

The Effect of Different Taxpayer Demographics on the Comparative Importance of a Tax System's Guiding Principles

Karen J. Davies
University of South Dakota

Thomas L. Davies
University of South Dakota

David L. Carr
University of South Dakota

This paper reports additional findings of a 2017 study that was undertaken to determine taxpayer perceptions about the relative importance of 10 guiding principles of a good tax system. Taxpayer views are compared based on their gender, income level, education and age. The paper builds upon an earlier article, which discussed differences in taxpayer perceptions based on their political affiliation and ideological philosophy.

Keywords: taxpayer perceptions, guiding principles, tax system, taxpayer demographics

INTRODUCTION

On December 20th, 2017, the Tax Cuts and Jobs Act was passed by both houses of Congress and was signed into law by President Trump two days later. Earlier in that year, President Trump shared his vision on tax reform, following up on his presidential campaign promise to reduce corporate taxes, cut individual tax rates and eliminate some deductions. The President unveiled his four goals for tax reform in a one-page document: growing the economy and creating millions of jobs, simplifying the tax code, providing tax relief to families, especially to those in the middle-class, and lowering the business tax rate.

The new tax law (hereinafter referred to as the Act), which was touted as representing the biggest reform to the federal system in the last 30 years, contained a number of significant provisions affecting both individuals and businesses. The Act cut the progressive corporate tax rates from a high of 35% to a flat 21% and eliminated the alternative minimum tax on these same entities. Individuals were affected by numerous changes as well. The Act included a reduction in rates, an increase in the standard deduction and the child tax credit, and the elimination of the personal and dependency exemptions. Further, the qualified business income deduction was created, a few deductions were increased (e.g., charitable contributions), while others were lost (e.g., moving expenses, unreimbursed employee business expenses and certain other miscellaneous itemized deductions) or limited (e.g., state and local taxes).

The Act, which took effect in 2018, included a sunset provision whereby many of the aforementioned changes will no longer apply after December 31, 2025, unless they are extended. Projections at the time

the Act was enacted suggested it would provide an overall net tax cut of almost \$1.5 trillion over 10 years, most of which would reduce the tax burden on individuals. Early studies have suggested that while all income levels of individuals have generally experienced a decline in their federal income tax liability, the wealthiest individuals have seen the biggest drop. (Steverman, 2018) Only time will tell, however, if any or all of President Trump's aforementioned goals will eventually be achieved.

Regardless of whether or not the Act's four objectives are ultimately realized, the increased focus on taxes leading up to the 2016 Presidential election once again brought the issue of tax policy to the forefront of public scrutiny. Whenever Congress deliberates taxes, researchers are afforded the opportunity to explore the public's perceptions as to what guiding factors should be considered when making changes to the federal system. Almost 20 years ago, the Tax Legislation and Policy Committee of the American Institute of Certified Public Accountants (AICPA) developed a list of 10 guiding principles of a good tax system. Several of these principles mirror President Trump's goals underlying passage of the 2017 Act. These tenets were presented as a way to evaluate the appositeness of any tax law proposal. The 10 principles were not offered in any particular order by the AICPA, signaling they were to be afforded equal weight. (Nellen, 2002). The principles include the following; please see Exhibit 1 that is found in the Appendix for a more detailed discussion of the specific principles: Equity and Fairness (hereinafter referred to as Equity/Fairness), Certainty, Convenience of Payment (Convenience), Economic Growth and Efficiency (Growth/Efficiency), Economy of Calculation (Calculation), Simplicity, Neutrality, Transparency and Visibility (Transparency), Minimum Tax Gap (Tax Gap), and Appropriate Government Revenues (Appropriate Revenue). One can see the significance of many of these principles given how they could likely impact the annual tax gap, estimated at roughly \$440 billion before IRS enforcement efforts, for the years 2011, 2012 and 2013, and the estimated voluntary compliance rate of 83.6% for these same years. According to the IRS, a one percentage point increase in voluntary compliance would bring in about \$30 billion in additional tax receipts, a significant amount given the size of our recent federal deficits. (IRS, 2019)

The authors of this paper undertook a study in early 2017 that sought to determine, among other things, the relative importance of the aforementioned policy factors to individual taxpayers. The study included a taxpayer survey that included demographic questions as well as a number of substantive questions. One of the latter questions asked the respondents to rank the principles in order of importance. For purposes of the survey, the principles were listed in alphabetical order. College students enrolled in a mid-sized Midwestern university administered the surveys to taxpayers, which was approved by the host university's human subject review process. In total, 225 usable surveys were obtained.

Some findings from this study have previously been published by the authors in the *Journal of Accounting and Finance* (2018). The article reported how taxpayers rated the ten principles in terms of overall importance to good tax policy. The publication also examined whether differences among taxpayer perceptions existed based on the respondents' political party affiliations and ideological philosophies. This paper provides additional insight on how taxpayer preferences differ based on their gender, income level, education, and age. By way of background information, the following demographic data is provided with respect to the respondents. Of those reporting, 47% indicated they were female while 53% were male. With respect to income level, 56% of respondents considered themselves low income taxpayers, 41% were middle-income taxpayers, and 3% were high-income taxpayers. With respect to education, 17% of those responding either attended or graduated from high school, 38% attended college, 30% graduated from college, and 15% attended or graduated from graduate school. Finally, 18% of respondents were under 21 years of age, while 33%, 22%, 22% and 5% were ages 21 to 35, 36 to 50, 51 to 65, and over 65, respectively; for purposes of the paper, all taxpayers older than 50 were aggregated into one group.

RESULTS

Respondents were asked to rank the 10 principles relative to each other, from 1 (most important) to 10 (least important). When looking at the average ranking for each of the guiding principles, the full panel ranked them in the following order (Carr, 2018):

1. Transparency (average rank = 2.83)
2. Simplicity (average rank = 2.86)
3. Equity/Fairness (average rank = 3.07)
4. Certainty (average rank = 3.90)
5. Growth/Efficiency (average rank = 4.48)
6. Calculation (average rank = 4.48)
7. Neutrality (average rank = 4.73)
8. Convenience (average rank = 4.96)
9. Appropriate Revenue (average rank = 5.39)
10. Tax Gap (average rank = 5.46)

As the results will demonstrate, all subgroups taxpayers consistently valued Transparency, Simplicity, and Equity/Fairness highly, while seeming least interested in Convenience, Appropriate Revenue and the Tax Gap.

Table 1 shows how respondents ranked the 10 principles based on their gender. Male respondents ranked the 10 principles more similarly to the full sample than did female respondents. Male respondents ranked Growth/Efficiency slightly higher (i.e., smaller mean) and Certainty slightly lower (i.e., higher mean) than the full sample, and ranked Tax Gap as their 8th most important principle, while ranking Convenience and Appropriate Revenue slightly lower. Female respondents ranked Simplicity as their most important principle, followed by Equity/Fairness and Transparency as their top three principles. At the bottom, Female respondents ranked Convenience higher than Male respondents did, and ranked Neutrality and Tax Gap lower than the Male respondents.

Table 2 contains the results for 2-tailed t-tests for the difference in means between the Female and Male respondents. Throughout the article, 2-tail tests were utilized because no assumptions were made about which demographic groups might rank certain tax principles higher or lower. As such, a negative t-statistic, which goes with a negative mean difference, will result when the first group has a lower mean (and therefore a higher rank). This can be seen in Table 2, where Female respondents had a statistically higher ranking for Certainty than did Male respondents. Alternately, a positive t-statistic indicates that the second group had a lower mean (and therefore a higher rank). Male respondents ranked Growth/Efficiency as statistically more important than did Female respondents. For Female and Male respondents, the importance of the other 8 principles was statistically equal.

Table 3 shows how respondents ranked the principles based on their reported income levels. Those who characterized themselves as Low Income had a very similar ranking as the full panel, with none of the rankings being off by more than one level. Respondents who identified as Middle Income and High Income ranked the 10 principles differently than the full panel. For example, Middle Income respondents ranked neutrality as a *more* important policy consideration than the full panel, ranking it 5th, as opposed to 7th for the full panel. Further, Middle Income respondents ranked growth and efficiency as *less* important of a policy consideration at 7th, instead of 5th. High Income taxpayers had the same top five and bottom five policy considerations as the full panel, but had a different ordering within each half of the list. High Income respondents ranked Growth/Efficiency as a *more* important policy consideration at 3rd, instead of 5th for the full sample. Calculation was ranked as *less* important of a policy consideration by High Income respondents, being ranked as 8th where the full sample ranked it 6th. The largest difference, relative to the full sample, was Tax Gap as a policy consideration. High Income respondents ranked the Tax Gap 6th, where the full sample, Low Income and Middle Income respondents all ranked it lowest (10th). Tax Gap is the idea of minimizing noncompliance, as long as the costs associated with it are kept in balance with intrusiveness.

Table 4 contains the difference in means tests between the Low, Middle, and High income respondents. When comparing the responses for Low Income versus Middle Income respondents, most principles were ranked higher by Middle Income taxpayers, including: Transparency, Simplicity, Equity/Fairness, Certainty, Neutrality, Appropriate Revenue, and the Tax Gap. When comparing Low Income to High Income respondents, only two principles had statistically different mean rankings, Growth/Efficiency and Tax Gap. There were three principles that Low Income respondents ranked lower (a negative difference in means), specifically Calculation, Convenience, and Appropriate Revenue, but these differences were not statistically different. When comparing the mean rankings of Middle and High Income respondents, only one principle, Growth/Efficiency, had statistically different mean rankings. Interestingly, for Middle and High Income respondents, eight of the tax system principles were ranked as more important by Middle Income respondents (negative difference in means), while only two guiding principles, Growth/Efficiency and Tax Gap, were ranked as more important by High Income respondents; only Growth/ Efficiency had a statistically significant difference in means. None of the eight principles ranked as more important by Middle Income respondents had a statistically significant difference in means.

Table 5 provides the ranking of the guiding tax principles with respondents separated by educational attainment. Respondents who reported either attending or graduating from high school (High School) differed in their rankings, relative to the full panel. Of note, Growth/Efficiency and Calculation were considered less important for the high school respondents than for the full panel, and Convenience was ranked much higher. Respondents who attended or graduated from college (College) ranked the guiding principles almost the same as the full panel, just switching the top two – Transparency and Simplicity. Respondents who either attended or graduated from graduate school (Graduate) also ranked Growth/Efficiency and Calculation lower than the full panel, similarly to the less educated group. These same respondents also ranked Neutrality and Tax Gap much higher than the full panel.

Table 6 contains the results for 2-tailed t-tests for the difference in means between the High School, College, and Graduate respondents. The first column contains t-tests and p-values for the difference between High School and College respondents. The High School respondents ranked five of the 10 guiding principles as statistically more important than the College respondents. These five principles include Equity/Fairness, Calculation, Neutrality, Convenience, and Tax Gap. The second column contains difference in means tests for the High School and Graduate groups. The High School group ranked three of the guiding principles as statistically more important than the Graduate group, specifically Growth/Efficiency, Calculation, and Convenience. The third column contains difference in means tests for the College and the Graduate groups. The College group ranked just one of the principles, Convenience as statistically more important. Similarly, the College group ranked one of the principles, Tax Gap, as statistically *less* important. This is the same as saying that the Graduate group ranked Tax Gap as statistically more important.

Table 7 contains the rankings of the principles with respondents grouped by their age. Respondents who reported being Under 21 ranked the principles similarly to the full panel. The top five were the same principles, just in a slightly different order, with Equity/Fairness ranked 1st instead of 3rd. The last five principles were also the same as the full panel, with Convenience being ranked higher than the full sample. The 21-35 group also ranked the principles similarly to the full panel. While Simplicity was the top principle for the 21-35 group, none of the principles was ranked more than one spot away from the ranking of the full panel. The 36-50 group had the same top five and bottom five principles as the full panel, with only Convenience being ranked more than one slot differently. Finally, the 51+ group had Calculation in the top five, but their rankings were also similar to the full panel.

Table 8 contains the difference in means tests with respondents separated by age. When comparing the Under 21 group with the 21-35 group, Transparency and Simplicity were ranked as statistically *less* important by the Under 21 group. At the same time, Convenience and Tax Gap were ranked as statistically *more* important by the Under 21 group. In comparing the Under 21 group with the 36-50 group, only one of the principles was statistically different. The Under 21 group ranked Equity/Fairness as statistically *less* important than did the 36-50 group. When comparing the Under 21 group with the 51+

group, four of the principles had statistically different means. Here, Transparency, Simplicity, Equity/Fairness, and Calculation were all ranked as statistically *less* important by the Under 21 group.

The fourth column of Table 8 contains the difference in means tests for the 21-35 group and the 36-50 group. The 21-35 group ranked three of the principles as statistically *less* important than the 36-50 group. The three principles ranked as less important by the 21-35 group were Equity/Fairness, Growth/Efficiency, and Convenience. The fifth column of Table 8 contains the difference in means tests for the 21-35 and the 51+ group. In this case, the 21-35 group ranked five of the principles as statistically *less* important, including Equity/Fairness, Calculation, Neutrality, Convenience and Tax Gap. The final column of Table 8 contains the difference in means tests for the 36-50 group and the 51+ group. Interestingly, there were no statistical differences between these two groups.

CONCLUDING COMMENTS

In 2001, the Tax Legislation and Policy Committee of the AICPA created a list of 10 guiding principles of a good tax system that could be used to analyze and/or modify tax reform proposals (Nellen, 2002). The committee considered them of equal importance and thus did not rank them. In 2017, when the federal government was considering the passage of major tax legislation, the authors conducted a study in which taxpayers were surveyed about their perceptions of, among other things, the relative importance of these principles. This article, the second of two papers based on this study, compared these perceptions by examining the rankings based on several demographic differences of the respondents, including their gender, income, education and age.

Table 9 summarizes the three highest (1, 2, and 3) and three lowest (8, 9, 10) mean rankings of the principles by each of the subgroups analyzed for gender (Female and Male), income (Low, Middle and High), education (High School, College and Graduate), and age (Under 21, 21 – 35, 36 – 50, and 51+). Of the 12 subgroups examined, six rated transparency as the most important principle, followed by simplicity which was considered to be the most important by four subgroups. Appropriate Revenue was considered to be the least important trait by the most (six) subgroups, followed by Tax Gap which was the least important to five subgroups.

The results were remarkably consistent at the top, with the principles of Transparency, Simplicity and Equity/Fairness being rated at or near the top for eleven of the twelve groups. All 12 subgroups rated Transparency and Simplicity in their top three overall traits; 11 of the subgroups also included Equity/Fairness in their top three. In only one case, that being for High Income taxpayers, did another principle, Growth/ Efficiency, make the top three, replacing Simplicity. One could speculate that wealthier taxpayers rely on paid preparers more heavily, thus alleviating some of their concern that the law is too complex. There was less agreement as to which principles were the least important. However, Appropriate Revenue was ranked somewhere in the bottom three by all twelve subgroups. Further, 10 of the subgroups (all but High Income and Graduate school) considered Tax Gap a lower priority. Convenience (seven subgroups) and Neutrality (four subgroups) were also considered being of less importance, albeit by fewer groups.

Multiple statistical differences were found when comparing the means in the rankings for a number of demographic groups, as shown in Tables 2, 4, 6, and 8. The most differences were found when comparing Low Income versus Middle Income taxpayers (seven), High School versus College (five), and those Under 21 versus those 51 and older, and then again for those ages 21 – 35 versus those 51 or older (four). To the contrary, there were no statistical differences between those aged 36 to 50 and those 51 and older. Only one statistical difference was found between Middle Income and High Income taxpayers (Growth/Efficiency), as well as between those under 21 and those ages 36 to 50 (Equity/Fairness). There were only two statistical differences between Males and Females (Certainty and Growth/Efficiency), as well as between College and Graduate educational groups (Convenience and Tax Gap). The principles that saw the most statistical differences across all subgroups were Equity/Fairness, Convenience and Tax Gap, each with six, followed by Growth/Efficiency and Calculation with five. The fewest statistical differences were found with respect to Certainty and Appropriate Revenue, each with one.

REFERENCES

- Carr, D.L., Davies, K.J., & Davies, T.L. (2018). The Comparative importance of 10 Guiding Principles Relevant to Tax Legislation. *Journal of Accounting and Finance*, 18(8), 18-31.
- Davies, T.L., Carpenter, J., & Olson, A. (2008, September). Behavioral Implications of U.S. Tax Policy: Does Tax Law Influence Individual Taxpayer Behavior? *South Dakota Business Review*, 67(1), 1-9.
- Davies, T.L., Carpenter, J., & Olson, A. (2008, Summer). Behavioral Implications of U.S. Tax Policy; Does Tax Law Influence Individual Taxpayer Behavior. *International Journal of Business and Public Administration*, 5(2), 1-10.
- Internal Revenue Service. (2019, September 26). *IRS releases new Tax Gap Estimates; compliance rates remain substantially unchanged from prior study*. Retrieved from <https://www.irs.gov/newsroom/irs-releases-new-tax-gap-estimates-compliance-rates-remain-substantially-unchanged-from-prior-study#:~:text=WASHINGTON%20%E2%80%94%20The%20Internal%20Revenue%20Service,s ubstantially%20unchanged%20from%20prior%20years.&text=The>
- Lavin, A.M., Epping, L.L., & Davies, T.L. (2003, Spring). The Interrelationship Between Tax Policy and Taxpayer Behavior. *Journal of Accounting and Finance Research*, 11(1), 105-119.
- Lavin, A.M., Epping, L.L., & Davies, T.L. (2004, Winter). How Taxpayers Perceive and Are Influenced by the Federal Income Tax. *Journal of Accounting and Finance Research*, 12(6), 162-175.
- Moen, D.H., Davies, T.L., & Lavin, A.M. (2014, Fall). Taxpayer Perceptions of the Internal Revenue Service. *Journal of Business and Accounting*, 7(1), 67-81.
- Nellen, A.M. (2002). The AICPA's 10 Guiding Principles. *The Tax Advisor*, 33(2), 100-107.
- Steverman, B.M. (2018, December 18). *A Year After the Middle Class Tax Cut, the Rich Are Winning*. Retrieved from <https://www.bloomberg.com/graphics/2018-tax-plan-consequences/>

APPENDIX

Exhibit 1: The AICPA's 10 Guiding Principles; what is shown in bold was the language found in the questionnaire that was used as the basis of the study resulting in this paper.

Equity and fairness. Similarly situated taxpayers should be treated the same. Equity includes both horizontal and vertical equity. Under horizontal equity, those with an equal ability to pay should pay the same amount of tax, while under vertical equity, those with a greater ability to pay should pay more. Further, equity is to be determined by considering all taxes paid, not just one. With respect to fairness, while horizontal and vertical equity are components, it is subjective and can mean different things depending on one's own circumstances.

Certainty. Provisions should clearly specify how any tax owed will be determined, as well when and how it is to be paid. This principle may reflect the level of confidence that one has that the amount of tax is being calculated correctly.

Convenience of payment. Any tax owed should be due at a time and in a manner most convenient to the taxpayer. If payment is convenient, compliance should improve. This principle considers from whom the tax should be collected as well as the frequency of collection.

Economic growth and efficiency. Productivity should not be impeded. The tax system should be aligned with the taxing body's economic goals, and should not favor one industry or type of investment over others.

Economy of Calculation. From the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum. Connected to simplicity, this principle considers the number of government employees needed to administer the tax, as well as taxpayer compliance costs.

Simplicity. Rules should be easy to understand and to comply with at relatively little cost. Simplicity reduces errors and increases respect for the system, resulting in better compliance. Such a system also helps taxpayers understand the consequences of both actual and planned transactions.

Neutrality. The tax law should not change taxpayer behavior but rather generate revenue. Tax law should not unduly encourage or discourage taxpayers from engaging in certain activities.

Transparency and visibility. The existence of a tax and how and when it is imposed should be obvious to taxpayers. Under this principle, taxpayers will know the true cost of a transaction, when a tax is being imposed, and on whom.

Minimum tax gap. Noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness. The tax gap is the amount of tax due that goes uncollected. Procedural rules are necessary to achieve compliance.

Appropriate government revenues. The government should be able to determine the amount and timing of the revenue stream generated from the tax system. A tax system should have some level of predictability and reliability. A governmental unit's stability is enhanced through assessment of a mix of taxes.

TABLE 1
TAXPAYER RESPONSE TO THE IMPORTANCE OF POLICY CONSIDERATIONS WHEN
ENACTING TAX LAW BASED ON RESPONDENTS GENDER
(RANK AND AVERAGE RANKING)

	Full Panel Rank	Rank	
		Female	Male
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1 2.83	3 3.13	1 2.60
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2 2.86	1 2.82	2 2.61
Equity/Fairness: similarly situated taxpayers should be treated the same.	3 3.07	2 3.00	3 3.15
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	4 3.90	4 3.56	5 4.21
Growth/Efficiency: productivity should not be impeded.	5 4.48	5 4.87	4 3.95
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	6 4.73	6 4.88	6 4.67
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	7 4.96	8 5.41	7 4.68
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	8 5.19	7 5.39	9 5.39
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	9 5.39	10 5.60	10 5.52
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	10 5.46	9 5.57	8 5.20

1 = Most Important, 2 = Second Most Important, 10 = Least Important

TABLE 2
DIFFERENCE IN MEANS TESTS FOR TAXPAYER RESPONSE TO THE 10 PRINCIPLES OF
A TAX SYSTEM BASED ON RESPONDENTS GENDER
(T-STATS AND P-VALUES FOR 2-TAILED T-TEST)

	Female minus Male
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1.4857 0.1397
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	0.8167 0.4154
Equity/Fairness: similarly situated taxpayers should be treated the same.	-0.3704 0.7116
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	-1.7053 0.0903
Growth/Efficiency: productivity should not be impeded.	1.7488 0.0827
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	0.4541 0.6504
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	1.4330 0.1545
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	0.0516 0.9589
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	0.1473 0.8832
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	0.7720 0.4418

A negative t-statistic indicates the first group ranked a particular principle as more important

A positive t-statistic indicates the second group ranked a particular principle as more important

TABLE 3
TAXPAYER RESPONSE TO THE IMPORTANCE OF POLICY CONSIDERATIONS WHEN
ENACTING TAX LAW BASED ON RESPONDENTS REPORTED INCOME LEVEL
(RANK AND AVERAGE RANKING)

	Full Panel Rank	Rank		
		Low Income	Middle Income	High Income
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1 2.83	2 3.14	1 2.42	1 2.56
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2 2.86	1 3.07	2 2.55	4 3.24
Equity/Fairness: similarly situated taxpayers should be treated the same.	3 3.07	3 3.34	3 2.66	2 2.85
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	4 3.90	4 4.21	4 3.39	5 3.86
Growth/Efficiency: productivity should not be impeded.	5 4.48	5 4.75	7 4.48	3 3.21
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	6 4.73	6 4.93	6 4.29	8 5.24
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	7 4.96	8 5.50	5 4.11	7 4.69
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	8 5.19	7 5.25	9 4.97	9 5.73
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	9 5.39	9 5.68	8 4.74	10 5.80
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	10 5.46	10 5.84	10 4.98	6 4.55

1 = Most Important, 2 = Second Most Important, 10 = Least Important

TABLE 4
DIFFERENCE IN MEANS TESTS FOR TAXPAYER RESPONSE TO THE 10 PRINCIPLES OF
A TAX SYSTEM BASED ON RESPONDENTS REPORTED INCOME LEVEL
(T-STATS AND P-VALUES FOR 2-TAILED T-TEST)

	LOW minus MID	LOW minus HIGH	MID minus HIGH
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	2.2918 0.0232	1.1071 0.2773	-0.5144 0.6112
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	1.6635 0.0982	0.1476 0.8840	-0.8499 0.4041
Equity/Fairness: similarly situated taxpayers should be treated the same.	2.0580 0.0412	1.1417 0.2694	-0.1853 0.8589
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	2.3032 0.0229	0.3156 0.7564	-0.9666 0.3466
Growth/Efficiency: productivity should not be impeded.	0.7230 0.4715	3.2652 0.0030	2.1525 0.0374
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	1.6467 0.1024	-0.3652 0.7186	-1.3636 0.1844
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	3.0362 0.0030	1.5655 0.1317	-0.5231 0.6057
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	0.4847 0.6293	-0.7667 0.4594	-0.9912 0.3384
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	1.8496 0.0678	-0.0468 0.9635	-0.9505 0.3606
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	1.7472 0.0844	2.1052 0.0553	0.8051 0.4319

A negative t-statistic indicates the first group ranked a particular principle as more important
A positive t-statistic indicates the second group ranked a particular principle as more important

TABLE 5
TAXPAYER RESPONSE TO THE IMPORTANCE OF POLICY CONSIDERATIONS WHEN
ENACTING TAX LAW BASED ON RESPONDENTS EDUCATION LEVEL
(RANK AND AVERAGE RANKING)

	Full Panel Rank	Rank		
		High School Attended or Graduated	College Attended or Graduated	Grad School Attended or Graduated
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1 2.83	1 2.48	2 2.96	1 2.77
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2 2.86	3 3.00	1 2.74	3 3.19
Equity/Fairness: similarly situated taxpayers should be treated the same.	3 3.07	2 2.57	3 3.24	2 2.96
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	4 3.90	5 3.59	4 3.96	4 3.89
Growth/Efficiency: productivity should not be impeded.	5 4.48	7 3.73	5 4.50	8 5.45
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	6 4.73	8 3.77	6 4.80	7 5.38
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	7 4.96	6 3.65	7 5.34	5 4.70
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	8 5.19	4 3.43	8 5.48	10 7.14
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	9 5.39	10 4.41	9 5.64	9 5.55
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	10 5.46	9 3.88	10 6.07	6 5.05

1 = Most Important, 2 = Second Most Important, 10 = Least Important

TABLE 6
DIFFERENCE IN MEANS TESTS FOR TAXPAYER RESPONSE TO THE 10 PRINCIPLES OF
A TAX SYSTEM BASED ON RESPONDENTS EDUCATION LEVEL
(T-STATS AND P-VALUES FOR 2-TAILED T-TEST)

	High School minus College	High School minus Grad School	College minus Grad School
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	-1.0203 0.3132	-0.5629 0.5757	0.4631 0.6453
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	0.6574 0.5148	-0.3529 0.7256	-1.4227 0.1610
Equity/Fairness: similarly situated taxpayers should be treated the same.	-1.6905 0.0961	-0.7262 0.4707	0.6749 0.5033
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	-0.6944 0.4919	-0.5456 0.5877	0.0026 0.9979
Growth/Efficiency: productivity should not be impeded.	-1.2458 0.2203	-2.0285 0.0489	-1.3745 0.1802
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	-1.8034 0.0793	-2.4536 0.0173	-1.3805 0.1753
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	-2.7902 0.0080	-1.4238 0.1611	1.0795 0.2874
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	-3.5544 0.0009	-3.9916 0.0005	-1.9836 0.0637
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	-1.5487 0.1323	-1.1405 0.2606	0.1242 0.9019
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	-3.2420 0.0027	-1.4592 0.1519	1.7682 0.0857

A negative t-statistic indicates the first group ranked a particular principle as more important
A positive t-statistic indicates the second group ranked a particular principle as more important

TABLE 7
TAXPAYER RESPONSE TO THE IMPORTANCE OF POLICY CONSIDERATIONS WHEN
ENACTING TAX LAW BASED ON RESPONDENTS REPORTED AGE
(RANK AND AVERAGE RANKING)

	Full Panel Rank	Rank			
		Under 21	21-35	36-50	51+
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1 2.83	2 3.70	2 2.62	2 2.95	1 2.37
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2 2.86	3 3.77	1 2.59	3 3.00	2 2.38
Equity/Fairness: similarly situated taxpayers should be treated the same.	3 3.07	1 3.51	3 3.62	1 2.34	3 2.63
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	4 3.90	4 3.94	4 4.25	4 3.50	4 3.75
Growth/Efficiency: productivity should not be impeded.	5 4.48	5 4.39	6 5.10	5 3.81	6 4.22
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	6 4.73	7 5.16	5 4.97	7 4.69	5 4.11
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	7 4.96	8 5.26	7 5.71	8 4.70	7 4.23
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	8 5.19	6 4.89	9 6.19	6 4.35	9 4.85
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	9 5.39	10 5.35	8 5.90	9 4.92	10 5.15
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	10 5.46	9 5.27	10 6.46	10 5.48	8 4.41

1 = Most Important, 2 = Second Most Important, 10 = Least Important

TABLE 8
DIFFERENCE IN MEANS TESTS FOR TAXPAYER RESPONSE TO THE 10 PRINCIPLES OF A TAX SYSTEM BASED ON
RESPONDENTS REPORTED AGE (T-STATS AND P-VALUES FOR 2-TAILED T-TEST)

	U21 minus 21-35	U21 minus 36-50	U21 minus 51+	21-35 minus 36-50	21-35 minus 51+	36-50 minus 51+
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1.9644 0.0547	1.3450 0.1837	2.3541 0.0221	-0.7680 0.4446	0.6524 0.5155	1.3264 0.1882
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2.7905 0.0073	1.4650 0.1471	2.9327 0.0046	-1.1667 0.2476	0.5600 0.5768	1.4635 0.1472
Equity/Fairness: similarly situated taxpayers should be treated the same.	-0.0698 0.9446	2.6267 0.0112	1.7301 0.0887	3.8389 0.0002	2.4575 0.0156	-1.1240 0.2281
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	-0.5952 0.5538	0.7073 0.4820	0.2230 0.8242	1.5289 0.1305	0.9291 0.3554	0.5268 0.5999
Growth/Efficiency: productivity should not be impeded.	-1.2604 0.2123	0.6358 0.5275	0.0212 0.9831	1.9785 0.0533	1.4204 0.1589	-0.7239 0.4723
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	0.2959 0.7681	0.7590 0.4505	1.8453 0.0687	0.5494 0.5845	1.7439 0.0845	1.0078 0.3169
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	-0.7176 0.4761	0.6943 0.4908	1.3876 0.1715	1.6335 0.1069	2.4565 0.0161	0.8105 0.4205
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	-2.0637 0.0426	0.7809 0.4389	-0.0817 0.9351	2.5669 0.0136	1.7614 0.0830	-0.7900 0.4333
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	-0.9320 0.3549	0.5429 0.5895	0.2667 0.7906	1.4701 0.1479	1.2128 0.2295	-0.2840 0.7775
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	-1.7692 0.0819	-0.2979 0.7670	1.1467 0.2561	1.2725 0.2097	3.0702 0.0031	1.3470 0.1843

A negative t-statistic indicates the first group ranked a particular principle as more important

A positive t-statistic indicates the second group ranked a particular principle as more important

TABLE 9
A COMPARISON OF THE HIGHEST AND LOWEST RANKINGS OF THE 10 PRINCIPLES ACROSS THE VARIOUS
DEMOGRAPHIC GROUPS

Principle	Gender		Income			Education			Age			
	Female	Male	Low	Middle	High	High School	College	Grad School	Under 21	21-35	36 - 50	51+
Transparency	3	1	2	1	1	1	2	1	2	2	2	1
Simplicity	1	2	1	2		3	1	3	3	1	3	2
Equity/Fairness	2	3	3	3	2	2	3	2	1	3	1	3
Certainty												
Growth/Efficiency					3			8				
Calculation					8	8						
Neutrality	8		8						8		8	
Convenience		9		9	9		8	10		9		9
Approp. Revenue	10	10	9	8	10	10	9	9	10	8	9	10
Tax Gap	9	8	10	10		9	10		9	10	10	8

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.