

PERCEPTIONS INFLUENCING CONFIDENCE IN FEDERAL TAX COMPLIANCE
OF SMALL BUSINESSES:

A QUALITATIVE EXPLORATORY CASE STUDY

by

Kristin A. Roberts

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ABSTRACT

The purpose of this qualitative exploratory single case study was to identify perceptions and experiences influencing the confidence of tax directors regarding federal tax compliance. The scope of this study was limited to Connecticut businesses with annual revenue of \$1 million dollars or less. 20 tax directors completed online surveys, with 10 of the tax directors participating in in-person interviews, and tax directors participating in 2 focus groups. Data was coded and entered in to NVivo 12 software to codify the results for analysis. Research indicated there were three main themes in alignment with the research question. The themes were 1) reliance on tax professionals, 2) overall difficulty understanding federal tax law, and 3) systemic issues with the United States Internal Revenue Service. Recommendations to leadership include the tax professional community working with academia to create educational based outreach programs to small business owners. Recommendations to the United States Internal Revenue Service including development of systems to ensure taxpayers can clearly understand compliance requirements. Future research could be of a quantitative nature in order to determine the strength of the relationship between the themes and federal tax compliance. At its core, this study may encourage additional research on the topic in order to assist tax agencies, the tax professional community and small business owners make more informed choices regarding federal tax compliance.

DEDICATION

This dissertation is dedicated to my mother, Patricia Thiery Lavieri, who taught me the value of hard work, determination and never giving up on my dreams. My grandmother, Lucienne Tardiff Thiery whom always encouraged me to be better than I was the day before. My sons, Brett, Kyle and Alec, who have inspired and encouraged me since the day each of them was born. My granddaughters, Leah, Ali, and Sophia, who I hope to have set a positive and powerful example for. Finally, to the love of my life, for teaching me humility, not taking life for granted, and not settling for less than I deserve. I will always cherish you.

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Chapter 1

Introduction

Business owners face significant financial penalties for federal tax noncompliance, with some penalties reaching as much as \$440,000 (U. S. Department of Justice, 2019). There has been scholarly research on the topic of tax morale, tax knowledge, and tax evasion (Allingham & Sandmo, 1972; Alm, Kirchler, & Muehlbacher, 2012; Kamleitner, Korunka, & Kirchler, 2012). However, a gap in the literature exists concerning what perceptions and experiences influence the confidence tax directors of small businesses have that their businesses are federally tax compliant (Mickiewicz, Rebmann, & Sauka, 2019).

The goal of this qualitative exploratory single case study was to provide an accurate and detailed summary of the study participant's perspectives and experiences influencing their confidence in the federal tax compliance of their businesses. The location selected for this study was an area in the northwest region of Connecticut. The importance of this research can lead to the identification of perceptions and experiences surrounding confidence in tax compliance, thereby providing tax directors with the opportunity to implement internal controls and strategies in order to increase confidence and mitigate the risk of federal tax noncompliance (Churchill & Lewis, 1983). Mitigation of risk of federal tax compliance increases federal tax compliance and reduces the risk of the assessment of significant financial penalties against the business (Stam & Verbeeten, 2017).

Chapter One contains a discussion of the background of the problem, the problem statement, purpose of the study, the significance and nature of the study, and defines the

population and sample of the study. The chapter continues with a discussion of the research question, conceptual framework, and provides definitions of terms used throughout the study, as well as a list of assumptions, limitations and delimitations. Chapter one concludes with a summary of chapter one and an introduction to chapter two.

Background of the Problem

Quantifying federal tax compliance is difficult due to the complexity of tax systems and the sheer magnitude of tax filing requirements within those systems (Hashimzade, Myles, & Tran-Nam, 2013). With estimated federal tax compliance rates at 81.7% (United States Internal Revenue Service, 2016), business owners are facing increasing penalties for noncompliance (Tilahun, 2019). Research has indicated there is a correlation between tax knowledge, tax morale, complexity of tax systems, and tax compliance (Mickiewicz, Rebmann, & Sauka, 2019).

Inestimable reasons exist why a small business may not be federally tax compliant. Some tax directors may lack the technical and regulatory tax law knowledge required to ensure federal tax compliance. Other tax directors may purposely choose to be noncompliant knowing the likelihood of getting caught and assessed penalties may be slim (Kahneman & Tversky, 1979). Another tax director may have a false sense of confidence they are compliant (Kruger & Dunning, 1999). Researching and understanding the perceptions and experiences influencing confidence may assist tax directors with the mitigation of the risk of noncompliance, thereby avoiding increasingly costly penalties.

Helping tax directors increase the profitability and sustainability of their businesses also provides an opportunity for job creation. Financially stable businesses, job creation and an increase to the tax base, contribute to positive economic growth in the community. Tax directors could use the findings to improve their business practices by incorporating tax planning strategies and internal control systems to increase the federal tax compliance of their business (Stam & Verbeeten, 2017). Research has focused on purposeful tax evasion (Alm, 2012), tax morale (Grundmann & Lambsdorff, 2017), and the cost of compliance to small business (Eichfelder & Hechtner, 2018) but has not included research on the perceptions and experiences influencing confidence, which may be a link to unintentional federal tax noncompliance.

Understanding confidence in federal tax compliance and the hurdles tax directors face reaching their optimal level of confidence, may provide an opportunity to mitigate the negative impacts that can accompany noncompliance. A variety of reasons can impact confidence in tax compliance. The tax director may not have enough knowledge in the field of taxation or understand the importance of tax planning. The financial penalties for noncompliance can deplete cash reserves or operating cash to dangerous levels. The stress of noncompliance can take a toll on the business owners, managers, and stakeholders. Depending on the type of tax, the owners, stakeholders and possibly the tax director could be personally responsible for payment of the tax. These perceptions and experiences can cause increased stress and tension within the business.

Problem Statement

Financial management, including the lack of tax planning strategies, internal controls, and age of a business often lead to a reduction in federal tax compliance

(Korndorfer, Krumpal, & Schmukle, 2014). Tax directors are facing increasing penalties for noncompliance with some federal penalties reaching \$440,000 or more per occurrence (U. S. Department of Justice, 2019). The problem is a lack of existing framework regarding perceptions and experiences influencing confidence in federal tax compliance of small business tax directors (Mickiewicz, Rebmann, & Sauka, 2019).

Scholarly research has shown the United States (U.S.) tax code is extremely complex (Burton & Karlinsky, 2016). This complexity represents one of the most significant burdens facing U.S. taxpayers (Arendsen, Wittberg, & Goslinga, 2019). This level of complexity creates uncertainty and a lack of confidence for the taxpayer (Tanzi, 2017)

Oladipupo and Obazee (2016) define tax compliance as the willingness and ability for taxpayers to comply with tax laws and tax obligations imposed on them by taxing agencies. Research of this problem may reveal perceptions and experiences influencing confidence. Increased confidence in federal tax filing compliance can lead to increased federal tax compliance (Oladipupo & Obazee, 2016). Once perceptions and experiences impacting confidence are identified, they can be addressed within businesses to potentially increase federal tax compliance, thereby reducing unnecessary noncompliance penalties. Understanding the tax director's confidence in federal tax compliance and the hurdles the tax directors may face reaching their optimal level of confidence, may allow the tax professional community as well as tax agencies, assist the tax compliance officer with the mitigation of the negative impacts accompanying noncompliance.

Purpose of the Study

The purpose of this qualitative exploratory single case study was to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut. In this study, 20 tax directors were recruited to participate in this study through online surveys, in-depth interviews, and focus group discussions. Results of this study may help tax directors understand what positively or negatively impacts confidence in federal tax compliance and may be used to realize an increase in federal tax compliance, thereby decreasing noncompliance penalties.

Significance of the Study

The significance of the study can be found partly in the fact the results of the study may be useful to various professionals, organizations, and tax agencies. Leaders in the field of taxation, such as tax directors, small business owners, and shareholders of small to medium sized businesses may benefit from the results of this study. Leaders could use the results of this study to incorporate strategic policies and procedures in order to ensure that their businesses are tax compliant. This information could be used to help develop internal controls which identify occurrences of noncompliance. Tax professionals could use the study to help identify areas small businesses need additional professional assistance. The study results could help the tax professional incorporate these needed services into their own list of services and help create additional revenue. The study could also be used by tax agencies to help identify areas noncompliance might be likely to occur. The study findings could also help tax agencies develop outreach programs designed to educate the taxpayer in areas where noncompliance is likely to

occur. The study could also be used by Congress in order to help them understand the tax morale of taxpayers. This understanding could be used to help develop efficient and effective tax laws as well as educational outreach programs.

The findings of this study may help researchers in this field by providing them with the perceptions and experiences which influence confidence in federal tax compliance. Once these perceptions and experiences are identified, further research can be done on the strength of the impact each factor has regardless of the size of the company or which state it is located in. The findings can show educational voids which can be overcome regarding federal tax compliance. Increased education could assist with increasing federal tax compliance rates. When compliance rates are maximized, federal tax agencies are more likely to receive the expected amount of tax revenue to support their government and social programs and policies.

Nature of the Study

Qualitative methodology was used for this study. Qualitative methods help the researcher understand the how and why behind a behavior of a group (Clement, Edwards, Rapport, Russell, & Hutchings, 2018). Conversely, scholars use quantitative research methods to test a theory or to understand the relationship between several variables. When both qualitative and quantitative methods are inadequate, scholars may choose a mixed method (Hadi & Closs, 2016a).

The five designs found within qualitative studies include *case study*, *phenomenological*, *narrative*, *ethnographic*, and *grounded theory* (Merriam & Tisdell, 2016). All five qualitative designs include the same basic tenants which include researching a problem, developing research questions, gathering data, analysis of the

data, and reporting the findings in a concise and meaningful way (Yin, 2017). It is the role of the researcher to determine the design that best compliments the topic of study (Sovacool, Axsen, & Sorrell, 2018).

An exploratory case study research design was used for this study. Researchers use case study design when they wish to focus on the how and why of a phenomenon without delving deep into understanding the lived experiences of the participants (Cakmak & Akgun, 2018). The case study design was appropriate for this study because the focus was not on understanding the experiences of the participants, but instead was on obtaining a better understanding of the overarching issue of confidence in federal tax compliance through in-depth interviews. In this study the lived experiences of participants were not collected to gain a deeper understanding of the phenomenon; therefore a phenomenological design was not appropriate (Jesmi, Jouybari, & Sanagoo, 2019). An exploratory case study was the most appropriate choice for this study due to the fact the researcher focused on identifying perceptions and experiences influencing confidence and did not delve into the deep experiences of the participants (Yin, 2017).

Academics define population as a group of individuals who are selected based on their specific experience with the topic being researched (Banerjee & Chaudhury, 2010). These individuals are generally interested in participating in the study, offering insight into their perceptions and experiences, and are willing to participate in the interview processes required for the study (Garg, Round, Daker-White, Bower, & Griffiths, 2017). It is from this population that the sample population was drawn (Banerjee & Chaudhury, 2010).

The focus of this study was small businesses located in the northwest region of Connecticut with annual revenues of less than \$1 million dollars. According the U.S. Small Business Administration (2018) there are 342,443 small businesses located within the state of Connecticut. The study participants were comprised of tax directors of small businesses whose duties include the responsibility for federal tax compliance. The sample consisted of 20 tax directors of small businesses located in the northwest region of Connecticut.

The goal of a qualitative exploratory case study is to understand the phenomenon of a larger population using a subset or sample of the population (Searle, 2018). Unlike quantitative studies which use mathematical equations to develop generalizations of a large population, a qualitative study uses narrative information in order to develop generalizations (Creswell & Poth, 2018). Information is obtained through surveys, interviews, focus groups, observation and reviewing historical documentation (Ravitch & Carl, 2016).

The researcher is tasked with determining the optimal sample size for a case study (Farrugia, 2019). Daniel (2019a) stated there is no scholarly agreement on what an acceptable sample size is nor is there agreement on a formula or calculation to compute the sample size. The purpose of the sample is to ensure data saturation has occurred (Daniel, 2019a)

Hennink, Kaiser and Marconi (2017) state data saturation can occur with a sample size of 20 or less. Data saturation is defined as the point where collection of additional information concerning the case being studied, does not provide new information or insights (Merriam & Tisdell, 2016). Daniel (2019a) agreed with the definition of

saturation and continues by postulating that the quality of the data is crucial regardless of the sample size.

Triangulation of data can be accomplished by using as few as two sources of data, however using additional sources increases the validity of the study findings (Kern, 2018). The interview, survey and focus group questions used for this study were created specifically for use in this study. Therefore, before the questions were presented to the participants, the questions were reviewed by a panel of subject matter experts in order to ensure the questions would elicit the type and depth of information needed to complete this study.

Purposeful sampling was performed to identify the participants from the population. Purposeful sampling is when the researcher uses their own judgement to determine how many participants are needed in order to reasonably represent the entire population (Farrugia, 2019). Participants qualified for the study if they were 18 years of age or older and in a position within the business which allows them to have firsthand knowledge of the federal tax compliance status of the business. No participant was denied participation based on gender or level of formal education.

Tax directors who had the appropriate knowledge concerning the organization's federal tax compliance were selected for this study. Data was collected first by surveying 20 tax directors. From the 20 surveys, 10 tax directors were purposefully selected for in-person interviews. Two focus groups were performed, each with three of the tax directors who were not selected to participate in the in-person interviews. Both focus groups used the same protocol. However, each group responded to different questions. Focus group A discussed one of the emerging themes identified by the initial data

analysis of the in-person interviews. Focus group B discussed their personal perceptions and experiences regarding characteristics impacting their confidence in the federal tax compliance of their businesses. The focus group setting allowed the tax directors the opportunity to discuss the topic among themselves. This type of group discussion allows the participants to share their perspectives and listen to the perspectives of others, thereby providing additional information that would not otherwise be available through in-person interviews (Merriam & Tisdell, 2016).

Merriam and Tisdell (2016) believe the collection of data is relatively simple for the novice researcher with the analysis of the data becoming the challenge. The data analysis technique for this study was based on the techniques described by Wilk (2019). Data gathered from surveys, interviews and focus group discussion were coded based on emerging themes contained within the participants' responses. The researcher used their best judgement to assign a word or short phrase which reflected the meaning of the participant's response. Once coded, the data was entered in to NVivo 12 software in order to categorize and define common themes. Using a computer assisted qualitative data analysis software provided a method for the researcher to index and sort data (Niedbalski & Slezak, 2016). This allowed for an in-depth analysis of the qualitative data.

Research Question

While quantitative research focuses on testing hypotheses, the focus of qualitative research is on the study of research questions (Ravitch & Carl, 2016). Research questions guide the researcher with the intent of creating new knowledge regarding the research question or identifying potential solutions to the problem. The central research question that guides this study is,

R1. What are the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their businesses?

Identifying perceptions and experiences impacting confidence regarding federal tax compliance can be used to realize an increase in federal tax compliance, thereby decreasing noncompliance penalties. The findings of this study could be used as the foundation for future research regarding issues impacting tax compliance, regardless of the size of the business, its geographical location, or the type of taxes the business is required to pay.

Conceptual Framework

The conceptual framework for this study focused on the model that three main elements guide small business tax director's attitude toward tax compliance. These key constructs are an opportunity for noncompliance, the requirement for substantial knowledge in taxation, and decision framing (Kamleitner, Korunka, & Kirchler, 2012). Kamleitner et al. (2012), presented this framework and built upon the prospect theory postulated by Kahneman and Tversky (1979). Kahneman and Tversky's (1979) prospect theory discusses decision framing which describes how people react to a choice in different ways depending on the presentation of the available options and perceived risks.

Kamleitner, Korunka, and Kirchler (2012) focused on business owners' perception of their tax situation. This study, using the same constructs as Kamleitner et al. (2012), included gathering data to identify any perceptions and experiences influencing the confidence of the business tax director regarding the federal tax compliance of the business. The prospect theory (Kahneman & Tversky, 1979) focused on the construct of decision framing. Kahneman and Tversky (1979) postulated that a

perceived loss is more significant than a perceived gain. A sure gain is more favorable than a probabilistic gain. A probabilistic loss is more acceptable than a definite loss. These presentations of choices and outcomes affect the decision framing of the individual. Using the prospect theory as the conceptual framework, this study included gathering data to identify perceptions and experiences influencing the confidence levels of the tax director regarding the company's federal tax compliance.

Definition of Terms

Tax Gap: Tax gap refers to the difference between what taxpayers are supposed to pay in taxes and what they actually pay in taxes (Alm & Soled, 2017).

Assumptions

Assumptions are made regarding phenomena that is not observable or verified. It is important in qualitative research to identify any assumptions a researcher has made in order to avoid misleading information about the research problem or the research (Sant, 2019). The assumptions for this study were: (a) confidence plays a role in federal tax compliance, (b) 20 tax directors would be willing to complete the study, (c) the study participants would be qualified to answer the research questions, (d) the participants understood the purpose of the study, (e) participant responses did not contain any bias, and (f) participant responses were truthful.

Limitations

Limitations are weaknesses in a study which could negatively impact the study findings and are beyond the control of the researcher (Munthe-Kaas et al., 2018). The first identified limitation for this study was the sample group chosen to participate. Selecting a sample group and omitting others from the population can potentially omit

valuable input from the population not selected (Vasileiou, Barnett, Thorpe, & Young, 2018).

The second limitation identified was that interviewees were selected in advance based on their predicted knowledge of the research questions and had the ability to answer fully, properly, and without bias (Malbasic, Posaric, & Gregurec, 2019). Descriptive validity of qualitative studies can be negatively impacted when the interviewees either do not have the knowledge to answer the questions or if they omit pertinent information during the interview (Vasileiou, Barnett, Thorpe, & Young, 2018).

The third limitation identified was the interpretation of study data would be accurate. The trustworthiness or reliability of the study is based partially on the ability to confirm the study's findings. Increasing the accuracy of interview transcriptions and development of themes is often a tool to increase the accuracy of data interpretation, and thereby increasing the reliability of the study (Hadi & Closs, 2016b).

A fourth limitation was the study results may not be generalized to represent the full population. This lack of generalization was due to the use of a small sample of a much larger population (Parker & Northcott, 2016). According Parker and Northcott (2016), although the results can not be generalized, the results can provide the groundwork for potential studies.

Delimitations

Delimitations exist in research when the researcher chooses to omit certain aspects of the study in order to maintain the scope of the research. The first delimitation for this study was the limit on the number and type of participants. By limiting the number and type of participants to tax directors of small businesses located in the

northwest region of Connecticut, the researcher placed limits on the study to ensure the study could be completed in a reasonable amount of time. The second delimitation was that the participants may have had some biases which would impact their responses and impact the study results. This potential risk was outweighed by the fact that the participants are those with the appropriate knowledge to answer the questions and provide the required data.

Scope

The scope of case study research is defined by the boundaries of the case (Merriam & Tisdell, 2016). The scope of this study was confined to tax directors of small businesses located within the northwest region of Connecticut. These small businesses were required to have annual revenue of \$1 million dollars or less.

Chapter Summary

Chapter One included a discussion of the appropriateness of the qualitative exploratory case study methodology to study perceptions and experiences influencing confidence in federal tax compliance. The chapter also introduced the research topic, problem statement, purpose, and scope of the study. Information was provided concerning the conceptual framework of the study. Chapter two includes a review of current literature related to the central research question. The chapter contains a discussion and analysis of past studies exploring issues acknowledged in this study. Chapter Two identifies a gap in the literature and demonstrates the need for research investigating.

Chapter 2

Literature Review

The review of the literature includes a review of past and current research and writing within a field (Apostolou, Dorminey, Hassell, & Hickey, 2019). By reviewing the literature, the researcher can garner a better understanding of their chosen topic which allows them to add scholarly value to the field (Patten & Newhart, 2017). The purpose of the literature review is to demonstrate the relationship between past and the current literature, show agreement or disagreement among scholars, and explain topics and concepts (Palmatier, Houston, & Hulland, 2018).

The purpose of this qualitative exploratory single case study was to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut. This study required a review of the literature in order to better understand how certain components frame federal tax compliance. Chapter two reviews the historic and current scholarly perspectives of tax knowledge, tax morale, tax evasion, tax avoidance, complexity of tax systems, and how they relate to federal tax compliance.

Title Searches and Documentation

The review of the literature incorporates information acquired from periodicals, scholarly journals, books, several databases, as well as other dissertations and research documents. The primary search engines used were EBSCO Host, Elsevier, and Pro Quest. Secondary search engines such as Google Scholar, Refseek, and Virtual LRC were occasionally used.

Primary terms used for title searches included taxation, tax compliance, confidence in tax compliance, tax morale, tax knowledge, tax evasion, internal controls, tax planning strategies, perceptions and experiences influencing tax compliance, tax complexity, simplified tax, small business taxation, U.S. tax code, history of U.S. tax code, and federal income tax. Secondary terms were used to help refine the search or delve deeper into a topic discussed in an article or publication. Secondary terms included offshore, tax havens, tax gap, corporate social responsibility, tax simplification, impact of war on U.S. tax systems, and flat tax. Not all articles found using these secondary search terms were used in the review of the literature.

To establish the foundation for the study, approximately 300 peer-reviewed articles were reviewed regarding the subject of tax compliance and over 175 were referenced in the study. Some of the articles not selected for inclusion were either published too long ago or deemed not relevant to this study. Several articles were excluded due to their emphasis on tax compliance in other countries, purposeful tax evasion schemes, the shadow economy, other illegal tax activities, tax reform in developing countries, or the articles focused on individual tax compliance or evasion issues. Other articles were not used due to their focus being beyond the scope of this study. In order to stay within the boundaries of this case study, the literature had to include some degree of focus on issues impacting U.S. federal tax compliance.

Historical Overview

In a 1789 letter to Jean-Baptiste Leroy, Benjamin Franklin wrote, “In this world, nothing can be said to be certain, except death and taxes” (Bigelow, 1904). Evidence of tax noncompliance can be found over 5,000 years ago in ancient Egypt when citizens

would bury their gold coins in their backyards just before the tax collector came to collect (Minkes & Minkes, 2010). More recently, discussions include topics such as tax reform, flat taxes, and the omnipresent tax gap (Raczkowski & Mroz, 2018).

As the complexity of the tax systems increased, and the amount of taxes increased, tax evasion, tax avoidance and noncompliance also increased (Borrego, Lopes, & Ferreira, 2017). Businesses began to find intricate ways to avoid increasing tax liabilities, whether using offshore accounts, taking cash, slush funds, bribery, and other unscrupulous ways (Immordino & Russo, 2018). Based on the most recent statistics published by the Internal Revenue Service (2016), in the U.S. alone, tax evasion, tax avoidance, and tax complexity contribute to the \$458 billion dollars in lost tax revenue each year for the two-year period of 2008 through 2010. As the government looks for more ways to collect taxes, businesses look for more ways to not pay them (Hutchinson, 2019).

The U.S. federal income tax can be traced back to the late 1780s (Aidt & Jensen, 2009). During the period of 1776–1789, the U.S. tax code was defined by the *Articles of Confederation* which left the federal government unable to raise funds by means of taxation (Van Cleve, 2017). The Constitutional Convention of 1787 proposed that the federal government should be allowed to levy external taxes, such as tariffs and sin taxes (Aidt & Jensen, 2009). From the period of 1789 to the start of the Civil War, almost 90% of the federal revenue was from tariffs, excise taxes, and sin taxes (Aidt & Jensen, 2009).

The massive cost of the Civil War required the U.S. government to re-evaluate the structure of federal taxes (Van Cleve, 2017). For the first time, the U.S. government taxed income and estates, along with a variety of manufactured goods such as liquor,

tobacco, and playing cards (Brunson, 2019). The Civil War income tax was repealed in 1872 starting the national obsession with taxation (Huntington, 2005).

By 1909, U.S. President William Taft approved a corporate income tax which was designed to circumvent the requirement of a constitutional amendment permitting the taxation of personal income tax (Tax Law Timeline, 2018). By 1913, a Democratic Congress and White House imposed a 2% tax on the top 2% of the income earners (Tax Law Timeline, 2018). As World War I continued, and the need for additional funding increased, the tax was permanently broadened to cover many U.S. workers (Beetsma, Cukierman, & Giuliadori, 2016). After the Great Depression and the start of World War II, the U.S. had changed the tax system to one of a tax of the masses instead of one aimed at only the affluent (Huntington, 2005). The number of tax returns filed increased from less than 15 million prior to World War II, to almost 50 million in 1945 (Beetsma, Cukierman, & Giuliadori, 2016).

After World War II, the federal income tax was not repealed or reduced as it had been after other major wars (Beetsma, Cukierman, & Giuliadori, 2016). From that point on, the federal income tax system has gone through several cycles of tax cut, tax reform, tax increase, and then back to tax cuts, only to repeat the pattern (Bird, 2013). According to Bird (2013), each time the pattern is repeated, the tax system becomes more complex and harder to manage.

Current Content

During the literature review process, several predominant themes began to emerge when researching federal tax compliance. These themes were tax knowledge, tax evasion, tax avoidance, tax morale, and the complexity of tax systems. Tax knowledge

refers to the combination of information on tax law and finance in order to determine the economic impact on the taxpayer (Fallan & Fallan, 2019). Tax morale is the psychological relationship between a taxpayer and tax agencies (Belmonte, Dell'Anno, & Teobaldelli, 2018). Tax morale is a combination of an individual's personal values, social norms, and positive or negative attitudes towards various tax agencies (Rodriguez-Justicia & Theilen, 2018). The complexity of tax systems refers to the sophistication in the tax law and complexity of understanding required tax forms and compliance requirements (Tanzi, 2017).

Tax Knowledge

Tax knowledge includes understanding tax laws and the processes required to be compliant with those laws (Machogu & Amayi, 2016). The level of education a tax director receives has an impact on their understanding of registration, filing and payment requirements (Remali, Satar, Mamad, Abidin, & Zainuddin, 2018). Recent research has shown an increased level of tax knowledge can lead to an increased level of tax compliance (Newman, Charity, & Ongayi, 2018).

Newman, Charity and Ongayi (2018) postulate that the level of education is a key factor influencing tax knowledge due to the fact the additional education allows for better understanding of complicated tax legislation. Research performed by Susyanti and Askandar (2019) also found a connection between knowledge, education and their positive effect on tax compliance. Historical research agrees the higher the educational level of an individual, the more likely they are to comply with tax laws and agree with governmental tax policies (Schepanski & Shearer, 1995). Because of this knowledge,

educated individuals may be more aware of noncompliance issues and have a better understanding of tax systems (Farrar, Kaplan, & Thorne, 2019).

However, not all historic research agrees with Newman, Charity and Ongayi's (2018) and Susyanti and Askandar's (2019) findings. According to Atawadi and Ojeka (2012), small business owners with lower levels of education still have a working knowledge of tax systems. Alm, Kirchler, and Muehlbacher (2012) believed education contributed to compliance to some degree, but education was not the defining factor. Studies performed by Antonides and Robben (1995) on small business owners also found no significant link between education level and compliance.

Churchill and Lewis's (1983) five stages of business growth has indicated tax compliance is linked to the growth and age of a business, and not to the education level of the business' tax director. The more mature the business, the more likely they are to be tax compliant (Sprague, 2018). As businesses mature, their tax planning strategies evolve and tend to incorporate tax avoidance strategies and move away from noncompliance or tax evasion (Feller & Schanz, 2017).

As businesses mature, they often associate themselves with other professional groups and networks (Raj, Fast, & Fisher, 2017). These associations can be local civic organizations or national professionally themed organizations. These relationships allow the businesses to learn from each other, especially in area of tax compliance and tax planning strategies (Busby, Ernst, Clark, Kelly, & DeLuca, 2019).

Tax planning strategies are strategies developed and incorporated by a business in order to ensure tax compliance and avoid overpayment or underpayment of taxes (Garnov & Tchaikovskaya, 2016). The larger the business, the more sophisticated the tax

planning strategies become (Cooper & Nguyen, 2019). Due to fewer financial or staff resources, small businesses generally do not have the capacity to develop and implement sophisticated tax planning strategies thereby, leaving them exposed to the risk of non-compliance (Grace, 2018).

Larger companies are usually structured with a Chief Financial Officer and a team of outside tax accounting professionals, who are available to offer advice, planning and assistance with compliance issues (English, 2018). Small businesses with limited financial resources often handle tax compliance in house (Olsen, Kasper, Kogler, Muehlbacher, & Kirchler, 2019). These small businesses may only outsource the completion of required tax returns, without having any assistance with design or implementation of tax planning strategies (Nagel, Huber, Van Praag, & Goslinga, 2019).

The tax director at a small business may often be the business owner (Olsen, Kasper, Kogler, Muehlbacher, & Kirchler, 2019). In many cases, the business owner may not have the proper level of education or knowledge in order to ensure compliance (Nagel, Huber, Van Praag, & Goslinga, 2019). In even smaller businesses, tax compliance is often handled by a spouse or key employee who has little more tax knowledge than the business owner (Damayanti & Supramono, 2019). In these cases, the overestimation of the business owner or key employees' ability in comparison to their actual skill level can cause a false sense of confidence (Feld, Sauermann, & de Grip, 2017).

In many cases, the person responsible for tax compliance does not realize they are out of compliance (Feld, Sauermann, & de Grip, 2017). A false sense of confidence occurs because the responsible party is not aware of the lack in their own skills (Gibbs,

Moore, Steel, & McKinnon, 2017). This inability to recognize incompetency was studied by Kruger and Dunning (1999) who developed the Dunning-Kruger effect. This effect refers to the inability of the incompetent or ill-suited to recognize the fact they are incompetent (Pennycook, Ross, Koehler, & Fugelsang, 2017). Kruger and Dunning's (1999) research argues that those whom are low skilled often have a false sense of confidence in their ability to successfully perform a function, while the highly skilled often accurately assess their abilities. This over statement or illusion of knowledge creates a false certainty which can lead to noncompliance issues either in the form of tax evasion, tax avoidance, or tax nonreporting or under reporting (Plohl & Musil, 2018).

Tax Evasion

The difference between tax evasion and tax avoidance is an area of taxation that can cause confusion for many taxpayers (Oladipupo & Obazee, 2016). Taxpayers are often confused on what course of action is considered evasion versus avoidance (Mendoza, Wielhouwer, & Kirchler, 2017). Scholars are bifurcated on whether this taxpayer confusion is valid (Blaufus, Hundsdorfer, Jacob & Sunwoldt, 2016). Quantitative research performed by Slemrod and Weber (2012) indicates there is often a great deal of ambiguity between tax evasion strategies and tax avoidance strategies. In contrast, other researchers have found clear distinctions between the two strategies and believe the claim of confusion is invalid (Penno, 2019).

Tax evasion is the illegal act of not filing required tax returns, misreporting income or expenses, or otherwise using illegal actions to reduce tax liabilities (Levaggi & Menoncin, 2016). Tax evasion can occur inadvertently or intentionally (Akhtar, Akhtar,

John, & Wong, 2019). The general desired outcome of tax evasion is to lower tax liability (Payne & Raiborne, 2018).

Tax evasion has dated back to the third century when many taxpayers either buried or somehow hide their wealth in order to evade taxation (Minkes & Minkes, 2010). As tax systems evolved and became more sophisticated, so did the evasion tactics of the taxpayer (Slemrod, 2007). Off-shore accounts, slush-funds, and other off-the-book accounting records took place of burying coins in the backyard (Akhtar, Akhtar, John, & Wong, 2019).

Although tax evasion takes many forms, the basic methods of evasion are either non-filing of required tax returns, underreporting income or over reporting deductions or credits (Fochmann & Wolf, 2019). Further research by Fochmann and Wolf (2019) indicates that taxpayers are more likely to commit tax evasion by the underreporting of income. The underreporting of income occurs when cash transactions are not properly documented and reported (Immordino & Russo, 2018).

This underreporting of cash transactions is what landed notorious gangster, Al Capone in jail. In June of 1931, Capone plead guilty to several charges of tax evasion totaling just over \$215,000 in unpaid taxes, plus interest and penalty. Capone was sentenced to 11 years in federal prison (Federal Bureau of Investigation, n.d.).

Actor Wesley Snipes was found guilty of the non-filing of required tax returns and was subsequently sentenced to three years in prison. Following the advice of financial advisors, Snipes used various illegal means to hide income. For the period of 2001 through 2006, Snipes owed the Internal Revenue Service approximately \$17 million

dollars in taxes plus another \$6.5 million dollars in penalties (Snipes v Commissioner of Internal Revenue, 2018).

According to the most current statistical data on corporate fraud from the Internal Revenue Service, in 2016, the criminal investigation division of the Internal Revenue Service, prosecuted 95% of the investigations they initiated that year. Of those corporate taxpayers, 97% were sentenced to incarceration with an average prison sentence of 37 months (Internal Revenue Service, n.d.).

In 2019, a small business owner from Hamden, Connecticut plead guilty to tax evasion. Raymond George, owner of Ray & Mike's LLC, a delicatessen, was found guilty of failing to claim \$365,065 in income for the 2012 tax year, and \$273,108 in income for the 2013 tax year. This underreporting of income resulted in an underpayment of federal tax of approximately \$220,000 (U. S. Department of Justice, 2019).

Investigation by the United States Attorney for the District of Connecticut, and Special Agent in charge of Internal Revenue Service's Criminal Investigation in New England, found George was using the common scheme of not reporting cash transactions (Fochmann & Wolf, 2019). George was also paying personal expenses with business funds and not reporting the funds as income. (U. S. Department of Justice, 2019). In an aggressive tax evasion scheme, George was found guilty of moving business funds from the LLC's Connecticut Lottery bank account into his personal investment account without claiming the funds as income. The U. S. Department of Justice (2019) discovered George also deposited checks totaling nearly \$300,000 from the business account into his personal account without reporting the funds as income. George then withdrew the funds in order to purchase personal investment property. According to the

report issued by the U. S. Department of Justice (2019), George agreed to pay back taxes of \$220,663 plus interest and penalties and faces fines of up to \$440,000.

The size of the business does not matter when researching tax evasion (West, 2018). Larger companies do tend to have an advantage over smaller companies since the larger companies are more likely to have the resources available to them to fully take advantage of tax avoidance activities. Larger companies generally have the financial resources to hire or outsource tax compliance functions, which allow them to have advisors and professionals guide them (Cooper & Nguyen, 2019).

Tax Avoidance

Tax avoidance is the legal reduction of tax liability using allowed tax deductions, tax laws and tax planning (Blaufus, Mohlmann & Schwabe, 2019). Tax avoidance is an expected part of business tax planning strategies (Cooper & Nguyen, 2019). The use of tax avoidance and business tax planning strategies are common and can be found in small businesses and large businesses alike (Payne & Raiborne, 2018).

Although tax avoidance is legal, it can often be viewed as something that is not socially responsible, especially for larger businesses that tend to be in the national or international spotlight (Akhtar, Akhtar, John & Wong, 2019). Research involving corporate social responsibility names tax avoidance as one of the characteristics the public looks at when judging the moral character of a company (Antonetti & Anesa, 2017). The leadership of large corporations in the national spotlight, must be aware of the fact that taking too much advantage of tax avoidance strategies can cost them customer loyalty (Zeng, 2018). The leadership must decide if the tax savings outweigh the negative impact of a decline in public opinion (Duan, Ding, Hou, & Zhang, 2018).

Research has indicated a link between noncompliance and social responsibility (Bird & Davis-Nozemack, 2018). The more socially responsible company leadership is, the more likely they are to be compliant. Conversely, the less socially responsible the company is, the more likely they are to engage in tax evasion or aggressive tax avoidance activities (Bird & Davis-Nozemack, 2018).

Although there has been a lack of research involving tax avoidance and evasion tendencies of multinational companies (Dillon, 2017), some research does exist. Large multinational corporations such as Starbucks, Apple, and General Electric have been accused of stashing trillions of dollars in countries providing tax havens, in order to lower their federal taxes (Campbell & Helleloid, 2016). Apple alone has been successful at sheltering \$44 billion dollars from taxes (Ting, 2014). SABMiller, one of the world's largest beverage companies opened subsidiaries in several countries allowing them to shift profits outside the U.S. and create tax havens in countries all over the globe (Hess & Alexander, 2015).

Stashing money in foreign tax havens allows these companies to pay reduced tax rates since their taxable profits are reduced (Bennedsen & Zeume, 2018). According to data provided by the U.S. Congressional Report, the U.S. government loses approximately \$10 billion to \$60 billion dollars per year due to the use of tax havens (Col & Patel, 2019). These tax avoidance policies along with federal corporate tax law, often results in corporations paying a much lower tax rate than the average American worker pays (Auerbach, 2018).

Sophisticated schemes of creating foreign subsidiaries, allows businesses to shift profits to countries having either no tax filing requirements or having substantially lower

tax rates than the U.S. (Bennedsen & Zeume, 2018). Often these schemes involve companies creating subsidiaries in these other countries, in name only (Col & Patel, 2019). No employees are located in the country, no manufacturing or shipping is occurring, and these companies are simply treated as shells (Lee, 2017).

Apple, which was accused of shifting profits offshore, accused the U.S. for not updating tax laws to keep up with the growing global economy (Paul, 2019). Paul (2019) also discussed Apple's belief that they were not breaking laws by using offshore companies, and the Permanent Subcommittee on Investigations of the U.S. Senate Committee on Homeland Security and Government Affairs agreed. Apple is not the only one accused of these tax avoidance schemes: corporate giants like Google, Starbucks, and Amazon are also among those in the national spotlight that have fallen under the suspicion of participating in the same tax evasion strategies as Apple (Campbell & Helleloid, 2016).

Research has indicated an ambiguous line exists separating prudent tax avoidance procedures from abuse of the tax system (Kovermann & Velte, 2019). According to Kovermann and Velte (2019) larger corporations are more likely to have the financial and educational resources to take advantage of large-scale avoidance tactics, such as the use of offshore accounts, while small businesses are often not as sophisticated, do not have the financial resources and are unable to institute such plans (Lee, 2017).

Tax avoidance strategies by small business tend to be much less sophisticated (Churchill & Lewis, 1983). The choice of the business's entity structure can help reduce overall tax liability for both the business and the owner (Kovermann & Wendt, 2019).

Timing differences in certain types of tax deductions also plays a significant role in tax avoidance measures taken by small business (Grace, 2018).

Regardless of any ambiguity in the tax law or the impact and consequences of tax evasion and tax avoidance, there has been a great deal of scholarly research on both tax evasion and tax avoidance (Drake, Lusch, & Stekelberg, 2019). While tax avoidance allows the taxpayer to reduce their tax liability, tax evasion often leads to the payment of significant penalties (Tilahun, 2019). Tax situations become even more complicated when the psychological relationship between the taxpayer, tax laws and taxing authorities is taken into consideration (Rodriguez-Justicia & Theilen, 2018).

Tax Morale

Tax morale refers to the psychological relationship a taxpayer has with various tax laws, tax agencies and with the concept of paying taxes (Horodnic, 2018). This morale impacts the likelihood of taxpayers filing tax returns, paying their taxes and using legal tax avoidance strategies instead of illegal tax evasion strategies to lower their tax liability (Belmonte, Dell'Anno, & Teobaldelli, 2018)). Although scholars have researched tax morale, there is still little understanding as to why taxpayers choose to be either compliant or noncompliant (Dulleck, et al., 2016).

Research performed by Dulleck, et al. (2016) indicates the higher the physiological stress of the taxpayer, the more likely they are to be tax compliant. The intention of making a false statement on a tax return increases feelings of guilt and remorse and the resulting stress can be an indication of a higher tax morale (Dulleck, et al., 2016). Conversely, lower compliance and lower stress are often an indicator of a taxpayer with a lower tax morale (Horodnic, 2018).

The concept of tax morale was first introduced in the 1960s, however, the concept was not given much attention by scholarly researchers until the 1990s (Horodnic, 2018). Historical research has indicated a connection between rational decision making and tax compliance (Allingham & Sandmo, 1972). The more likely the taxpayer is to be audited, fined or sanctioned, the higher the likelihood they will be compliant (Olsen et al., 2018). However, researchers have not been able to quantify the strength of the link between rational decision making and compliance, and researchers believe other elements influence tax compliance behavior (Enachescu, et al., 2019).

Emotions such as anger and fear impact tax compliance and morale (Enachescu, et al., 2019). The fear of audit has been shown by researchers to increase compliance rates (Olsen et al., 2018). However, research has also indicated that some deterrence measures fail and inadvertently reduce tax compliance (Jugurnath & Ramen, 2018). When a taxpayer feels the tax is justified and fair, they are more likely to be compliant (West, 2018). In contrast, if a taxpayer feels a tax or tax agency is unfair, unscrupulous, or uncaring, this taxpayer is less likely to be compliant (Casal, Kogler, Mittone, & Kirchler, 2016).

In 1845, Henry David Thoreau spent a night in prison for tax evasion (Crocker, 2017). According to Crocker (2017), Thoreau did not support a federal poll tax meant to support the Mexican American War, and therefore would not pay the tax based on his belief that it was an unfair and unjust tax. His refusal to pay the tax is an example of how disapproval of a tax or tax policy, impacts tax morale and compliance (Casal, Kogler, Mittone, & Kirchler, 2016).

Research has indicated that tax morale is also influenced by social norms and expectations (Yong & Martin, 2016). Taxpayers' tax compliance attitude changes when they discuss taxes with others within their social circle (Onu & Oats, 2016). Depending on the tone of the discussion, the conversation can positively or negatively influence tax morale (Onu & Oats, 2016).

In 1942, the U.S. Secretary of the Treasury commissioned Walt Disney to create a propaganda cartoon meant to encourage citizens to pay their taxes as an effort to fund the war effort (Shortsleeve, 2004). In the film, Donald Duck was enticed by an evil character to keep his money and not pay taxes, while an ethical character encouraged Donald to do the patriotic act of paying taxes (Onu & Oats, 2016). Onu and Oats (2016) postulated that this simple cartoon was an important illustration about how taxpayers are influenced by social, political and cultural environments.

Tax morale is also impacted by the complexity of the tax code (Braunerhjelm, Eklund, & Thulin, 2019). When a concept or idea seems unattainable, a person tends to associate negative feelings towards the concept or ignore it all together (Miyagawa, Taniguchi, & Niiya, 2018). When taxpayers feel they are not capable of properly interpreting the tax laws, they become less likely to comply with the laws (Guerra & Harrington, 2018).

Tax Complexity

The U.S. tax code is notoriously complex (Burton & Karlinsky, 2016). The US regulatory system has grown enormously in scale, scope and complexity in recent decades (Davis, 2017). According to Burton and Karlinsky (2016), the length of the U.S. tax code has increased 40%, from 26,300 pages in 1984 to 74,608 pages as of 2016.

Goldspiel (2018) stated the original 1913 tax code was comprised of approximately 400 pages, representing an enormous increase in page count of almost 200% in just over 100 years.

Tax complexity represents one of the major burdens facing U.S. taxpayers (Arendsen, Wittberg & Goslinga, 2019). The complexity of the U.S. tax code involves significant costs to both the taxpayer and the tax agency (Burton & Karlinsky, 2016). According to Burton and Karlinsky (2016) tax code complexity costs the U.S. 6.1 billion hours of loss productivity in 2015, with an estimated value of \$202.1 billion dollars.

One of the largest costs associated with complexity are errors made not only by the taxpayer, but also by the Internal Revenue Service (National Taxpayer Advocate, 2013). According to the Internal Revenue Service's National Research Program, 67% of errors made by either the IRS or the taxpayer are due to complexity issues (Burton & Karlinsky, 2016). This complexity translates into problems for many tax authorities since it becomes a difficult task to persuade taxpayers to comply with tax laws that are not always precise or easy to understand (Oladipupo & Obazee, 2016).

Complex tax systems create more uncertainty for the taxpayer (Tanzi, 2017). Tanzi (2017) suggests that by making the systems more complex, governments are inadvertently contributing to tax evasion and tax related corruption. Research done by Jugurnath and Ramen (2018) indicates that tax complexity and the probability of an audit negatively influence compliance behavior. Reducing complexity may lead to an increase in a perception of fairness on behalf of the tax agency, thereby increasing compliance rates (Jugurnath & Ramen, 2018).

According to research performed by Saad (2014), the U.S. ranks in the top five countries with the most complex tax system, along with Japan, the United Kingdom, France and Italy. Taxpayers themselves feel they do not have enough knowledge to navigate the U.S. tax system (Saad, 2014). With the calculation of the tax liability falling on the taxpayer, taxpayers are required to be well versed in the tax laws pertaining to their circumstances (Barnes, Feller, Haselwerdt, & Porter, 2018). This is especially true when the taxpayer is ultimately required to answer to the Internal Revenue Service should there be an audit (Weber, 2015).

Researchers, tax professionals, and taxpayers have indicated the source of complexity stems from increasing sophistication of tax law, complexity of calculations, difficulty interpreting forms, poor understanding of procedures, ambiguity of tax law, and the low readability of written tax guidance (Saad, 2014). Understanding what causes the complexity can assist with efforts to make tax systems simpler (Weber, 2015). Researchers have indicated the emphasis must be on the importance of simplifying the tax code (Borrego, Lopes, & Ferreira, 2017).

Research performed by Nawawi and Salin (2018) indicates taxpayers are not able to react optimally to complex tax systems. In a complex tax system, taxpayers often will ignore tax changes that could benefit them, simply because they do not understand the laws (Nawawi & Salin, 2018). Borrego, Lopes and Ferreira's (2017) research indicated that 46% of the study population admitted to making unintentional errors or omissions due to the perceived and real complexity of the tax law.

According to Davis (2017), there are no fundamental economic laws that require tax systems to be this complex. There will always be complex financial transactions that

require complex tax laws (Budak, James, & Sawyer, 2016). However, the emphasis should shift to simplifying the tax code and tax administration (Borrego, Lopes, & Ferreira, 2017).

The Tax Reform Act of 1986, which broadened the tax base, was meant to simplify the tax code but failed to do so (Burton & Karlinsky, 2016). The most recent change to the U.S. tax code was the December 22, 2017 passing of the Tax Cuts and Jobs Act (TCJA) signed into law by President Donald J. Trump. TCJA did simplify a few aspects of the tax code by limiting the number of taxpayers who itemized deductions, reduced the number of taxpayers subject to the alternative minimum tax, and expanded the equipment purchase deduction thereby simplifying record keeping (Gale, Gelfond, Krupkin, Mazur, & Toder, 2018). According to Gale, Gelfond, Krupkin, Mazur, and Toder (2018), TCJA complicated the tax code more than it simplified it.

Due to the speed in which TCJA was passed, not enough time was provided for a complete analysis to be performed to determine if the act transformed the tax system at all (Abreu, 2019). Ultimately, TCJA contained ambiguous provisions and glitches which unintentionally created additional complexity and uncertainty (Gale, Gelfond, Krupkin, Mazur, & Toder, 2018). After a scholarly review of TCJA, Abreu (2019) concluded the act contained provisions which are interpreted as standards, and not the rule. According to Abreu (2019), rules are hard to affirm but easier to administer, while standards are easy to affirm but hard to administer. Due to this ambiguity of the provisions, additional uncertainty has been created, putting the burden upon the taxpayer or tax professional to determine how to properly interpret the act (Barker, 2019). Research performed by Gale, Gelfond, Krupkin, Mazur, and Toder (2018) indicates the issue of rules versus standards

will provide more opportunity for aggressive taxpayers to be noncompliant and make it harder for other taxpayers who wish to be compliant.

Pleas for simplification of the tax code have been often heard but are rarely met with long lasting effect (Budak, James, & Sawyer, 2016). Bottiglieri's (2018) research indicates even the best tax laws are only good if they can be effectively administrated and the most effective way of improving tax policy will stem from academic research, and not from government or tax agencies. Bird's (2013) findings mirror Boyer's (2016) argument that there should be engagement of academia's resources to help solve the most pressing social or civic problems.

Gap in the Literature

There is a gap in the current literature concerning perceptions and experiences impacting confidence in federal tax compliance (Mickiewicz, Rebmann, & Sauka, 2019). Previous research has focused on the impact of tax knowledge in relationship to compliance (Davis, 2017). Prior research has also delved into tax morale and the complexity of tax systems (West, 2018). There is a wide breath of research involving corporate responsibility and taxation as well as analysis of the complexity of various tax systems (Zeng, 2018). However, the research, whether qualitative or quantitative, appears to focus on several elements other than confidence.

Conceptual Framework Literature

The conceptual framework for a qualitative study is a system of concepts and beliefs that guide the research plan (Merriam & Tisdell, 2016). The conceptual framework provides a logical structure of the various concepts in order to show the relationships between the key elements, concepts and components of the study (Grant &

Osanloo, 2016). Merriam and Tisdell (2016) describe this structure as the underlying support of a study and displays the theoretical lens the researcher will review the study through.

Two conceptual frameworks were selected for this study. The conceptual framework presented by Kamleitner, Korunka and Kirchler (2012) focused on the concept that three main elements guide small business tax director's attitude towards federal tax compliance. The key constructs are an opportunity for noncompliance, the requirements for substantial knowledge in taxation, and decision framing.

Removing the opportunity for noncompliance requires the simplification of the tax code (Kamleitner, Korunka & Kirchler, 2012). A review of the current literature supports this finding (Tanzi, 2017). When tax law and tax administration is simplified, taxpayers feel they can understand the tax law and are more likely to voluntarily comply with required filing requirements (Guerra & Harrington, 2018).

Requirements for substantial knowledge also impact taxpayer compliance (Kamleitner, Korunka & Kirchler, 2012). As tax law becomes more sophisticated and tax changes become more frequent, compliance begins to rely on the tax knowledge and expertise of the taxpayer (Remali, Satar, Mamad, Abidin, & Zainuddin, 2018). Utilizing a 2013 questionnaire completed by 2,391 tax professionals, quantitative research performed by Borrego, Lopes, and Ferreira (2017) has indicated that up to 46% of taxpayers have admitted to making unintentional errors or not filing due to lack of proper tax knowledge.

Decision-framing refers to the willingness to be compliant and the choices a taxpayer makes to either be compliant or noncompliant (Kamleitner, Korunka &

Kirchler, 2012). Deciding to be compliant is also known as tax morale (Horodnic, 2018). Kamleitner, Korunka and Kirchler's (2012) decision-framing builds upon the prospect theory (Kahneman & Tversky, 1979).

The prospect theory (Kahneman & Tversky, 1979) provides a model of decision making under stress. Before the establishment of the prospect theory, the predominate decision-making model had been the expected utility theory (Aerts, Haven & Sozzo, 2018). This theory stated that reasonable people would make rational choices even in situations of uncertainty (Chung, Glimcher & Tymula, 2019).

The prospect theory postulates that when making a decision in the environment of uncertainty, a person is more likely to see a perceived loss as more significant than a perceived gain (Kahneman & Tversky, 1979). Kahneman and Tversky's (1979) theory assumes losses and gains are valued differently. Therefore, when presented with two options, one with a potential gain and one with a potential loss, the subject will choose the potential gain (Aerts, Haven & Sozzo, 2018). Even in the case where the probability of a loss or gain is equal, the subject will still perceive the probability of a gain as more probable than that of a loss.

Attema, He, Cook, and Vila's (2019) research supports the biases described in the prospect theory. Attema, et al. (2019) indicated that respondents are more likely to underestimate their chances of obtaining a positive outcome and more likely to overestimate their chances of obtaining a negative outcome. Millroth, Nilsson and Juslin's (2019) quantitative research detailed the choices made by approximately 1,800 participants, who responded to 16 forced choice problems, and found that those with lower levels of expertise were more likely to make choices that reduced risk thereby

reducing the chance of experiencing the worse possible outcome. It is important to take these deviations among decision makers into consideration when creating strategies and policies (Belle, Cantarelli, & Belardinelli, 2018).

Methodology Literature

The most appropriate methodology for the study of identifying perceptions and experiences associated with confidence in federal tax compliance is the qualitative method. Qualitative research helps scholars understand why a group behaves or thinks a certain way (Creswell & Poth, 2018). Researchers using this method focus on understanding the personal perspectives of the participants using an inductive reasoning process (Liu, Han, Zhang, & Li, 2019). The foundation of inductive reasoning is the observations of real examples of an event or phenomenon (Rotello, Heit, & Kelly, 2019). Inductive reasoning often identifies patterns or trends that can then be used in quantitative research. No conclusion is drawn when using qualitative method since the research is of an exploratory nature meant to understand a phenomenon (Ravitch & Carl, 2016).

Quantitative research is used by scholars to test a theory or to understand the relationship between variables which have already been identified (Chu & Ke, 2019). A quantitative methodology would have been appropriate if the intent of this study was to determine the strength of the relationship between variables influencing confidence in federal tax compliance of small business tax directors.

Quantitative studies use deductive reasoning to test a theory by analyzing data. Deductive reasoning is narrower in scope than inductive and is used to assist the researcher with drawing a conclusion based on the analysis of the data. In quantitative

studies, the researcher is attempting to prove or disprove a theory (Cramer-Petersen, Christensen, & Ahmed-Kristensen, 2019).

A large body of scholarly research exists on the broad topic of taxation and tax compliance (Bird, 2013). A review of the literature demonstrates how researchers have identified many elements impacting tax compliance. Many studies have used qualitative methodology in order to identify various perceptions and experiences contributing to tax compliance, tax evasion, tax avoidance, complexity of the tax systems, demographics of taxpayers, and tax morale, not only in the U.S., but also internationally (Kaplanoglou, Rapanos, & Daskalakis, 2016).

Seminal research performed by Allingham and Sandmo (1972) used quantitative methodology to analyze the connection between taxation and risk taking. Research performed by Slemrod (2018) also used quantitative methodology to analyze the relationship between tax compliance and enforcement action. Nagel, Huber, Van Praag and Goslinga (2019) used quantitative methodology to perform a field experiment designed to study the effect tax training programs had on tax compliance.

In the past, quantitative methodology had been the preferred method of research since it was deemed to be more trustworthy (Chu & Ke, 2019). However, this paradigm has shifted over the years (Merriam & Tisdell, 2016). With the increase in reliability, credibility and trustworthiness of qualitative methodology, qualitative research is now considered as legitimate and dependable research as quantitative (Chu & Ke, 2019).

Research Design Literature

The five designs found within qualitative studies include *case study*, *phenomenological*, *narrative*, *ethnographic*, and *grounded theory* (Merriam & Tisdell,

2016). All five qualitative designs include the same basic tenants which include researching a problem, developing research questions, gathering data, analysis of the data, and reporting the findings in a concise and meaningful way (Yin, 2017). It is the role of the researcher to determine the design that best compliments the topic of study (Sovacool, Aksen & Sorrell, 2018).

Researchers use case studies to obtain an in-depth understanding of a specific case (Creswell & Poth, 2018). The culmination of a case study includes assertions formed by the researcher based on the analysis of the data collected during the research process. Researchers use case study design when they wish to focus on the how and why of a phenomenon without delving deep into understanding the experiences of the participants (Cakmak & Akgun, 2018). The case study design method is appropriate for this study since the research focus is not on understanding the experiences of the participants, but instead will focus on obtaining a better understanding of the overarching issue of confidence in federal tax compliance through in-depth interviews.

According to Merriam and Tisdell (2016) a case must be bounded within a system. The boundaries can consist of time, place, or participants. One important aspect of a bounded case is there must be a finite number of participants, a finite span of time, or some other quality that provides boundaries for the case. Merriam and Tisdell (2016) explain that a case must be bounded naturally, if not, the study may be better defined as phenomenological.

This study is bounded by several intrinsic elements. The first is the geographical location of the participants. In order to qualify, a participant must be located within the northwest region of Connecticut. The second boundary is the size of the organization.

Only businesses with annual revenues of \$1 million dollars or less qualify. Time is not an inherent boundary for this case. However, the research findings would be more credible and trustworthy if the participants reflect on their current confidence level, and not a level associated with a past situation or environment.

Case study design has been often used by researchers performing studies in the field of taxation. Campbell and Helleloid (2016) utilized a case study design in their research of how social responsibility and tax avoidance strategies impacted Starbucks. Cooper and Nguyen (2019) also used a case study design for their research involving understanding the motivations and opportunities for tax planning inside U.S. multinational companies. Case study research conducted by St. Pierre (2019) discussed the impact of tax avoidance and tax morale on the consciousness of attorneys.

An exploratory case study is the most appropriate choice for this study because the focus of the study is identification of perceptions and lived experiences influencing confidence, and not to delve into the deep experiences of the participants (Yin, 2017). The use of survey, interview and focus group will allow for the collection of experiences and perceptions of the study participants. This collection of data is intended to provide an understanding of the overarching issue of confidence in federal tax compliance.

Conclusion

Tax compliance is a centuries old issue (Minkes & Minkes, 2010). The complicated interconnection of cause and effect between tax evasion, tax avoidance, tax morale, tax complexity, tax knowledge, and tax compliance have been studied by scholars for decades (Bird, 2013; Drake, Lusch & Stekelberg, 2019). Unfortunately, no

definitive conclusion has been reached on which aspect has the strongest effect on any of the other elements (Tanzi, 2017; Susyanti & Askandar, 2019; Enachescu, et al., 2019).

The literature reviewed for this study has indicated there is a link between education, tax knowledge, tax complexity, tax morale, and tax compliance (Remali, Satar, Mamad, Abidin, & Zainuddin, 2018). Contemporary researchers have not yet been able to identify the strength of the link. Recent researchers show the increased level of tax knowledge can lead to an increased tax compliance rate (Newman, Charity, & Ongayi, 2018). However, research performed several years early indicates that either no link existed (Atawadi & Ojeka, 2012) or the link was either very weak (Alm, Kirchler, & Muehlbacher, 2012) or insignificant (Antonides & Robben, 1995).

Tax knowledge and education have inherent impacts on tax evasion and tax avoidance (Remali, Satar, Mamad, Abidin, & Zainuddin, 2018). Researchers approach the link from both perspectives, without a definitive conclusion as to the impact the elements have on each other. Some researchers believe the technical differences between legal tax avoidance and illegal tax evasion are confusing for many taxpayers (Oladipupo & Obazee, 2016). From the opposite perspective, there are many scholars who believe there are clear distinctions between avoidance and evasion (Penno, 2019).

Tax knowledge continues to have an impact on tax evasion (Newman, Charity, & Ongayi, 2018). Scholars are split between the strength of this link due to the fact that it is not always clear if tax evasion is intentional or inadvertent (Akhtar, Akhtar, John, & Wong, 2019). Because tax evasion is illegal, it is difficult for scholars to obtain the truth from potential study participants (Blaufus, Hundsdorfer, Jacob, & Sunwoldt, 2016).

Tax evasion has been occurring for centuries and examples date back 5,000 years ago to early Egypt when citizens would purposefully hide their wealth from the local tax collector (Minkes & Minkes, 2010). More recent examples can be found in the 1930s when Al Capone was convicted and sentenced to jail for purposeful tax evasion (Federal Bureau of Investigation, n.d.). Even more recently, actor Wesley Snipes was found guilty of tax evasion and sentenced to three years (Snipes v Commissioner of Internal Revenue, 2018). Snipes claimed he was innocent of purposeful tax evasion and was simply following the advice of his financial advisors. In 2019, a Connecticut businessman was found guilty of tax evasion and assessed almost \$440,000 in penalties for the underreporting of income (U. S. Department of Justice, 2019).

Tax knowledge also has had a large and positive impact on the ability of taxpayers to utilize legal tax avoidance tactics (Farrar, Kaplan, & Thorne, 2019). These tactics often come in the form of tax planning strategies designed to ensure tax compliance and avoid overpayment of taxes (Garnov & Tchaikovskaya, 2016; Cooper & Nguyen, 2019). One issue scholars continue to highlight is the fine line that separates prudent tax avoidance procedures, and an abuse of the system (Kovermann & Velte, 2019).

Tax avoidance has also been linked to tax morale and corporate social responsibility (Bird & Davis-Nozemack, 2018). Although tax avoidance is a legal and expected, if overused, it can have a negative impact on a company's perceived stance on corporate social responsibility (Akhtar, Akhtar, John, & Wong, 2019). In some cases, researchers have found links between noncompliance and corporate social responsibility (Bird & Davis-Nozemack, 2018).

Internationally recognized corporate giants such as Starbucks, Apple, and General Electric, have all been accused of extreme tax avoidance tactics designed to protect vast amounts of profits from US income tax (Campbell & Helleloid, 2016). Taking advantage of laws that have not been updated to address the globalization of business, Apple alone has been able to successfully protect \$44 billion dollars in profits from taxes (Ting, 2014). The U.S. Congressional Report has reported that the U.S. government loses \$10 billion to \$60 billion dollars per year due to the use of tax havens and other legal tax avoidance strategies (Col & Patel, 2019).

Researchers have examined the impact of tax morale on these aggressive tax avoidance strategies as well as the impact on tax evasion and general noncompliance (Belmonte, Dell'Anno, & Teobaldelli, 2018). Tax morale was originally introduced in the 1960s but did not receive much scholarly attention until the 1990s (Horodnic, 2018). The general consensus of scholars is that the higher the tax morale, the more likely the taxpayer will be compliant (Olsen et al, 2018). The lower the tax morale, the less likely the taxpayer will be compliant and the more likely they are to engage in purposeful tax evasion.

However, tax morale has been linked to more than the willingness to reduce tax liability at any means (Belmonte, Dell'Anno, & Teobaldelli, 2018). Tax morale is also linked to how a taxpayer feels regarding their belief that a tax or tax system is justified and fair (West, 2018). Taxpayers have been known to refuse to pay a tax based on moral or ethical beliefs (Casal, Kogler, Mittone, & Kirchler, 2016). In 1845, American philosopher, and author of *Civil Disobedience*, Henry David Thoreau went to jail for tax

evasion. Thoreau did not morally support a federal tax meant to support U.S. war efforts and refused to pay the tax (Crocker, 2017).

Tax morale has also been linked to the complexity of tax systems (Guerra & Harrington, 2018). During the period of 1984 through 2016, the U.S. tax code has increased from approximately 26,300 pages to almost 75,000 pages (Burton & Karlinsky, 2016). The U.S. ranks in the top five countries with the most complex tax system (Saad, 2014). According to the Internal Revenue Service (2013), 67% of errors made by either the Internal Revenue Service or the taxpayer were due to complexity of the system and the laws.

There are no inherent or fundamental laws of economics that require a tax system to be as complicated as the U.S. tax code (Davis, 2017). Most attempts at simplifying the tax code have resulted in more complications for the taxpayer than before (Burton & Karlinsky, 2016). The Tax Reform Act of 1986 as well as the Tax Cuts and Jobs Act (TCJA) passed in 2017, have increased the burden on the taxpayer by providing ambiguous tax provisions with little guidance to properly interpret them (Barker, 2019).

The review of the literature indicates a link between federal tax compliance, tax evasion, tax avoidance, tax knowledge, tax morale and the complexity of tax systems (Borrego, Lopes, & Ferreira, 2017). Although scholars remain divided on the impact and strength of these links, they agree the links exist and additional research should be performed in order help mitigate the negative impacts these elements have on federal tax compliance. To increase tax compliance, tax agencies will need to work with academia in order understand these variables, how they impact compliance, and how to use this understanding to improve tax policy so that it can be effectively administrated and

appropriately understood by the taxpayer. Using Boyer's (2016) ideal of scholarship of engagement, academics and non-academics can work together to solve this ever present social and economic issue.

Chapter Summary

Chapter Two included a description of the search engines and title searches used for the review of the literature. The chapter also included a historical overview of the U.S. tax system, research in taxation, followed by a discussion of current literature involving tax knowledge, evasion, morale, complexity, conceptual framework, methodology and design appropriateness, and gap in the literature. The chapter also included several examples of tax evasion cases from the past as well as a current case. The chapter concluded with an overall summary of the literature review and reflection of how academia can work with the public sector to help solve some of these pressing social and economic issues.

Chapter Three will begin with a discussion on research method and design appropriateness and continue with a description of the research question, population, sample, instrumentation, field testing, as well as ethical considerations such as confidentiality, informed consent, data security, credibility and transferability. The chapter will conclude with a description of data collection procedures and analysis techniques.

Chapter 3

Research Methodology

This qualitative exploratory single case study was based on the conceptual framework which states there are three main elements guiding small business tax director's attitudes regarding federal tax compliance (Kamleitner, Korunka, & Kirchler, 2012). These elements include opportunity for noncompliance, requirement for knowledge in taxation, and decision framing (Kamleitner et al., 2012). The focus of this study was how these constructs impact a tax director's confidence regarding federal income tax compliance. The literature used within this study emphasizes how these three constructs impact compliance. However, a gap in the literature exists concerning how confidence impacts these three constructs (Mickiewicz, Rebmann, & Sauka, 2019).

The purpose of this qualitative exploratory single case study was to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut. Results of this study may help understand what positively or negatively impacts confidence in federal tax compliance. This understanding may be used to affect an increase in federal tax compliance, thereby decreasing noncompliance penalties assessed on the business by federal tax agencies.

Chapter Three includes a discussion of the appropriateness of the selected research method and design for this study. The discussion is followed by an explanation of the research question used as the focus for the study, rationale for selecting population and sample, informed consent and confidentiality, instrumentation, field testing,

credibility and transferability, as well as data collection and analysis techniques. Chapter three concludes with a summary of the chapter.

Research Method and Design Appropriateness

Qualitative methodology was used for this study. Qualitative methods help the researcher understand the how and why behind the behavior of a group (Clement, Edwards, Rapport, Russell, & Hutchings, 2018). Conversely, scholars use quantitative research methods to test a theory or to understand the relationship between several variables. When both qualitative and quantitative methods are inadequate, scholars may choose mixed methods (Hadi & Closs, 2016a).

All qualitative designs include the same basic tenants which include researching a problem, developing research questions, gathering data, analyzing the data, and reporting the findings in a concise and meaningful way (Yin, 2017). It is the role of the researcher to determine the design that best compliments the topic of study (Sovacool, Axsen & Sorrell, 2018).

There are several different designs available within qualitative methodology which include, but are not limited to, phenomenological, grounded theory, and case study (Yin, 2017). Phenomenological design focuses on the lived experiences of the participants (Moustakas, 1994). With a phenomenological design, the researcher conducts in-person and in-depth interviews with participants who have all experienced the same phenomenon (Merriam & Tisdell, 2016). According to Creswell and Poth (2018), these heterogeneous groups of participants, experiencing the same phenomenon, can range in size from three to 15 individuals. The focus of this study was not to understand the lived

experiences of the participants. Therefore, phenomenology was not an appropriate design to answer the developed research question.

Grounded theory is when a theory emerges from the research data (Glaser & Strauss, 2015). Unlike other qualitative research design, grounded theory focuses on the building of a theory, grounded in the data uncovered during research (Merriam & Tisdell, 2016). The goal of this study was not to develop a theory, therefore, grounded theory was not appropriate to answer the developed research question.

Case studies are often used in order to gain additional knowledge on a specific topic (Thomas, 2016). Queiros, Faria, and Almeida (2017) postulate case studies are often used to challenge current theory. However, the studies can often be too general in their findings especially if too few cases are studied (Queiros et al., 2017).

Case study design was used for this study. Researchers use case study design when they wish to focus on the how and why of a phenomenon without delving deep into understanding the experiences of the participants (Cakmak & Akgun, 2018). The case study design method was appropriate for this study since the researcher did not focus on understanding the experiences of the participants, but instead was able to obtain a better understanding of the issue through in-depth interviews and surveys (Creswell & Poth, 2018). A case study was the most appropriate choice for this study due to the fact the researcher focused on identifying perceptions and experiences influencing confidence, and did not delve into the deep experience of the participants (Merriam & Tisdell, 2016).

Researchers have several types of case studies that they can chose from (Alpi & Evans, 2019). These include explanatory, exploratory, collective, intrinsic and instrumental (Yin, 2017). Instrumental case studies are used when the researcher's goal is

to study the insights involved with a specific phenomenon (Stake, 1994). Intrinsic case studies are used when the subject is the primary focus of the study (Long, Bullare, & Bahari, 2018). A collective case study uses information from prior studies in order to develop a new study (Xenofontos, 2019). Explanatory case studies are used when the researcher's goal is to explain a phenomenon or question (Kreindler, 2017).

An exploratory case study is used when the researcher intends to either use the study as a precursor to a much larger research study or to indicate that more research is required on a research topic (Yin, 2017). According to Yin (2017), an exploratory case study is a technique used to collect more in-depth data about a phenomenon where no definitive outcome is expected. Exploratory case study design was the optimal choice for this study because the researcher intended to demonstrate the need for additional research focusing on how the perceptions and experiences influencing confidence in federal tax compliance identified in this study impact tax compliance.

Research Question

The research question guiding this study is what are the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their business? Identifying perceptions and experiences impacting confidence regarding federal tax compliance may be used to realize an increase in federal tax compliance, thereby decreasing noncompliance penalties. The findings of this study could be used as the foundation of future research regarding issues impacting tax compliance, regardless of the size of the business, its geographical location, or the type of taxes the business is subject to.

Yin (2017) defines a research question as the driving force behind case study research. Doody & Bailey (2016) postulate the development of an appropriate research question is one of the most important and most difficult aspect of scholarly research. However, little guidance is provided on how to construct the research question (Doody & Bailey, 2016). A research question is designed to narrow the scope of the research (Yin, 2017). The research question is designed to assist in the proper selection of methodology, sample, sample size, data collection, instrumentation, and data analysis technique (Wolf, Joye, Smith, & Fu, 2016).

Population and Sample

Based on statistics provided by the U.S. Small Business Administration (2018), there are 342,443 small businesses in the state of Connecticut. The participants for this study were selected from this population of 342,443 small businesses. Participants were tax directors of small businesses with annual revenues of \$1 million dollars or less, located in the northwest region of Connecticut. The focus of this study was to identify perceptions and experiences influencing the confidence these tax directors have that they have ensured that their businesses are federally tax compliant. The tax directors were either the business owner, a shareholder, or a partner. In small business, the responsibility of tax compliance can fall on a few different people. In the small business environment, the owner, a partner, a shareholder, a member, or even a spouse of a business owner could be the person responsible for federal tax compliance (Battisti & Deakins, 2018). Regardless of the formal title of the individual, they were required to be aged 18 or over and intimately involved with the tax filing for the business and understand federal tax compliance.

Research performed by Hennink, Kaiser, & Marconi (2017) states an acceptable sample size for a research study can be comprised of 20 participants or less. Purposeful sampling was performed in order to identify 20 participants from the population. Purposeful sampling is achieved when the researcher uses their own judgement to determine how many participants are needed in order to reasonably represent the entire population (Farrugia, 2019). No participant was excluded based on gender or formal level of education. All participants were aged 18 or over and had firsthand knowledge of the business' federal tax compliance status.

Data were collected using online survey data from 20 tax directors. From those 20 participants, 10 were purposively selected to participate in an in-person interview. Three tax directors who responded to the online survey but did not participate in the in-person interviews, were purposively selected to participate in focus group A discussion. Three additional tax directors, who responded to the online survey, did not participate in the in-person interviews or focus group A, were selected to participate in focus group B. This second focus group used the same protocols of the first focus group. Focus group A participants discussed one of the emerging themes identified by the initial data analysis of the in-person interviews. Focus group B participants discussed their personal perceptions and experiences regarding characteristics impacting their confidence in the federal tax compliance of their businesses.

Data saturation can occur with 20 or fewer participants (Hennink, Kaiser, & Marconi, 2017). By limiting the participants to 20, the study was completed within a reasonable period of time. Had it become evident data saturation had occurred before all ten participants had completed their in-person interviews, one additional in-person

interview was to be completed to confirm data saturation had occurred. This was not the case, and all ten participants completed their in-person interviews. The two focus group discussions assisted with triangulation and confirmation of data saturation. The participants of the two focus groups did not discuss new or additional factors impacting confidence that had not already been discussed during the individual interviews. The lack of discovering new data during the focus group interviews successfully indicated data saturation had occurred.

Informed Consent and Confidentiality

Confidentiality is a vital component of scholarly research (McGuire, et al., 2019). The confidentiality of the participants must be maintained even after the study is complete. When participants are ensured confidentiality, they feel more comfortable providing the in-depth information that is required for the study since they would not have to be concerned with retribution or any other form of retaliation in their workplace or other appropriate environment (Siordia & Leyser-Whalen, 2019).

Informed consent was obtained by all participants by having them read, agree and sign an informed consent form. This IRB approved consent form contained information regarding the purpose of the study, the time commitment required by participants, the recording of any interviews, the sample size, as well as information concerning their involuntary dismissal from the study. Each participant signed this form. All forms and data are kept in a secured safe deposit box at a local bank and will be shredded no sooner than three years after the completion of the study. Access to the safe deposit box is limited only to the researcher. The informed consent form is the only document upon which a participant's name appears. A copy of the informed consent form used for this

study can be found in Appendix A. Within the study, participants were identified using the pseudonyms of respondent 1, 2, 3 and so forth.

The location of the study was within the northwest region of Connecticut. Interviews were conducted in-person at the offices of the local Chamber of Commerce, in order to obtain robust and detailed information and allow the interviewer to ask clarifying follow-up questions. Focus group discussions were done in-person at the chamber offices. The cost and time of travel contributed to the limit of the study to small businesses located in the northwest region of Connecticut. The executive director of the chamber provided written permission to use the chamber's offices.

To avoid any risk to participants being identified, the term "Chamber of Commerce" is used in this study to identify the source of the study sample. Using the resources of the local Chamber of Commerce, an email was sent to all members of the chamber of commerce with an invitation to participate. An assigned employee of the Chamber of Commerce sent the email directly to all potential participants; this kept the names and email addresses of all potential participants confidential. Communications from potential participants were sent directly to the researcher and were not be sent to the assigned employee at the chamber's office. A copy of the email invitations can be found in Appendix A. A list of all current Chamber of Commerce members and their contact information is available on the chamber's website. The information on the Chamber's website is available to the general public. Written permission had been received from the Executive Director of the Chamber of Commerce. The signed permission slip, which also contains the website of the chamber, appears in Appendix F.

Once a potential participant agreed to participate, the researcher emailed the participant a consent form to read, sign and return to the researcher. Once the researcher obtained the signed consent form, the researcher emailed the participant the link to the online survey. The consent form informed the participant they could withdraw from the study at any time, with no repercussions. Should any participants had withdrawn from the study, the process of sending the invitation to participate, would have be completed again until at least 20 participants were actively participating. No participants withdrew from the study. Therefore, the invitation to participate did not have to be sent again.

Instrumentation

In qualitative studies, one role of the researcher is that of a research tool (Merriam & Tisdell, 2016). For this study, the researcher performed the in-person interviews. Therefore, understanding appropriate interview methods and protocols was vital in ensuring that the researcher did not allow any of their own bias into the processes (Malbasic, Posaric, & Gregurec, 2019). All instrumentation tools were reviewed by subject matter experts to ensure the instruments align with the research question and help mitigate the risk of researcher bias within the instruments.

The first instrumentation tool used was a 10-question online survey. This survey was used to gather demographic data on the participant, as well as to ascertain the respondent's ability and knowledge to answer questions that directly address tax compliance and confidence in tax compliance of the small business. The demographic information collected in the survey directly relates to the location of the business, the revenue figures, size of the organization, age of the organization, and the tax compliance responsibilities of the respondent. Review of the literature has shown that this

demographic information is linked to federal tax compliance (Churchill & Lewis, 1983). Participants had an option to not answer any question for any reason. A copy of this survey can be found in Appendix C.

The second instrumentation tool was a 10-question in person interview. The questionnaire consisted of questions directly relating to tax compliance of the business and the respondent's confidence level concerning compliance. Participants had an option to not answer any question for any reason. A copy of the questionnaire can be found in Appendix D.

The third instrumentation is one question designed for focus group A. This focus group question was broad in scope in order to encourage open discussion among the participants. Participants were asked to provide insight and feedback regarding one of the emerging themes identified by the initial data analysis of the in-person interviews. Participants had an option to not answer any question for any reason. A copy of the question can be found in Appendix E.

The fourth instrumentation was one question designed for focus group B. This focus group question was broad in scope in order to encourage open discussion among the participants. Participants were asked to provide their personal perceptions and experiences regarding characteristics impacting their confidence in the federal tax compliance of their businesses. Participants had an option to not answer any question for any reason. A copy of the question can be found in Appendix F.

All participants had an opportunity to request copies of the transcribed in-person interview they participated in. The focus group participants also had an opportunity to request copies of the transcribed focus group discussion. Had a participant wished to

review, approve or change any portion of their transcript, they were required to submit the changes in writing within five days of receiving the written transcripts. Allowing participants to review and approve transcriptions mitigated the risk of researcher bias. The review and approval process ensured the participants perceptions and experiences were accurately documented in the transcripts.

Field Test

This study included a series of questions provided to participants via an online survey, in-person interview and focus group. The questions were designed to elicit rich and appropriate responses from the participants. This type of data is required so that the study results could appropriately address the research question. Due to the nature of this study, all survey, interview and focus group questions had been developed by the researcher. Existing instruments either contained too many irrelevant questions or did not ask questions that were relevant to this study.

Because the questions were open-ended there was no way to statistically test the reliability of the questions. In this situation a field test was performed. A field test is when the researcher provides the questions to a small number of individuals who have expert knowledge about the population and the field being researched. These subject matter experts then review the interview and survey questions and are asked to comment on the appropriateness of the questions or provide possible adjustments to the questions in order to ensure the questions are appropriate. Subject matter experts do not answer the interview or survey questions. The subject matter experts provide feedback on the appropriateness of the questions.

Four subject matter experts were provided with the survey, in-person interview questions and focus group questions. Two of the subject matter experts were faculty members in the accounting and taxation department of a Connecticut university. The remaining two subject matter experts were tax professionals who are currently active in the profession. These subject matter experts were asked to provide feedback regarding the appropriateness of all survey and interview questions in relation to their ability to elicit the proper responses from study participants. The subject matter experts also reviewed the questions in order to ensure they aligned with the research question posed in the study. These subject matter experts did not participate in the study beyond the scope of performing the field test and were not be a part of the data collection process.

The four subject matter experts reviewed the background of the problem, the problem statement, the purpose of the study, the significance of the study, and the research question guiding the study. All four subject matter experts concluded the interview questions would elicit the proper responses from participants in order to address the research question. The experts deemed the interview questions easy to understand, open-ended, presented in a logical order and protocols were in alignment with the research question in this study.

Trustworthiness

The TACT framework is often used to address the issue of rigor within qualitative research (Daniel, 2019b). The TACT framework utilizes the constructs of trustworthiness, auditability, creditability and transferability to increase the rigor of the research. Trustworthiness refers to the truth, consistency, and neutrality of the research findings (Amankwaa, 2016). Auditability refers to the documentation maintained

concerning data collection procedures, development of categories for coding, and how decisions were made throughout the research process (Merriam & Tisdell, 2016).

Credibility refers to the trustworthiness of the research process used and the data the research generates (Hadi & Closs, 2016b). Transferability refers to the ability to have another researcher, using the same research parameters, to be able to replicate the results (Daniel, 2019b). Transferability does not mean that if provided with the same research parameters, another research could duplicate the finding. Transferability happens when research can offer valuable insights into similar settings, using the same parameters of the original study (Daniel, 2018).

Another form of testing a study's credibility is using triangulation. In its simplest form, triangulation is the use of multiple sources of data to help increase the trustworthiness of the study findings (Rooshenas, Paramasivan, Jepson, & Donovan, 2019). Unlike quantitative research which relies on the statistical analysis, measurement and presentation from one data source (Wald, et al., 2015), qualitative research relies on multiple data sources. Triangulation helps reduce the risk of researcher bias, adds in-depth data for analysis, and assists with data saturation (Fusch, Fusch & Ness, 2018). To increase credibility and transferability, the protocol for this study followed the tenets of TACT and triangulation.

Data Collection

There are many methods in which data can be collected for qualitative studies. Some of the methods include online surveys, in-person surveys, in-person interviews, interviews done via telephone or remotely via a video conferencing system (Thomas,

2016). Other methods include the review of scholarly literature, artifacts, diaries and other written materials (Ravitch & Carl, 2016).

This study first used an online survey with informed consent. These surveys provided some general demographic information about the respondent, their years in the field, any professional certifications or licenses they have, as well as their role at the business. This information was to ensure the business met the study criteria and the participant was appropriately qualified to provide answers for the in-person interviews. Online surveys were provided to 20 participants who indicated their willingness to participate.

Of the 20 survey respondents, 10 were purposefully selected to participate in an in-person semi-structured interview with the researcher. These interviews occurred at a private meeting room within the offices of the local Chamber of Commerce. The site was conveniently located for the benefit of the participant being interviewed. The Executive Director of the Chamber of Commerce provided written permission to use the chamber's membership directory, email services, and the facilities for the purposes of this research. The written permission can be found in Appendix G. The only incentive provided to the participant was the availability of coffee, tea, water or other non-alcoholic beverages during the interviews and focus group discussion.

Two focus groups were performed, each with three of the tax directors who were not selected to participate in the in-person interviews. Both focus groups used the same protocol. However, each group responded to different questions. Focus group A discussed one of the emerging themes identified by the initial data analysis of the in-person interviews. Focus group B discussed their personal perceptions and experiences

regarding characteristics impacting their confidence in the federal tax compliance of their businesses. The focus group allowed the tax directors the opportunity to discuss the topic among themselves. This type of group discussion allowed the participants to share their perspectives and listen to the perspectives of others, thereby providing additional information that would not otherwise be available through in-person interviews (Merriam & Tisdell, 2016). In this setting, the researcher acts as a moderator of the discussion (Thomas, 2016).

An introductory email (Appendix A) was sent to all members of the chamber. The email was sent directly by a designated employee of the local Chamber of Commerce and the email explained the purpose of the study, proposed benefits of the study, and the time requirements of the participants. If a member was interested in participating, the introductory email included a hyper link to the informed consent (Appendix B) with instructions on how to submit the signed informed consent form to the researcher. Once a signed consent form was received, the researcher emailed the participant the link to the online survey. Once 20 online surveys had been received and the researcher had confirmed the participants meet the study criteria, the researcher no longer accepted participants.

In person interviews were scheduled for a time that was convenient for both the researcher and the participant. In person interviews were held in a private meeting room located at the offices of the local Chamber of Commerce. Interviews were audio recorded and subsequently transcribed by the researcher. The participants were offered a copy of the transcription.

Focus group discussion were scheduled for a time that was convenient for all participants and the researcher. The focus group discussion occurred in a private meeting room located at the offices of the local Chamber of Commerce. The focus group discussions were audio recorded and subsequently transcribed by the researcher. The focus group participants were offered a copy of the transcription.

Data Analysis

According to Merriam and Tisdell (2016) the collection of data is relatively simple for the novice researcher with the analysis of the data becoming the challenge. The data analysis technique for this study was based on the technique used by Wilk (2019). The technique included the following steps:

1. Import the transcripts of the surveys, interviews and focus group discussions into NVivo 12 software using Microsoft Word documents.
2. The imported data are then classified by its source: survey, interview or focus group.
3. Data are then coded based on the themes emerging from the participant's responses.

The purpose of coding is to identify a word or short phrase that captures the prominent meaning of the participant's response (Saldana, 2016). Due to the fact the researcher analyzes the responses and assigns the code, it is important for the researcher to ensure they are not incorporating any bias during this process (Merriam & Tisdell, 2016). Having the researcher create the coding of the data, allows for the researcher's insight to be included in the interpretation of the data during the coding process, and not the analysis process (Wilk, 2019). Once all data were entered and coding was complete,

a word frequency query was used to identify the most frequent used words or phrases from all transcripts. Reviewing these emerging concepts and themes can indicate connections or patterns between the themes and concepts (Wilk, 2019).

According to Linneberg and Korsgaard (2019), there are two types of coding: inductive and deductive. Inductive coding is when codes are based on phrases used by participants and found in the data. This type of coding keeps the coding similar to the actual data and reduces the likelihood of researcher bias. Deductive coding can be more complicated than inductive due to the fact deductive coding is based on theoretical concepts or themes. With deductive coding, the focus on answering the research question can be lost (Cunningham & Carmichael, 2017).

Once coded, the data were entered into NVivo 12 software in order to codify the categorized, coded and defined common themes. Using a computer assisted qualitative data analysis software provided a method for the researcher to index and sort data (Oswald, 2019). This then allowed for an in-depth analysis of the data.

Summary

Chapter Three included a discussion of the overall methodology proposed for this study. An analysis of the appropriateness of design and method, research question, population and sample were included. Also discussed were various perceptions and experiences impacting the credibility and transferability of the study such as instrumentation, field testing, data collection and analysis tools. In chapter four, we will discuss the analysis and results of the study.

Chapter 4

Analysis and Results

The purpose of this qualitative exploratory single case study was to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut. In order to be eligible to participate in this study, participants had to be (a) directly responsible for federal tax compliance of their business, (b) aged 18 years or over, (c) be intimately involved with the tax filing for the business, (d) understand federal tax compliance, and (e) have annual revenues of \$1M or less. Data were collected via in-person (a) individual semi-structured interviews with 10 participants, (b) one focus group with three participants, (c) a second focus group with three different participants, and (d) via the collection of data from four additional participants. Of the 20 participants, no participant participated in more than one data collection tool. Open-ended interview questions were used to elicit the tax director's perceptions and experiences influencing their confidence in the federal tax compliance of their businesses. The first focus group was asked to reflect on three themes that emerged from the individual interviews. The second focus group was asked to reflect on one question regarding factors influencing confidence regarding their business' federal tax compliance. The researcher transcribed the interviews and focus groups verbatim, and transcripts were thematically analyzed using NVivo 12 software.

This chapter includes details of the study results. The study results include themes which emerged during the data analysis process. Tables are used throughout the chapter as a visual presentation of the results. Themes emerged through the analysis of the

interview and focus group data which reveals details of perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut.

The presentation of the study findings illustrates participants' self-reported perceptions and experience relating to their confidence in the federal tax compliance of their small business. The researcher used NVivo 12 qualitative data analysis software to identify commonly used words, patterns, and identification of themes.

Research Question

This study was driven by the following research question: What are the perceptions and experiences influencing tax director's confidence in the federal tax compliance of their businesses?

Data Collection

Invitation to Participate

Using the resources of a local chamber of commerce, an email was sent to all members of the chamber of commerce with an invitation to participate in the study. An assigned employee of the chamber of commerce sent the email directly to all members of the chamber of commerce. Communications from potential participants were sent directly to the researcher, thereby keeping the names and email addresses of potential participants confidential.

Informed Consent

Informed consent was obtained by all participants by having them read, agree and sign and informed consent form. The IRB approved consent form contained information regarding the purpose of the study, the time commitment required by the participants, the

recording of any interviews, the sample size, as well as information concerning the participant's voluntary and involuntary dismissal from the study. Each participant of the study signed the informed consent forms.

Survey

All participants were required to complete a 10-question online survey. The survey was used to gather demographic data on the participants, as well as to ascertain the respondent's ability and knowledge to answer questions that directly address tax compliance and confidence in tax compliance of their small business. The demographic information collected in the survey directly related to the location of the business, the annual revenue figures, size of the organization, age of the organization, and the tax compliance responsibilities of the respondent.

Interviews

The first 10 respondents to the online survey were selected to participate in an in-person interview with the researcher. The interview consisted of 10 open-ended questions relating to the tax compliance of the business and the participant's confidence level concerning compliance. The participants were given the opportunity to refrain from answering any of the interview questions. The participants also had the opportunity to review the transcription of the interview.

Focus Groups

Two separate focus group discussions were performed. The first focus group consisted of three participants who did not participate in the in-person interviews. This focus group was provided with one major theme identified by the initial data analysis of the 10 in-person interviews. Focus group participants were asked to provide insight and

feedback regarding the theme. Participants were provided with the option to not provide insight or feedback. The participants also had the opportunity to review the transcript of the focus group discussion.

The second focus group consisted of three participants who did not participate in either the in-person interviews or the first focus group. This focus group was asked to reflect on one question regarding factors influencing confidence regarding their business' federal tax compliance. Participants were provided with the option to not provide reflection. The participants also had the opportunity to review the transcript of the focus group discussion.

Demographics

The target population for this study consisted of tax directors of small businesses located in the northwest region of Connecticut, with annual revenues of \$1 million dollars or less. Information concerning the gender of participants were not gathered since this information was deemed immaterial. The only information collected regarding the age of the participants was that each was aged 18 years of age or older.

The employment position of participants of the study included officers, managers and owners of small business (see Table 1). Participants ranged from having less than one year of experience in their industry to over five years of experience in the industry (see Table 2). The education level of participants ranges from high school to master's degrees (see Table 3). Seventy-two percent of participants held a professional license or certification (see Table 4).

Table 1

<i>Participants' Employment Position</i>	
Position	Percentage
Officer	12%
Manager	12%
Owner	76%
Total	100%

Table 2

<i>Participants' Length of Employment in Industry</i>	
Years	Percentage
Less than 1 year	6%
1 to 5 years	24%
Greater than 5 years	70%
Total	100%

Table 3

<i>Participants' Education Level</i>	
Education	Percentage
High School/GED	41%
Associates	12%
Masters	29%
Total	100%

Table 4

<i>Participants' License/Certification</i>	
General Type	Percentage
General Tradesmen	18%
Medical	6%
Food Service	24%
Management/Professional	24%
None	28%
Total	100%

Demographic data were also collected on the businesses the participants represented. Six different business industries were represented in the study (see Table 5) with professional services and food service industries representing a total of 65% of the participant businesses. 41% of the represented businesses have been in operation for more than 10 years (see Table 6). The number of full-time employees ranged from zero to 20, with 71% of the represented businesses having 5 or less employees (see Table 7).

Table 5

<i>Business Industry</i>	
General Business Category	Percentage
Agricultural	5%
Food Service	30%
General Trades	15%
Hospitality	5%
Professional Services	35%
Retail	10%
Total	100%

Table 6

<i>Age of Business</i>	
Years in Business	Percentage
1-3 years	17%
4-6 years	24%
7-10 years	18%
> 10 years	41%
Total	100%

Table 7

<i>Number of Employees</i>	
Full-Time Employees	Percentage
0 to 5	71%
6 to 10	23%
11 to 20	6%
Total	100%

Data Analysis

The process of data analysis required several steps. The researcher first transcribed all interview and focus group audio into Microsoft Word documents. Once the Microsoft Word documents were printed, the researcher repeatedly read and reviewed the documents in order to become more familiar with their content, and to identify tentative themes and patterns. None of the participants requested a review of the transcripts.

The researcher then imported the Microsoft Word data into NVivo 12 software for computerized analysis. The imported data was classified by its source: interview, first focus group, or second focus group. Nodes were developed within NVivo 12 based on the themes emerging from the analysis of the transcriptions. The data was then assigned to a related node based upon the themes emerging from the participants responses.

Results

Three main themes emerged from the analysis of the transcriptions of the 10 in-person interviews. These core themes included: (a) reliance on a tax professional, (b) overall difficulty understanding federal tax law, and (c) systemic issues with the Internal Revenue Services. The core themes were supported by the analysis of the transcriptions of the focus group discussions. No new themes emerged from the analysis of the focus group discussions, indicating that data saturation had occurred. Table 8 provides a visualization of how the interview questions correlated to the identified themes.

Table 8

Interview Questions and Corresponding Themes

Interview Question	Theme
Tell me about your role in the federal tax compliance of your business?	Reliance on a tax professional
Some businesses have internal personnel handling federal tax compliance, some have outside tax professionals handle federal tax compliance, and some have a mixture of both. In as much detail as possible, please describe the structure of your business as it relates to federal tax compliance.	Reliance on a tax professional
What perceptions and experiences either increase or decrease your confidence that your business is federally tax compliant?	Reliance on a tax professional
How would you describe your confidence in your ability to ensure your business is federally tax compliant?	Reliance on a tax professional
How do you feel about the ease or difficulty of keeping your business federally tax compliant?	Overall difficulty understanding federal tax law
How do you or any owners, employees, shareholders, or other individuals, who are involved in the federal tax compliance of the business, keep up to date on the federal tax law changes that may impact your business? Can you describe your understanding of tax evasion versus tax avoidance?	Overall difficulty understanding federal tax law
Would you like to add any additional comments regarding this study topic?	Systemic issues with the Internal Revenue Service
In the past 3 years, has your business had any issues regarding federal tax compliance which required you or your business to either contact the Internal Revenue Service directly or use an outside tax professional to help resolve the issue? If so, can you please provide details or examples of the situation?	Systemic issues with the Internal Revenue Service
How do you feel about the overall fairness or justification of the federal tax system?	Systemic issues with the Internal Revenue Service

Themes

Theme 1: Reliance on a tax professional

All participants discussed their various levels of reliance on an outside tax professional regarding their business' federal tax compliance. Several participants only interact with their tax professional once per year, while others communicate with the professional on a regular basis. *Participant 11*, the owner of a food service business stated, "I have a close relationship with my accountant. We speak often during the year. I rely on their expertise to ensure everything is done correct and on time." *Participant 8*, the owner of a small retail business explained, "We're a pretty small company. So I only see my tax guy once a year. We really don't communicate at all during the year. I only see him at tax time."

Other participants voiced concerns that they are too reliant on their outside tax professional and felt they should take more of an active role in the federal tax compliance of their business. *Participant 3*, the manager of an agriculturally based business, shared, "Although we rely on our accountant, I have no idea what the laws are or if we are really compliant. Having gone through this interview, I realize that we need to be more involved in what the accountant is doing and understand it better. Ultimately, the responsibility falls on us, not the accountant."

Theme 2: Overall difficulty understanding federal tax law

All participants expressed differing levels of concern over the overall complexity of federal tax, their difficulty understanding the law, and what was required to be fully compliant. *Participant 8* shared:

My business is very uncomplicated. We are small and have no employees. But I still have to rely on someone else's knowledge to make sure the business is compliant. Even if I sat down to look at it, I wouldn't know what I am looking at, and this is scary. I went to school. I have a college degree. And I can't read or understand this tax return. That is just wrong.

Participant 6, the owner of a food service establishment asked a rhetorical question during the interview, "Do they make it this difficult in hopes to trap a taxpayer and get more penalties out of them? They just make things more complicated than it needs to be."

Participant 5, the owner of a professional consulting firm echoed the same frustration:

You shouldn't have to have a PhD to understand this. I have a master's degree and can't understand it. If the law was supposed to be written for the layman to understand, they missed their mark. I just don't see any reason for this to be so complicated.

During a focus group discussion, *Participant 12*, a tax professional, expressed concern that the difficulty of federal tax law also impacts the tax professional. "Sole practitioners are limiting the type of federal tax work they will do. They know that there are just too many difficult laws, too many updates and changes, that they can't service all tax needs. So, they turn away business. Which ultimately hurts their profitability and sustainability."

Theme 3: Systemic issues with the Internal Revenue Service

All participants expressed negative experience interactions when attempting to communicate or resolve issues with the Internal Revenue Service. Participants repeated used the keywords: intimidating, unreasonable, aggressive, disrespectful, and scary. A few described their interactions as having negative psychological factors akin to post-traumatic stress syndrome. *Participant 7* was very vocal concerning his on-going issues with the Internal Revenue Service:

We got behind on tax payments. We were being as compliant as we possibly could. We were trying to work with them. But we were penalized over and over again. We were attacked. The IRS employees in our area that were assigned to our case were useless. We had no choice but to work with them. We couldn't go over their heads. We couldn't go to Washington. And we are still dealing with this mess.

Another participant mentioned a slogan she believed to be recently used by the Internal Revenue Service. "The new and friendlier IRS? They said they were here to help people. But they are not. They purposely making the law complicated. It makes it hard for a small business owner to know what to do."

Participant 6, the owner of a food service businesses shared, "They don't communicate with small businesses. They don't let us know about changes in the tax law. There is no outreach. We are left to figure it out on our own. And that's not right."

Participant 7, a partner in a consulting firm, expressed his concern with the tax law being more favorable to large corporations. He stated, "Large companies can hide

money off-shore, and they end up paying less tax than we do. How is that possibly fair? And it seems the more they try to fix it, the more they mess it up.”

Summary

Chapter Four included the presentation of the research question which guided this study. The data collection process was provided as well as demographic information on the study participants. Data analysis method was discussed. The results of the study disclosed three main themes: (a) reliance on a tax professional, (b) overall difficulty understanding federal tax law, and (c) systemic issues with the Internal Revenue Service.

Chapter Five will include a discussion of the findings and limitations of the study. The chapter continues with the presentation of recommendations to leaders and practitioners. The chapter concludes with a presentation of recommendations for future research.

Chapter 5

Conclusions and Recommendations

The purpose of this qualitative exploratory single case study was to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut. The lack of current research concerning the perceptions and experiences impacting confidence in federal tax compliance was a limitation of previous studies (Mickiewicz, Rebmann, & Sauka, 2019). Therefore, the current study expanded on existing research by exploring the experiences of 20 tax directors working at various types of small businesses located in the northwest region of Connecticut. The research question guiding the study was: What are the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their business?

Participants were recruited using the general membership of the local chamber of commerce. The researcher conducted in-person interviews and focus group discussions with the study participants. The interviews and discussions were audio recorded and subsequently transcribed by the researcher. The researcher then used NVivo 12 to assist with the data analysis. The analysis revealed three main themes. These core themes included (a) reliance on a tax professional, (b) overall difficulty understanding federal tax law, and (c) systemic issues with the Internal Revenue Services.

This chapter contains a reiteration of the research question guiding the study. A discussion of the study findings and limitations discovered during the research process will be addressed. Sensible recommendations to leaders and practitioners will be

provided. Recommendations for future research will be presented. The chapter concludes with a general summary of the chapter.

Research Question

The central research question guiding this study was: What are the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their businesses?

Discussion of Findings

Theme 1: Reliance on a tax professional

All participants expressed some degree of reliance on an outside tax professional in order to increase their confidence in federal tax compliance. The age of the business did not appear to be a factor in the relationship between the participant and the tax professional. Churchill and Lewis' (1983) research indicated there was a link between tax compliance and the age of the business. Clemons and Shevlin (2016) agreed that the more mature the business, the more likely the business would be tax compliant. In contrast, the results of this study revealed that regardless the age of the business, the tax director was reaching out to a tax professional to ensure compliance.

English (2018) stated larger companies are usually structured with in-house personnel handling day-to-day financial operations combined with a team of outside tax professionals or accountants assisting with tax planning and compliance. The participants in this study represented small business which ranged from 0 to 20 employees and revenues spanning \$60,000 - \$800,000 annually. Contrary to English's (2018) postulation, each participant handled day-to-day financial operations with in-house personnel and relied on an outside tax professional or account to assist with compliance.

Data analysis was deemed inconclusive of how the educational levels of the business owner's impact their confidence or their reliance on the use of an outside tax professional for compliance. Educational levels ranged from the completion of high school to the completion of a master's degree. However, all participants relied on outside tax professional because they were not confident that they had a working knowledge of tax law. This finding does agree with Alm, Kirchler, and Muehlbacher's (2012) findings that education levels contributed to tax compliance to some degree, but education was not the defining factor. Conversely, the study's findings contrast Newman, Charity and Ongayi's (2018) belief that the level of education is a key factor in the business owner's ability to understand federal taxation.

Theme 2: Overall difficulty understanding federal tax law

All participants expressed significant concerns regarding the overall difficulty they have understanding federal tax law. This shared sentiment supports past research findings stating the notoriously complex U.S. tax code (Burton & Karlinsky, 2016) is one of the major burdens facing U.S. taxpayers (Arendsen, Wittberg & Goslinga, 2019). Participants expressed their feelings that they did not have the proper knowledge to navigate the U.S. tax system. This sentiment supports the same findings reported by Saad (2014).

Due to the overall difficulty of tax law, participants expressed a lack of confidence and an increased uncertainty they were keeping their businesses federally tax compliant. A finding which agrees with Tanzi (2017) who suggested that the government is inadvertently contributing to increased tax non-compliance by creating these complex systems. Participants felt that a reduction in complexity and more proactive outreach to

businesses by the Internal Revenue Service would increase confidence in their ability to keep their businesses tax compliant. This agrees with Jugurnath and Ramen's (2018) study of the reduction of complexity.

Several participants expressed that they do not pay attention to tax law changes that may impact them since the changes are too complicated to understand. This expression directly supports research performed by Nawawi and Salin (2018), which found that taxpayers were not able to react optimally to complex tax systems. According to Davis (2017), there are no fundamental economic laws that require tax systems to be this complex. Davis' findings were supported by one participant of this study who expressed his belief that a taxpayer should not be required to have a PhD in order to understand the U.S. tax code.

Theme 3: Systemic issues with the Internal Revenue Service

Analysis of the research data indicates participants perceived systemic issues with the Internal Revenue Service ranging from customer service issues, unfairness in tax law, and overall anger and frustration when dealing with tax compliance and the Internal Revenue Service. According to research performed by Enachescu, et al. (2019), emotions such as fear and anger negatively impact tax compliance. When taxpayers feel tax laws are unfair, they are less likely to be compliant (West, 2018).

West (2018) continued by stating taxpayers are also less likely to be compliant if they feel the tax agency is uncaring. Participants in this study indicated a willingness to be compliant however felt an inability to be compliant. Participants believed the Internal Revenue Service did not care about them, would not work with them, or did not take the time to understand the situation the taxpayer found themselves in.

Data analysis indicates participants feel many tax laws favor larger, multi-national corporations, and fail to consider the needs of the small business. Research by Col and Patel (2019) indicates the U.S. government losses \$10 billion to \$60 billion per year by the use of tax haven used by large corporations. The use of these legal tax strategies often results in large corporations paying less in tax than non-corporate taxpayers (Auerbach, 2018).

In this study, the participants communicated an over-all sense of confusion and uncertainty regarding their tax filing responsibilities. They expressed they were subject to the unfairness of the tax code, and a lack of assistance by the Internal Revenue Service. Gale, et al (2018) also believe even the most recent attempt to make tax law fairer and less complicated, actually created more problems than were fixed. The Tax Cuts and Jobs Act (TCJA) of 2017, by creating more glitches and uncertainty, put additional burden on the taxpayer and the tax professional community (Barker, 2019).

Limitations

Participants were required to have first-hand knowledge of the tax compliance of their respective businesses. A limitation existed regarding the researcher having no control over how the participant responded. The accuracy of the data relied on the honesty of the participants. This study was restricted to the northwestern region of Connecticut and may not apply to small business tax directors in other areas of the state or country.

Recommendations to Leaders and Practitioners

The first recommendation would be for the tax practitioner community to develop an outreach program in order to assist these small business taxpayers. The tax

practitioner community can provide not only tax and accounting assistance, but also provide educational opportunities designed not only to educate small business tax directors and but to also help alleviate the negative emotions involved with tax compliance. These programs should be designed so the non-tax professional can understand the content. Many colleges and universities have small business outreach centers staffed by academics and student-teachers. The tax practitioner community could partner with local universities to develop or strengthen this type of outreach program.

The second recommendation would be to address the difficulty with the layman's difficulty with understanding tax law and tax law changes. Although instructions are currently available for all forms and schedules published by the Internal Revenue Service, the wording is very complex and difficult to understand, even for the most experienced tax professional. Editorial review panels could be developed to address clearer and more concise wording for the instructions. Review panels could be comprised of tax professional, tax attorneys, English educators, as well as various types of taxpayers. To address tax law changes, the Internal Revenue Service could create outreach programs that target, not just the tax practitioner community, but the small business community. Involvement with chambers of commerce, business oriented civic groups, and the U.S. Small Business Administration, could develop avenues to get understandable versions of new tax law changes into the hands of the small business owner.

The third recommendation would be to address the overall systemic issues found within the Internal Revenue Service. This would be a daunting task; however it is something scholars and practitioners have felt has been needed for a long period of time.

Leaders and practitioners could create their own task force to identify all apparent systemic issues with the Internal Revenue Service by working with business owners in their region. These regional task forces can then gather all the data and evidence and develop a logical and reasonable plan of action to address the issues. Once this is done, it may include presentations to Congress, the U. S. Department of the Treasury, or even the U. S. Internal Revenue Commissioner. Approaching the Internal Revenue Service with a list of issues and a reasonable, feasible, and logical solution to the issues, will have a more positive impact than simply providing them with a list of what is wrong. Identify the issues and present a solution.

Recommendations for Future Research

This study was valuable by providing an opportunity to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in a northwest region of Connecticut. The researcher could have performed this study using a larger population or a population with slightly different demographic attributes. Any change in the variables sample population could have provided different results. Specific recommendations for future research include performing research that include the following:

- Case study research focusing on small businesses in a larger metropolitan area to add understanding to how confidence in federal tax compliance varies from rural area to metropolitan areas.
- Case study research increasing the sample size so that more focus group discussions could be performed. The focus groups added rich data for analysis.

- A multi-case study that defines the case by the type of industry the participant is in.
- A quantitative study that measures the relationship between the themes established in this study with perceived and actual tax compliance.

Summary

Chapter Five included a detailed description of the findings that were presented in Chapter Four. Chapter Five also contained a discussion on recommendations for leaders and practitioners. These recommendations included (a) the development of a collaboration between scholars and practitioners with the goal being education of the small business owner, (b) the development of an editorial review board with the goal of ensuring federal tax form instructions are presented in a way that non-practitioners can understand, and (c) the development of national task force to present actionable recommendations for solutions to systemic issues within the Internal Revenue Service as perceived by small business owners. Recommendations were also made for future research. One significant future recommendation was to expand the population to include a metropolitan area, instead of a more rural setting than the northwestern region of Connecticut.

The study focused on experiences and perceptions influencing confidence in federal tax compliance of small businesses. The findings of this study may assist practitioners and leaders with the development of tools to increase confidence in federal tax compliance, ultimately increasing actual federal tax compliance. The design and method of this study was appropriate because the intent of the researcher was to provide

an accurate summary of the study participant's perspectives and experiences influencing their confidence in the federal tax compliance of their businesses.

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Appendix A

Invitation to Participate and Online Survey

Perceptions Influencing Confidence in Federal Tax Compliance of Small Businesses: A

Qualitative Exploratory Case Study

Dear Research Participant:

My name is Kristin Roberts. I am a doctoral student at the University of Phoenix. I would like to invite you to participate in my study focused on perceptions influencing confidence in federal tax compliance of small businesses. The purpose of this exploratory case study is to identify the perceptions and experiences impacting the confidence tax directors have that their businesses are federally tax compliant.

To qualify as a participant, you and your business must meet the below criteria:

- Your business must be located within the northwestern region of Connecticut.
- Your business must have annual revenues of \$1M dollars or less per year.
- You must have firsthand knowledge of the federal tax compliance of your business and you must be directly or indirectly responsible for federal tax compliance

If you choose to participate, your participation will involve the following:

- 10-15 minutes to read, sign and return the required Informed Consent Form.
- 10-15 minutes to complete the online survey.
- 60 minutes to complete an in-person interview, if selected.
- 60 minutes to participate in a focus group, if selected.
- In person interviews and focus group discussion will be audio taped and will be conducted in the XXXXX offices located at XXXXX, CT.
- Your participation in the study may be terminated if it is determined that you do not have the proper knowledge of your business's federal tax compliance and would be unable to answer all questions.

In this research, there are no foreseeable risks to you. Although there may be no direct benefit to you, a possible benefit from your being a part of this study is that more knowledge is gained concerning confidence in federal tax compliance.

Clicking the link below will bring you to the Informed Consent Form which must be signed and returned to me before you are able to complete the online survey.

If you have any questions about the research study, please call me at XXX-XXX-XXXX or email me at XXXXX@email.phoenix.edu. For questions about your rights as a study participant, or any concerns or complaints, please contact the University of Phoenix Institutional Review Board at IRB@phoenix.edu.

Appendix B

INFORMED CONSENT: PARTICIPANTS 18 YEARS OF AGE AND OLDER

Greetings,

My name is Kristin Roberts and I am a student at the University of Phoenix working on a doctoral degree in business administration. I am conducting a research study entitled *Perceptions influencing confidence in federal tax compliance of small business: a qualitative case study*.

By participating in this study, you can add valuable information that can be used to help small businesses in Connecticut avoid paying increasing federal penalties for being noncompliant with their federal taxes.

The purpose of the research study is to identify the perceptions and experiences impacting the confidence tax directors have that their businesses are federally tax compliant.

Your participation will involve the following:

- 10-15 minutes to complete the online survey.
- 60 minutes to complete an in-person interview, if selected.
- 60 minutes to participate in a focus group, if selected.
- In person interviews and focus group discussion will be audio taped and subsequently transcribed. You will be provided a copy of the transcript of your interview upon request for your review. If you wish to have changes made to the transcript, you will have five days to submit those changes in writing to me via email, mail, fax, or in-person.
- Please note that you will only be selected for either the in-person interview OR the focus group. You will not be asked to participate in both.
- Your participation in the study may be terminated if it is determined that you do not have the proper knowledge of your businesses federal tax compliance and would be unable to answer all questions.

You can decide to be a part of this study or not. Once you start, you can withdraw from the study at any time without any repercussions. The results of the research study may be published but your identity will remain confidential, and your name will not be made known to any outside parties.

In this research, there are no foreseeable risks to you.

Although there may be no direct benefit to you, a possible benefit from your being part of this study is a better understanding of perceptions and experiences influencing your confidence that your business is federally tax compliant.

If you have any questions about the research study, please call me at XXX-XXX-XXXX or email me at XXXXX@email.phoenix.edu. For questions about your rights as a study participant, or any concerns or complaints, please contact the University of Phoenix Institutional Review Board at IRB@phoenix.edu.

As a participant in this study, you should understand the following:

- You may decide not to be part of this study or you may want to withdraw from the study at any time. If you want to withdraw, please call me at XXX-XXX-XXXX or email me at XXXXX@email.phoenix.edu
- Your responses may be published in the study. However, your identity will be kept confidential.
- Kristin Roberts, the researcher, has fully explained the nature of the research study and has answered all your questions and concerns.
- Before interviews are conducted, you must give permission for the researcher, Kristin Roberts, to record them. The information from these recorded interviews will be transcribed by Kristin Roberts and the data will be coded to assure that your identity is protected.
- Interviews and focus-group discussions will be conducted in the XXXXX located at XXXXX, CT at a time convenient for the participant and the researcher.
- Data will be kept secured by locking it in a safe deposit box maintained by a local bank. The researcher will be the only person with access to the data. The data will be kept for three (3) years, and then destroyed by deleting any audio files and professionally shredding any written materials.
- The results of this study may be published.

By signing this form, you agree that you understand the nature of the study, the possible risks and benefits to you as a participant, and how your identity will be kept confidential. When you sign this form, this means that you are 18 years old or older and that you give your permission to volunteer as a participant in the study that is described here.

Once the consent form is received, you will receive an email link to the online survey.

I accept the above terms. I do not accept the above terms.
(CHECK ONE)

Signature of the research participant _____ Date _____

Signature of the researcher _____ Date _____

Appendix C

Online Survey

Thank you for volunteering to participate in this research project.

This research study has been designed to identify the perceptions and experiences impacting the confidence tax directors have that their businesses are federally tax compliant. This study may increase federal tax compliance of small businesses located in the northwest region of Connecticut, thereby reducing noncompliance penalties.

Below is the link to the online survey questionnaire. Once completed, your responses will be made available to only the researcher. You will be contacted via email with 2-3 weeks after you have completed the survey to let you know if you will be invited to participate in the in-person interviews or focus groups. The in-person interviews and focus groups will take place at XXXXX, located at XXXXX, CT, at a time convenient for the participant and researcher.

Clicking the link below will bring you to the online survey.

(A LINK TO SURVEY QUESTIONS WAS INSERTED HERE)

Below are ten survey questions. These questions are intended to obtain demographic information as well as information to confirm your involvement in the federal tax compliance of your business. Please answer the questions fully and to the best of your ability. If you prefer not to answer any question, please simply indicate this by writing “I prefer not to answer this question” after the question you do not want to answer.

You will have 24 hours to complete and return the survey to the researcher. You may email, fax, or drop off the completed survey directly to the researcher at:

Survey questions:

1. **Business location:** This study is focusing on small business located in the northwest region of Connecticut. Where is the primary physical location of your business? Please write “I prefer not to answer this question” if you chose not to answer the question.
2. **Revenue:** This study is focusing on businesses with annual revenue of \$1 million dollars or less? What are the annual receipts for your business for the past three years?
 - a. Year one:
 - b. Year two:
 - c. Year three:

- d. Prefer Not to Answer:
3. **Business Age:** How long has your business been in operation? Please circle only one answer.
- 1 to 3 years
 - 4 to 6 years
 - 7 to 10 years
 - More than 10 years
 - Prefer Not to Answer
4. **Business Size:** How many full-time and part-time employees, including paid officers, are currently employed at your business? Please circle only one answer.
- 0 to 5 employees
 - 6 to 10 employees
 - 11 to 20 employees
 - More than 20 employees
 - Prefer Not to Answer
5. **Position:** What is your position at the business? Please write “I prefer not to answer this question” if you chose not to answer the question.
6. **Responsibilities:** Are you responsible for the federal tax compliance of the business? Please write “I prefer not to answer this question” if you chose not to answer the question.
7. **Length of Employment:** How long have you worked at the business in the capacity of being responsible for the federal tax compliance of the business? Please circle only one answer.
- Less than 1 year
 - More than 1 year but less than 5 years
 - Five or more than 5 years
 - Prefer Not to Answer
8. **Education:** What is the level of your formal education? Please circle your highest level of completed education. Please circle only one answer.
- High School/GED
 - Associates degree
 - Bachelor’s degree
 - Master’s degree
 - Doctoral degree
 - Prefer Not to Answer

9. **Licenses and certifications:** Do you have any professional licenses or certificates? If so, what are they? Please write “I prefer not to answer this question” if you chose not to answer the question.
10. **Additional participation:** If selected, would you be willing and able to meet for an in-person interview or a focus group? This interview or focus group would be conveniently located and should not take more than 60 minutes. Please write “I prefer not to answer this question” if you chose not to answer the question.

Thank you for participating in this study. If you would like to obtain the results of the study once it is approved by the university, you may contact the researcher directly at XXXXX@email.phoenix.edu. Please note that if you email the researcher, your identity may not remain anonymous, however, your survey answers will be kept confidential.

Appendix D

In-Person Interview

Participant Pseudonym: _____

Date: _____

Time: _____

Opening Remarks: Thank you for participating in this in-person interview for the research titled, *Perceptions Influencing Confidence in Federal Tax Compliance of Small Businesses: A Qualitative Exploratory Case Study*. The purpose of this qualitative exploratory case study is to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their businesses.

Before we begin the in-person interview, I have several questions to ask you. Please respond verbally so that your responses can be recorded in writing.

- Do you agree to the recording of this interview?
- For the purpose of confidentiality, please state the pseudonym assigned to you.
- Are you willingly participating in this interview of your own free will?
- Have you read the Informed Consent?
- Have you signed the Informed Consent?
- Do you understand the Informed Consent?
- Are you aware that you can withdraw from this study at any time without any repercussions?
- Before we begin the interview, do you have any questions or concerns?

In-Person Questionnaire

The audio recording equipment is now on. I will be asking you a series of open-ended discussion questions. Feel free to ask me questions should they arise. Also feel free to elaborate on your answers. The more information you provide, the better. There are no wrong or right answers. This interview should not take more than 60 minutes. You have the right not to answer any question. If you do not wish to answer a question, simply state "I decline to answer this question".

1. Tell me about your role in the federal tax compliance of your business?
2. Some businesses have internal personnel handling federal tax compliance, some have outside tax professionals handle federal tax compliance, and some have a mixture of both. In as much detail as possible, please describe the structure of your business as it relates to federal tax compliance.
3. In the past three years, has your business had any issues regarding federal tax compliance which required you or your business to either contact the Internal Revenue Service directly or use an outside tax professional to help resolve the issue? If so, can you please provide details or examples of the situation?

4. How do you feel about the ease or difficulty of keeping your business federally tax compliant?
5. How do you feel about the overall fairness or justification of the federal tax system?
6. How do you or any owners, employees, shareholders, or other individuals, who are involved in the federal tax compliance of the business, keep up to date on federal tax law changes that may impact your business? Can you describe your understanding of tax evasion versus tax avoidance?
7. What perceptions and experiences either increase or decrease your confidence that your business is federally tax compliant?
8. How would you describe your confidence in your ability to ensure your business is federally tax compliant?
9. Would you like to add any additional comments regarding this study topic?

Closing Remarks: Thank you for participating in the interview today. I will be transcribing the audio of this interview. Do you wish to have the opportunity to review, edit and approval the transcription?

Appendix E

Focus Group A Protocol

Participant Pseudonym: _____

Date: _____

Time: _____

Opening Remarks: Thank you for participating in this focus group for the research titled, *Perceptions Influencing Confidence in Federal Tax Compliance of Small Businesses: A Qualitative Exploratory Case Study*. The purpose of this qualitative exploratory case study is to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their businesses.

Before we begin the focus group, I have several questions to ask you. Please respond verbally so that your responses can be recorded in writing. I will ask each participant these questions separately.

- Do you agree to the recording of this interview?
- For the purpose of confidentiality, please state the pseudonym assigned to you.
- Are you willingly participating in this interview of your own free will?
- Have you read the Informed Consent?
- Have you signed the Informed Consent?
- Do you understand the Informed Consent?
- Are you aware that you can withdraw from this study at any time without any repercussions?
- Before we begin the focus group, do you have any questions or concerns?

The audio recording equipment is now on. I will ask the group one open-ended discussion question. The question is broad in scope in order to encourage open discussion among all participants. Feel free to ask me any questions should they arise. Also feel free to elaborate on your answers. The more information you provide, the better. There are no wrong or right answers. This interview should not take more than 60 minutes.

Before we begin, I am going to ask each participant to repeat the pseudonym assigned to them so that I can properly connect the recorded voice with the pseudonym. During the focus group discussion, please state your pseudonym before you speak.

Focus Group A Question

This focus group is being provided with a draft summary of data gathered from individual in-depth interviews from the first step of the data collection portion of this study. Reflecting on your answers to your survey questions, how does the theme of the study participant's in-depth interview response relate to your personal perception and experience with the tax compliance at your business? Please be as detailed as you would like to be.

Closing Remarks: Thank you for participating in the interview today. I will be transcribing the audio of this interview. Do you wish to have the opportunity to review, edit and approval the transcription?

Appendix F

Focus Group B Protocol

Participant Pseudonym: _____

Date: _____

Time: _____

Opening Remarks: Thank you for participating in this focus group for the research titled, *Perceptions Influencing Confidence in Federal Tax Compliance of Small Businesses: A Qualitative Exploratory Case Study*. The purpose of this qualitative exploratory case study is to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their businesses.

Before we begin the focus group, I have several questions to ask you. Please respond verbally so that your responses can be recorded in writing. I will ask each participant these questions separately.

- Do you agree to the recording of this interview?
- For the purpose of confidentiality, please state the pseudonym assigned to you.
- Are you willingly participating in this interview of your own free will?
- Have you read the Informed Consent?
- Have you signed the Informed Consent?
- Do you understand the Informed Consent?
- Are you aware that you can withdraw from this study at any time without any repercussions?
- Before we begin the focus group, do you have any questions or concerns?

The audio recording equipment is now on. I will ask the group one open-ended discussion question. The question is broad in scope in order to encourage open discussion among all participants. Feel free to ask me any questions should they arise. Also feel free to elaborate on your answers. The more information you provide, the better. There are no wrong or right answers. This interview should not take more than 60 minutes.

Before we begin, I am going to ask each participant to repeat the pseudonym assigned to them so that I can properly connect the recorded voice with the pseudonym. During the focus group discussion, please state your pseudonym before you speak.

Focus Group B Question

Reflecting on your personal perceptions and experiences with the tax compliance at your business, what characteristics of the current federal tax system impact your confidence regarding your business' federal tax compliance? Based on current scholarly literature, these characteristics could include complexity of tax law, cost of compliance, educational requirements, ethics, and justifiable tax legislation. However, there may be other elements that impact you. Please be as detailed as you would like to be.

Closing Remarks: Thank you for participating in the interview today. I will be transcribing the audio of this interview. Do you wish to have the opportunity to review, edit and approval the transcription?

Appendix G

University of Phoenix

PREMISES, RECRUITMENT AND NAME (PRN) USE PERMISSION

Please complete the following by check marking any permissions listed here that you approve, and please provide your signature, title, date, and organizational information below. If you have any questions or concerns about this research study, please contact the University of Phoenix Institutional Review Board via email at IRB@phoenix.edu.

Study Name: Perceptions Influencing Confidence in Federal Tax Compliance of Small Businesses: A Qualitative Exploratory Case Study

Study Description: The purpose of this qualitative exploratory single case study is to explore and discover the perceptions and experiences influencing tax directors' confidence in the federal tax compliance of their small businesses located in the northwest region of Connecticut.

I hereby authorize Kristin Roberts a researcher from University of Phoenix, to use the premises of the [redacted] to conduct this study.

I hereby authorize Kristin Robert, a researcher from University of Phoenix, to recruit subjects for participation in this study at the facility identified above by use of an email sent by the [redacted], to the current list of chamber members.

Title and printed name of official granting permission:

[redacted] President & CEO

Signature of official granting permission: [redacted]

Date: 11/14/2019

Address of Facility: [redacted]

Email Address: [redacted]

Phone Number: [redacted]

URL/Link (if applicable): [redacted]