

**Discipline:** Taxation, Empirical-archival research

**1. Language**

English

**2. Title**

Recent trends in tax research

**3. Lecturer**

Prof. Dr. Martin Jacob

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**4. Date and Location**

28. Februar – 3. März 2022

Online

**5. Course Description**

5.1 Abstract and Learning Objectives

The objective of this course is to provide an introduction to the literature on the role of taxation and tax accounting. Many business decisions are influenced by taxes: For example, accounting choices, tax avoidance decisions, investment decisions, and payout decisions are affected by taxes and the regulatory environment. The goal of this course is to deepen the understanding of how taxes and tax accounting affect businesses. The course thus integrates students' basic knowledge of research tools, corporate finance, and financial accounting as well as a discussion of recent empirical tax literature. The course is ideal for students interested in taxation but also accounting, corporate finance, and public economics.

The objective of the course is twofold. Students should understand recent trends in empirical-archival accounting research and be able to critically assess recent work. Second, students should be able to evaluate research papers and write their own research proposal.

5.2 Content

The course will cover 8 different topics in empirical-archival tax research.

1. Taxation and Investment (Corporate Taxes)
2. Taxation and Investment (Other Taxes)
3. Taxation and Investment (Loss Firms)
4. Corporate Tax Avoidance, Measurement

5. Corporate Tax Avoidance, Determinants
6. Corporate Tax Avoidance, Role of Managers
7. Tax Enforcement
8. Tax Avoidance and Real Effects

### 5.3 Schedule

The course will take place on four days. On each day, we will discuss 6 papers and have a wrap-up session of one hour. Students must come prepared to each day, that is, by having read all papers.

Day	Day 1	Day 2	Day 3	Day 4
<b>Morning session</b> 9:00–12:00	Taxation and Investment (Corporate Taxes)	Taxation and Investment (Loss Firms)	Corporate Tax Avoidance, Determinants	Tax Enforcement
<b>Afternoon session</b> 13:00–16:00	Taxation and Investment (Other Taxes)	Corporate Tax Avoidance, Measurement	Corporate Tax Avoidance, Role of Managers	Tax Avoidance and Real Effects
<b>Wrap-up ‘</b> 16:00–17:00	Summary of the Day	Summary of the Day	Summary of the Day	Summary of the Day & Class

### 5.4 Course format

**The course is a combination of interactive classes in which we jointly discuss research papers and where students apply their gained knowledge in review reports, paper replication, and in drafting a research proposal.**

## 6. Preparation and Literature

### 6.1 Prerequisites

Students should have taken an introductory microeconomics course and should have an understanding of introductory statistics or econometrics.

### 6.2 Essential Reading Material (tentative – subject to be updated in 2021)

#### **Session 1: Taxes and Investment**

Djankov, Simeon, Tim Ganser, Caralee McLiesh, Rita Ramalho, and Andrei Shleifer (2010): The Effect of Corporate Taxes on Investment and Entrepreneurship. *American Economic Journal: Macroeconomics*, 2, 31–64.

Giroud, Xavier, and Joshua Rauh (2019): State Taxation and the Reallocation of Business Activity: Evidence from Establishment-Level Data. *Journal of Political Economy*, 127, 1262–1316.

Ljungqvist, Alexander, and Michael Smolyansky (2016): To Cut or Not to Cut? On the Impact of Corporate Taxes on Employment and Income. Working paper.

### **Session 2: Other taxes and Investment**

Becker, Bo, Marcus Jacob, and Martin Jacob (2013): Payout Taxes and the Allocation of Investment. *Journal of Financial Economics*, 107, 1–24.

Jacob, Martin, Roni Michaely, and Maximilian A. Müller (2019): Consumption Taxes and Corporate Investment, *Review of Financial Studies*, 32, 3144–3182.

Yagan, Danny (2015): Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut. *American Economic Review*, 105, 3531–3563.

### **Session 3: Investments of Loss Firms**

Bethmann, Inga, Martin Jacob, and Maximilian A. Müller (2018): Tax Loss Carrybacks: Stimulating Investment versus Misallocation, *The Accounting Review*, 93 (4), 101–126.

Langenmayr, Dominika, and Rebecca Lester (2018). Taxation and corporate risk-taking. *The Accounting Review*, 93(3), 237–266.

Ljungqvist, Alexander, Liandong Zhang, and Luo Zuo (2016): Sharing Risk with the Government: How Taxes Affect Corporate Risk-Taking. *Journal of Accounting Research*, 55, 669–707.

### **Session 4: Corporate Tax Avoidance**

Desai, Mihir A., and Dhammika Dharmapala (2006): Corporate Tax Avoidance and High-Powered Incentives. *Journal of Financial Economics*, 79 (1), 145–179.

Dyreng, Scott D., Michelle Hanlon, and Edward L. Maydew (2008): Long-Run Corporate Tax Avoidance. *The Accounting Review*, 83, 61–82.

Graham, John R., Michelle Hanlon, Terry Shevlin, and Nemit Shroff (2014): Incentives for Tax Planning and Avoidance: Evidence from the Field. *The Accounting Review*, 89, 997–1023.

### **Session 5: Determinants of Corporate Tax Avoidance**

Atwood, T.J., Michael S. Drake, James N. Myers, and Linda A. Myers (2012): Home Country Tax System Characteristics and Corporate Tax Avoidance: International Evidence. *The Accounting Review*, 87, 1831–1860.

Dyreng, Scott D., Michelle Hanlon, Edward L. Maydew, and Jacob R. Thornock (2017): Changes in corporate effective tax rates over the past twenty-five years. *Journal of Financial Economics*, 124, 441–463.

Dyreng, Scott D., Martin Jacob, Xu Jiang, and Maximilian A. Müller (2020): Tax Avoidance and Tax Incidence. SSRN Working Paper.

### **Session 6: Role of Managers in Corporate Tax Avoidance**

Chyz, James A. and Fabio B. Gaertner (2018); Can Paying “Too Much” or “Too Little” Tax Contribute to Forced CEO Turnover? *The Accounting Review*, 93, 103–130.

Dyreng, Scott D., Michelle Hanlon, and Edward L. Maydew (2010): The Effects of Executives on Corporate Tax Avoidance. *The Accounting Review*, 85, 1163–1189.

Rego, Sonja O., and Ryan Wilson (2012): Equity risk incentives and corporate tax aggressiveness. *Journal of Accounting Research*, 50, 775–810.

### **Session 7: Tax Enforcement**

Gallempore, John, and Martin Jacob (2020): Corporate Tax Enforcement Externalities and the Banking Sector, *Journal of Accounting Research*, forthcoming.

Hanlon, Michelle, Jeffrey L. Hoopes, and Nemit Shroff (2014): The Effect of Tax Authority Monitoring and Enforcement on Financial Reporting Quality. *Journal of the American Taxation Association*, 36 (2), 137–170.

Hoopes, Jeffrey L., Devan Mescall, and Jeffrey. A. Pittman (2012): Do IRS Audits Deter Corporate Tax Avoidance? *The Accounting Review*, 87 (5), 1603–1639.

### **Session 8: Real Effects of Tax Positions & Avoidance**

Goh, Beng Wee, Jimmy Lee, Chee Yeow Lim, and Terry Shevlin (2016): The Effect of Corporate Tax Avoidance on the Cost of Equity. *The Accounting Review*, 91, 1647–1670.

Jacob, Martin, Kelly Wentland, and Scott Wentland (2020): Real Effects of Tax Uncertainty: Evidence from Firm Capital Investments. SSRN Working Paper.

Shevlin, Terry, Shivakumar and Oktay Urcan (2019): Macroeconomic effects of corporate tax policy. *Journal of Accounting and Economics*, 68, 1–22.

### 6.3 Additional Reading Material

Brühne, Alissa, and Martin Jacob (2020): Corporate Tax Avoidance and the Real Effects of Taxation: A Review. SSRN Working Paper.

Graham, John. R. (2006): A Review of Taxes and Corporate Finance. *Foundations and Trends in Finance*, 1, 573–691.

Hanlon, Michelle, and Shane Heitzman (2010): A review of tax research. *Journal of Accounting and Economics*, 50, 127–178.

Shackelford, Douglas A., and Terry Shevlin (2001): Empirical tax research in accounting. *Journal of Accounting and Economics*, 31, 321–387.

## **7. Administration**

### 7.1 Maximum number of participants

Due to the interactive character and Ph.D. project work, the maximum number of participants is 20.

### 7.2 Grading system

Students are expected to come well-prepared to each meeting. That is, everyone is expected to have read all papers for the meeting. This ensures not only a lively discussion but also that the course objectives are reached.

The grading is based on four components:

1. Class participation and discussion	10%
2. Referee report	30%
3. Paper replication	30%
4. Research proposal	30%

Each student will write two review reports with a cover letter to the editor on a recent working paper. The papers will be selected by the instructor.

Second, each student will replicate one empirical paper out of a selected pool of papers.

Finally, each student is supposed to write one research proposal. The research proposal is supposed to include an introduction, a theory section, as well as a section explaining the empirical strategy and the potential data sources. The proposal should clearly highlight the research question, the potential contribution and research gap, hypotheses, and the research design. There is no minimum length, but the research proposal needs to cover these parts. The maximum length of the proposal is 6,000 words (excluding the list of references).

The deadlines for the assignments will be announced at the end of the first day.

### 7.3 Credits

This course offers 6 ECTS credits.

## 8. Workload

<b>Working Hours</b>	<b>Hours</b>
<i>Course preparation</i>	<i>52h</i>
<i>Class &amp; class participation</i>	<i>28h</i>
<i>Reviews</i>	<i>30h</i>
<i>Paper replication</i>	<i>30h</i>
<i>Research proposal</i>	<i>40h</i>
<b>Sum</b>	<b>180 h</b>
<b>ECTS: 6</b>	