

The Comparative Importance of 10 Guiding Principles Relevant to Tax Legislation

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This paper reports the findings of a 2017 study undertaken to determine taxpayer perceptions about the relative importance of 10 guiding principles of a good tax system. These perceptions are compared to a similar study undertaken in 2003 and again in 2007 to see whether changes in taxpayer opinions have taken place over time. The paper also discusses differences in perceptions about the importance of these principles based on taxpayer political affiliation and ideological philosophy.

INTRODUCTION

Nowadays one can usually expect when it is time for a presidential election in the United States that a heated topic of debate will center on the federal tax system, and more specifically income taxes. That same one can also expect to hear certain arguments depending on whom is making them. When a Republican candidate suggests a need for reform, he or she will likely include claims that rates are too high and the law is too complex. If a Democrat argues that a change is necessary, he or she probably will include assertions that the burden on certain taxpayers is too great and the wealthy must contribute their fair share and thus pay more. Assuming the accuracy of the aforementioned observations, the 2016 presidential campaign and election held true to form.

The election of Donald Trump as this nation's 45th President in November 2016, coupled with control of both houses of Congress passing to the Republicans, increased the likelihood of new tax legislation being enacted. On April 25, 2017, President Trump outlined his ideas on tax reform in a one-page document. Specifically, President Trump identified four goals for tax reform, including 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. On November 2nd of the year, the House Ways and Means chairman introduced the "Tax Cuts and Jobs Act," which, after several amendments, was passed by the House of Representatives on November 16th. Perhaps of some interest, no Democratic representatives voted in favor of the bill. In the meantime, on November 9th, the chairman

of the Senate Finance Committee released his version of proposed tax legislation. This bill, after multiple amendments, passed the Senate on December 2nd, again with no Democratic support. Due to differences between the two versions, the Joint Committee on Taxation worked on a compromise measure. Ultimately the compromise bill was passed by both houses on December 20th, and President Trump signed the legislation into law on December 22nd.

Estimates project that the new tax law, effective in 2018, will provide a tax cut of almost \$1.5 trillion over the next ten years. Most of these cuts are expected to impact individual taxpayers (\$1.1 trillion), while businesses are expected to see a cut of over \$650 billion. International tax increases of roughly \$300 billion offset the overall cut. Under the so-called sunset provision, many of the changes that affect individual taxpayers will no longer apply after December 31, 2025, and these affected rules will revert to their pre-2018 status. Additional legislation will be required at that time to extend or modify these provisions if deemed appropriate. The new legislation also effectively eliminates the individual mandate provided for in the Patient Protection and Affordable Care Act; this repeal is not affected by the sunset provision. Perhaps only time will tell if President Trump's afore-mentioned goals will be achieved in either the short-term or long-term. On its face, the objectives of providing tax relief to families and cutting the business tax rate appear to be on track. Whether or to what extent the economy grows or jobs are created, or whether tax simplification will take place, are questions that have not been answered.

It is not always possible to determine the motivation of the individuals or groups involved in the passage of any legislation. Sometimes it is clear what issues are being addressed where the legislation is narrowly focused or covers one or a few topics. Yet even then it is not always obvious what is behind the actions of those casting votes. However, some thought has been given previously by non-politicians as to appropriate factors that should be considered when addressing tax changes at the federal level. In 2001, 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. These principles were offered as a way to evaluate the appropriateness of any proposed tax law changes. These principles were considered of equal importance and were not presented in any particular order by the AICPA. (Nellen, 2002). The principles include the following; 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.

PRESENT STUDY

The authors of this paper undertook a study that sought to determine, among other things, whether changes in the tax law applicable to individual taxpayers would impact their behavior. The study included a taxpayer survey that included demographic questions as well as a number of substantive questions. As part of the questionnaire, the respondents were asked to rank the 10 aforementioned principles in order of importance. For purposes of the survey, the principles were put in alphabetical order.

Students enrolled in selected accounting and economics classes in a mid-sized Midwestern university were invited to participate in the research study by administering surveys to taxpayers during the spring 2017 semester. This survey was approved by the host university's human subject review process. Students were given specific rules to follow when selecting participants in the hope that a broad array of taxpayer opinions would be obtained. Students received minimal extra credit points to participate, and were offered an alternative assignment as a way to earn the same amount of points.

In total, 225 usable surveys were obtained. Two hundred (89%) of the respondents were Caucasian, while of those reporting, 47% were female and 53% were male. In addition, 18% of the 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. Most of those who replied lived in small towns (43%), while 36% indicated they were from medium-sized cities, 13% were from rural areas, and 8% were from large cities. In terms of income, 56% indicated (i.e., self-reported) they were low income taxpayers, 41% were middle-income, and 3% were high-income. Further, the majority (80%) of the respondents indicated that they receive most of their income in the form of salary, while 7% indicated their primary source of income was from business interests, 5% said from investments, and 4% from pensions or social security. In addition, 17% either attended or graduated from high school, 38% attended college, 30% graduated from college, and 15% attended or graduated from graduate school. With respect to political party affiliation, 26% indicated they were Democrats, 36% were Republicans, and 16% were Independents, while 21% indicated they were not affiliated with a political party. Lastly, 44% indicated they were conservative, 41% indicated they were moderates, and 15% identified themselves as liberal.

A subset of the authors of this paper did a comparable project in both the spring of 2003 (Lavin, Epping and Davies, *Journal of Accounting and Finance Research*, pp. 105 - 119) and 2007 (Davies, Carpenter and Olson, *International Journal of Business and Public Administration* pp. 1- 10), whereby surveys were administered in a similar fashion with the assistance of students. The earliest survey included 130 usable responses, while the 2007 survey included 519 usable responses. A comparison of how taxpayers from the three separate survey groups (2003, 2007 and 2017) rated these principles can be found in the results section (i.e., Table 3) below.

RESULTS

Respondents were asked to rank the 10 guiding principles relative to each other, providing a ranking from 1 (most important) to 10 (least important). Table 1 contains the distribution of rankings for each of the 10 principles and also the mean ranking for each principle. Table 1 is arranged from the principle with

the lowest mean-rank (i.e., the most important) to the highest. The final column of Table 1 contains the p-values for a t-test asking if the mean-rank for each of the ten principles was statistically different from 5 (Ho: Mean-Rank = 5). The first six principles in the list were ranked statistically lower (and thus more important) than 5; these principles are transparency, simplicity, equity and fairness, certainty, growth and efficiency, and calculation. The final four principles each had a mean-rank that was not statistically different from 5. These principles are neutrality, convenience, appropriate revenue, and tax gap.

Table 2 contains a correlation-style matrix for difference in means tests for the 10 guiding principles, based on their mean-rank. Since the principles are ranked in order from lowest to highest mean-rank, all means differences are negative, so all t-tests in Table 2 are one-tail tests. When looking at the results from the difference in means tests for the rankings, we again see some groupings appear. The mean-rank for transparency and simplicity are statistically smaller (more important) than the mean-rank for the other 8 principles. This provides evidence that respondents considered transparency and simplicity as the most important of the ten principles. In examining the mean-rank results, there were no groupings in the middle (rank 3-7) but we did find a second group at the bottom where the final three principles (convenience, appropriate revenue and tax gap) were ranked statistically higher (less important) than the other seven. Convenience, ranked 8th, was statistically similar to neutrality, ranked 7th, but neutrality was statistically more important than appropriate revenue and tax gap.

Table 3 provides some insight into the mean-rank of the 10 guiding principles over the past 14 years, based on a similar survey conducted in 2003, 2007, and 2017. In all three instances, convenience, appropriate revenue, and tax gap had the highest mean-rank, again suggesting they were the least important to respondents. The order was slightly different in 2003, with appropriate revenue and tax gap switching places. The table shows there has been a significant change at the top of the rankings; while simplicity and equity/fairness were both ranked lowest (most important) all three times, transparency has risen from the 6th most important principle in 2003, to the 3rd most important in 2008, to being the most important in 2017.

Tables 4 and 5 contain the 2017 rankings of the 10 principles after grouping the taxpayers based on their political party affiliation. The survey had 79 (36%) respondents who identified as Republicans, 57 (26%) who identified as Democrats, and 81 (37%) who identified as either being independent or not affiliated with any party. There were eight respondents who identified as other or who left this option blank. These eight responses are not included in Tables 4 and 5.

Table 4 identifies the ranking of the 10 principles by political party affiliation. The table is ordered by the ranking of the full panel, which matches the order in the previous tables. We find several interesting results. First, all groups had transparency, simplicity and equity/fairness as their three most important considerations, but all three groups of rankings had a different order. Republican respondents ranked simplicity as most important, followed by transparency and then equity/fairness. Democratic respondents, on the other hand, ranked transparency as most important, followed by equity/fairness and then simplicity. Independent respondents ranked equity/fairness as their most important principle, followed by transparency and simplicity. As mentioned, overall there is a clear choice among respondents that transparency, simplicity and equity/fairness are the most important principles of a tax system, irrespective of political party affiliation. Yet the top trait was different among the three survey groups.

The rest of Table 4 provides some stark contrasts between Democrats and Republicans/Independents. For Republicans and Independents, principles 4 through 10 are the same with the exception of rank #4 and rank #5 – certainty and growth/efficiency – which they have reversed. Democrat respondents had a rather different ranking. For these Democrat respondents, appropriate revenue and tax gap were ranked 5th and 6th, but these two principles were 9th and 10th for Republican and Independent respondents. Also, Democrats ranked calculation, growth/efficiency, and convenience as their 8th, 9th, and 10th ranked principles respectively. These principles were ranked 6th, 4th and 7th by Republicans, and 6th, 5th and 7th by Independents. One could perhaps conclude that Democrats place more importance on the ability of the government to collect the amount of revenue needed to provide services to the public.

Table 5 contains differences in means tests for each of the 10 principles, across the three groups. Since we have no prior belief about how these principles will be ranked by the groups, we report two-tail

t-tests. As such, the sign of the t-statistic needs to be understood: a negative t-statistic means that the first group in the column header ranked that particular principle as more important; a positive t-statistic indicates that the second group in the column header ranked that particular principle as more important. As an example, an examination of the first column would indicate that Democrats consider transparency more (statistically) important than do Republicans; likewise, per the third column, Democrats consider the same principle as more important than those who are Independents and those who were not affiliated with any party.

For Republicans versus Democrats, there were three principles that were ranked statistically higher by Republicans (negative and significant t-stat) – growth/efficiency, calculation, and convenience. There was one principle that was ranked statistically higher by Democrats (positive and significant t-stat), specifically, transparency. For Republicans versus Independents, there was only one significant t-stat, which tells us that Independents ranked equity/fairness higher than Republicans did. For Independents versus Democrats, there was also only one significant t-stat, and that was for growth/efficiency. As this t-stat was negative, we find that Independents ranked growth/efficiency statistically higher than did Democrats.

Tables 6 and 7 contain the taxpayer rankings of the 10 principles after grouping the taxpayers based on their reported political philosophy. The 2017 survey had 97 respondents (44%) who identified as Conservative, 33 who identified as Liberal (15%), and 90 (41%) who identified as independent or not-affiliated. There were five respondents who left this option blank. These five responses are not included in Tables 6 and 7.

Table 6 identifies the ranking of the 10 principles by political philosophy. The table is again arranged by the ranking of the full panel, which matches the order in Tables 1 through 5. We find some similar results to those of political party affiliation. First, all groups had transparency, simplicity and equity/fairness as their three most important considerations, but all three grouping had a different order. Conservative respondents ranked simplicity as most important, followed by transparency and then equity/fairness. This was the same as for Republican respondents in Table 4; given that many Republicans consider themselves conservative, this is perhaps of no surprise. Liberal respondents, on the other hand, ranked equity/fairness as most important, followed by transparency and then simplicity. This was not the same as for Democratic respondents in Table 4. Moderate respondents ranked transparency as their most important principle, followed by simplicity and then equity/fairness. This was not the same as for Independents in Table 4. However, there still remains a clear choice among respondents that transparency, simplicity and equity/fairness are the most important principles of a tax system, irrespective of their ideological philosophy.

The rest of Table 6 provides similar results to those found in Table 4 for the items ranked 4 through 10. Respondents identifying as Conservative or Moderate again had the same items ranked 4 through 10, with the Conservative's 4 and 5 (certainty and growth/efficiency) and the Conservative's 6 and 7 (calculation and neutrality) reversed for Moderates. Liberal respondents replied similarly to Democrats in ranking appropriate revenue and tax gap as their 5th and 6th principles, while these principles were 9th and 10th for Conservative and Moderate respondents.

Table 7 contains difference in means tests for each of the 10 principles, across the three groups. Again, since we have no prior belief about how these principles will be ranked by our groups, we report two-tail t-tests. As in Table 5, the sign of the t-statistic should be interpreted as follows: a negative t-statistic means that the first group in the column header ranked that particular principle as more important; a positive t-statistic indicates that the second group in the column header ranked that particular principle as more important. As an example, an examination of the first column would indicate that Liberals consider transparency more important than do Conservatives; likewise, per the third column, Liberals consider the same principle as more important than do Moderates.

For Conservative versus Liberal respondents, there were three principles that were ranked statistically higher by the former respondents (negative and significant t-stat) – growth/efficiency, neutrality, and convenience. This is not the same as Republican versus Democrats in Table 5, as the list there did not include neutrality, but did include calculation. There was one principle that was ranked statistically higher

by Liberals (positive and significant t-stat), and that was equity/fairness. In Table 5, Democrats ranked transparency higher, but not equity/fairness.

For Conservatives versus Moderates, there were three significant t-stats, and all three t-stats were negative. This means Conservatives gave a statistically higher ranking to simplicity, growth/efficiency, and neutrality that did Moderate respondents. For Moderates versus Liberals, there was only one significant t-statistic. Equity/fairness has a positive t-statistic, indicating that Liberals ranked equity/fairness statistically higher than did Moderates.

CONCLUDING COMMENTS

At the end of 2017, a Republican-controlled Congress passed significant tax legislation which was signed into law by the newly elected president. According to President Trump, his goals for tax reform were to grow the economy and create jobs, simplify the tax code, provide tax relief to families and lower the business tax rate. Given the relatively rapid speed at which the legislation was enacted, very little public debate took place on the appropriateness of the various provisions included in the new law. Further, because of the timeframe involved, it is not publically known what overriding principles or policy, if any, motivated lawmakers when drafting the Tax Cuts and Jobs Act, other than the goals of the President.

In anticipation of the potential legislation, the authors undertook a study that sought to examine the perceptions of taxpayers as to what factors or principles were relevant to creating a good tax system. The guiding principles that were considered were those proposed in 2001 by the Tax Legislation and Policy Committee of the AICPA. One of the authors had previously surveyed other taxpayers in 2003 and 2007 using the same 10 principles.

The present (2017) study shows that taxpayers overall believe the most important policy considerations in developing and implementing tax law are transparency, simplicity and equity/ fairness. Of interest, while equity/fairness was rated the third most important consideration overall based on meaning rankings, it received the most responses of the 10 principles as being the most important factor, per Table 1. Also of interest was the increased importance of transparency as a policy consideration; as Table 3 showed, it has risen from the 6th most important principle in 2003 to the most important principle in 2017. During this same period, economic growth has become more important to taxpayers, while equity/fairness and neutrality have become slightly less important in terms of overall ranking. Note that the survey was administered while campaigning for the Oval Office was taking place but before the new president was elected.

This paper also examined whether differences among taxpayer perceptions exist based on political party affiliation and ideological or political philosophy. As shown in Table 5, Republicans believe growth and efficiency, calculation and convenience are significantly more important than do Democrats. On the other hand, Democrats believe transparency is significantly more important than do Republicans. Finally, taxpayers who indicated they were Independents, along with those who had no party affiliation, believe growth and efficiency is more important than do Democrats. With respect to ideological philosophy, Conservatives thought growth/efficiency, neutrality and convenience are significantly more important principles than Liberals, and simplicity, growth/efficiency and neutrality more important than Moderates. In contrast, Liberals believed equity/fairness was significantly more important than both Conservatives and Moderates. Irrespective of their party or ideological differences, taxpayers still concluded that transparency, simplicity and equity/fairness should reign supreme when it comes to the overall tax structure.

The authors are continuing to analyze the survey responses, and are in the process of examining the perceptions of taxpayers as to the importance of the 10 principles using different demographic breakdowns. In addition, survey responses are being analyzed to assess how taxpayer behavior might change based on tax rate increases and decreases, something which the inclusion of the sunset provisions in the 2017 legislation makes possible.

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APPENDIX

TABLE 1
MOST IMPORTANT POLICY CONSIDERATIONS IN DEVELOPING AND IMPLEMENTING
TAX LAW SYSTEMS: DISTRIBUTION OF RESPONSES, MEAN VALUES, AND P-VALUE
FROM T-TEST (H₀: MEANRANK = 5)

1	2	3	4	5	6	7	8	9	10	Mean Ranking	P-Value
Transparency											
69	45	32	17	14	7	6	3	4	4	2.80	0.0000
Simplicity											
66	50	28	19	14	13	6	2	2	2	2.82	0.0000
Equity and Fairness											
71	26	21	27	20	13	5	4	3	3	3.05	0.0000
Certainty											
30	35	21	19	20	20	14	8	4	4	3.88	0.0000
Growth and Efficiency											
31	23	17	16	17	12	15	11	10	10	4.42	0.0100
Calculation											
22	21	21	22	27	25	20	14	7	7	4.67	0.0644
Neutrality											
20	19	12	24	11	13	14	18	8	8	4.88	0.5927
Convenience											
16	17	15	9	14	19	11	12	12	12	5.15	0.5361
Appropriate Revenue											
18	17	8	9	13	11	14	15	15	15	5.35	0.2187
Tax Gap											
11	23	6	14	14	12	14	17	14	14	5.40	0.1089

TABLE 2
DIFFERENCES IN MEANS TESTS FOR FULL SAMPLE
(T-TESTS ASSUMING UNEQUAL VARIANCES; 1-TAIL TEST) T-STATISTICS AND P-VALUES
(NOTE: A NEGATIVE T-STAT OCCURS WHEN THE "ROW" MEAN < "COLUMN" MEAN)

	Transparency	Simplicity	Equity and Fairness	Certainty	Growth and Efficiency	Calculation	Neutrality	Convenience	Appropriate Revenue	Tax Gap
Transparency	N/A	-0.1355	-1.0767	-4.7459	-6.0355	-7.9942	-7.6306	-8.1272	-8.3144	-9.0634
	N/A	0.4461	0.1411	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Simplicity		N/A	-0.9670	-4.7064	-6.0082	-8.0100	-7.6225	-8.1197	-8.3050	-9.0675
		N/A	0.1671	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Equity and Fairness			N/A	-3.6413	-5.0678	-3.5060	-6.6495	-7.2028	-7.4354	-8.1114
			N/A	0.0002	0.0000	0.0009	0.0000	0.0000	0.0000	0.0000
Certainty				N/A	-1.8350	-3.0502	-3.4015	-4.1245	-4.4924	-4.9656
				N/A	0.0337	0.0012	0.0004	0.0000	0.0000	0.0000
Growth and Efficiency					N/A	-0.8611	-1.4391	-2.2023	-2.6236	-2.9487
					N/A	0.1949	0.0756	0.0142	0.0046	0.0017
Calculation						N/A	-0.7313	-1.5934	-2.0676	-2.4028
						N/A	0.2326	0.0561	0.0199	0.0085
Neutrality							N/A	-0.8195	-1.2867	-1.5462
							N/A	0.2066	0.0997	0.0616
Convenience								N/A	-0.4776	-0.6903
								N/A	0.3167	0.2453
Appropriate Revenue									N/A	-0.1862
									N/A	0.4262
Tax Gap										N/A
										N/A

TABLE 3
AVERAGE RANKING OF POLICY CONSIDERATIONS SURVEYED IN 2003, 2007, 2017

	2017		2007		2003	
Policy Consideration	Average	Rank	Average	Rank	Average	Rank
Transparency	2.80	1	3.87	3	5.30	6
Simplicity	2.82	2	3.04	2	3.39	2
Equity & Fairness	3.05	3	2.92	1	2.97	1
Certainty	3.88	4	4.24	5	4.12	3
Economic Growth	4.42	5	4.04	4	5.31	7
Calculation	4.67	6	5.04	7	4.61	4
Neutrality	4.88	7	4.49	6	5.15	5
Convenience	5.15	8	5.08	8	5.74	8
Appropriate Revenue	5.35	9	5.32	9	7.11	10
Tax Gap	5.40	10	5.57	10	7.02	9

TABLE 4
TAXPAYER RESPONSE TO THE IMPORTANCE OF POLICY CONSIDERATIONS WHEN ENACTING TAX LAW BASED ON RESPONDENTS POLITICAL PARTY AFFILIATION

	Full Panel Rank	Rank		
		Republican	Independent/ Not Affiliated	Democrat
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1	2	2	1
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2	1	3	3
Equity/Fairness: similarly situated taxpayers should be treated the same.	3	3	1	2
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	4	5	4	4
Growth/Efficiency: productivity should not be impeded.	5	4	5	9
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	6	6	6	8
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	7	8	8	7
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	8	7	7	10
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	9	10	10	5
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	10	9	9	6

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

TABLE 5
DIFFERENCE IN MEANS TESTS FOR TAXPAYER RESPONSE TO THE
TEN PRINCIPLES OF A TAX SYSTEM BASED ON RESPONDENTS POLITICAL PARTY
AFFILIATION (T-STATS AND P-VALUES FOR 2-TAILED T-TEST)

	Republican	Republican	Independent
	minus Democrat	minus Independent	minus Democrat
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	2.3753 0.0193	1.4854 0.1398	1.0290 0.3058
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	-0.9770 0.3309	-0.4076 0.6842	-0.6092 0.5437
Equity/Fairness: similarly situated taxpayers should be treated the same.	1.5405 0.1264	2.0742 0.0404	-0.2983 0.7662
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	0.4435 0.6584	-0.2110 0.8333	0.6251 0.5333
Growth/Efficiency: productivity should not be impeded.	-3.6195 0.0005	-1.3842 0.1694	-2.1060 0.0381
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	-2.0040 0.0483	-0.5012 0.6172	-1.5197 0.1321
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	-0.8712 0.3867	-0.8448 0.4003	-0.1543 0.8778
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	-1.7546 0.0838	-0.7662 0.4456	-0.9592 0.3403
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	1.5148 0.1340	0.5380 0.5921	1.0231 0.3093
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	0.7525 0.4544	-0.4372 0.6632	1.3154 0.1922

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 6
TAXPAYER RESPONSE TO THE IMPORTANCE OF POLICY CONSIDERATIONS WHEN ENACTING TAX LAW BASED ON RESPONDENTS REPORTED POLITICAL PHILOSOPHY

	Full Panel Rank	Rank		
		Conservative	Moderate	Liberal
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	1	2	1	2
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	2	1	2	3
Equity/Fairness: similarly situated taxpayers should be treated the same.	3	3	3	1
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	4	5	4	4
Growth/Efficiency: productivity should not be impeded.	5	4	5	8
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	6	7	6	7
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	7	6	7	10
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	8	8	8	9
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	9	9	10	6
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	10	10	9	5

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

TABLE 7
DIFFERENCE IN MEANS TESTS FOR TAXPAYER RESPONSE TO THE TEN PRINCIPLES
OF A TAX SYSTEM BASED ON RESPONDENTS POLITICAL PHILOSOPHY (T-STATS AND
P-VALUES FOR 2-TAILED T-TEST)

	Rank		
	Conservative minus Liberal	Conservative minus Moderate	Moderate minus Liberal
Transparency: the existence of a tax and how and when it is imposed should be obvious to taxpayers.	0.4171 0.6784	-0.2679 0.7892	0.5948 0.5540
Simplicity: rules should be easy to understand and to comply with at relatively little cost.	-1.5370 0.1305	-1.9371 0.0545	-0.1775 0.8597
Equity/Fairness: similarly situated taxpayers should be treated the same.	2.2020 0.0301	-0.0602 0.9521	2.5322 0.0134
Certainty: provisions should clearly specify how any tax owed will be determined, as well as when and how it is to be paid.	-1.0462 0.3024	0.4127 0.6805	-1.3165 0.1971
Growth/Efficiency: productivity should not be impeded.	-2.4602 0.0193	-2.3436 0.0208	-0.8838 0.3826
Calculation: from the perspective of taxpayers and the government, the cost to collect a tax should be kept to a minimum.	-1.3915 0.1706	-1.3434 0.1812	-0.3630 0.7183
Neutrality: the tax law should not change taxpayer behavior but rather generate revenue.	-2.8992 0.0077	-2.2084 0.0291	-1.6131 0.1198
Convenience: any tax owed should be due at a time and in a manner most convenient to the taxpayer.	-2.1191 0.0409	-1.6147 0.1095	-0.7743 0.4427
Appropriate Revenue: the government should be able to determine the amount and timing of its revenue stream.	-0.0485 0.9606	-1.3430 0.1822	0.8445 0.4055
Tax Gap: noncompliance should be minimized, but kept in balance with the costs of enforcement and level of intrusiveness.	1.0359 0.3050	-0.1644 0.8698	1.2883 0.2044

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