6 and the median was 4 for this range. It was also slightly split on what their penalty should be. Of those surveyed, 41% believed they should just pay a fine, but 38% believed that they should have paid a fine and also that the responsible individuals should be jailed.

Nicholas Cage

With a mean of 3.34 and a median of 4, participants were mostly not surprised to learn of Cage’s tax issues. The response related to punishment was similar to the response for Ikea. Focusing only on the responses with the highest percentages, 45% of participants think Cage should just pay the fine and the other 30% think he should have paid a fine and receive a jail sentence.

Google

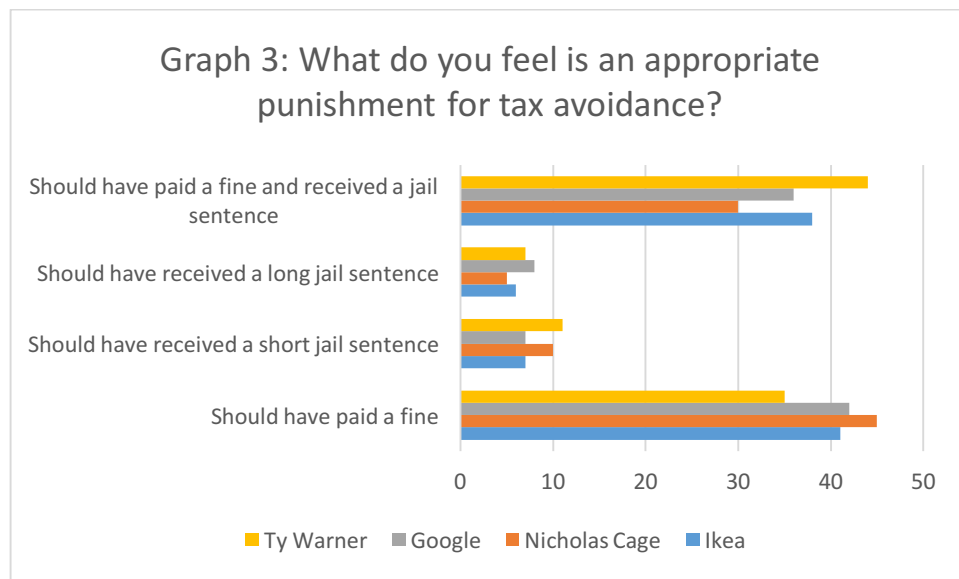
The response for how surprised participants were to hear about Google’s questionable tax strategy is practically identical to Ikea’s response. With a mean of 3.6 and a median of 4, participants are closer to being not at all surprised about Google’s tax strategy. The trend continues with Google on how participants feel the appropriate punishment is. Of the sample

surveyed, 42% believe that Google should have paid a fine and 36% think that Google should have paid a fine and those responsible in Google should have jail time.

Ty Warner

Once again, there is a median of 4 and an average of 3.5 when looking at how surprised individuals when learning about Ty Warner. However, there is a slight break in the trend when looking at the punishments participants think should happen. Most individuals, 44%, believe Warner should receive both jail time and a fine and 35% of individuals think he should just be fined.

The following graph, Graph 3, shows the variety of answers for what the punishment should be for each company/individual.



Perception of Tax Benefits

How likely do you think companies are to consider tax benefits when building new warehouses or offices?

This question was answered on a range from “not likely to consider tax benefits” (1) to “very likely to consider tax benefits” (5). Participants were very confident that companies are very likely to consider tax benefits. The mean was 4.18 and the median was 5.

Do you believe companies should be offered tax benefits when building new warehouses or offices?

This question was answered on a range from “definitely should be offered tax benefits” (1) to “definitely should not be offered tax benefits” (5). The responses to this question were mostly a neutral answer. The mean was 2.82 and the median was a 3. In general, participants were not sure companies should or shouldn’t receive a tax benefit. While participants think a tax benefit is important to companies, they are unsure if it should actually be offered.

Perception of Blame

Who do you think should be punished for underreported wages and taxes paid on wages?

The answers given for this question were: the CEO, a part owner or the vice president of Payroll. While there was no one answer that had a majority, 44% of participants believe the CEO was responsible, 22% believe the part owner was responsible and lastly 33% believe the vice president of payroll was responsible. There was not one person of the three options that escaped blame for the illegal tax evasion.

Difference in Perception of Companies vs Individuals

There is a statistically significant correlation between the following two questions: (1) *I believe as long as an act is legal through the law, then it's acceptable for a person to do the act*

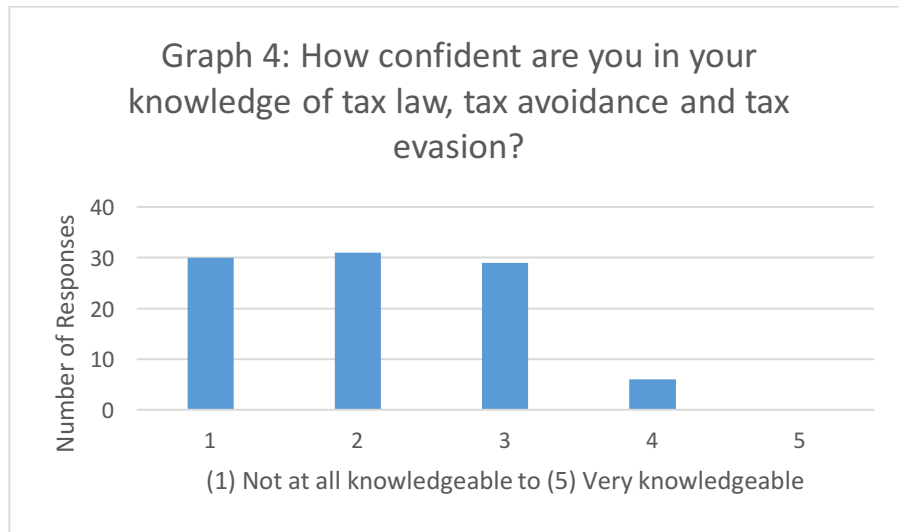
and (2) *I believe as long as an act is legal through the law, then it's acceptable for a company to do the act.* The answers were based on a range from “Definitely agree” (1) to “Definitely disagree” (5).

The means for these two questions are very similar. The first question's mean is a 2.76 and the second question is a 3.1. The medians for both were the exact same: 3. This is evidence that participants do not hold individuals or companies to any different standards, they are held to the same exact standards. This is evident in data presented earlier relating to each company and individual.

Confidence

How confident are you in your knowledge of tax law, tax avoidance and tax evasion?

The answers for this question was once again given on a range from “not at all knowledgeable” (1) to “very knowledgeable” (5). The mean was 2.11 and the median was a 2 for this question. Additionally, there wasn't one participant who selected a 5, claiming they were very knowledgeable about tax law, tax avoidance and tax evasion. The average participant taking this survey did not have an extensive knowledge of the subject. This is shown in the following graph, Graph 4:



Conclusion:

The response to my four main hypothesis as mentioned earlier are as follows: First, companies and individuals are held to the same standards when viewing the ethicality of their actions. Secondly, participants are affected by a media bias. Participants were more critical of Apple when presented with a critical article. Third, participants were neutral on whether or not to support tax benefits as an incentive for a company to build their office in that location. Fourth, it was confirmed that the average participant claimed to not be very knowledgeable of tax law, tax avoidance and tax evasion.

Additionally, the data analysis showed that participants believe large retail companies and large technology companies are more likely to use legal tax strategies to avoid paying taxes. For companies that fall into these categories, they should be aware of this perception.

Survey results also show that participants are likely to see Florida as less of a tax haven, but it can be considered a tax haven due to the lack of state income tax. Therefore, companies that want to maintain an image of not being involved in the “grey area” of tax avoidance could create headquarters in areas like Florida with minimum potential public backlash.

Overall, companies should be concerned about this grey area of tax avoidance because participants surveyed believe that this makes that company slightly less ethical. This information is valuable for a company who wants to refine their image after a scandal or prevent a future scandal.

Media bias was also a factor in whether participants believed a company's tax avoidance was ethical. This is beneficial for companies because if they have been fined for a tax avoidance strategy then they can create a positive campaign in order to shed a different light on the situation in hopes to change the consumer's image of that company. It is also important to note that participants believe that tax avoidance is very typical and they are not surprised to learn of this even when the company has been fined. Additionally, persons (CEO's, celebrities, etc.) were viewed by participants of this survey with the same ethical standards as companies. With this information, companies and people who are planning on tax avoidance technique shouldn't be concerned if they will be viewed differently.

Tax avoidance techniques, while legal, can be viewed as slightly unethical by participants. Companies and people interested in incorporating tax avoidance into their finances should consider the reputational effects of their decisions if the avoidance were to become public due to a fine by authorities.

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Apendix:

General Perceptions of Companies and Industries

1. Below are descriptions of two companies in the **Retail** industry. Based on the descriptions below, select the company you think is more likely to use legal strategies to avoid paying taxes.

Company A is a small company with 48 employees headquartered in Louisville, Kentucky. 15 years ago, this company was started by two former teachers and they sell mostly stylish regional clothing brands.

Company B is a large company with 5,300 employees headquartered in Jacksonville, FL. This company operates in 29 states and was first opened in 1902. They carry clothing, as well as home décor, shoes and accessories.

Company A is definitely more likely to use legal tax strategies to avoid paying taxes	1	2	3		4	5	6	Company B is definitely more likely to use legal tax strategies to avoid paying taxes
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2. Please list up to three factors that influenced your judgment above:

1. _____
2. _____
3. _____

3. Below are descriptions of two **large** companies. Based on the descriptions below, select the company you think is more likely to use legal strategies to avoid paying taxes.

Company C is headquartered in Denver, Colorado in the technology industry.

Company D is headquartered in Cincinnati, Ohio in the grocery industry.

Company C is definitely more likely to use legal tax strategies to avoid paying taxes	1	2	3		4	5	6	Company D is definitely more likely to use legal tax strategies to avoid paying taxes
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4. Please list up to three factors that influenced your judgment above:

1. _____
2. _____

3. _____

5. A tax haven is a country or independent area where taxes are levied at a lower than average rate. Based on your opinion, rate the following locations (listed in alphabetical order) from most likely to be tax haven (1) to least likely to be a tax haven (5).

- Belgium
- Cayman Islands
- Florida
- Hong Kong
- Ireland

6. Which one of the following describes your reason for ranking the location as #1 in the previous question?

- Best guess
- Media coverage
- Political atmosphere of that area
- Business culture of that area
- Other (please describe) _____

7. Do you think it is ethically correct for companies to take advantage of foreign tax laws in order to pay less taxes?

Definitely not ethical 1 2 3 4 5 **Definitely ethical**

8. Based on your opinion, rate the following industries (listed in alphabetical order) from most likely to use legal tax strategies to avoid paying taxes (1) to least likely use legal tax strategies to avoid paying taxes (5).

- Automobile Industry
- Fast Food/Chain Food Industry
- Pharmaceutical Industry
- Retail Industry
- Technology Industry

9. Which one of the following describes your reason for ranking the industry as #1 in the previous question?

- Best guess
- Media coverage
- Political atmosphere of that industry
- Business culture of that industry

__ Other (please describe) _____

Company Specific Questions

Please read the news article excerpt below and answer the following questions to your best ability:

“Apple Owes \$14.5 Billion in Back Taxes to Ireland, E.U. Says”

Europe’s competitive enforcer said that Apple’s illegal deals with the Irish government allowed the technology giant to pay virtually nothing on its European business in some years. The arrangement enable Apple to funnel profits from two Irish subsidiaries to a “head office” with “no employees, no premises, no real activities” the commission said.

Politicians have berated Apple for paying too little by setting up complex and opaque tax structures.

While the committee did not accuse Apple of breaking any laws, lawmakers criticized the gimmicks, schemes and complex corporate structures that allowed the company to sidestep taxes.

1. How much do you think Apple should pay in fines related to the situation described above?
\$ _____

2. Do you believe tax strategies like the one described above are typical?
Definitely not typical 1 2 3 4 5 **Definitely typical**

3. Do you believe tax strategies like the one described above are ethical?
Definitely not ethical 1 2 3 4 5 **Definitely ethical**

OR

“Understanding Apple's tax mess: Why Apple owes \$14.5 billion”

It’s a complicated arrangement used by hundreds of big companies aside from Apple, but it works something like this. Apple Sales International and Apple Operations Europe are two Irish-registered companies, which hold intellectual property to Apple products and brands outside of North and South America. Using legal tax mechanisms, all sales of Apple products in Europe went to these companies, so the bulk of all profits made in Europe ended in Ireland Using transfer pricing like this to funnel profits into a particular country is a legal and well- used practice.

1. How much do you think Apple should pay in fines related to the situation described above?
\$ _____

2. Do you believe tax strategies like the one described above are typical?
Definitely not typical 1 2 3 4 5 **Definitely typical**

3. Do you believe tax strategies like the one described above are ethical?

Definitely not ethical 1 2 3 4 5 **Definitely ethical**

Read the excerpt from Fortune.com and answer the following questions:

“Swedish multinational company Ikea has been accused of not paying more than 1 billion euros in taxes over the past six years. Based on a report by the Green party, Ikea was using its subsidiary in the Netherlands to move money from its European stores, and then pushing it to tax havens in other countries”

1. How surprised are you to learn this information?

Very Surprised 1 2 3 4 5 **Not at all surprised**

2. What do you feel is an appropriate punishment for this tax avoidance?

- (a) Ikea should have paid a fine
- (b) The responsible individuals within the company (CEO, CFO, etc.) should have received a short jail sentence (a few days to a few months)
- (c) The responsible individuals within the company (CEO, CFO, etc.) should have received a long jail sentence (a few months to over a year)
- (d) Ikea should have paid a fine and responsible individual should have received a jail sentence
- (e) Other _____

3. I believe as long as an act is legal through the law, then it's acceptable for a company to do the act.

Definitely agree 1 2 3 4 5 **Definitely disagree**

Read the excerpt from ABCNews.com and answer the following questions:

“Despite being one of Hollywood's highest-paid actors, Nicholas Cage has had an avalanche of financial problems in the last few years. The "Ghost Rider" actor has admitted to owing the IRS a total of \$14 million and has said that he is taking steps to repay it, starting with switching business managers.”

1. How surprised are you to learn this information?

Very Surprised 1 2 3 4 5 **Not at all surprised**

2. What do you feel is an appropriate punishment for this tax avoidance?

- (a) Nicholas Cage should have paid a fine
- (b) Nicholas Cage should have received a short jail sentence (a few days to a few months)
- (c) Nicholas Cage should have received a long jail sentence (a few months to over a year)
- (d) Nicholas Cage should have paid a fine and received a jail sentence
- (e) Other _____

3. I believe as long as an act is legal through the law, then it's acceptable for a person to do the act.

Definitely agree 1 2 3 4 5 **Definitely disagree**

Read the excerpt from Fortune.com and answer the following questions:

“Google had moved around 10.7 billion euros (roughly \$12 billion) from its Dutch arm to a Bermuda-based, Irish-registered affiliate called Google Ireland Holdings. Google’s tax strategy, cleverly known as a "double Irish, Dutch sandwich," reportedly helped its parent company Alphabet enjoy an effective tax rate of just 6% on its non-U.S. profits, since it passes through a comparatively lower Irish corporate tax rate of 12.5% and a Bermudan tax rate of zero. Revenues at its Irish affiliate were a reported 18 billion euros in 2014.”

1. How surprised are you to learn this information?

Very Surprised 1 2 3 4 5 **Not at all surprised**

2. What do you feel is an appropriate punishment for this tax avoidance?

- (a) Google should have paid a fine
- (b) The responsible individuals within the company (CEO, CFO, etc.) should have received a shorter jail sentence (a few days to a few months)
- (c) The responsible individuals within the company (CEO, CFO, etc.) should have received a longer jail sentence (a few months to over a year)
- (d) Google should have paid a fine and responsible individual should have received either jail sentence
- (e) Other _____

Tax benefits are often offered to corporations for building new warehouses or offices in certain locations. For example, City X will allow a corporation to not pay city taxes for ten years in exchange for building their headquarters in City X.

1. How likely do you think companies are to consider tax benefits when building new warehouses or offices?

Not likely to consider tax benefits 1 2 3 4 5 **Very likely to consider tax benefits**

2. Do you believe companies should be offered tax benefits when building new warehouses or offices?

Definitely should be offered tax benefits 1 2 3 4 5 **Definitely should not be offered tax benefits**

Read the following excerpt from CNN Money and answer the following questions:

“Ty Warner is the owner and founder of TY Inc., which hit it big in the 1990's when Beanie Babies became some of the nation's hottest toys and collector's items. Prosecutors say Warner, 69, stashed over \$93 million in an account with Swiss banking giant UBS (UBS), and later with Switzerland's Zürcher Kantonal bank. He is accused of failing to pay \$885,300 in taxes from 2002.

Forbes Magazine estimates Warner's net worth as of this month at \$2.6 billion. Warner was among the taxpayers outed as a result of a 2009 deferred prosecution agreement between UBS and the U.S. government. UBS admitted to helping wealthy Americans hide their money from the Internal Revenue Service, paying a \$780 million fine and agreeing to turn over the names of certain American customers to the U.S.”

1. How surprised are you to learn this information?

Very Surprised 1 2 3 4 5 **Not at all surprised**

2. What do you feel is an appropriate punishment for Ty Warner for this tax avoidance?

- (a) Ty Warner should have paid a fine
- (b) Ty Warner should have received a short jail sentence (a few days to a few months)
- (c) Ty Warner should have received a long jail sentence (a few months to over a year)
- (d) Ty Warner should have paid a fine and received either jail sentence
- (e) Other _____

1. Sommet Group LLC's, a payroll processing company, financial statement vastly underreported wages and taxes paid on wages on their tax return from 2008 to 2010. Who do you think should be punished for this? (select all that apply)

- Brain Whitfield, CEO
- Edwin Todd, a part owner of Sommet
- Masha Witfield, Vice President of Payroll
- Other (please explain) _____

2. How confident are you in your knowledge of tax law, tax avoidance and tax evasion?

Not at all knowledgeable 1 2 3 4 5 Very knowledgeable

Demographic Questions:

Please select your age group:

- 18-24
- 25-32
- 33-41
- 42-50
- over 50

Please select which political party you identify the most with:

- Democratic
- Republican
- Other (Please specific) _____
- none

Please select your gender:

- Male
- Female

Please select your class year:

- Freshman
- Sophomore
- Junior
- Senior
- Grad Student
- Completed degree

What college are you part of?

- College of Business
- College of Engineering
- Harriot College of Arts and Sciences
- College of Allied Health
- College of Education
- College of Fine Arts & Communication
- College of Health & Human Performance
- College of Nursing
- Not a student
- Other _____