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Tax Client Goals, Regulatory Pressure, and Professional Decision-Making

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by

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DEDICATION

I dedicate this dissertation to my partner and friend, Paige Kuester, as well as my parents, Brice and Debbie Seifert. Without their love and support, this dissertation would not have been possible.

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ABSTRACT

Drawing on goal theory, I illuminate how client preferences become internalized goals for tax professionals and how these client goals influence the motivated reasoning and ultimate decision-making of tax professionals. Using this theoretical framework, I then utilize an experiment to explore how the presence of salient situational factors – goal specificity, goal progress, and regulatory pressure – influence tax professionals' decision-making. The results suggest that, as a result of their roles as both client advocates and CPAs, tax professionals default to non-specific "do your best" goals regardless of client preference specificity. Additionally, I find that increased regulatory pressure may curb aggressive professional advice by introducing a salient marginal cost to recommending a risky tax position. This study contributes to the literature on tax professional decision-making by clarifying how and when client preferences form internalized goals for tax professionals and how these goals shape subsequent decision-making.

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CHAPTER 1

INTRODUCTION

Tax professionals have been shown to engage in motivated reasoning when evaluating client information – a process that may result in professional decision-making that is unduly influenced by client preferences (e.g., Cloyd and Spilker 1999; Kadous, Magro, and Spilker 2008). However, it is unclear from this research why tax client preferences influence tax professionals' goals and how these goals ultimately influence tax professionals' judgment processes. I first draw on research on assigned goals to show how client preferences can form internalized goals for professionals. I then integrate findings from goal theory, prospect theory, motivated reasoning theory, and prior accounting research to develop a theoretical model illuminating the process through which multiple, competing motivations influence the motivated reasoning process and resulting professional decision-making. Specifically, I examine how professional decision-making is influenced by tax client goal specificity, goal progress, and regulatory pressure.

While my theoretical predictions hinge on tax professionals being influenced by the specificity of client goals, I do not find evidence that this is the case. Rather, the results suggest the role of tax professionals as client advocates can make them less sensitive to the specificity of their clients' preferences, defaulting to a non-specific "do your best" goal regardless of the specificity of a client's communicated preference. Additionally, in supplemental analyses, I find that high regulatory pressure can reduce tax

professionals' willingness to recommend a risky tax position when progress has already been made toward a client's goal. However, when goal progress and/or regulatory pressure are low, tax professionals are equally likely to recommend the risky tax position. These results have implications for the generalizability of psychology research to tax professional settings by suggesting that the professional environment can limit the extent to which decision-makers are swayed by goal specificity. From a practical perspective, these results should be of interest to tax professionals, clients, and regulators by highlighting the ways in which professional decision-making can be biased in multiple-motivation environments.

Motivated reasoning describes a psychological process through which motivations influence the way individuals search for and evaluate decision-relevant information, allowing individuals to arrive at conclusions that seem reasonable and align with their existing motivations (Kunda 1990; 1999). Motivated reasoning is contingent on two key factors: (1) sufficient ambiguity to allow for multiple interpretations of the same decision-relevant information and (2) either a directional goal, aimed at coming to a specific conclusion, or an accuracy goal, aimed at coming to an accurate conclusion (Kunda 1990). Prior research has shown that tax professionals may engage in biased information searches (Cloyd and Spilker 1999; Kadous et al. 2008) and information processing (Bobek, Hageman, and Hatfield 2010; Vermeer, Spilker, and Curatola 2020; Marshall 2021) when evaluating tax positions, ultimately making recommendations to clients that are inappropriate and unduly biased by client preferences. In these examples, client preferences would be examples of directional goals (i.e., to come to a client-

favorable conclusion) and moderators such as high engagement or practice risk could represent accuracy goals.

Importantly, prior research in accounting and psychology has focused primarily on how solitary and often primed motivations induce motivated reasoning, as well as the environmental factors that mitigate or exacerbate the motivated reasoning process (Leeper and Slothuus 2014; Christensen, Dahlmann, Mathiasen, Moynihan, and Petersen 2018). However, this perspective does not consider how multiple motivations are evaluated and integrated to influence the motivated reasoning process. Understanding this initial part of the motivated reasoning process is crucial in accounting settings where tax professionals are universally presented with multiple motivations when engaging in professional decision-making, including client preferences (Bobek et al. 2010), firm/team preferences, time constraints (Ewing and Spilker 2021), and practice and regulatory risk (Kadous et al. 2008). To better understand how these motivations are formed and evaluated by tax professionals, I turn first to the assigned goal literature, which finds that both self-generated and assigned goals can be motivating under certain conditions (Locke and Latham 1990). Applied to the professional – client dynamic, goal theory suggests that client preferences may influence professional decision-making by becoming internalized assigned goals for the professionals. Once internalized, goal theory can be used to predict how motivating these client goals will be for professionals based on the features of the client goals themselves.

After establishing that client preferences can form internalized personal goals for professionals, I develop a theoretical model to explain how multiple competing goals influence the motivated reasoning process. I then examine how two features of client

influence tax professional motivated reasoning in the context of this theoretical model. Specifically, I examine how professional decision-making is influenced by tax client goal specificity – whether the client states their preference in a specific or non-specific way. I also examine how professional decision-making is shaped by goal progress – the extent to which progress has already been made toward a client's goal at the time the professional makes a decision. Goal theory suggests specific and non-specific goals should interact with goal progress to influence motivation in different ways (Wallace and Etkin 2018). Specifically, motivation should increase as goal progress increases for specific goals but decrease as goal progress increases for non-specific goals.

While goal progress and goal specificity are expected to jointly influence professional motivation, these factors do not provide insight into how professionals weight client goals against other salient contextual factors when making decisions. To provide insight into how client goals are evaluated relative to these salient contextual factors, I examine how regulatory pressure interacts with these client goal features to influence professional decision-making. Understanding how regulatory pressure interacts with client goals to influence professional decision-making is practically important because accounting professionals are under constant scrutiny from regulatory entities like the Internal Revenue Service (IRS), the Public Company Accounting Oversight Board (PCAOB), and state boards of accountancy.

Examining regulatory pressure is also theoretically interesting for three reasons. First, because professionals operate in multi-motivation environments, they must evaluate and select which of these motivations to pursue prior to engaging in motivated reasoning. Second, prospect theory predicts individuals will be more risk seeking in a loss domain

and more risk averse in a gain domain (Kahneman and Tversky 1979). Because goal pursuit occurs in different domains for specific (loss domain) and non-specific goals (gain domain) (Neale and Bazerman 1985; Larrick, Heath, and Wu 2009), examining how regulatory pressure (a potential loss) is differently evaluated when professionals pursue a specific (risk seeking) versus non-specific (risk averse) client goal is theoretically interesting. Last, some prior research has shown that increased sanctions (Reckers, Sanders, and Wyndelts 1991; Newberry, Reckers, and Wyndelts 1993; Cuccia 1994; Cloyd and Spilker 1999) and practice risk (Kadous et al. 2008) can influence tax professional decision-making, but the results of these studies are mixed. Thus, exploring regulatory pressure in the context of my theoretical model contributes to this stream of literature as well.

I develop theory to make two main predictions. First, I predict that professionals' willingness to recommend a risky tax position will increase (decrease) as goal progress increases for specific (non-specific) client goals. Second, I predict that regulatory pressure will interact with client goal specificity to influence professionals' risk aversion and willingness to recommend a risky tax position. Specifically, I predict the negative effect of high regulatory pressure on professionals' willingness to recommend a risky tax position will be greater when professionals pursue a non-specific goal (gain domain; risk averse) relative to a specific goal (loss domain; risk seeking).

The predictions are tested in a 2x2x2 between-participant experiment with 197 practicing tax professional participants. Client goal specificity (specific vs. non-specific), goal progress (high vs. low), and regulatory pressure (high vs. low) are varied between conditions. Participants are asked to evaluate a risky hypothetical tax credit and indicate

their willingness to recommend the credit to their client. Participants are also asked to identify which situational factors are relevant to their decision-making and how influential each factor is to their decision-making.

The results suggest that tax professionals are not swayed by the specificity of their clients' preferences to extent predicted by the existing goal theory literature, which relies primarily on student participants. Rather, as a result of tax professionals' dual roles as both client advocates and accounting professionals, tax professionals appear to have the goal of doing the best they can for their clients within the extent of the law. This focus causes tax professionals to assume a default non-specific "do your best" goal. Additionally, supplemental analyses suggest that, while regulatory pressure does not alter the way potential gains and losses are weighted by professionals, it does represent a salient marginal cost to recommending a risky tax position. Thus, in situations where regulatory pressure is low, the extent to which goal progress (i.e., the extent to which tax savings have already been realized prior to the tax recommendation) has occurred does not influence tax professional recommendations. However, when regulatory pressure is high, tax professionals are significantly less likely to recommend a risky tax position when client goal progress is high.

My study makes both theoretical and practical contributions. First, my study extends and applies goal theory predictions to the tax professional decision-making context, laying the theoretical foundation for future studies examining how goal features influence professional decision-making. Second, my study develops and supports theory for how multiple motivations are evaluated in a motivated reasoning context – theory that is especially relevant to professional decision-making contexts where professionals

ubiquitously make decisions under multiple and often competing pressures. Importantly, while the results suggest tax professionals are not influenced by the specificity of client preferences, the theoretical model for understanding how multiple motivations influence the motivated reasoning process is partially supported by the supplemental results relating to regulatory pressure and goal progress. Thus, the theoretical model still provides a useful framework for future studies on motivated reasoning in multiple-motivation environments. Third, this study provides empirical evidence that tax professionals may not be influenced by client preference specificity in the way documented by prior psychology research. Specifically, the results suggest that professionals may not be influenced by client goal specificity, instead defaulting to a non-specific "do your best" goal. Additionally, the results suggest regulatory pressure can create salient marginal costs that decrease tax professionals' willingness to recommend a risky tax position, but only when significant goal progress has already been made. Practically, this study provides tax professionals, clients, and regulators with a better understanding of how subtle features of client goals and decision-making contexts can change the advice professionals provide to clients.

CHAPTER 2

THEORY

Motivated Reasoning and Theoretical Model

Prior research finds tax professionals are often unduly swayed by the preferences of their clients. Generally referred to as advocacy bias, tax professionals' tendency to seek out and interpret information in a way that aligns with their clients' preferences has been documented in a variety of settings. Advocacy bias is thought to stem from tax professionals' joint responsibility to advocate for their clients to the extent permissible by law (AICPA 2018) while simultaneously not recommending unsupportable tax positions, which can result in IRS preparer penalties (IRC §6694), taxpayer penalties (IRC §6662), and increased practice risk (Kadous et al. 2008). Previous research has extensively examined the role of advocacy bias in shaping tax professionals' judgments and decision-making. This research has applied motivating reasoning theory (Kunda 1990) to show that tax professionals are consistently swayed by client preferences (Cloyd and Spilker 1999) and that this bias is moderated by client practice risk (Kadous et al. 2008), client importance (Bobek et al. 2010; Vermeer et al. 2020), time pressure (Ewing and Spilker 2021), and outcome information (Kadous and Magro 2001), among other factors. Additional tax research has shown that client-specific advocacy attitudes can explain how many of these situational factors influence tax professionals' judgments by changing the degree to which a tax professional feels a duty to advocate for a specific client (Bobek et al. 2010).

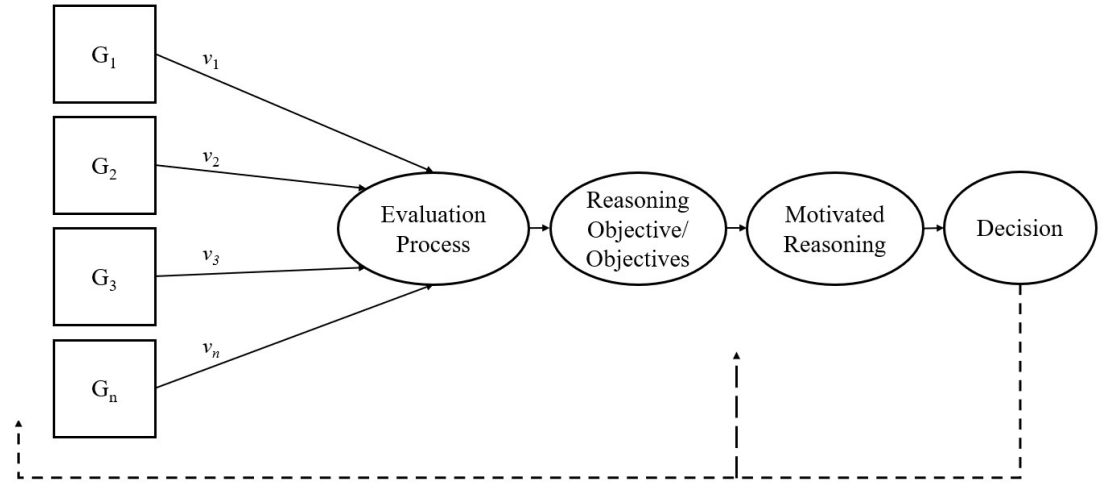
The advocacy bias literature relies on motivated reasoning theory to explain this effect. Motivated reasoning theory was initially developed by Kunda (1990; 1999) and built on the following premises: (1) contradictory information generates cognitive dissonance for individuals, (2) cognitive dissonance is uncomfortable, and (3) individuals generally seek to minimize or resolve cognitive dissonance to the extent possible. As a result, motivated reasoning theory predicts individuals seek conclusions that support their pre-existing beliefs in an effort to avoid uncomfortable cognitive dissonance. Additionally, the motivated reasoning process is contingent on two key factors: (1) a pre-existing belief or goal, which can take the form of a directional goal or an accuracy goal, and (2) sufficient ambiguity in the decision-relevant information to allow for multiple reasonable conclusions that would persuade a disinterested observer (Kunda 1990).

While the research on motivated reasoning is robust and extensive, it generally focuses on the link between a single goal, directional or accuracy-based, and the motivated reasoning process. However, it is not clear from this literature how multiple goals are evaluated relative to each other and how they ultimately influence the motivated reasoning process (Leeper and Slothuus 2014; Patterson, Operskalski, and Barbey 2015; Epley and Golovich 2016). It is important to understand how various salient goals are evaluated because decision-making often occurs in environments where multiple salient goals are present. This is especially true for professional services like those provided by tax professionals, which are ubiquitously provided in contexts where professionals must balance often competing pressures from clients, regulators, and their firms when making decisions (Kadous et al. 2008; Bobek et al. 2010; Marshall 2021). For this reason, it is both broadly important to theory and specifically important to accounting

research to understand how multiple goals are evaluated and ultimately influence the motivated reasoning process.

To illuminate the process by which multiple goals influence the motivated reasoning process, I outline a theoretical model (see Figure 2.1) that draws on cognitive dissonance avoidance (Festinger 1957; Harmon-Jones and Harmon-Jones 2012; Harmon-Jones and Mills 2019) to predict how the multiple goals will be identified, evaluated, and selected. Cognitive dissonance refers to the discomfort an individual feels when two related thoughts, actions, or perceptions conflict with each other (Festinger 1957). Relatedly, cognitive dissonance theory is used to identify the circumstances in which cognitive dissonance is likely to occur and the strategies individuals may use to reduce cognitive dissonance in those circumstances (Harmon-Jones and Mills 2019). Critical to the theoretical model proposed in this study is the concept that motivated reasoning is driven by the desire to minimize the cognitive dissonance that arises when conclusions conflict with pre-existing motivations (Kunda 1990). Because cognitive dissonance is uncomfortable, individuals are expected to engage in motivated reasoning in such a way that cognitive dissonance is minimized and the expected utility of the motivated reasoning process is, thus, maximized. With this foundation in mind, I present a theoretical model below that predicts how multiple decision-relevant motivations are evaluated relative to each other based on (1) whether the multiple goals are complimentary or conflicting and (2) whether the ultimate decision is dichotomous or continuous. This model, while intuitive, is theoretically important to specify and provides the basis for subsequent theoretical discussions.

Panel A: General Theoretical Model



Panel B: Experiment-Specific Theoretical Model

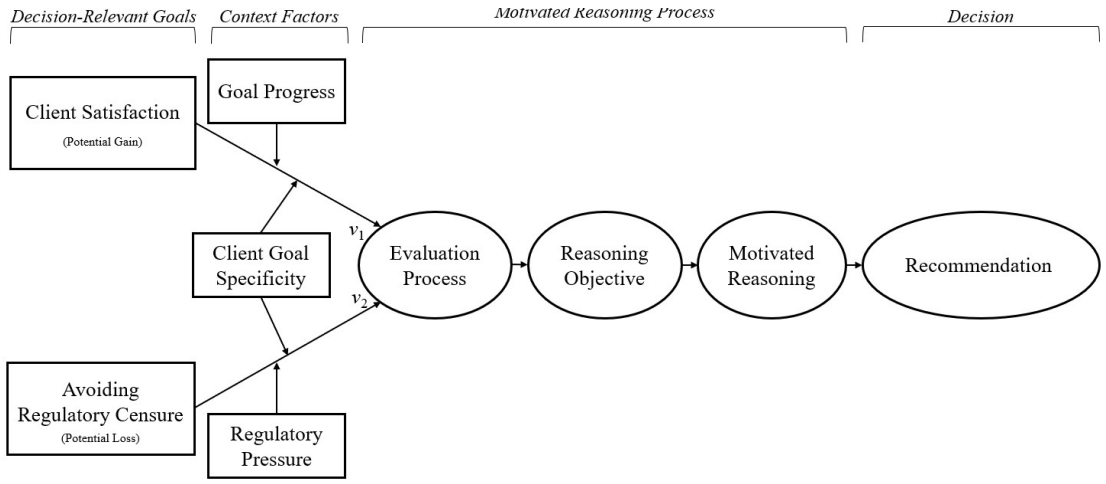


Figure 2.1 Theoretical Models

Figure 2.1, Panel A, presents the general theoretical model describing how multiple goals are evaluated to identify a reasoning objective or objectives and ultimately influence motivated reasoning and decision-making. The dashed line from the decision portion of the model to the goal evaluation and reasoning objective portions symbolizes the role of the decision itself in the identification of decision-relevant goals and the selection of reasoning objectives. Panel B displays a version of the general model that applies to my experiment and clarifies the role of goal progress, goal specificity, and regulatory pressure in determining the utility values assigned to the client satisfaction and avoiding regulatory censure motivations. The relative weighting of these competing motivations determines which motivation is selected as the reasoning objective that drives the motivated reasoning process.

The first step in my theoretical model is the identification of the decision that must be made and the goals that are relevant to that decision (represented by G in Figure 2.1). Once the decision-relevant goals are identified, an initial utility weight (*v*) is assigned to each one based on the relative importance of that goal to the decision-maker. Once the values for each goal are assigned, the evaluation process to determine which goal/goals should be pursued through the motivated reasoning process to minimize cognitive dissonance begins. I refer to the selected goal(s) as the "reasoning objective(s)." If the goals are all complementary with respect to the decision to be made, then the reasoning objective that aligns with all of the complementary goals will be selected by the evaluation process because there is no conflict between goals. However, if the goals are conflicting, the nature of the ultimate decision becomes important. If the ultimate decision is dichotomous and only one conflicting goal can be pursued, then the goal with the greatest utility weight assigned is selected to be the reasoning objective. Alternatively, if the ultimate decision is continuous and multiple goals can be pursued concurrently, then the evaluation process is expected to optimize the reasoning objectives selected in order to minimize cognitive dissonance and maximize the expected utility of the ultimate decision, balancing potential positive utility outcomes with negative utility tradeoffs.[1]

For example, a financial executive may approach an earnings management decision with the desire to maximize personal wealth (G_1), please shareholders (G_2), and

[1] In the tax professional advice context, a dichotomous decision could be whether or not to recommend a certain tax position. Conversely, a continuous decision could be how large of an estimated deduction to allow in an uncertain situation. In the second case, there is a range of possible advice of varying degrees of aggressiveness possible and a strategy of minimizing client liability without incurring undue practice risk (i.e., optimization) could be pursued.

avoid regulatory sanctions (G_3). After identifying these goals, the model suggests the executive will then assign utility weightings ($v_{1\text{-}3}$) to each of the decision-relevant goals. In some settings, these goals may be aligned. Pleasing shareholders and avoiding regulatory sanctions may align with maximizing personal wealth, and shareholders may desire to avoid regulatory sanctions, even if it means missing an earnings target. If all of the decision-relevant goals can be achieved by deciding *not* to manage earnings (i.e., regulators are pleased and shareholders accept an earnings miss and do not reduce the wealth of executive), the model predicts that the executive will select an accuracy-based reasoning objective because this objective is most likely to maximize utility and minimize cognitive dissonance. Subsequently, the executive is predicted to engage in an accuracy-based assessment of the financial information available, ultimately resulting in an accurate financial report and no earnings management.

However, if the executive suspects that shareholders would rather bear some regulatory sanctions in order to meet an earnings forecast, G_1 and G_2 would now conflict. In this case, the utility weightings assigned to G_1 and G_2 relative to G_3 will determine the reasoning objective, information processing, and ultimate earnings management decision. That is, if the utility assigned to hitting the earnings forecasts ($v_1 + v_2$) exceeds the utility assigned to avoiding regulatory sanctions, the reasoning objective will be to meet the earnings target (thus maximizing utility and minimizing cognitive dissonance) and the executive is predicted to interpret financial information in a biased way in order to reach a conclusion that supports earnings management.

Assigned Goals

Before the features of client goals and subsequent professional decision-making can be examined, it is necessary to formally establish that client preferences form goals (G's in the model in Figure 2.1) for professionals in the first place. While prior research has examined how client preferences influence professional decision-making through motivated reasoning, the process through which client preferences become motivations for professionals has not yet been explored. I argue that client preferences become professionals' motivations by operating as assigned goals for professionals. Psychology research suggests that under certain conditions, goals assigned to individuals can be just as motivating as goals individuals develop for themselves or goals that are developed through a collaborative process (Dossett, Latham, and Mitchell 1979; Latham and Marshall 1982; Kernan and Lord 1988; Locke and Latham 1990). However, this research finds assigned goals are most likely to be motivating if the goal assigner is influential and the goal assigned is challenging, but obtainable (Locke and Latham 1990).

Applied to the accounting professional context, it is likely that the requisite conditions for client preferences to operate as motivating assigned goals are present in many client – professional dynamics. Clients provide revenue for professionals' firms and client satisfaction may be a key element of professionals' performance evaluations. Additionally, depending on the experience and level of the professional, it is quite possible that the client may be seen as more knowledgeable or experienced than the professional (Bennett and Hatfield 2013). Last, to the extent that clients are reasonable individuals, it is also likely that communicated preferences could be challenging but

obtainable. Thus, I argue that, in certain circumstances, client preferences can operate as assigned goals, forming internalized goals for professionals.

Goal Theory and Goal Specificity

If client preferences become internalized personal goals for professionals, goal theory can be used to predict the expected utility weights assigned to these goals by professionals (see Figure 2.1). Goal theory has been applied to the managerial accounting setting to examine how different elements of firm or manager goals influence employee motivation, performance, and decision-making. For example, Gopalakrishnan, Libby, Samuels, and Swenson (2015) and Everaert and Bruggeman (2002) find that specific cost targets can reduce project costs in some settings. More broadly, the managerial literature on informal vs. formal controls suggests that firm preferences and communicated goals can increase employee honesty (Newman 2014; Clor-Proell, Kaplan, and Proell 2015; Libby, Proell, and Smith 2019; Douthit, Schwartz, Stevens, and Young 2022), strategy selection (Kachelmeier, Thornock, and Williamson 2016), effort (Christ, Sedatole, and Towry 2012; Choi 2014), and productivity (Akinyele, Arnold, and Sutton 2020). In the psychology literature, studies have shown that difficult goals increase performance but decrease the likelihood of coming to a profitable agreement in a negotiation experiment (Neale and Bazerman 1985) and that specific goals can lead to dishonesty when performance falls just below a specific goal (Schweitzer, Ordonez, and Douma 2004). However, none of these studies examine how features of client goals shape professional motivated reasoning and decision-making, especially when these client goals conflict with other decision-relevant goals.

While extensive and multifaceted, goal theory generally conceptualizes motivation towards a goal using the prospect theory value function (Kahneman & Tversky 1979), focusing on the diminishing sensitivity of the value function that arises as gains and losses progress away from the reference point (Locke and Latham 1990; Heath, Larrick, and Wu 1999; Locke and Latham 2006; Locke and Latham 2019). Using this framework, goal theory predicts that motivation should increase as individuals grow nearer to a goal reference point because the relative value associated with each marginal progression toward the goal reference point increases as the goal reference point grows nearer (Soman and Shi 2003; Louro, Pieters, and Zeelenberg 2007).

Further, a growing literature stream in goal theory examines how goal specificity influences individuals' motivation at different levels of goal progress. [2] This research posits that specific goals create a goal reference point at the desired end state (Wallace and Etkin 2018). For example, if an individual sets a goal to lose 5 pounds, the reference point would then be 5 pounds lost. As the individual loses weight, their motivation to lose an additional pound is expected to increase as they approach the 5 pounds lost goal

[2] Regulatory focus theory suggests that individuals behave differently when seeking to obtain a certain desired end-state or gain (promotion focus) versus seeking to avoid a certain undesired end-state or loss (prevention focus) (Brockner and Higgins 2001; Higgins 2012). While regulatory focus may influence professional decision-making, it does not yield the same predictions at goal theory and does not provide an alternative explanation for the observed results. In experiments, regulatory focus is often manipulated by framing the same goal in either a gain-seeking (promotion focus) or loss-avoidant (prevention focus) manner (Higgins 1997; 1998). In the setting examined in this study, actual goal reference points are manipulated, and all of the goals could, theoretically, be framed in either a promotion or prevention format. For example, the client satisfaction motivation could be framed as seeking to please a client to obtain economic benefits like increased fee revenue (promotion focus) or to avoid losing the client (prevention focus). Further, while regulatory focus theory contains some elements of goal theory, including describing how the pursuit of promotion or prevention goals influences perceptions and motivations (Scholer, Cornwell, and Higgins 2019), these findings do not clearly map into the setting examined in this study. Last, while trait regulatory focus may vary between individuals (Lanaj, Chang, and Johnson 2012), random assignment should ensure than these individual differences do not threaten the internal validity of the experiment. Thus, I leave it to future research to examine how regulatory focus theory might influence professional decision-making.

because of the increased value associated with each incremental pound lost. Conversely, for non-specific goals, goal theory predicts that individuals create a reference point at zero progress because the end state is not clearly specified.[3] Returning to the weight loss example, goal theory predicts that an individual with a non-specific goal to "lose as much weight as possible" determines their progress toward this goal in reference to their starting weight/zero pounds lost. When the reference point for the goal is set to zero progress, each incremental pound lost moves the individual away from the reference point, diminishing the marginal value achieved with each additional pound lost. Accordingly, the individual is most motivated to lose the first pound and will steadily lose motivation as the amount of weight lost increases. Taken together, goal theory predicts a positive relationship between goal progress and motivation for specific goals and a negative relationship between goal progress and motivation for non-specific goals.

Goal theory suggests client goals should be more motivating as goal progress increases for specific goals and less motivating as goal progress increases for non-specific goals. Applied to the tax professional context, the increased motivation to achieve a client goal is expected to result in increased cognitive dissonance and decreased utility if the client goal is not met. Referencing the context-specific theoretical model depicted in Figure 2.1, Panel B, more motivating client goals are expected to increase the likelihood that the client satisfaction motivation is selected as the reasoning objective,

[3] Non-specific goals can take many forms, including "do your best" goals, range goals, and others (Wright and Kacmar 1994; Wallace and Etkin 2018). Additionally, consistent with prior literature on specific and non-specific goals (Wallace and Etkin 2018), I use the term "goal progress" to refer to progress made in the context of a goal with the acknowledgement that non-specific goal pursuit seems to imply that "progress" is not being made toward a goal, but rather away from a goal reference point of zero progress. Last, in the setting examined, the reference point for a non-specific goal is likely not "zero" exactly, but rather zero progress made away from the goal starting point.

ultimately resulting in inappropriately aggressive client-favorable advice. Stated formally:

> Hypothesis 1a**:** For specific client goals, professionals' willingness to recommend a risky tax position will increase as goal progress increases.
>
> Hypothesis 1b: For non-specific client goals, professionals' willingness to recommend a risky tax position will decrease as goal progress increases.

Figure 2.2, Panel A provides a visual representation of the predicted result pattern for H1.

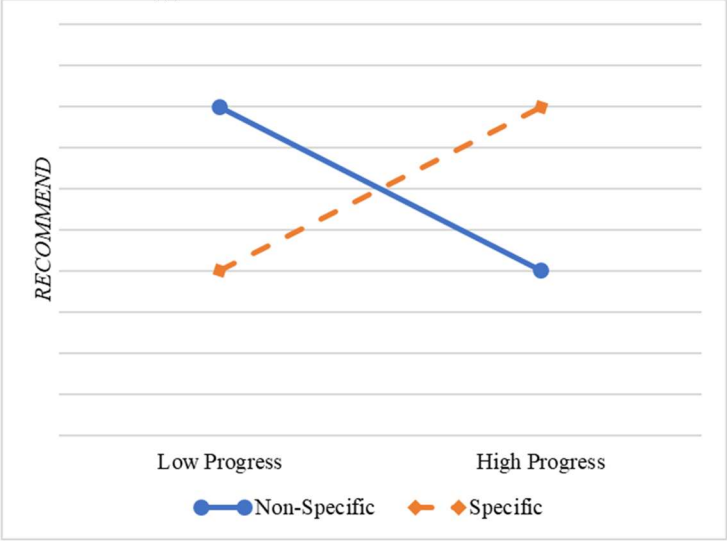
Goal Pursuit and Multiple Motivations

In addition to motivation, goal theory has also been used to examine how risk preferences differ during the pursuit of specific versus non-specific goals (Neale and Bazerman 1985; Larrick et al. 2009). Specifically, while goal theory predictions for how motivation will be affected by goal specificity and goal progress stem from the diminishing sensitivity of the prospect theory value function, pursuit of specific and non-specific goals also occurs in different gain/loss domains (Neale and Bazerman 1985). For specific goals, the reference point is the specified objective and all progress made toward achieving that goal occurs in the loss domain until the specific goal is achieved. Conversely, because non-specific goals have a reference point of zero goal progress, all goal pursuit occurs in the gain domain. Because goal pursuit occurs in different gain/loss domains for specific and non-specific goals, individuals pursuing non-specific goals (gain domain) are more risk averse than individuals pursuing specific goals (loss domain) in accordance with prospect theory (Neale and Bazerman 1985; Larrick et al. 2009).

Professionals regularly make decisions in contexts with multiple decision-relevant goals, including client satisfaction and avoiding regulatory censure.[4] However, applied to

[4] Regulatory pressure is an environmental condition that is predicted to influence the weighting assigned to the avoiding regulatory censure motivation.

Panel A: Hypothesis 1 Predicted Result Pattern



Panel B: Hypothesis 2 Predicted Result Pattern

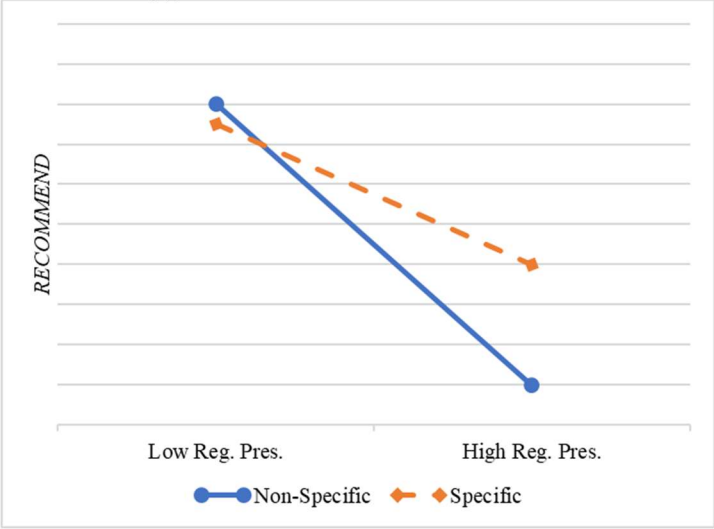


Figure 2.2: Predicted Result Patterns

Figure 2.2 provides graphical depictions of the expected pattern of results for the experiment. Specifically, Panel A shows the predicted disordinal relationship between goal progress and goal specificity on the likelihood to recommend a risky tax position. Panel B shows the predicted effect of increased regulatory pressure on the likelihood to recommend a risky tax position, where the negative effect of increased regulatory pressure is amplified for non-specific client goals relative to specific client-goals. Additionally, Panel A collapses across regulatory pressure conditions and Panel B collapses across goal progress conditions. Thus, the points in Panel B can be interpreted as occurring at the midpoint of the low and high progress lines in Panel A, where predicted likelihood to recommend a risky tax position is equal for specific and non-specific goals.

the professional decision-making context, prospect theory suggests that the differing risk preferences associated with the pursuit of specific and non-specific goals are of critical importance to the expected utility values assigned to potential losses. Specifically, perceptions of potential losses associated with high levels of regulatory pressure (and increased risk of regulatory censure) may alter the way potential losses are evaluated in gain and loss domains.[5] Further, because non-specific (specific) goal pursuit occurs in a gain (loss) domain, professionals are expected to be more (less) risk-averse and assign disproportionately more (less) negative utility to the avoiding regulatory censure motivation when pursuing non-specific (specific) goals. Ultimately, assigning more (less) negative utility to the avoiding regulatory censure motivation should increase (decrease) the likelihood that the avoiding regulatory censure motivation will be selected as a professional's reasoning objective and decrease (increase) professionals' willingness to recommend a risky tax position. In essence, risk aversion stemming from the fact that non-specific goal pursuit occurs in the gain domain is expected to influence how potential losses, like regulatory censure, are weighted. Stated formally:

> Hypothesis 2**:** Client goal specificity and regulatory pressure will interact to influence professionals' willingness to recommend a risky tax position such that the negative effect of increased regulatory pressure will be greater when a non-specific goal is pursued relative to a specific goal.

Figure 2.2, Panel B, provides a visual representation of the predicted pattern of results for H2.

[5] Increased regulatory pressure is also likely to have a main effect on professional decision-making. The theoretical discussion and hypothesis focus on how regulatory pressure interacts with goal pursuit domain.

CHAPTER 3
METHODOLOGY

Experimental Overview and Procedure

The purpose of the experiment is to examine how professional decision-making is influenced by client goal specificity, goal progress, and regulatory pressure. [6] The experiment takes the form of a 2x2x2 between-participant experiment using a hypothetical tax scenario. The experiment begins with a description of a hypothetical client, Client Corp. In all conditions, the participants are informed that Client Corp is one of their larger clients and is a privately held C-Corporation. Additionally, while clients may have a variety of desires in practice, participants are informed in all conditions that Client Corp. wishes to reduce their tax liability. Participants are then asked to imagine one of their own clients that fits this description.[7] With a client in mind, participants are informed that Client Corp has engaged the participant's firm to prepare tax returns for the company for several years.

[6] Because goal internalization and commitment are prerequisites for goal specificity to influence behavior, the parameters used in the experiment are set at levels shown in a pretest with 29 practicing tax professionals to maximize goal internalization and commitment. Importantly, these parameters were also deemed to be challenging, obtainable, and reasonable by preliminary survey respondents. Other elements of the client description and background information are set at levels determined by previous research (Kadous et al. 2008; Vermeer et al. 2020) to yield aggressive tax advice. However, as client attributes are not the focus of the experiment, all background information, including client attribute information, is held constant across conditions. Potential limitations to this approach are discussed in the results section. For more information on the pretest survey, see Appendix A.

[7] One risk with an abstract scenario is participants will have difficulty imagining themselves in the scenario described. To increase participant engagement with the scenario, participants are asked to imagine a client of theirs that most closely fits the described client. This instruction is held constant across conditions and, therefore, does not threaten the internal validity of the experiment.

In addition to the tax return for this year, the participant is also conducting tax research for Client Corp into a new and potentially valuable tax credit. In all conditions, Client Corp is described as low practice risk, rarely having substantial audit adjustments or disagreements with the firm, and moderately risk-seeking with respect to tax positions (see Appendix B for sample experiment materials and Figure 3.1 for the experiment flow). Next, participants are informed that Client Corp has requested that the participant reduce the company's ETR relative to the prior year and what Client Corp's ETR is before considering the new credit. After reviewing Client Corp's situation, participants proceed to the information about the potential credit and view the regulatory pressure manipulation. Participants then indicate how willing they are to recommend the client claim the hypothetical credit. The experiment concludes with supplemental measures, including perceived goal internalization, goal commitment, and general advocacy attitudes (Mason and Levy 2001).

Participants

281 tax professional participants were recruited via direct email contacts and snowball sampling. Of these responses, 75 were removed for being less than 95% complete and 9 were removed for indicating that they did not have the requisite tax professional experience, leaving a final sample of 197 tax professionals.[8] As shown in Table 3.1, the final sample is 51% male, the modal age range is 25 to 34, 74% are at the manager level or above, 49% work at firms that are at least national sized, and 84% are

[8] Participants were required to have worked in public accounting as a tax professional in the U.S. within the past 5 years. Some participants included in the final sample have other specialties currently, but indicated they had the requisite prior tax experience. The nine excluded participants indicated that they had not worked as a tax professional in the U.S. within the past five years.

Table 3.1 Experiment Demographics

	Sample n = 197
Gender	
Male	51%
Female	47%
Other	1%
Prefer not to respond	1%
Age	
20 to 24	3%
25 to 34	42%
35 to 44	23%
45 to 54	18%
55 to 64	9%
65 to 74	4%
75 or older	1%
Position	
Staff/associate	6%
Senior staff/associate	20%
Manager	34%
Senior manager	21%
Partner/principal/director	19%
Firm Size	
Local	27%
Regional	21%
National	17%
International	22%
Big 4	10%
Other	3%
CPA License Status	
Licensed and active	84%
Not yet licensed	9%
Not licensed and not working toward license	4%
Other	3%
Average Years of Public Accounting Experience	13

Table 3.1 presents demographic information for the 197 tax professional participants in the experiment.

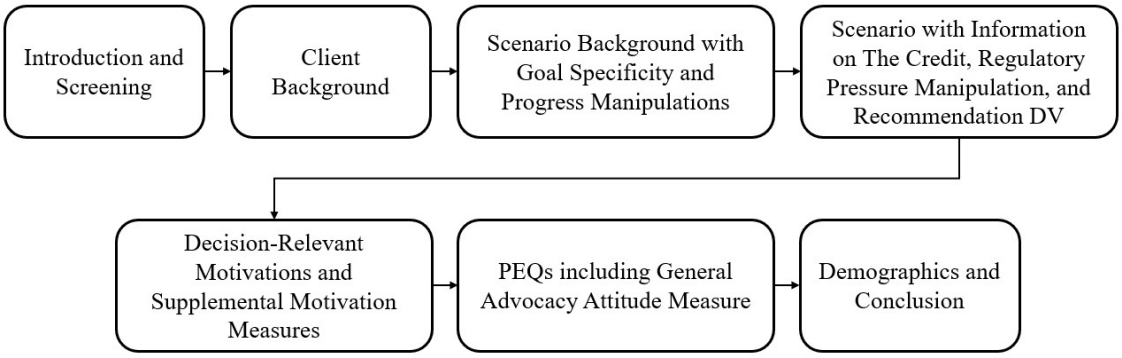


Figure 3.1: Experiment Flow

Figure 3.1 visually depicts the flow of the experimental materials.

actively licensed CPAs. Additionally, participants have 13 years of public accounting experience on average. The median time to complete the experiment was 10 minutes.

Independent Variables

Goal Specificity

Client goal specificity is manipulated at two levels, specific and non-specific. The specific client goal states that the client "would like you to reduce Client Corp's ETR by four percentage points to 14% this year.". The non-specific client goal states that the client "would like you to reduce Client Corp's ETR as much as possible this year."

Goal Progress

Goal progress is manipulated at two levels (low and high) by informing participants that, before making any tax position recommendations, Client Corp's ETR is 0.5 (low progress) or two percentage points (high progress) lower than the prior year's ETR. Importantly, consistent with prior literature on goal specificity (e.g., Wallace and Etkin 2018), this study examines a context in which multiple goal-relevant decisions are made. Thus, goal progress occurs prior to the focal decision in the experiment in order to vary the goal progress when the focal decision is
made. However, goal progress in the experiment is described as a function of previous work on the tax engagement that does not relate to the tax recommendation itself in order to separate the goal progress manipulation from the recommendation. Additionally, the initial decision to pursue the client goal is held constant across conditions (i.e., progress has already occurred prior to the tax position recommendation in all conditions).[9]

[9] Previous research has documented that project selection and resource allocation decisions can be affected project completion (Conlon and Garland 1993), escalation of commitment (Staw 1981), and sunk cost effects (Arkes and Blumer 1985). While undoubtedly useful, these theories do not apply to the present study for several reasons. First, these studies often require participants to select between two projects,

Regulatory Pressure

Regulatory pressure is manipulated at two levels (low and high) with the inclusion of a sentence on the screen with information about the potential tax credit. The sentence states "the IRS has indicated that *The Credit* is (not) one of the key issues they are focusing on this year and your team assesses the regulatory risk associated with *The Credit* to be high (low)" for the high (low) regulatory pressure condition.

Dependent Variables and Supplemental Measures

The primary dependent variable (*RECOMMEND*) is professional willingness to recommend Client Corp claim a hypothetical tax credit, "*The Credit*."[10] This variable is collected in two stages. Participants are first asked whether they would recommend that Client Corp claim *The Credit* in dichotomous form. On the following screen, participants are then asked to evaluate on a 51-point scale how *strongly* they would recommend or not recommend the credit, depending on their previous dichotomous recommendation decision. The 51-point scale is anchored by "not at all strongly" and "extremely strongly," and the midpoint is labeled "moderately strongly." The *RECOMMEND* variable is then constructed by combining the strength measures based on whether the participant indicated they would or would not recommend *The Credit*, such that "do not recommend" decisions range from 0 to 50 and "recommend" decisions range from 51 to 101. Both the dichotomous and continuous form of the dependent variable are used to test the hypotheses.

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which vary in terms of completeness, prior commitment, or sunk costs. The present study relates only to a single engagement and does not require participants to select between two tax saving credits or strategies. Additionally, in the non-specific goal conditions, by design there is no specified end goal, so striving to achieve a specified end state (i.e., like completing a project) is not possible.

[10] Tax professionals have a range of knowledge, area-specific expertise, and experience. Thus, a hypothetical tax credit is used to ensure that participants are only responding to the information contained in the study materials and are not swayed by outside knowledge or experience with a specific tax credit.

Two key design choices are made with respect to the recommendation dependent variable. First, the authority provided to participants to assess Client Corp's eligibility for *The Credit* is intentionally ambiguous so as to (1) generate variability in participant responses and (2) provide adequate decision ambiguity to allow for motivated reasoning to occur (Kunda 1990). The scenario information provided was pilot tested using 21 Tax Track Master of Accountancy students at a large public university to ensure that Client Corp's eligibility is sufficiently vague to allow for multiple interpretations.[11] Second, because specific goals necessarily identify an ideal future state and non-specific goals do not, the study materials might have inadvertently confounded specific and non-specific goals with obtainable and non-obtainable goals if the goal identified in the specific client goal was achievable. To avoid this potential confound, actual goal obtainability is held constant by ensuring that, in all conditions, recommending *The Credit* is only able to reduce Client Corp's ETR by 1.5 percentage points – an amount which is insufficient to achieve the client goal. To provide a sense of goal obtainability, the experimental materials stress that multiple decisions will be made with respect to Client Corp, not just the recommendation decision.[12]

In addition to the recommendation measure, participants are also asked to identify the goals that influenced their recommendation decision, including pleasing the client and managing regulatory risk, and assess the extent to which they believe the identified goals

[11] The participants were instructed to objectively assess the scenario information assuming they had no economic or other incentives to find the hypothetical business ("Company A") eligible or ineligible for *The Credit*. Participants indicated an average likelihood of winning in tax court of 41.67% (standard deviation = 14.55%), with 38% of participants indicating that there was a 40% or higher likelihood of success – the threshold associated with the "substantial authority" standard needed to avoid accuracy-related preparer penalties. Open-ended responses also suggest significant ambiguity in the scenario.

[12] Informing participants that multiple decisions will be made with respect to Client Corp is not deceptive. In all conditions, a supplemental measure regarding how much to bill Client Corp is collected to ensure that multiple decisions are, indeed, made with respect to Client Corp.

influenced their decision-making. Participants are also asked to assess how likely they would be to *allow* Client Corp to claim *The Credit* and how likely the Tax Court would be to uphold Client Corp's position if they did claim *The Credit*. Measures of goal difficulty, goal internalization, and general client advocacy (Mason and Levy 2001) are also collected.

CHAPTER 4

RESULTS

Manipulation Assessment

The experiment manipulated goal specificity, goal progress, and regulatory pressure. To provide confidence that the goal specificity and regulatory pressure variable manipulations were effective, participants were asked to assess the degree to which the client preference was specific and the degree to which regulatory risk was a factor in their decision-making, respectively. The results suggest that the specific client preference (mean = 71.67, out of 100) was seen as significantly more specific than the non-specific client preference (mean = 54.26, $t_{195} = 3.99$, $p < 0.001$, one-tailed, see Table 4.1, Panel A).[13] Similarly, the value assigned to regulatory risk was marginally significantly higher in the high regulatory pressure condition (mean = 6.99, out of 10) relative to the low regulatory pressure conditions (mean = 6.20, $t_{195} = 1.50$, $p = 0.068$, one-tailed, see Table 4.1, Panel B). The manipulation strength of goal progress was not assessed due to the difficulty with measuring perceptions of progress in the presence of both specific and non-specific goals.

In addition to assessing the effectiveness of the manipulations, the goal theory context examined in this study requires an examination of overall goal obtainability, difficulty, and commitment. Mean responses assessing the degree to which the client

[13] All *p*-values are two-tailed unless otherwise noted.

Table 4.1 Manipulation Assessment

Panel A: Goal Specificity Perception Means (S.D.)

	Non-Specific (n=95)	**Specific (n=102)**	**Mean Difference (n=197)**	***t*-statistic**	***p*-value**
Perceived Specificity	54.26 (30.64)	71.67 (30.50)	17.40 (17.40)	3.99	<0.001

Panel B: Regulatory Pressure Perceptions Means (S.D.)

	Low Pressure (n=107)	**High Pressure (n=90)**	**Mean Difference (n=197)**	***t*-statistic**	***p*-value**
Perceived Regulatory Pressure	6.20 (3.53)	6.99 (3.53)	0.79 (0.53)	1.50	0.068

Table 4.1 presents mean (S.D.) perceptions of goal specificity (Panel A) and regulatory pressure (Panel B) and *t*-tests comparing the two means. The reported *p*-values are one-tailed.

preference was viewed as an internalized personal goal, the degree to which the participant was committed to achieving the client goal, goal difficulty, and goal obtainability were 26.43, 40.18, 59.36, and 43.27, respectively.[14] While there is no specific threshold suggested by theory to ensure that a goal will be motivating and operate in a manner consistent with goal theory, the means suggest moderate levels of commitment, difficulty, and obtainability.

Hypothesis Testing

Hypothesis 1

Hypothesis 1a predicts that professionals' willingness to recommend a risky tax position (*RECOMMEND*) will increase as goal progress increases when the client goal is specific. Conversely, H1b predicts that professionals' willingness to recommend a risky tax position will decrease as goal progress increases for non-specific client goals. H1a and H1b are tested using a 2x2 between-participants ANOVA and simple contrasts with goal progress (low vs. high) and goal specificity (non-specific vs. specific) as independent variables and *RECOMMEND* as the dependent variable.[15] The *RECOMMEND* means by condition shown in Table 4.2, Panel A, and graphically depicted in Figure 4.1, Panel A, suggest a small effect of goal progress for non-specific goals but no effect for specific goals. Consistent with this visual interpretation, the ANOVA results in Table 4.3, Panel A, indicate no significant interaction between goal specificity and goal progress ($F_{1,193} = 0.49$, $p = 0.487$).

[14] The manipulation effectiveness measures were collected on 101-point scales anchored by "not at all" and "very much," with the midpoint labeled as "moderately." Participants were instructed to assess the extent to which the relative affirmative statements (e.g., "Client Corp's ATR request was your own personal goal") reflected their feelings.

[15] Because H1 and H2 make separate predictions regarding the interaction of goal specificity with (1) goal progress and (2) regulatory pressure (respectively) rather than predicting an explicit 3-way interaction, H1 and H2 are analyzed using separate 2x2 ANOVAs.

Table 4.2 Mean *RECOMMEND* by Hypothesis-Relevant Condition

Panel A: *RECOMMEND* means (S.D.) by condition – H1

Goal Specificity	**Low Progress**	**High Progress**	Marginal Means
Non-Specific	48.33 (27.83) n=54	39.24 (27.00) n=41	44.41 (27.70) n=95
Specific	43.34 (29.05) n=44	40.02 (30.50) n=58	41.45 (29.78) n=102
Marginal Means	46.09 (28.35) n=98	39.70 (28.96) n=99	42.88 (28.76) n=197

Panel B: *RECOMMEND* means (S.D.) by condition – H2

Goal Specificity	**Low Reg. Pres.**	**High Reg. Pres.**	Marginal Means
Non-Specific	50.81 (24.57) n=47	38.15 (29.37) n=48	44.41 (27.70) n=95
Specific	49.52 (31.24) n=60	29.93 (23.44) n=42	41.45 (29.78) n=102
Marginal Means	50.08 (28.38) n=107	34.31 (26.94) n=90	42.88 (28.76) n=197

Table 4.2, Panel A, presents mean (S.D.) *RECOMMEND* for each of the four conditions pertaining to H1, which are goal specificity (low, high) and goal progress (low, high). Similarly, Panel B presents mean (S.D.) *RECOMMEND* for the four conditions pertaining to H2, which are goal specificity (low, high) and regulatory pressure (low, high). The *RECOMMEND* variable measures participant willingness to recommend a risky tax position, where higher values indicate a greater willingness to recommend the position. The *RECOMMEND* variable is constructed by combining the strength measures based on whether the participant indicated they would or would not recommend the risky hypothetical tax credit to their client, such that "do not recommend" decisions range from 0 to 50 and "recommend" decisions range from 51 to 101.

Table 4.3 Testing of Hypotheses

Panel A: H1 Analysis of variance – *RECOMMEND* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	352,556	1	352,556	426.61	<0.001
Goal Specificity	215	1	215	0.26	0.611
Goal Progress	1,859	1	1,859	2.25	0.135
Specificity * Progress	401	1	401	0.49	0.487
Total Between-Cells Variance	2,633[a]	3	877	1.06	0.366
Error	159,498	193	826		
Total Variance	162,131[a]	196			

Panel B: H1 Simple Contrasts – *RECOMMEND* (n=197)

Comparison	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value[b]
Specific Goal: Low vs. High Progress	276	1	276	0.33	0.282
Non-Specific Goal: Low vs. High Progress	1,925	1	1925	2.33	0.065
Error	159,498	193	826		

Table 4.3, Panels A and B, present the results of the ANOVA and simple contrasts used to test H1a and H1b, respectively. The *RECOMMEND* variable measures participant willingness to recommend a risky tax position, where higher values indicate a greater willingness to recommend the position. The *RECOMMEND* variable is constructed by combining the strength measures based on whether the participant indicated they would or would not recommend the risky hypothetical tax credit to their client, such that "do not recommend" decisions range from 0 to 50 and "recommend" decisions range from 51 to 101.

[a]Corrected for grand mean centering

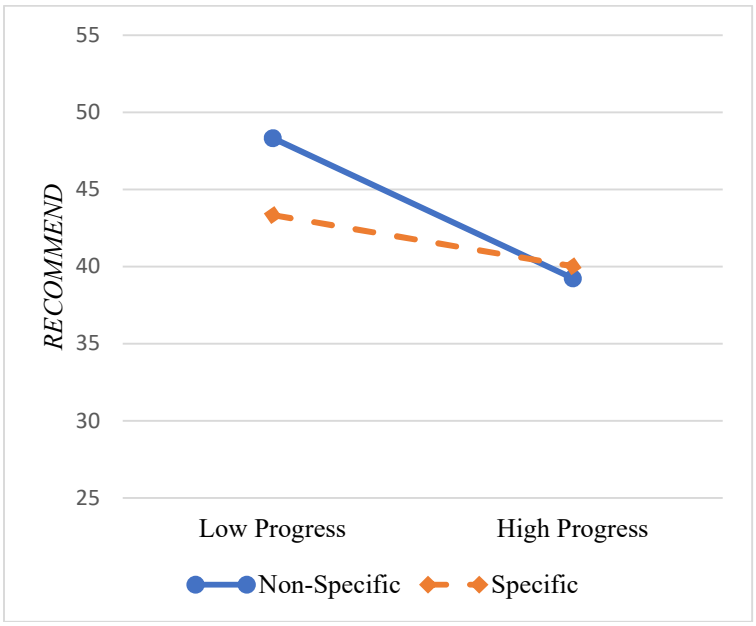
[b]One-tailed *p*-value

Panel C: H2 Analysis of variance – *RECOMMEND* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	343,380	1	343,380	446.54	<0.001
Goal Specificity	1,095	1	1,095	1.42	0.234
Reg. Pres.	12,594	1	12,594	16.38	<0.001
Specificity * Reg. Pres.	581	1	581	0.76	0.386
Total Between-Cells Variance	13,718[a]	3	4,573	5.95	<0.001
Error	148,413	193	769		
Total Variance	162,131[a]	196			

Table 4.3, Panel C, presents the results of the ANOVA used to test H2. The *RECOMMEND* variable measures participant willingness to recommend a risky tax position, where higher values indicate a greater willingness to recommend the position. The *RECOMMEND* variable is constructed by combining the strength measures based on whether the participant indicated they would or would not recommend the risky hypothetical tax credit to their client, such that "do not recommend" decisions range from 0 to 50 and "recommend" decisions range from 51 to 101.
[a]Corrected for grand mean centering

Panel A: H1 Result Pattern



Panel B: H2 Result Pattern

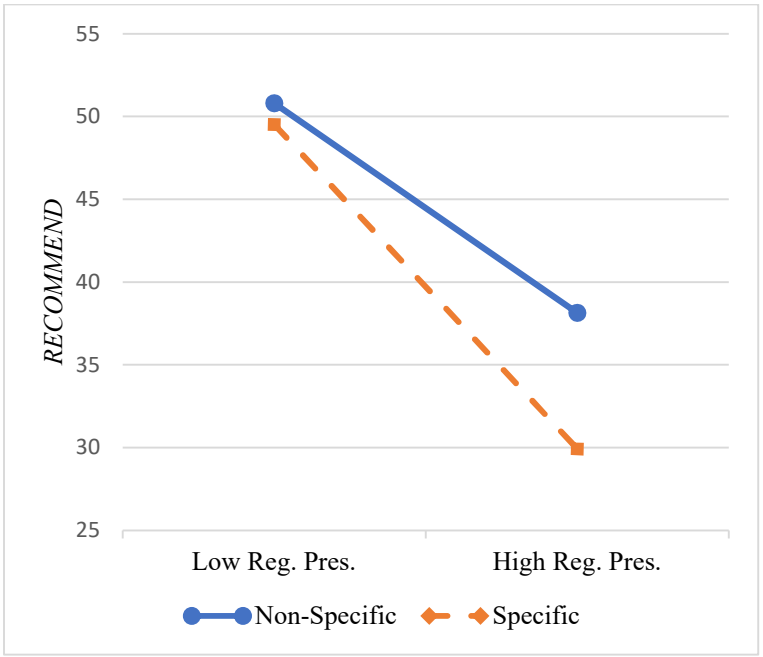


Figure 4.1: *RECOMMEND* by H1 and H2 Hypothesis

Figure 4.1, Panel A, provides a visual representation of the result pattern of *RECOMMEND* in each of the four conditions pertaining to H1. Similarly, Panel B provides a visual representation of the H2 result pattern.

However, simple contrasts reveal that, for non-specific client goals, *RECOMMEND* in the low progress condition (mean = 48.33) is marginally significantly higher than *RECOMMEND* in the high progress condition (mean = 39.24, $F_{1,193} = 2.33$, $p = 0.065$, one-tailed, see Table 4.3, Panel B), providing some support for H1b. However, *RECOMMEND* does not differ significantly between low and high progress conditions for specific client goals ($F_{1,193} = 0.33$, $p = 0.282$, one-tailed) and does not support H1a.

Hypothesis 2

Hypothesis 2 predicts that the negative effect of increased regulatory pressure on *RECOMMEND* will be magnified for non-specific goals relative to specific goals. H2 is tested using a 2x2 between-participant ANOVA in which regulatory pressure (low vs. high) and goal specificity (non-specific vs. specific) are independent variables and *RECOMMEND* is the dependent variable. Mean *RECOMMEND* by condition (presented in Table 4.2, Panel B, and Figure 4.1, Panel B) do not suggest this hypothesis is supported. In accordance with this visual interpretation of the H2 results, the ANOVA presented in Table 4.3, Panel C does not indicate the presence of an interaction between regulatory pressure and goal specificity ($F_{1,193} = 0.76$, $p = 0.386$). However, it does appear that increased regulatory pressure exerts a strong negative main effect on *RECOMMEND*, as suggested by the significant main effect of the regulatory pressure variable in the H2 ANOVA ($F_{1,193} = 16.38$, $p < 0.001$) and untabulated simple contrasts (both $p < 0.027$). There is no significant difference in *RECOMMEND* between specific and non-specific goals in both high ($F_{1,193} = 1.97$, $p = 0.162$) and low ($F_{1,193} = 0.06$, $p = 0.811$) regulatory pressure environments.

Overall, the results suggest that professionals are not influenced by the specificity of client preferences, but are influenced by the level of tax savings already found at the time of the risky tax position decision and the regulatory environment related to the risky tax position. In supplemental analyses, I explore these results further and provide potential explanations and avenues for future research.

Supplemental Analyses

The results of the hypothesis testing provide limited support for the hypotheses about goal specificity and suggest that the role of client goal specificity may be less relevant to professional decision-making than predicted. In the following supplemental analyses, I examine a possible explanation for these results - that the dual role of tax professionals leads then to assume a default non-specific "do your best goal." Additionally, I examine how goal progress and regulatory pressure affect professional decision-making, collapsing across goal specificity conditions.

Default Non-Specific Goals

The primary results find little to no impact of goal specificity on professional decision-making. One potential reason for this is that professionals may have a default non-specific "do your best" goal when it comes to providing advice to their clients. This position would be consistent with tax professionals' role as a client advocate, which compels professionals to provide tax saving advice to their clients to the extent permitted by law and professional standards (Kadous et al. 2008). Specific client preferences, while potentially influential in some settings, may not override this default "do your best" mindset.

To better understand how participants perceived the client goal, after responding to the tax scenario participants were asked to evaluate how they felt about the client goal and the factors that influenced their decision. Specifically, participants were asked to indicate their agreement with statements relating to the client goal on a scale from 0 ("not at all") to 100 ("very much"). In support of this default non-specific client goal, the means and *t*-tests presented in Table 4.4 show that, while specific client goals are perceived as more challenging ($t_{195} = 4.87$, $p < 0.001$), less obtainable ($t_{193} = 5.10$, $p < 0.001$), and indicative of a riskier client ($t_{195} = 1.99$, $p = 0.048$), they do not significantly change professional commitment to achieving the client goal ($t_{195} = 1.54$, $p = 0.126$), the extent to which the client goal is internalized ($t_{192} = 1.20$, $p = 0.231$), or the perceived importance of the client ($t_{195} = 0.71$, $p = 0.482$).

Additionally, participants were asked to evaluate which factors influenced their recommendation decision and the weight of each factor on their decision on a scale from 1 ("not at all influential") to 10 ("very influential"). Factors that were not selected as influential were assigned a value of zero. In support of professionals defaulting to a non-specific client goal, the specificity of the client goal did not significantly change the likelihood that "pleasing the client" was selected as a key factor in the recommendation decision. Additionally, goal specificity did not significantly alter the value assigned to the "pleasing the client" factor and the relative rank of the "pleasing the client" factor relative to other factors in the decision like pleasing the firm, professional responsibility, and regulatory risk (all *p*-values > 0.261; see Table 4.4, Panel B, for mean weighting values assigned to each decision-relevant factor).[16]

[16] It is important to note that these measures only assess *conscious* evaluations of participant decision-making. It is possible that these factors affect *unconscious* evaluations.

Table 4.4 Supplemental Analyses – Perceptions of Client Goals

Panel A: Perception of Client Goal Measure Means (S.D.)

	Non-Specific (n=95)	**Specific (n=102)**	**Mean Difference (n=197)**	***t*-statistic**	***p*-value**
Challenging	50.33 (23.67)	67.76 (26.40)	17.43 (3.58)	4.87	<0.001
Obtainable	52.23 (21.93)	34.93 (25.19)	-17.30 (3.39)	5.10	<0.001
Riskier Client	56.63 (23.33)	63.25 (23.20)	6.62 (3.32)	1.99	0.048
Goal Commitment	43.24 (27.21)	37.33 (26.72)	-5.91 (3.84)	1.54	0.126
Goal Internalization[a]	28.82 (28.68)	24.23 (24.52)	-4.59 (3.82)	1.20	0.231
Client Importance	67.25 (26.63)	69.81 (24.37)	2.56 (3.63)	0.71	0.482

Panel B: Goal Factor Importance Value Means (S.D.)

	Non-Specific (n=95)	**Specific (n=102)**	**Mean Difference (n=197)**	***t*-statistic**	***p*-value**
Regulatory Risk	6.29 (3.83)	6.80 (3.59)	0.51 (0.53)	0.96	0.337
Practice Risk	4.54 (4.03)	4.88 (4.00)	0.34 (0.57)	0.90	0.547
Pleasing Client	1.55 (2.96)	1.73 (2.99)	0.18 (0.42)	0.42	0.675
Pleasing Firm	0.36 (1.53)	0.24 (1.28)	-0.12 (0.20)	0.61	0.541
Professional Responsibility	7.35 (3.10)	6.78 (3.84)	-0.57 (0.50)	1.13	0.261

Table 4.4, Panel A, presents the mean (S.D.) perceptions of the client goal for the specific and non-specific goal conditions. *T*-statistics and *p*-values comparing these means between specific and non-specific goal conditions are presented for each item. Panel B presents the means (S.D.) and contrasts the weighting values assigned to each goal-influencing factor between specific-and non-specific goal conditions.

[a] Participants in the experiment were allowed to skip items they did not wish to answer. For the goal internalization item, two participants from the non-specific client preference group and one participant from the specific client preference group did not respond. Thus, the number of participants in the non-specific (specific) group for this item is 93 (101).

Sequential Decision-Making and Salient Incremental Costs

Goal theory predicts that, in the presence of multiple, mutually exclusive goals, individuals will select the goal that maximizes expected utility and minimizes cognitive dissonance. The results presented thus far suggest that professionals' motivation and risk aversion may not be affected by client preference specificity in the context examined. However, it is unclear whether goal progress and regulatory pressure interact in this setting. As shown in Figure 4.2 and Table 4.5, goal progress significantly interacts with regulatory pressure to influence tax professionals' willingness to recommend a risky tax position ($F_{1,193} = 15.85$, $p < 0.001$). The result pattern suggests that regulatory pressure operates as a salient marginal cost associated with taking the risky tax position, and when regulatory pressure is low, tax professionals pursue their "do your best" goal by equally recommending the risky tax position regardless of goal progress ($F_{1,193} = 3.23$, $p = 0.074$, see Table 4.5, Panel C). However, when regulatory pressure is high, tax professionals are wary of recommending a risky tax position when goal progress has already been made ($F_{1,193} = 14.07$, $p < 0.001$) because of the costs associated with additional aggressive tax advice and the perceived progress already made toward the client goal.

Dichotomous Recommendation

To provide additional robustness testing for the primary hypothesis testing, the tests of H1 and H2 are repeated using the dichotomous form of the *RECOMMEND* variable, labelled *RECOMMEND_NY*. The dichotomous recommendation variable is coded as 1 (0) if the participant indicates they would (would not) recommend the risky tax position to the client.

The results, presented in Tables 4.6 and 4.7, are consistent with the results of the

Table 4.5 Supplemental Analyses – Regulatory Pressure and Goal Progress

Panel A: *RECOMMEND* means (S.D.) by condition

Regulatory Pressure	Low Progress	High Progress	Mean Difference	*t*-statistic	*p*-value
Low Pressure	45.90 (27.69) n=59	55.23 (28.67) n=48	9.33 (5.47) n=107	1.71	0.091
High Pressure	46.38 (29.68) n=39	25.08 (20.53) n=51	-21.31 (5.30) n=90	4.02	<0.001

Panel B: Supplemental Analysis of Variance – *RECOMMEND* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	358,750	1	358,750	503.07	<0.001
Goal Progress	1,727	1	1,727	2.42	0.121
Reg. Pres.	10,598	1	10,598	14.86	<0.001
Goal Progress * Reg. Pres.	11,305	1	11,305	15.85	<0.001
Total Between-Cells Variance	24,498[a]	3	8,166	11.45	<0.001
Error	137,633	193			
Total Variance	162,131[a]	196			

Table 4.5, Panel A, presents mean (S.D.) *RECOMMEND* for the four conditions discussed in the supplemental analyses, which are goal progress (low, high) and regulatory pressure (low, high), as well as *t*-statistics and *p*-values contrasting the *RECOMMEND* means between low and high progress conditions. Panel B displays the ANOVA discussed in the supplemental analysis which focuses on the interaction between goal progress and regulatory pressure. The *RECOMMEND* variable measures participant willingness to recommend a risky tax position, where higher values indicate a greater willingness to recommend the position. The *RECOMMEND* variable is constructed by combining the strength measures based on whether the participant indicated they would or would not recommend the risky hypothetical tax credit to their client, such that "do not recommend" decisions range from 0 to 50 and "recommend" decisions range from 51 to 101.

[a]Corrected for grand mean centering

Panel C: Simple Contrasts – *RECOMMEND* (n=197)

Comparison	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Low Regulatory Pressure: Low vs. High Progress	2,304	1	2,304	3.23	0.074
High Regulatory Pressure: Low vs. High Progress	10,032	1	10,032	14.07	<0.001
Error	137,633	193	713		

Table 4.5, Panel C, presents the results of the simple contrasts used to examine the interaction between regulatory pressure and goal progress on *RECOMMEND*. The *RECOMMEND* variable measures participant willingness to recommend a risky tax position, where higher values indicate a greater willingness to recommend the position. The *RECOMMEND* variable is constructed by combining the strength measures based on whether the participant indicated they would or would not recommend the risky hypothetical tax credit to their client, such that "do not recommend" decisions range from 0 to 50 and "recommend" decisions range from 51 to 101.

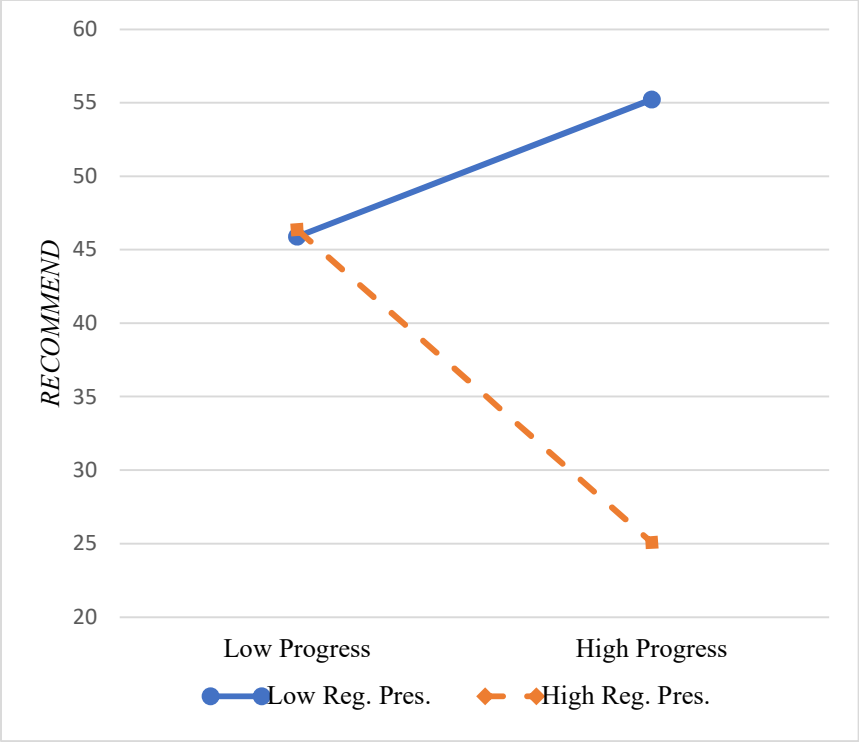


Figure 4.2: *RECOMMEND* Supplemental Analyses

Figure 4.2 shows mean *RECOMMEND* in each of the four cells examined in the primary supplemental analyses. Specifically, goal progress (low vs. high) and regulatory pressure (low vs. high) are crossed.

Table 4.6 Supplemental - Mean *RECOMMEND_NY* by Condition

Panel A: *RECOMMEND_NY* means (S.D.) by condition – H1

Goal Specificity	**Low Progress**	**High Progress**	Marginal Means
Non-Specific	0.48 (0.50) n=54	0.34 (0.48) n=41	0.42 (0.50) n=95
Specific	0.39 (0.49) n=44	0.36 (0.48) n=58	0.37 (0.49) n=102
Marginal Means	0.44 (0.50) n=98	0.35 (0.48) n=99	0.40 (0.49) n=197

Panel B: *RECOMMEND_NY* means (S.D.) by condition – H2

Goal Specificity	**Low Reg. Pres.**	**High Reg. Pres.**	Marginal Means
Non-Specific	0.49 (0.51) n=47	0.35 (0.48) n=48	0.42 (0.50) n=95
Specific	0.52 (0.50) n=60	0.17 (0.38) n=42	0.37 (0.49) n=102
Marginal Means	0.50 (0.50) n=107	0.27 (0.44) n=90	0.40 (0.49) n=197

Table 4.6, Panel A, presents mean (S.D.) *RECOMMEND_NY*, the dichotomous form of the recommendation variable, for each of the four conditions pertaining to H1, which are goal specificity (low, high) and goal progress (low, high). Similarly, Panel B presents mean (S.D.) *RECOMMEND_NY* for the four conditions pertaining to H2, which are goal specificity (low, high) and regulatory pressure (low, high). The *RECOMMEND_NY* variable measures participant willingness to recommend a risky tax position, where higher values of represent a greater frequency of recommending the risky tax position.

Table 4.7 Supplemental - Testing of Hypotheses with *RECOMMEND_NY*

Panel A: H1 Analysis of variance – *RECOMMEND_NY* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	29.79	1	29.79	123.58	<0.001
Goal Specificity	0.07	1	0.07	0.28	0.599
Goal Progress	0.33	1	0.33	1.35	0.246
Specificity * Progress	0.16	1	0.16	0.67	0.414
Total Between-Cells Variance	0.59[a]	3	0.20	0.81	0.489
Error	46.53	193	0.24		
Total Variance	47.12[a]	196			

Panel B: H1 Simple Contrasts – *RECOMMEND_NY* (n=197)

Comparison	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value[b]
Specific Goal: Low vs. High Progress	0.02	1	0.02	0.06	0.403
Non-Specific Goal: Low vs. High Progress	0.46	1	0.46	1.90	0.085
Error	46.53	193	0.24		

Table 4.7, Panels A and B, present the results of the ANOVA and simple contrasts used to test H1 using the alternative dichotomous form of the recommendation variable, respectively. The *RECOMMEND_NY* variable measures participant willingness to recommend a risky tax position, where higher values of represent a greater frequency of recommending the risky tax position.

[a]Corrected for grand mean centering

[b]One-tailed *p*-value

Panel C: H2 Analysis of variance – *RECOMMEND_NY* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	28.23	1	28.23	125.13	<0.001
Goal Specificity	0.31	1	0.31	1.38	0.242
Reg. Pres.	2.85	1	2.85	12.64	<0.001
Specificity * Reg. Pres.	0.56	1	0.56	2.48	0.117
Total Between-Cells Variance	3.58[a]	3	1.19	5.28	0.002
Error	43.54	193	0.23		
Total Variance	47.12[a]	196			

Table 4.7, Panel C, presents the results of the ANOVA used to test H2 using the alternative dichotomous form of the recommendation variable. The *RECOMMEND_NY* variable measures participant willingness to recommend a risky tax position, where higher values of represent a greater frequency of recommending the risky tax position.
[a]Corrected for grand mean centering

primary hypothesis testing. Specifically, no significant interaction between goal specificity and goal progress is indicated ($F_{1,193} = 0.67$, $p = 0.414$, see Table 4.7, Panel A) and there is no significant difference between high and low goal progress in the specific goal conditions ($F_{1,193} = 0.06$, $p = 0.403$, one-tailed, see Panel B). Thus, H1a is not supported. However, there is a marginally significant difference between high and low goal progress in the non-specific goal condition ($F_{1,193} = 1.90$, $p = 0.085$, one-tailed), providing some support for H1b. Regarding H2, as with the primary hypothesis testing, regulatory pressure seems to exert a strong main effect on *RECOMMEND_NY*, but the interaction between goal specificity and regulatory pressure is not statistically significant ($F_{1,193} = 2.48$, $p = 0.117$, see Table 4.7, Panel C).

Alternative Decision – Willingness to Allow Position

In addition to the dichotomous and continuous recommendation variables, participants were also asked how likely they would be to *allow* the client to take the risky tax position if the client insisted. Labeled *ALLOW*, this alternative decision variable ranges from 0 ("not at all likely") to 100 ("extremely likely"), where higher values indicate a greater willingness to allow the client to take the risky tax position. For robustness, I repeat the primary hypothesis testing using the *ALLOW* variable.

The results of this supplemental analysis are presented in Tables 4.8 and 4.9 and provide similarly limited support for the main hypotheses. Specifically, as shown in Table 4.9, no significant interaction between goal specificity and goal progress is found ($F_{1,193} = 0.03$, $p = 0.860$). Additionally, there is no significant difference between high

Table 4.8 Supplemental - Mean *ALLOW* by Hypothesis-Relevant Condition

Panel A: *ALLOW* means (S.D.) by condition – H1

Goal Specificity	**Low Progress**	**High Progress**	Marginal Means
Non-Specific	58.61 (25.13) n=54	53.59 (28.92) n=41	56.44 (26.80) n=95
Specific	54.57 (24.24) n=44	50.86 (25.96) n=58	52.46 (25.17) n=102
Marginal Means	56.80 (24.69) n=98	51.99 (27.11) n=99	54.38 (25.98) n=197

Panel B: *ALLOW* means (S.D.) by condition – H2

Goal Specificity	**Low Reg. Pres.**	**High Reg. Pres.**	Marginal Means
Non-Specific	61.81 (24.27) n=47	51.19 (28.33) n=48	56.44 (26.80) n=95
Specific	54.20 (26.84) n=60	49.98 (22.66) n=42	52.46 (25.17) n=102
Marginal Means	57.54 (25.90) n=107	50.62 (25.71) n=90	54.38 (25.98) n=197

Table 4.8, Panel A, presents mean (S.D.) *ALLOW* for each of the four conditions pertaining to H1, which are goal specificity (low, high) and goal progress (low, high). Similarly, Panel B presents mean (S.D.) *ALLOW* for the four conditions pertaining to H2, which are goal specificity (low, high) and regulatory pressure (low, high). The *ALLOW* variable measures participant willingness to allow the client to take the risky tax position, where higher values indicate a greater willingness to allow the position. The *ALLOW* variable ranges from 0 ("not at all likely) to 100 ("extremely likely").

Table 4.9 Supplemental - Testing of Hypotheses with *ALLOW*

Panel A: H1 Analysis of variance – *ALLOW* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	571,463	1	571,463	844.66	<0.001
Goal Specificity	552	1	552	0.82	0.367
Goal Progress	920	1	920	1.36	0.245
Specificity * Progress	21	1	21	0.03	0.860
Total Between-Cells Variance	1,712[a]	3	571	0.84	0.472
Error	130,576	193	677		
Total Variance	132,288[a]	196			

Panel B: H1 Simple Contrasts – *ALLOW* (n=197)

Comparison	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value[b]
Specific Goal: Low vs. High Progress	344	1	344	0.51	0.239
Non-Specific Goal: Low vs. High Progress	589	1	589	0.87	0.176
Error	130,576	193	677		

Table 4.9, Panels A and B, present the results of the ANOVA and simple contrasts used to test H1 using the alternative *ALLOW* decision variable, respectively. The *ALLOW* variable measures participant willingness to allow the client to take the risky tax position, where higher values indicate a greater willingness to allow the position. The *ALLOW* variable ranges from 0 ("not at all likely) to 100 ("extremely likely").
[a]Corrected for grand mean centering
[b]One-tailed *p*-value

Panel C: H2 Analysis of variance – *ALLOW* (n=197)

Source of Variance	Sums of Squares	Degrees of Freedom	Mean Square	*F*-Statistic	*p*-value
Intercept	571,086	1	571,086	858.48	<0.001
Goal Specificity	942	1	942	1.42	0.236
Reg. Pres.	2,668	1	2,668	4.01	0.047
Specificity * Reg. Pres.	496	1	496	0.75	0.389
Total Between-Cells Variance	3,899[a]	3	1,300	1.95	0.122
Error	128,389	193	665		
Total Variance	132,288[a]	196			

Table 4.9, Panel C, presents the results of the ANOVA used to test H2 using the alternative *ALLOW* decision variable. The *ALLOW* variable measures participant willingness to allow the client to take the risky tax position, where higher values indicate a greater willingness to allow the position. The *ALLOW* variable ranges from 0 ("not at all likely) to 100 ("extremely likely").
[a]Corrected for grand mean centering

and low goal progress for neither specific nor non-specific client goals (both p >0.175, one-tailed, see Table 4.9, Panel B). Thus, H1a and H1b are not supported when the *ALLOW* variable is used. Similarly, as shown in Table 4.9, Panel C, there is no significant interaction between goal specificity and regulatory pressure ($F_{1,193} = 0.75$, $p = 0.389$) and H2 is also not supported when the *ALLOW* variable is used.

Supplemental Analyses Discussion

The supplemental analyses suggest that the observed results in the primary hypothesis testing stem from two key elements of the professional decision-making environment that differ from prior goal theory studies using non-professional participants. First, I find that, while professionals consider their clients' wishes, they have a default non-specific "do your best" goal when it comes to tax planning opportunities. Second, I find that, because professional decisions are made in conflicted, multi-motivational environments, the presence of significant regulatory risk fundamentally changes the decision for professionals. Specifically, in the absence of substantial regulatory risk, professionals' default "do your best" goal makes professionals willing to recommend a risky tax position regardless of goal progress. However, when regulatory risk is high, professionals consider the client's current tax savings position (goal progress) when weighing the benefits and costs of taking a risky tax position.

Importantly, the finding that regulatory pressure reduces tax professionals' willingness to recommend a risky tax position when goal progress is high provides partial support for the theoretical model of how multiple motivations influence the motivated reasoning process, even though no effect of client goal specificity was found. Rather, the supplemental results still show that contextual factors (regulatory pressure and goal

progress) can influence the reasoning objective selected by decision-makers, the motivated reasoning process, and the ultimate judgment itself. Thus, while tax professionals do not appear to respond to client goal specificity in the manner predicted, the theoretical model developed does still have some support from the results, is rooted in existing theory, and provides a useful framework for understanding the motivated reasoning process in the presence of multiple, competing motivations.

Limitations and Directions for Future Research

This study provides interesting and important initial evidence that communicated client goals may not drive the behavior of accounting professionals in the same way that individuals are swayed by goals in the prior psychology literature. However, there are several limitations to this study and potential avenues for future research. First, in order to provide experimental control and allow for a reasonable level of statistical power, the experiment only examines how participants respond to one specific or non-specific client preference. While the parameters for the experiment were selected based on a preliminary survey with practicing tax professionals (see footnote 11), it is possible that other client preferences may yield different responses from professionals. However, the present results present interesting and important initial evidence that tax professionals default to non-specific client goals as a result of their professional responsibility to advocate for their clients (AICPA 2018; IRC §6694).

Another interesting avenue for future research is examining how tax professional decision-making is shaped by previous decisions the professional has already made. While some audit research has examined the role of prior client concessions on auditor-client negotiations (Hatfield, Houston, Stefaniak, and Usrey 2010), most research on tax

professional decision-making has thus far examined professional decision-making in the absence of information about prior decisions, likely to maximize internal validity and efficiently use scarce tax professional participants. However, my experimental results suggest that goal progress can significantly shape professionals' subsequent willingness to take a risky tax position. Additional research should be conducted to better understand the time frames professionals use when making subsequent tax decisions, whether goal progress can influence tax professional risk aversion as well as motivation, and whether documented sequential decision-making effects like the status quo bias (Samuelson and Zeckhauser 1988) operate in tax professional settings.

CHAPTER 5

CONCLUSION

This study expands on prior research by examining how the goals that drive motivated reasoning operate in a context where multiple goals are present. I draw on findings from goal theory, prospect theory, motivated reasoning, and prior accounting research to predict how client preferences become internalized goals for professionals and how these goals interact with other decision-relevant factors to influence tax professional decision-making. I then test this theory in an important context characterized by multiple, competing goals and high-level decision-making – tax professional services. Results of an experiment provide evidence that, contrary to expectations, client goal specificity may not influence professional decision-making in the same way that goal specificity has been shown to influence motivation and risk preferences in prior studies with non-professional participants. Supplemental analyses suggest that the observed effects may arise because tax professionals have a default non-specific "do your best" client goal, regardless of how specific the client preference is. Additionally, when regulatory pressure is high, the salient incremental cost of potential regulatory censure curbs tax professionals' willingness to recommend a risky tax position when progress has already been made toward a client goal. However, when regulatory pressure is low, goal progress does not significantly influence tax professionals' decision-making.

This study makes significant theoretical and practical contributions. First, this study integrates findings from prospect theory, goal theory, motivated reasoning theory,

and prior accounting research to theoretically illuminate how multiple goals may influence the motivated reasoning process. In doing so, this study explicitly applies goal theory to the professional – client dynamic, setting the stage for future applications of other goal theory findings to this setting. Second, by focusing on how the goals that shape motivated reasoning are formed and evaluated, this study contributes to the motivated reasoning literature and allows for a better understanding of how motivated reasoning occurs in contexts where multiple decision-relevant goals are present, like the professional services context. Specifically, although client goal specificity does not appear to affect tax professional decision-making, supplemental analyses provide some support for the theoretical model developed in this paper. This model, therefore, provides a potentially useful framework for understanding the motivated reasoning process in the presence of multiple, competing motivations and could be leveraged in future motivated reasoning studies. Third, this study contributes to the literature on tax professional decision-making by providing interesting initial evidence that professionals may not be influenced by client goal specificity in the way that prior psychology research would suggest, instead relying on a default non-specific "do your best" goal when making professional recommendations. Practically, this study should be useful to professionals, clients, and regulators by demonstrating how subtle features of client goals can change the quality of professional advice.

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APPENDIX A

PRETEST OF EXPERIMENTAL PARAMETERS

Pretest Survey Methodology

To identify the experimental parameters most likely to cause tax client preferences to become tax professionals' internalized personal goals, 29 practicing tax professionals were recruited via email to participate in a short survey. Respondents have 17 years of public accounting experience on average (untabulated). Seventy-two percent of respondents are at the manager level or above and 45 percent work at a regional public accounting firm (see Table A1 for full respondent demographics).

In the survey, respondents receive three client descriptions and client ETR preferences. Respondents then indicate on a unipolar 101-point scale (anchored by "not at all true" and "very much true" with a midpoint of "moderately true") the extent to which each client preference is challenging, obtainable, and reasonable. Respondents also indicate the extent to which they feel the client preference is an internalized personal goal and how committed they are to achieving the client preference. The client descriptions vary in terms of client economic importance (Vermeer et al. 2020) at four levels: "one of your smaller clients," "one of your midsized clients," "one of your larger clients," and "your largest client." Client preferences, operationalized as an ETR preference, vary in difficulty, ranging from an ETR reduction of one percentage point to an ETR reduction of ten percentage points in three percentage point increments. In total, 16 client importance-difficulty scenarios are examined. Respondents are randomly assigned, without

Table A1 Pretest Survey Demographics

	Sample n = 29
Gender	
Male	55%
Female	41%
Prefer not to respond	4%
Age	
20 to 24	3%
25 to 34	28%
35 to 44	35%
45 to 54	3%
55 to 64	21%
65 to 74	7%
75 or older	3%
Position	
Staff/associate	3%
Senior staff/associate	24%
Manager	21%
Senior Manage	17%
Partner/Principal/Director	35%
Firm Size	
Local	28%
Regional	45%
National	10%
International	7%
Big 4	7%
Other	3%
CPA License Status	
Licensed and active	86%
Previously licensed	3%
Not yet licensed	7%
Other	3%

Table A1 presents demographic information for the 29 tax professional respondents for the pretest survey.

replacement, to three of the 16 scenarios to reduce response time and respondent fatigue. The survey also includes an adapted measure of general advocacy attitudes (Mason and Levy 2001), questions pertaining to the prevalence of specific and non-specific client preferences, and basic demographic questions.

Pretest Survey Results

Mean goal internalization and commitment by client importance and goal difficulty scenario are presented in Table A2. As shown in the table, some client important/goal difficulty combinations yield higher levels of goal internalization and goal commitment than others. Mean goal internalization is highest (71) and mean goal commitment is second highest (64) in the larger client – 4 percent ETR reduction scenario. Thus, these are the client importance and goal difficulty parameters used in the main experiment.

Additionally, in untabulated analyses, I find client goal difficulty is significantly associated with goal internalization (t_{58} = -4.61, $p < 0.001$) and commitment (t_{57} = -5.77, $p < 0.001$, untabulated). Similarly, client importance is marginally significantly associated with goal commitment (t_{57} = 1.75, $p = 0.085$), but is not significantly associated with goal internalization (t_{58} = 0.71, $p = 0.481$, untabulated). These results support the assertion that tax client preferences can form internalized goals for professionals, but that internalization varies based on goal difficulty and client importance.

Table A2 Survey Results

Panel A: Goal Internalization Means

	Client Size (Importance)				
ETR Reduction (Difficulty)	Smaller	Midsized	Larger	Largest	**Overall Mean**
1% Reduction	67.50	35.00	32.00	44.00	**43.65**
4% Reduction	22.27	17.75	71.00	56.67	**35.00**
7% Reduction	16.67	43.00	25.20	27.75	**32.10**
10% Reduction	18.50	44.67	17.63	25.25	**23.19**
Overall Mean	**28.17**	**36.45**	**32.33**	**38.90**	**33.74**

Table A2, Panel A displays mean goal internalization responses for each of the 16 difficulty/client importance combinations examined in the survey. Specifically, the measure asked respondents to assess the extent to which they felt the client's communicated preference was their personal internalized goal on a scale of 0 ("not at all true") to 100 ("very much true").

Panel B: Goal Commitment Means

	Client Size (Importance)				
ETR Reduction (Difficulty)	Smaller	Midsized	Larger	Largest	**Overall Mean**
1% Reduction	70.00	36.17	56.75	55.67	**53.26**
4% Reduction	24.64	30.25	64.00	83.33	**40.82**
7% Reduction	16.67	48.44	29.60	20.25	**34.05**
10% Reduction	27.33	44.00	20.75	32.00	**28.10**
Overall Mean	**31.88**	**41.18**	**37.95**	**48.00**	**39.40**

Table A2, Panel B displays mean goal internalization responses for each of the 16 difficulty/client importance combinations examined in the survey. Specifically, the measure asked respondents to assess the extent to which they felt committed to achieving the client's communicated preference on a scale of 0 ("not at all true") to 100 ("very much true").

APPENDIX B

EXPERIMENT INSTRUMENT SAMPLES

Client Background

BACKGROUND INFORMATION

Imagine you are a tax partner at a midsized public accounting firm. You are reasonably successful and have established a good-sized client base.

One of your larger clients is Client Corp, a privately-held C-Corporation. Client Corp has been your client for a number of years and you have not had any difficulties with them in the past. They pay their bills, have never sued a tax preparer, and have never been subject to a substantial IRS audit adjustment. In the past, Client Corp has been moderately risk-seeking with tax planning opportunities.

Please take a moment to think of a client you have worked with that would best fit Client Corp's description. Once you have a client in mind, please click the arrow below to proceed with the study.

Scenario Background – Non-Specific, Low Progress

SCENARIO

As in previous years, Client Corp has hired you to prepare their business tax return. However, this year Client Corp has also engaged you to concurrently conduct a tax research engagement into a new tax credit they believe they may be eligible for.

Client Corp's board of directors closely monitor Client Corp's effective tax rate (ETR) and their ETR last year was 18%. Client Corp's management included the following request in their most recent correspondence:

"We would like you to reduce Client Corp's ETR as much as possible this year."

The business tax return is almost complete, but there are several decisions left to make.

Before considering these decisions, **Client Corp's ETR is 17.5%, 0.5 percentage points lower than it was last year.**

Once you have reviewed this information, please click the button below to continue to the first decision.

Scenario Background – Specific, High Progress

SCENARIO

As in previous years, Client Corp has hired you to prepare their business tax return. However, this year Client Corp has also engaged you to concurrently conduct a tax research engagement into a new tax credit they believe they may be eligible for.

Client Corp's board of directors closely monitor Client Corp's effective tax rate (ETR) and their ETR last year was 18%. Client Corp's management included the following request in their most recent correspondence:

"We would like you to reduce Client Corp's ETR by 4 percentage points to 14% this year."

The business tax return is almost complete, but there are several decisions left to make.

Before considering these decisions, **Client Corp's ETR is 16%, 2 percentage points lower than it was last year.**

Once you have reviewed this information, please click the button below to continue to the first decision.

Recommendation Scenario and Measure

TAX CREDIT INFORMATION

You and your team have been researching Client Corp's eligibility for a new tax credit ("*The Credit*"). A summary of the research results are shown below:

- A Tax Court case relating to an expired credit with some similarities to *The Credit* seems to suggest that companies like Client Corp may be eligible for *The Credit*. However, no Tax Court cases on *The Credit* itself have occurred yet.
- The Internal Revenue Code sections relating to *The Credit* do not specifically condone or prohibit companies like Client Corp from claiming *The Credit*, but seem to indicate that similar companies may be eligible in some circumstances.
- A proposed regulation related to *The Credit* provides an example of a company that would be eligible for *The Credit*, but the hypothetical company differs from Client Corp in potentially important ways.
- A recent Treasury Notice relates to *The Credit* specifically. The Notice condones *The Credit* for companies similar to Client Corp. However, the facts and circumstances relating to the companies discussed in the Notice seem substantially different from Client Corp's.
- A case study analysis published in the most recent edition of The Tax Advisor indicates that a company similar to Client Corp may not be allowed to claim *The Credit*, but none of the example companies are in the same industry as Client Corp.
- If Client Corp claims *The Credit*, their ETR will decrease by 1.5 percentage points to 14.5%.

REGULATORY ENVIRONMENT

Additionally, the IRS has indicated that ***The Credit* is not one of the key issues** they are focusing on this year and your team assesses the **regulatory risk associated with *The Credit* to be low**.

As a reminder, before considering the tax credit, Client Corp's ETR is 16%, 2 percentage points lower than the prior year's ETR. Additionally, in the client's most recent correspondence they stated:

"We would like you to **reduce Client Corp's ETR as much as possible this year.**"

Based on this information, would you recommend or not recommend that Client Corp claim *The Credit*?

Recommend *The Credit*	Not Recommend *The Credit*

Subsequent Recommendation Strength Assessment

You indicated that you would recommend *The Credit* to Client Corp. Using the scale below, please indicate how strongly you would recommend *The Credit* to Client Corp.

Not at all Strongly — Moderately Strongly — Extremely Strongly

0 5 10 15 20 25 30 35 40 45 50

Supplemental Measure – Decision-Relevant Goal Identification

When you were making the decision about Client Corp and *The Credit*, which of the following did you feel may have influenced your decision-making? *(select all that apply)*

- Regulatory Risk
- Pleasing Client Corp
- Pleasing the Firm
- Professional Responsibility
- Other, please specify (1) [ ]
- Other, please specify (2) [ ]

Supplemental Measure – Decision-Relevant Goal Evaluation

On a scale of 1 (not at all influential) to 100 (the most influential), how influential were the factors you selected on your decision-making?

Note: Your responses do not need to add up to 100.

Regulatory Risk [ ]
Practice Risk [ ]