

AN ANALYSIS OF TAX PRACTICE
WITH IMPLICATIONS FOR THE
IMPROVEMENT OF TAX INSTRUCTION

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This is to certify that the

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A handwritten signature in cursive script, reading "Charles J. Gao".

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ABSTRACT

AN ANALYSIS OF TAX PRACTICE WITH IMPLICATIONS FOR THE IMPROVEMENT OF TAX INSTRUCTION

By

Edward C. Foth

The purpose of the research was to gather tax practitioners' recommendations regarding tax education. The study gathered specific recommendations concerning areas to be stressed in the first undergraduate tax course, the teaching of tax research procedures in college and university tax courses, the teaching of computer oriented subject matter in college and university tax courses, and the emphasis to be accorded specific tax topics in college and university tax courses. In addition, the study determined the relative frequency of use of tax information sources, the use of computers in performing tax work, the relative frequency of performance of specific types of tax service, and the nature of in-firm staff training programs in taxation.

Data were gathered by means of a questionnaire survey and personal interviews. A total of six hundred questionnaires were sent to practitioners, with two hundred questionnaires allocated to practitioners in each of three

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firm classifications: (1) local public accounting firms; (2) national public accounting firms; and, (3) corporations. Separate interviews were held with the national tax training directors of seven national public accounting firms, and with tax project managers from the Professional Development Division of the American Institute of Certified Public Accountants.

The data were analyzed to determine if there was any agreement between the educational recommendations made by the three practitioner groups. Of particular interest was a comparison of practitioners' recommendations with views previously expressed by academicians.

The major conclusion derived from the results of the study is that there was significant agreement among tax practitioners in national and local public accounting firms, and in corporations, regarding certain recommendations for tax education in colleges and universities. This conclusion is especially significant in view of the practitioners' diverse academic and professional qualifications, and the fact that there was no significant agreement between the three practitioner groups for the frequency of job activities performed. Thus, even though their job activities varied, in general,

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most practitioners had similar recommendations for tax education in colleges and universities.

The second conclusion concerns a comparison of practitioners' recommendations with the recommendations made by tax professors. The results of the study indicate that according to tax practitioners, teaching emphasis has been misdirected in the first undergraduate tax course. This conclusion is reached because there was found to be no significant agreement between practitioners' and tax professors' priority rankings of areas to be stressed in the first undergraduate tax course.

The third conclusion concerns whether it is feasible to divide tax subject matter into topics for emphasis in the classroom, and other topics for emphasis in professional or in-firm training programs. The practitioners' responses did not yield evidence to support the assertion that such a division of topics is feasible, at least not on an overall basis for the thirty-eight topics contained in this study. This conclusion is reached because in general, those topics highly ranked to be emphasized in college and university tax courses, also were highly ranked to be emphasized in professional and in-firm training programs. Similarly, those

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topics ranked to receive little emphasis in college and university tax courses, also were lowly ranked for emphasis to be accorded in professional or in-firm training programs.

The fourth conclusion concerns the elimination of duplicated educational effort posited to accrue to a division of tax topics between universities and the profession. Since the study revealed concordance between a topic's ranking for emphasis in college and university tax courses, and the same topic's ranking for emphasis to be accorded in professional or in-firm tax training programs, it is doubtful that any meaningful amount of duplication can be eliminated. This conclusion also is supported by the fact that the time and expense incurred in the duplicated portion of in-firm training is mostly offset by such benefits as standardized training, es prit de corps within the firm as a result of personal interaction, and more effective training within the context of actual practice.

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Edward C. Foth

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CHAPTER I

INTRODUCTION

Background

Most of the past dialogue concerning tax education has been among college and university professors who design courses and course requirements. However, tax professors represent only one of several groups who have a vital interest in the orientation of tax offerings. Total curriculum evaluation should also include participation by graduates and employers.¹ Graduates, as previous "consumers" of the educational process, can make constructive suggestions based in part upon "real world" experiences. Employers, and especially employer training directors, can provide constructive suggestions based on their own in-firm training experiences and their perception of the needs and capabilities of their employees.²

¹William O. Hancock and James E. Bell, "An Effective Model for Changing Curriculum," Collegiate News and Views, March, 1970, p. 8.

²Ronald C. Doll, Curriculum Improvement: Decision-Making and Process (Boston: Allyn and Bacon, Inc., 1964), p. 225.

In this study, the assumption is made that practitioners in the field can contribute descriptions and recommendations relevant to tax education. Thus, this study involves a survey of tax practitioners and professional tax training programs, with implications for the improvement of tax instruction in colleges and universities.

Statement of the Problem

John L. Carey, in The CPA Plans For The Future, voiced a plea for the reappraisal of the CPA's training for tax practice:

While the CPA must be better prepared than ever before to practice in the tax field, the training available to the aspiring CPA does not seem to have been adapted to meet this need, except perhaps in the internal training programs of some firms. Perhaps the CPA in the tax field is in greater danger of relative loss of position from these circumstances than from any external influences.³

Related Literature

Since Carey's appeal, various educational study committees of the American Accounting Association (AAA) and the American Institute of Certified Public Accountants (AICPA), as well as individuals, have considered both the problems of

³John L. Carey, The CPA Plans for the Future (New York: American Institute of Certified Public Accountants, 1965), p. 176.

total curriculum and the content of specific courses in accounting, of which taxation is a part.

Study by Committees of the
American Accounting Association

In 1964, the Committee to Compile a Revised Statement of Educational Policy was appointed with the task of reviewing the reports of previous AAA education committees, and based on the results of their study, to prepare a summary statement on educational policy that would provide a guide to accounting educators and administrators. The committee noted that in the area of taxation there was conflict between previous AAA reports concerning the nature of income tax course offerings. One report emphasized a basic understanding of the law rather than intricate forms, while another emphasized a comprehensive knowledge of Federal Income Taxes and general knowledge of other taxes. The committee concluded that:

...the income tax course should be restudied and reports issued on the location in the accounting curriculum of the various facets of income and other taxes which education committees have in the past suggested as appropriate for study by some or all accounting majors.⁴

⁴Committee to Compile a Revised Statement of Educational Policy, "A Restatement of Matters Relating to Educational Policy," Accounting Review, Supplement to Vol. XLIII, 1968, p. 119..

Stemming from the above recommendation, the 1966-67 Committee on Income Tax Instruction was charged to prepare a statement of tax concepts as a basis for teaching in the field of income taxation. Their work was followed by a charge to the 1967-68 Committee on Income Tax Instruction to develop sub-concepts or areas of emphasis which should be included in an adequate tax presentation. The results of the work of those committees, "A Statement of Tax Concepts to be Used as a Basis for Teaching Income Taxation," and, "Subject Matter Outline to Accompany the Statement of 'Concepts of Federal Income Taxation,'" were published in the 1969 Supplement to the Accounting Review.

As suggested by the titles of the reports, the committees favored a conceptual approach to teaching taxation. Their findings are designed to guide the teaching of a basic (first) course in taxation and are intended to provide students with a sufficient knowledge to enable them:

- (A) to understand the relationships of the concepts of taxable net income to the accounting and economic concepts of income,
- (B) to appreciate the impact of taxes on business and business decision making, and
- (C) to appreciate the availability of and the proper utilization of professional tax guidance.⁵

⁵Committee on Income Tax Instruction, "A Statement of Tax Concepts to be Used as a Basis for Teaching Income Taxation," Accounting Review, Supplement to Vol. XLIV, 1969, p. 1.

Study by Committees of the American Institute
of Certified Public Accountants

Horizons For A Profession: The Common Body of Knowledge For Certified Public Accountants was published in 1967. It represented the results of a three-year study for the purpose of delineating the common body of knowledge to be possessed by those about to begin their professional careers as certified public accountants. Authors Roy and MacNeill attempted to discover what the beginning CPA should know, not what he should be taught, and in their book refrained from attempting to specify curriculum content.

Subsequently in March 1967, the president of the American Institute of Certified Public Accountants appointed a committee on education and experience requirements for CPAs. The committee was charged with reviewing the conclusions of The Common Body of Knowledge and recommending a position on education and experience for CPAs as a basis for Institute policy. The results of the committee's review were published "to provide more specific guidance to planners of accounting curriculums."⁶

The committee's suggested curriculum was described

⁶Committee on Education and Experience Requirements for CPAs, "Academic Preparation for Professional Accounting Careers," Journal of Accountancy, December, 1968, p. 57.

in three main areas: general education, general business education, and accounting, with accounting segmented into the four areas of auditing, financial, managerial, and taxation. In regard to taxation, the committee discussed course content under the headings of tax theory and considerations, and tax problems:

Tax Theory and Considerations. Because the tax law is complex and continually changing, it is neither possible nor desirable to provide in the curriculum enough time to cover exhaustively the subject of taxes. But if a student is to work with the problems of a financial nature, some knowledge of taxes and their impact on decision making is essential. To place in perspective the multitude of tax laws, regulations, administrative and judicial rulings, it is necessary to have a broad appreciation of the tax structure and its role both as a source of revenue and as a device to control the economy. Basic ideas must be understood such as the importance of a corporation distinguishing between interest and dividend payments, the definition of a capital asset, limitations on certain deductions and the relief afforded by the carryback and carryover provisions. Again, it is not expert knowledge that is required but an understanding of the reasons behind each of these provisions and the impact of their interrelationships.

Tax Problems. In addition to a broad background in the field of taxes, the accountant should be able to apply tax principles to the solution of problems of some complexity. These cases should involve individuals, corporations, partnerships, trusts, estates, etc., and should include some that involve the interrelationships between various entities. Only when these interrelationships are seen can the student develop a sense of the impact of taxes on decision making and planning.⁷

⁷Committee on Education and Experience Requirements for CPAs, Report of the Committee on Education and Experience Requirements for CPAs (New York: American Institute of Certified Public Accountants, 1969), pp. 55-56.

Other Studies

In addition to the aforementioned studies by the AICPA and AAA, there are several individual studies concerned with university taxation courses that also deserve mention. One, a study by Otha L. Gray in 1964, was concerned primarily with undergraduate tax courses, with emphasis on the first course.⁸ Professor Gray surveyed tax professors in member schools of the American Association of Collegiate Schools of Business and obtained an overall view of the tax programs existing in member schools and the ideas of professors regarding the orientation of their courses. Among Gray's findings were:

1. The substantial majority of tax students take only one tax course. In 59 schools where more than one tax course was offered, 72 percent of the schools reported that less than one-half of their first tax course students continued on to a second course, and 33 percent reported a continuation rate of less than one-fourth.

2. Non-accounting or general business students accounted for only 25 percent or less of the first tax course enrollment in 74 percent of the responding schools. This

⁸Otha L. Gray, "Opinions of Tax Professors on Tax Courses," Accounting Review, January, 1965, pp. 204-11.

fact tends to eliminate one possible explanation for the low continuation rate mentioned in (1) above.

3. A detailed analysis of the assignment sheets submitted by 60 schools revealed that the subject matter in the first tax course was typically limited to coverage of the personal income tax. This revelation, combined with the large percentage of students who take only one tax course, led Gray to conclude that most tax students receive only "a partial or fragmented view of the field of taxation."⁹

4. Eighty-four percent of the responding tax professors felt that a division of tax subject matter, some for emphasis in the classroom and other for learning on the job, was both feasible and desirable. Gray concluded that this "indicates an awareness that the goal of academic instruction in taxation should not be that of turning out "tax experts" primarily skilled for their first job, but rather something more fundamental and conceptual. --- the limited objective of "how" is rejected in favor of the conceptual "why" of taxation."¹⁰

5. Tax professors ranked a list of suggested fundamental emphases in the first tax course. Table 1 summarizes

⁹Ibid., p. 207.

¹⁰Ibid., p. 209.

Table 1. Areas that should be stressed in the first tax course

	Accumulated Responses		Relative Ranking
	(Priority 1,2,3) No.	%	
Understanding of the current provisions of the tax law.	71	35	1st
History and philosophy of the income tax.	39	19	2nd
Tax ethics.	33	16	3rd
Economic aspects.	31	15	4th
Researching tax problems.	20	10	5th
Preparation of tax returns.	<u>10</u>	<u>5</u>	6th
	204	100	

the results.¹¹

A second and more recent study, by Earl F. Davis, also was a survey of tax professors in American Association of Collegiate Schools of Business, but was concerned with tax courses offered in graduate programs.¹² He found that most of the professors approached the graduate tax course from other than a straight lecture approach, attempting to involve students in research papers or projects. Tax planning, often accompanied by research, appeared to be the most

¹¹Ibid., p. 205.

¹²Earl F. Davis, "A Compendium of Opinions of Tax Teachers on the Scope and Content of Graduate Tax Courses," Journal of Accountancy, August, 1968, pp. 86-89.

emphasized area.

Davis also queried the availability of various tax research sources and reported results as summarized in Table 2.¹³

Table 2. Tax services available in libraries for research and teaching

Service	Number of Schools Having Service	Per Cent
Commerce Clearing House	56	100
Prentice-Hall	56	100
Rabkin & Johnson	25	45
Mertens	42	75
Tax Co-ordinator (RIA)	30	54
Tax Management Portfolios (BNA)	22	40

A third study, more broad in scope than the Gray and Davis studies, was conducted by Ray Sommerfeld, who surveyed public accountants, industrial executives, and university educators, concerning the possible development of a graduate program in taxation.¹⁴ Sommerfeld's questionnaire proposed a hypothetical program of tax courses patterned after those offered by the City University of New York,

¹³Ibid., p. 89.

¹⁴Ray M. Sommerfeld, "Taxation: Education's Orphan," Journal of Accountancy, December, 1966, pp. 38-44.

leading to the degree of Master of Business Administration in Taxation. Respondents were asked to classify each course as "very important," "desirable or helpful," or "not needed" for the educational preparation of a good tax practitioner. Results are summarized in Table 3, on page 12.¹⁵

Sommerfeld also queried the employability of a graduate of such a program and asked:

If a graduate program in business were constructed to include 12 to 20 semester hours of tax courses (such as those listed in Table 3), would well-qualified students completing such a course be of interest to you as an employer?¹⁶

¹⁵Ibid., p. 42.

¹⁶Ibid., p. 40.

Table 3. Ranking of importance of suggested tax courses

Brief Course Description	Very Important		Desirable or Helpful		Not Needed	
	CPAs	Indus- trial	CPAs	Indus- trial	CPAs	Edu- cators
Federal Income Tax-- Intro- duction to current provisions	34	33	3	4	0	2
Advanced Federal Tax Problems						
--Detailed study of selected, difficult Code provisions	25	23	10	11	2	0
Tax Research and Planning	28	29	8	8	1	0
Income Tax Development-- History and theory; study of current laws and pro- posed revisions	8	10	26	25	3	2
Tax Practice and Procedure	18	12	18	19	1	1
Nonincome Business Taxes-- including state and local taxes	7	17	22	17	7	4
Estate and Gift Taxes	23	6	14	22	0	1
Tax Topics of Regional Interest						
--Oil, gas, timber, farming, etc.	10	7	25	23	2	6
International Tax Problems	8	20	19	17	10	9
Totals	<u>161</u>	<u>157</u>	<u>145</u>	<u>146</u>	<u>26</u>	<u>25</u>
Grand Total Ranking	(457 or 49%)		(407 or 43%)		(79 or 8%)	

Responses to this question are summarized in Table 4.¹⁷

Table 4. Employer interest in graduates of hypothetical tax curriculum

Response	CPA Firms	Industrial Firms	Educators	Totals	
				No.	%
Of less value than a person with any other degree	0	1	2	3	3
Of no more value than a person with a master's degree in business or accounting	7	3	9	19	17
Of more value than a person with a master's degree in business but of less value than a per- son with a law degree	6	19	8	33	31
As valuable as a person with a law degree	13	7	3	23	21
Of more value than a person with either a master's degree in accounting or a law degree	12	7	8	27	25
Other	2	0	1	3	3
Totals				<u>108</u>	<u>100</u>

The responses indicated that nearly half of the respondents felt that such a program "a one-year graduate program in business, placing primary emphasis on the study of taxation, could produce a man that would be at least as valuable to them as would the graduate of a law curriculum."¹⁸ Sommerfeld concluded that "The study of law, as currently structured, leaves much to be desired in the way of an adequate preparation for tax work."¹⁹

¹⁷Ibid., p. 43.

¹⁸Ibid., p. 41.

¹⁹Ibid., p. 41.

Need for the Study

The need for this study developed out of consideration that practitioners can provide meaningful suggestions for tax education in light of their "real world" experiences in taxation, and that their views should be considered an important input to the continuing development of tax curricula. A review of related literature revealed the tax education recommendations by committees of the AAA and AICPA, and the studies by Gray, Davis, and Sommerfeld. However, no previous study has researched practitioners' opinions regarding the content of college and university tax courses.

The work of the AAA's 1967-68 Committee on Income Tax Instruction, while a significant contribution to guide the teaching of taxation, still leaves a multitude of alternative topics and questions regarding emphasis to confront the prospective tax instructor when considering course content beyond the basic, first course in taxation. Similarly, the general recommendations of the AICPA's Committee on Education and Experience Requirements for CPAs give little assistance to the instructor in terms of the placement of emphasis on specific tax topics.

The Gray and Davis studies revealed professors' fundamental emphases in teaching taxation, and the belief

that tax subject matter could be divided between subject matter for emphasis in the classroom, and other subject matter for learning on-the-job. These findings raise the questions--Do practitioners agree with professors' teaching emphases? and, Can practitioners emphasis recommendations discriminate between tax topics for which academic preparation is well suited as opposed to those topics for which in-firm and professional training is appropriate?

Additional impetus for this study was derived from Doyle Williams' article concerning reactions to Horizons for a Profession.²⁰ Williams reported that during 1967 and 1968, seminars were held on 55 college campuses involving accounting educators from 668 colleges and universities, representatives of state CPA societies, and other prominent CPAs. The principal objectives of these seminars were to analyze the recommendations of Horizons, evaluate the relevance of those findings to accounting education, and consider appropriate means of implementing those recommendations.

The seminar participants generally approved of the findings of Horizons and believed that Horizons would serve as an effective motivator for the improvement of the

²⁰Doyle Z. Williams, "Reactions to 'Horizons for a Profession,'" Journal of Accountancy, June, 1969, pp. 81-84.

educational preparation of CPAs. But in endorsing the conceptual emphasis of Horizons, the participants concluded that further thought and study should be devoted to determining "the respective roles of colleges and universities and the profession in sharing the responsibility for the initial education and training of professional accountants."²¹

Objectives of the Study

The primary objectives of this study are:

1. to determine the relative importance of areas to be stressed in the first undergraduate tax course,
2. to determine the relative frequency of use of tax research sources,
3. to determine the need for tax research experience in tax instruction,
4. to determine the ways in which computers are used by tax practitioners,
5. to determine the need for computer oriented content in tax instruction,
6. to determine the degree to which the relative frequency of job activities is standardized in taxation,
7. to determine those topics in need of emphasis

²¹Ibid., p. 83.

and those which should be deemphasized in the instruction of taxation,

8. to determine the scope and perceived role of staff training programs in taxation, and

9. to derive conclusions which may be used to guide taxation educators in the formulation of the content of tax courses.

Contribution Toward Accounting

This study focuses on the lack of empirically verified knowledge concerning practitioners' recommendations for tax education. The results of the study will hopefully benefit accounting firms, tax educators, and future tax practitioners in the following ways:

1. provide guidance to tax educators in the development of relevant content for taxation courses,

2. help determine the respective roles of universities and the profession in sharing the responsibility for the initial education and training of future practitioners in the area of taxation, and

3. help eliminate deficiencies in tax education at the university level.

Methodology

This study was conceptualized as containing two main tasks:

1. Surveying tax practitioners -- A questionnaire was developed to seek information pertaining to tax practice activities, topical emphasis in tax instruction, research experience, computer usage, staff training, and certain demographic variables. Questionnaires were sent to a total of six hundred practitioners in local and national public accounting firms, and in corporations. Samples were stratified by firm classification to obtain a broad range of response and to facilitate the statistical analysis of response between groups.

2. Conducting interviews with tax training directors -- Separate personal interviews were arranged with the tax training directors of seven national public accounting firms, and with project managers from the Professional Development Division of the American Institute of Certified Public Accountants. An outline was prepared to guide the interviews, and information was sought pertaining to staff training and the role of the profession in the area of tax education.

A detailed description of the research methodology

is presented in Chapter II.

Limitation of the Study

There are three limitations related to this study. The first is a limitation of scope and concerns the study's orientation toward the education of accountants for tax practice. The activities and attitudes of lawyers (not employed by accounting firms as tax practitioners) in the tax area were not a part of this study.

The second limitation is inherent in any behavioral study. The empirical results of this study will depend upon the attitudes, views, and opinions of the participants.

The third limitation concerns the extent of generalization of the results. The sample was drawn from a limited population to minimize non-response and facilitate follow up. The results are strictly applicable to the population from which the sample was drawn. However, it is believed that this population is representative of all accounting tax practitioners. Thus, there is no reason to believe that accounting tax practitioners not in the population will have characteristics different from those of the population in this study. Based on this assumption, the results of this study can be generalized to all tax practitioners.

Organization

This study consists of four chapters:

1. Introduction
2. Methodology
3. Results of the Study
4. Summary, Conclusions, Recommendations, and Suggestions for Future Research

Chapter I introduces the study by stating the problem and briefly reviewing related studies. The objectives of this study are presented along with methodology, and potential contributions to accounting.

Chapter II details the research methodology including the development of the questionnaire, sample selection procedure, and data collection and analysis.

Chapter III presents the results of the questionnaire survey of tax practitioners, and discusses the findings derived from interviews with directors of professional tax training programs.

Chapter IV briefly summarizes the research methodology and then presents a review of the major findings and conclusions. The chapter concludes with recommendations for tax instruction, and suggestions for future research.

CHAPTER II

METHODOLOGY

Introduction

This chapter explains in detail the procedures employed to accomplish the research objectives. The procedures involved formulating hypotheses, defining the population, selecting samples, developing and administering a questionnaire survey of tax practitioners, interviewing directors of in-firm tax training programs, and selecting statistical tests for hypothesis testing.

Interviews

Personal interviews were used to gather data concerning professional and in-firm staff training programs in the tax area. Separate personal interviews were held with the tax training directors of seven national public accounting firms. Similar interviews also were conducted with the tax area project managers from the Professional Development Division of the American Institute of Certified Public Accountants.

The seven national public accounting firms interviewed can be described as a judgemental sample from a

population of ten national public accounting firms. Each was selected as a result of considering its estimated potential for contributing relevant materials, the availability of its national tax training director, and the amount of time and travel expense that the interview would require.

A letter requesting an interview, together with a "Summary of Proposed Research" and an "Interview Guide" (see Appendix A), were sent to each of the persons interviewed. The "Summary of Proposed Research" and "Interview Guide" were sent to familiarize the interviewees with the research objectives and to help prepare them to answer pertinent questions.

The "Interview Guide" contained questions concerning:

1. Staff training in taxation
2. Tax education recommendations by AICPA and AAA tax committees
3. Respective roles of firms and universities in the area of tax education.

The Questionnaire

A questionnaire was developed and distributed to twenty-five practitioners in two Lansing public accounting firms as a pilot study. Based on the results and comments received from the pilot study, the questionnaire was revised and an improved questionnaire was sent to six

hundred practitioners.

The same questionnaire format was sent to all members of the three sample groups: (1) local public accounting practitioners; (2) national public accounting practitioners; and, (3) corporate practitioners. The questionnaire was divided into two major parts and is reproduced in Appendix B.

Questionnaire - Part One

Part One of the questionnaire contained a total of sixteen questions to provide data of seven types:

1. Job experience-- Question 1 asked for the title of the participant's position and was used to help identify the respondent as being properly included in the sample. Questions 4 and 5, concerning years of experience and percentage of work in the tax area, were used to describe the representativeness and scope of the samples.

Question 16 asked the respondent to indicate the frequency (frequently, occasionally, or never) with which he performed thirty-two specific job activities. These activities were listed in three categories:

1. Preparation or review of tax returns
2. Consultation on tax problems
3. Technical tax accounting services

The list of activities was adapted from the job activities included in the questionnaire survey in Horizons for a Profession: The Common Body Knowledge for Certified Public Accountants.¹ However unlike the Horizons survey, which indicated activities performed by individual public accounting firms in total, the responses to this question provided job activity data for individual practitioners who could then be classified by type of employer.

The data on job activities were collected to determine the degree to which certain activities are standardized between the three practitioner groups, and to provide a possible explanation for any differences between the educational recommendations made by the three practitioner groups.

If the performance of job activities differs between the three practitioner groups, on-the-job training, and professional or in-firm training programs can be expected to assume major importance in the development of future tax practitioners. On the other hand, if the three practitioner groups do not differ in their performance of job activities, more academic training of a technical nature may be desired,

¹Robert H. Roy and James H. MacNeill, Horizons for a Profession: The Common Body of Knowledge for Certified Public Accountants (New York: American Institute of Certified Public Accountants, 1967), pp. 289-90.

since students could be trained for a standard set of job activities.

Also, it is reasonable to assume that practitioners consider their job activities important, and that the importance of their job activities will be reflected in their recommendations for tax education. For example, if a particular tax practitioner specialized in estate planning, it is possible that this practitioner would feel that estate planning should be heavily emphasized in college and university tax courses, and in professional and in-firm tax training. Thus, if the three practitioner groups differ in their performance of job activities, it also is likely that they will differ in their recommendations for tax education.

2. Qualifications-- Questions 2 and 3 were used to describe the respondents in regard to their status as certified public accountants, attorneys, former revenue agents, or enrolled after examination to practice before the Internal Revenue Service.

3. Education-- Questions 6, 7, 8, and 10 were used to determine the educational background of the respondents. Specifically, the questions concerned the respondents' level of formal education, major area of study, the number of tax courses included in their formal education, and their

participation in AICPA professional development courses in taxation.

4. Tax research-- Question 11 was used to determine the use made of various tax research sources. The six item choices were adapted from Earl F. Davis' study which indicated the tax services that were available for research and teaching in business school libraries.²

Question 12 also was concerned with tax research and asked the participants to express their opinion regarding the teaching of tax case research in college and university tax courses.

5. Computers-- Questions 13 and 14 were used to determine the type and extent of computer usage by tax practitioners, and their opinions of the degree to which computer oriented subject matter should be included in college and university tax instruction.

6. Staff training-- Question 15 was used to elicit information concerning in-firm staff training programs in the tax area. Participants were asked to describe their staff training in terms of general subject emphasis and the amount of time devoted to training.

7. First tax course-- Question 9 was used to

²Davis, op. cit., p. 89.

determine practitioner opinion concerning the priority of areas that should be stressed in a first undergraduate tax course. Respondents were asked to select and rank as to priority three of the six item choices. This question was adapted from the Gray study in which tax professors were asked to respond in a similar manner to the same question.³

Questionnaire - Part Two

The second part of the questionnaire consisted of a listing of thirty-eight tax topics likely to be encountered in a college or university undergraduate course in taxation, and/or professional tax training programs. Each topic was followed by a brief description detailing the contents of the topic. The topics were selected as a result of a general review of taxation texts and instruction materials, with Federal Income Taxation: Fundamental Questions, Problems, and Cases, by Charles J. Gaa, serving as the primary source for the organization of the topics.

Part Two was designed to provide information concerning the emphasis to be accorded certain tax topics in tax instruction, and to determine those topics for which academic preparation is felt to be well suited as opposed to those topics for which in-firm or professional tax

³Gray, op. cit., p. 205.

training is more appropriate.

Each participant was asked to respond twice to each topic -- once for emphasis to be accorded the topic in college and university tax instruction (Section A), and once for emphasis to be accorded the topic in professional or in-firm tax training programs (Section B). To provide a common point of reference for Section A, each participant was told to assume that the college or university tax instruction was "oriented toward accounting majors."

For each topic, there were four response options available to indicate the appropriate degree of instructional emphasis. The options in each of sections "A" and "B" included: (1) Major Emphasis; (2) Some Emphasis; (3) Little Emphasis; and, (4) No Emphasis.

Questionnaire - Other

Following Parts One and Two, the last page of the questionnaire invited each participant to add his comments, offer suggestions, or amplify his answer to any previous question. In addition, each participant was also invited to list his name and address if he wished a copy of the survey results to be sent to him. This latter provision facilitated the sending of the "second request" letters, and possibly increased the rate of response over what it

otherwise might have been.

Sample Selection

Questionnaires were sent to a stratified sample of six hundred practitioners in three firm classifications: (1) local public accounting; (2) national public accounting; and (3) corporations. Two hundred questionnaires were allocated to each stratum.

Local Public Accounting Firms

Practitioners employed by local public accounting firms in Michigan were identified from the Michigan Board of Accountancy Register - 1969.⁴ The Register - 1969 contained an alphabetic listing of individuals registered to practice public accounting in Michigan during the year 1969. For each individual, the register provided the registrant's name, address, certificate number, and employer. There were 958 individuals identified as being employed by local public accounting firms in Michigan.

Each of these 958 individuals was first assigned an identification number, and then a table of random numbers⁵

⁴Board of Accountancy, Register - 1969 (Lansing, Mich.: State of Michigan, 1969).

⁵John R. Stockton, Business Statistics (Cincinnati: South-Western Publishing Co., 1962), pp. 626-633.

was used to select 200 individuals. Responses of this sample group are intended to represent the population of practitioners employed by local public accounting firms in Michigan.

For purposes of this sample, "local public accounting firms" was defined as those firms registered with the Michigan Board of Accountancy to practice public accounting in the State of Michigan during 1969, but excluding the following ten firms:

1. Arthur Andersen & Co.
2. Ernst & Ernst
3. Alexander Grant & Co.
4. Haskins & Sells
5. Lybrand, Ross Bros. & Montgomery
6. Peat, Marwick, Mitchell & Co.
7. Price Waterhouse & Co.
8. Seidman & Seidman
9. Touche, Ross, Bailey & Smart
10. Arthur Young & Co.

The ten firms listed above were designated "national public accounting firms," and their practitioners were sampled as described in the next section.

National Public Accounting Firms

The job activities performed by practitioners employed by national public accounting firms tend to be specialized in one of three areas: (1) auditing; (2) tax; or, (3) management services. Thus, when selecting a sample of practitioners from this stratum of firms, a prime objective was to include a majority of practitioners who were tax specialists.

To obtain this objective, the seven national public accounting firms interviewed were asked to provide an employee listing of their tax specialists. Four firms provided such listings, two firms did not have a separate listing of tax specialists, and one firm refused to provide a listing for use in a questionnaire survey. The four available listings were then used to randomly select 30 individuals from each of the four firms, a total of 120 practitioners.

The remainder of the sample ($200 - 120 = 80$) were selected from the Michigan Board of Accountancy Register - 1969. The Register - 1969 identified 1,429 individuals as employees of the ten firms designated as national public accounting firms. The same procedures as previously described were used to select a random sample of 80 individuals from the ten national public accounting firms.

Responses from the practitioners in this sample are intended to represent the population of practitioners employed by national public accounting firms.

Corporations

Corporate tax practitioners were chosen from the September 15, 1969 Membership Roster⁶ of the Tax Executives Institute (TEI). The Tax Executives Institute is a national organization of approximately four thousand persons employed by corporations and other businesses to administer the tax affairs of their employers.

Using sampling procedures as previously described, each TEI member was assigned an identification number and two hundred were then selected with the use of a table of random numbers. Responses from this sample are intended to represent the population of persons engaged in tax work for corporations.

Procedures

A letter explaining the objectives of the study and appealing for assistance was sent to members of the three sample groups on June 17, 1970, along with a questionnaire

⁶Tax Executives Institute, Membership Roster (Washington, D.C.: Tax Executives Institute, 1969).

and stamped return envelope. A follow-up letter, with questionnaire and stamped return envelope, was mailed to non-respondents on July 7, 1970.

Responses were received from 74.7 percent, or from 448 of the 600 participants in the original sample. A summary of the response rate is given in Table 5.

Table 5. Summary of practitioner response rate

Response after:	Corporate Practitioners		Local Firm Practitioners		National Firm Practitioners		Total	
	N	%	N	%	N	%	N	%
First letter	95	48	97	49	124	62	316	53
Second letter	<u>55</u>	<u>27</u>	<u>44</u>	<u>22</u>	<u>33</u>	<u>17</u>	<u>132</u>	<u>22</u>
Sub-total	150	75	141	71	157	79	448	75
No response	<u>50</u>	<u>25</u>	<u>59</u>	<u>29</u>	<u>43</u>	<u>21</u>	<u>152</u>	<u>25</u>
Totals	200	100	200	100	200	100	600	100

Usable responses totaled 373 or 83.5 percent of the total responses received, and 65.3 percent of the corrected sample size of 571. The corrected sample represents the original sample of 600 minus those not properly included; i.e., retired, deceased, or not associated with the field of taxation. Table 6 presents a summary of the types of response received.

Table 6. Summary of responses received

Type of Response:	Corporate Practitioners		Local Firm Practitioners		National Firm Practitioners		Total	
	N	%	N	%	N	%	N	%
Usable	125	83	129	92	119	76	373	83
Not completed	22	14	7	5	15	9	44	10
Non-deliverable	1	1	0	0	22	14	23	5
Retired	1	1	3	2	0	0	4	1
Deceased	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>1</u>
Totals	150	100	141	100	157	100	448	100

Data Analysis

The data from each questionnaire was coded by hand and keypunched into Hollerith cards. A computer program was then employed to determine cumulative frequencies, percentages, and means, and for certain statistical hypotheses--the Pearson Chi-Square statistic and the Goodman-Kruskal index of predictive association.

Since the data under analysis was the result of ordinal measurement, weaker than the interval measurement required by parametric tests, two nonparametric tests, the Pearson Chi-Square Test of Association and the Kendall Coefficient of Concordance, were selected for use in this study.

Each of these nonparametric tests is discussed in a separate subsection below.

Pearson Chi-Square Test of Association

This measure was used to determine whether the three groups of practitioners significantly differed with respect to their responses to certain questions. The purpose was to determine if the fact that a respondent was a member of one group had any relationship with his response classification on a particular attribute.

Chi-square tests the significance of the discrepancy between observed and expected frequencies of the occurrence of a joint event under the null hypothesis that two attributes are independent. The statistic is computed from the following formula:

$$x^2 = \sum_i \sum_j \frac{(F_{ij} - E_{ij})^2}{E_{ij}}$$

where

F_{ij} = observed number of cases categorized in the i th row of j th column

E_{ij} = number of cases expected under H_0 to be categorized in i th row of j th column

The decision is to reject the null hypothesis if the calculated value of x^2 is greater than or equal to the tabled value of x^2 at the .05 level of confidence and the correct

degrees of freedom. Rejection of the null hypothesis allows the conclusion that dependence exists between the two attributes tested. Failure to reject indicates tentative acceptance of the null hypothesis of independence.

The χ^2 test is usually considered applicable to data in a contingency table only if the expected frequencies are sufficiently large. Although there are no hard and fast rules concerning the size of expected frequencies, one rule of thumb states, "When k is larger than 2 (and thus $df > 1$), the χ^2 test may be used if fewer than 20 per cent of the cells have an expected frequency of less than 5 and if no cell has an expected frequency of less than 1."⁷ However, this rule is ordinarily conservative, and circumstances may arise where smaller expected frequencies can be tolerated.

When expected frequencies do not meet the above size requirements, they may be increased by combining adjacent classifications. This is desirable only if such combining does not rob the data of its meaning.

⁷Sidney Siegel, Nonparametric Statistics (New York: McGraw-Hill Book Co., Inc., 1956), p. 110.

Goodman-Kruskal Index of Predictive Association (λ_B)

The chi-square test is extremely sensitive to any systematic departure from independence or total nonpredictability. "If N is very large, as it should be for the best application of the test, virtually any 'degree' of true statistical relationship between attributes will show up as a significant result."⁸ Thus λ measures are used as an adjunct to the chi-square test to measure the strength of association between the attributes studied. Hays explains the importance of the λ measures:

When the value of χ^2 turns out significant one can say with confidence that the attributes A and B are not independent. Nevertheless, the significance level alone tells almost nothing about the strength of association. Usually we want to say something about the predictive strength of the relation as well. If there is the remotest interest in actual predictions using the relation studied, then the λ measures are worthwhile. Statistical relations so small as to be almost nonexistent can show up as highly significant χ^2 results, and this is especially likely to occur when sample size is large. All too often the experimenter then "kicks himself" into thinking that he has discovered some relationship observable to the "naked eye," which will be applicable in some real-world situation. Plainly, this is not necessarily true. The λ indices do, however, suggest just how much the relationship found implies about real predictions, and how much one attribute actually does tell us about the other. Such indices are a most important corrective to

⁸ William L. Hays, Statistics (New York: Holt, Rinehart, and Winston, Inc., 1963), p. 613.

the experimenter's tendency to confuse statistical significance with the importance of results for actual prediction. Virtually any statistical relation will show up as highly significant given a sufficient sample size, but it takes a relation of considerable strength to enhance our ability to predict in real, uncontrolled situations.⁹

The Goodman and Kruskal index of predictive association is computed from the following formula:

$$\lambda_B = \frac{\sum_j \max_i F_{ij} - \max_i F_{.i}}{N - \max_i F_{.i}}$$

where

F_{ij} = observed frequency in cell (A_j, B_i)

$\max_i F_{ij}$ = largest frequency in column A_j

$\max_i F_{.i}$ = largest marginal frequency among rows B_i

As used in this study, the λ_B index shows the proportional reduction in the probability of error afforded by specifying A_j , a respondent's firm category. The value of the index may range from zero to 1.00. If knowledge of the firm category does not reduce the probability of error in predicting B_i , the index is zero, and one can say that there is no predictive association. On the other hand, if the index is 1.00, no prediction error is made given the firm classification, and there is complete predictive association.

⁹Ibid., p. 610.

It is possible for some statistical association to exist even though the value of λ_B is zero. In this situation, attributes A and B are not independent, but the relationship is not such that giving A_j causes one to change his prediction about B_i ; the index λ_B is other than zero only when different B_i categories would be predicted for different A_j categories.

Sheffe' Post-Hoc Comparisons

In general, post-hoc comparisons may be used to further investigate the source of significance when a statistical test has disclosed overall significance. The use of post-hoc comparisons is restricted to the situation where a preliminary test has shown overall significance.

In this study, post-hoc comparisons are used when a chi-square test has shown overall significance between the responses of the three practitioner groups. Specifically, post-hoc comparisons allow an evaluation of the differences in response between each pair of practitioner groups to determine if the response differences contribute to the overall significance of chi-square.

Kendall Coefficient of Concordance (W)

The Kendall Coefficient of Concordance measures the extent of agreement between two or more rank orders. The test statistic, W, may range in value from 0 (perfect disagreement) to +1.0 (perfect agreement).

The coefficient may be computed from the following formula:

$$W = \frac{\sum_j (R_j - \frac{\sum R_j}{N})^2}{\frac{1}{12} k^2 (N^3 - N)}$$

where

R_j = sum of the ranks for the jth variable

k = number of sets of rankings

N = number of variables ranked

$\frac{1}{12} k^2 (N^3 - N)$ = maximum possible sum of squared deviations, i.e., the sum that would occur with perfect agreement between the k rankings.

The null hypothesis (H_0) is that the rank orders are not associated and that the observed value of W differs from zero only by chance. The test of the hypothesis consists of determining the observed value of W and then determining the probability under H_0 associated with such an extreme value. If that probability is equal to or less than .05, the decision is to reject H_0 in favor of the research hypothesis, H_1 .

In this study, a high or significant W may be interpreted as meaning that essentially the same standards have been applied in ranking the N variables. Thus, when the value of W is significant, the combined or "pooled" ordering may serve as a "standard" or best estimate of the "true" ranking of each of the N variables being ranked.¹⁰

Hypotheses

Hypothesis testing is the process of inferring from a sample whether or not to accept a particular statement about the population. The statement itself is called the null hypothesis and is denoted by H_0 . The research hypothesis, denoted by H_1 , is the negation of the null hypothesis, and usually consists of a statement equivalent to saying " H_0 is not true." Thus, a decision to reject H_0 is equivalent to acceptance of the research hypothesis, H_1 .

In this study, those null hypotheses tested by using the Pearson Chi-Square statistic are denoted by X^2_0 , and those tested by the Kendall Coefficient of Concordance are denoted by W_0 . The research hypotheses are presented in Appendix C.

¹⁰Siegel, op. cit., p. 237.

Areas to be Stressed in the
First Undergraduate Tax Course

- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of areas to be stressed in the first undergraduate tax course.
- W_o : The coefficient of concordance between practitioners' total ranking of areas to be stressed in the first undergraduate tax course and tax professors' ranking of areas to be stressed in the first undergraduate tax course equals zero.

Tax Research

- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of information sources used most frequently in tax research.
- W_o : The coefficient of concordance between practitioners' total ranking of information sources used most frequently in tax research and the ranking of information sources according to their availability in libraries for research and teaching equals zero.
- x_o^2 : There is no difference between the three respondent groups in their recommendations concerning instruction of tax research in colleges and universities.

Computers

- x_o^2 : There is no difference between the three respondent groups in the percentage that use computers to perform tax work.
- x_o^2 : There is no difference between the three respondent groups in their recommendations concerning instruction of computer oriented subject matter in college and university tax courses.

Job Activities

- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of frequency of preparation or review of tax returns.
- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of frequency of consultation on tax problems.
- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of frequency of technical tax accounting services.

Tax Topic Emphasis

- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities.
- W_o : The coefficient of concordance between the three respondent groups equals zero for the ranking of emphasis to be accorded topics in professional or in-firm tax training programs.
- W_o : The coefficient of concordance between total ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities and total ranking of emphasis to be accorded topics in professional or in-firm tax training programs equals zero.

In-firm Staff Training

- x_o^2 : There is no difference between the three respondent groups in the proportion of respondents whose firms offer in-firm staff training programs in taxation.

AICPA Professional Development in Taxation

χ^2_o : There is no difference between the three respondent groups in the percentage that participate in AICPA professional development courses in taxation.

CHAPTER III

RESULTS OF THE STUDY

Introduction

This chapter presents the results of the present study, and begins with a description of the typical questionnaire respondent. Respondents are characterized by modal response, and response percentages are presented for the demographic questions.

The remainder of the chapter reports the questionnaire findings and the results of interviews with directors of professional tax training programs.

The Typical Respondent

The "typical" respondent (as characterized by modal response) to the questionnaire:

1. Graduated from a four-year college;
2. Was an accounting major;
3. Had one tax course at the undergraduate level;
4. Was a CPA;
5. Had ten years of professional experience in the tax area; and,
6. Devoted 76-100% of his work time to the tax area.

Table 7. Percentage frequency of response to the demographic questions for all respondents

Question	(%)	Question	(%)
<u>CPA?</u>		<u>Undergraduate major?</u>	
Yes	70	Accounting	82
No	<u>30</u>	Pre-Law	4
	100	Economics	4
		Bus. Administration	2
<u>Attorney?</u>		Other	6
Yes	24	No Response	<u>2</u>
No	<u>76</u>		100
	100		
<u>Former Revenue Agent?</u>		<u>Graduate major?</u>	
Yes	7	Accounting	12
No	<u>93</u>	Law	23
	100	Taxation	2
		Other	2
		No Response	<u>61</u>
			100
<u>Enrolled by examination to practice before IRS?</u>		<u>Tax courses taken in undergraduate education?</u>	
Yes	2	0	11
No	<u>98</u>	1	42
	100	2	32
		3	6
<u>Per cent of work in the tax area?</u>		Other	2
%		No Response	<u>7</u>
1-25	16		100
26-50	19		
51-75	12	<u>Tax courses taken in graduate education?</u>	
76-100	<u>53</u>	0	3
	100	1	13
		2	7
<u>Education level?</u>		3	6
High School	2	4	3
2-year College	5	Other	6
4-year College	55	No Response	<u>62</u>
Masters Degree	14		100
Law Degree	23		
Doctoral Degree	<u>1</u>	<u>Enrolled in AICPA tax courses?</u>	
	100	Yes	36
		No	60
		No Response	<u>4</u>
			100

Table 7 presents a summary of the responses of 373 practitioners to the demographic questions contained in the questionnaire. The frequency of response to years of professional experience in the tax area is presented in Table 8. The response mean was 12.5 years of experience, with a standard deviation of 8.0 years.

Table 8. Frequency of response to years of experience in the tax area for all respondents

Years	Frequency	Years	Frequency
1	12	20	31
2	13	21	5
3	17	22	9
4	16	23	6
5	24	24	1
6	22	25	9
7	16	27	1
8	23	28	4
9	7	29	1
10	33	30	4
11	10	31	1
12	12	32	1
13	14	33	1
14	10	34	1
15	24	35	3
16	14	37	1
17	7	42	1
18	10	45	1
19	8		
Mean = 12.50		Std. Dev. = 8.00	
		Median = 10.85	

Questionnaire Hypotheses

For each hypothesis, the results of the statistical test are reported and a conclusion is reached concerning the relationship specified in the hypothesis.

The statistical procedure is to reject the null hypothesis in favor of the research hypothesis if a statistical test yields a value whose associated probability of occurrence under the null hypothesis is equal to or less than some small probability noted as a (α). This small probability is called the "level of significance."

Throughout this chapter, a null hypothesis is rejected only if the level of probability attained is .05 or smaller. The choice of .05 was arbitrary, but this value enjoys common usage among researchers.

Areas to be Stressed in the First Undergraduate Tax Course

Item 9 of the questionnaire asked participants to -- "Select three of the following as areas that should be stressed in the first undergraduate tax course in a college or university. (RANK AS TO PRIORITY-1,2,3.)" The item is identical to an item included in a study by Otha Gray in which Gray asked tax professors to make a similar ranking.

To analyze the practitioners' responses for each

subject area, each first-priority response was assigned a weight of three, each second-priority response was assigned a weight of two, and each third-priority response was assigned a weight of one. This weighting maintained the ordinality of the priority responses and allowed a comparison between the six subject areas to determine the priority ranking for each practitioner group.

Table 9 presents respondents' rankings of the areas to be stressed in the first undergraduate tax course. A ranking is shown for each respondent group (i.e., corporate, local public accounting, and national public accounting firm practitioners).

Table 9. Ranking of areas to be stressed in the first undergraduate tax course

Areas	<u>Rank by Practitioners</u>			Total Rank	Rank in Gray's Study
	Corp.	Local	Nat'l.		
Current provisions of tax law	2	1	1	1	1
History and philosophy of taxation	1	3	2	2	2
Researching tax problems	3	2	3	3	5
Preparation of tax returns	4	4	5	4	6
Economic aspects	5	5	4	5	4
Tax ethics	6	6	6	6	3

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of areas to be stressed in the first undergraduate tax course.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of areas to be stressed in the first undergraduate tax course.

The results of the test showed that the coefficient of concordance (W) between the three group rankings was 0.911, which was significantly different from zero at the .05 level of significance. The results rejected the null hypothesis (W_0) and led to the acceptance of the research hypothesis (W_1).

This indicated that there was statistically significant agreement between the subject area priority rankings made by the three practitioner groups. It also indicated that there must have been some within group agreement, since in order for there to be between group agreement, there must also be at least some within group agreement. In this case, since there was overall significant agreement, the best estimate of the "true" priority ranking for each subject area is represented by the combined or "total rank" for each area.

This "total rank" was derived by a comparison of the sum of ranks for each subject area across the three practitioner groups. The total rank for each of the six subject areas is presented in Table 9 and may be compared with the

ranking of subject areas made by the tax professors in Gray's study.

W_0 : The coefficient of concordance between practitioners' total ranking of areas to be stressed in the first undergraduate tax course and tax professors' ranking of areas to be stressed in the first undergraduate tax course equals zero.

W_1 : The coefficient of concordance between practitioners' total ranking of areas to be stressed in the first undergraduate tax course and tax professors' ranking of areas to be stressed in the first undergraduate tax course does not equal zero.

The coefficient of concordance (W) equaled 0.757.

This W was not significantly different from zero and led to a failure to reject the null hypothesis. This means that there was no significant agreement between the priority rankings made by practitioners and the priority rankings made by tax professors.

Thus, even though practitioners and professors agreed as to the priority ranking of "current provisions of tax law" and "history and philosophy of taxation," there was sufficient disagreement concerning the ranking of the four remaining areas that in total there was no significant agreement between practitioners' and professors' rankings.

It is interesting to note the relatively low priority assigned by practitioners to "preparation of tax returns,"

which was ranked fourth in priority among six subject areas. This appears to contradict the a priori assumption made by some academicians that practitioners would like university tax educators to place primary emphasis on tax return preparation.

Use of Tax Research Sources

Item 11 of the questionnaire asked -- "What three information sources do you use most frequently when doing tax research? (RANK AS TO FREQUENCY - 1,2,3.)" Six information sources were listed together with a seventh alternative - "other."

To combine the responses for each information source, the frequency-rank responses "1," "2," and "3" were assigned weights three, two, and one, respectively. This weighting maintained the ordinality of the frequency-rank responses and allowed a comparison between the six information sources to determine the frequency ranking for each practitioner group.

Table 10 contains the six information sources ranked as to frequency of use by the three respondent groups and in total. Nineteen "other" information sources specified by respondents are presented in Table 30 of Appendix D.

Table 10. Ranking of information sources according to frequency of use by tax practitioners

Sourcee	Rank by Practitioners			Total Rank	Rank in Davis' Study
	Corp.	Local	Nat'l.		
<u>Standard Federal Tax Reporter</u> (CCH)	1	1	1	1	1.5
<u>Tax Management</u> (BNA)	2	4	2	2	6
<u>Federal Tax Coordinator</u> Research Institute of America	4	2	3	3	4
<u>Federal Taxes</u> (P-H)	3	3	4	4	1.5
<u>Law of Federal Income Taxation</u> Mertens	5	6	5	5	3
<u>Federal Income, Gift, & Estate Taxation</u> (Rabkin and Johnson)	6	5	6	6	5

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of information sources used most frequently in tax research.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of information sources used most frequently in tax research.

The test results showed that the W between the three group rankings equaled 0.873. This value was significantly different from zero at the .05 level of significance and the null hypothesis was rejected.

Rejection of the null hypothesis is equivalent to the acceptance of the research hypothesis, W_1 , and may be

interpreted as meaning that the three practitioner groups significantly agreed in their ranking of information sources according to frequency of use. The "true" rank for each information source is represented by its "total rank" and is shown in Table 10.

It is interesting to note that the responses indicate that Commerce Clearing House's Standard Federal Tax Reporter was used most frequently by each practitioner group. In total, the Standard Federal Tax Reporter was ranked as a response by 317 practitioners, of which 226 practitioners ranked it first in frequency of use, 63 ranked it second, and 28 practitioners ranked it third. Its use far exceeded the indicated use of the second-ranked Tax Management, which was ranked as a response by 214 practitioners. Of these, 11 practitioners ranked Tax Management first in frequency of use, 114 ranked it second, and 89 practitioners ranked it third in frequency of use.

The six information sources listed in Table 10 also were included in Earl F. Davis' study of member schools of the American Association of Collegiate Schools of Business (AACSB). Davis queried the tax services available for research and teaching in AACSB schools and reported the number of schools having each service (shown on page 10,

Chapter I). For purposes of the present study, each source (service) was ranked according to its availability as reported by Davis. This ranking of sources by availability also appears in Table 10 and may be compared with the "total rank" derived from the practitioners' responses in this study.

W_0 : The coefficient of concordance between practitioners' total ranking of information sources used most frequently in tax research and the ranking of tax information sources according to their availability in libraries equals zero.

W_1 : The coefficient of concordance between practitioners' total ranking of information sources used most frequently in tax research and the ranking of tax information sources according to their availability in libraries does not equal zero.

The results of the test showed that the coefficient of concordance was 0.579. This statistic was not significantly different from zero and the null hypothesis was not rejected. Thus, there was no significant agreement between the ranking of information sources according to frequency of use by tax practitioners, and the ranking of information sources according to their availability in AACSB school libraries. The difference between the two rank orders is especially evident for Prentice-Hall's Federal Taxes and Bureau of National Affairs' Tax Management.

Teaching of Tax Research

Item 12 of the questionnaire is related to the instruction of tax research methodology and asked participants -- "Should tax case research be taught in college and university tax courses? (CHOOSE ONE PER COURSE - FIRST, SECOND, GRAD.)" The responses are presented in Table 11.

x_0^2 : There is no difference between the three respondent groups in their recommendations concerning instruction of tax research in colleges and universities.

x_1^2 : There is a difference between the three respondent groups in their recommendations concerning instruction of tax research in colleges and universities.

The above null hypothesis was tested with the Pearson chi-square test of association for each of the three courses, with the "no response" category omitted from the computation of the chi-square statistic. Results of the chi-square test were:

Undergraduate - first course. The value of the test statistic (x^2) equaled 11.815. This value of chi-square was not significant at the .05 level and the null hypothesis was not rejected. The modal response across all groups was -- "Yes--discussion of information sources only," and accounted for 43 percent of all responses.

Undergraduate - second course. The test results

Table 11. Frequency of response to "Should tax case research be taught in college and university tax courses?"

Response	Undergraduate--First Course						Undergraduate--Second Course						Graduate Course											
	Corp.			Local			Corp.			Local			Corp.			Local								
	N	%		N	%	Total	N	%		N	%	Total	N	%		N	%	Total						
Yes--discussion of information sources only.	49	39	55	43	54	46	158	43	12	10	9	7	7	6	28	8	3	2	0	0	0	0	3	1
Yes--discussion of information sources and procedures.	21	17	25	19	29	24	75	20	53	42	63	49	62	52	178	48	6	5	4	3	8	6	18	4
Yes--actual research and preparation of tax case(s).	2	2	2	2	4	3	8	2	32	26	34	26	36	30	102	27	86	69	85	66	88	75	259	70
No.	28	22	20	15	20	17	68	18	11	8	5	4	4	3	20	5	5	4	1	1	4	3	10	3
I have no opinion	25	20	25	19	10	8	60	16	17	14	18	14	9	8	44	12	25	20	37	28	17	14	79	21
No response	0	0	2	2	2	2	4	1	0	0	0	0	1	1	1	0	0	0	2	2	2	2	4	1
Total	125	100	129	100	119	100	373	100	125	100	129	100	119	100	373	100	125	100	129	100	119	100	373	100

showed chi-square equaled 9.840. This value was not significant at the .05 level and led to a failure to reject the null hypothesis. The most frequent response for this second course was -- "Yes--discussion of information sources and procedures," and represented 48 percent of all responses.

Graduate course. To compute the χ^2 statistic for the graduate course responses, it was necessary to combine the three responses for "discussion of information sources only" with the responses for "discussion of information sources and procedures." This combining of two adjacent categories was necessary because the chi-square test is not applicable to data when the expected frequency of the occurrence of a joint event is less than one.

After the above adjustment, the value of chi-square equaled 9.536. This value was not significant at the .05 level for six degrees of freedom, and the null hypothesis was not rejected. The most frequent response in each group was -- "Yes--actual research and preparation of tax case(s)," and this response accounted for 70 percent of all responses.

Summary. The null hypothesis was not rejected for each of the three courses. This means that for each course, there was concordance (agreement) between the responses of the three practitioner groups.

The overall perceived importance of tax research in college and university tax courses is evident from the responses in Table 11. The table reveals a vast majority of positive responses, each indicating at least some instructional emphasis on tax research. Also, a comparison of the modal response for each course indicates an increasing emphasis on tax research as the course level progresses from the first and second undergraduate courses to the graduate tax course. Finally, the responses for the "undergraduate - first course" appear consistent with--and reinforce the practitioners' ranking of "researching tax problems" third in priority among six subject areas to be stressed in the first undergraduate tax course, as previously reported in Table 9.

Use of Computers in Taxation

Item 13 was designed to determine the type and extent of computer usage by tax practitioners in the three sample groups. Table 12 classifies respondents according to their use of computers.

χ^2_0 : There is no difference between the three respondent groups in the percentage that use computers to perform tax work.

χ^2_1 : There is a difference between the three respondent groups in the percentage that use computers to perform tax work.

Table 12. Respondents classified by computer use

Use Computers	Corp.		Local		Nat'l.		Total	
	N	%	N	%	N	%	N	%
Yes	57	46	82	63	101	85	240	64
No	68	54	46	36	17	14	131	35
No response	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>
Totals	125	100	129	100	119	100	373	100

The test results showed that chi-square equaled 42.537. This value was significant at the .05 level and rejected the null hypothesis of no difference. The three respondent groups differed in the percentage that use computers to perform tax work. Furthermore, post-hoc comparisons revealed that there was a significant difference in the percentage that use computers between each pair of practitioner groups. However, the overall significant difference was not predictive as evidenced by a Goodman-Kruskal index of predictive association (λ_B) of 0.0839.

Respondents who used computers in conjunction with their tax work, indicated such use by checking one or more of four alternative responses. These responses and accompanying frequencies are presented in Table 13. Column totals in Table 13 exceed the total "yes" category in Table 12 because some respondents indicated more than one type of use.

Table 13. Summary of positive responses to "Do you use a computer in performing your tax work?"

Response	Corp.		Local		Nat'l.		Total	
	N	%	N	%	N	%	N	%
Yes - to prepare tax returns	25	36	82	99	99	60	206	65
Yes - to assist in estate planning	0	0	1	1	37	23	38	12
Yes - to assist in tax planning	6	9	0	0	24	15	30	10
Yes - other	38	55	0	0	4	2	42	13
Totals	69	100	83	100	164	100	316	100

In addition to responding to the above alternatives, the respondents were asked to amplify the extent of their use of computers by answering: What % of tax returns? Which service? What % of estate planning? and, What % of tax planning?

Corporate. Twenty-five respondents in this group indicated that computers were used to generate and accumulate data for their corporations own tax returns. Responses to "What % of tax returns?" ranged from 5 percent to 90 percent, with a median response of 25 percent. In reply to "Which service?" respondents specified "Our own in-house computer."

In addition to the preparation of tax return data, six respondents indicated that computers were used to assist in tax planning. Responses to "What % of tax planning?" ranged from 5 percent to 20 percent, with a median response of 10 percent. Thirty-eight respondents checked "Yes-other," and the responses that they specified are summarized in Table 14.

Table 14. Summary of "Yes-other" responses given by corporate tax accountants

Response	Frequency
Accumulating data for tax return	26
Property tax returns	3
Depreciation schedules	3
Accounting analysis	2
Determination of useful life	1
In connection with IRS audit	1
State allocation information	1
Audit	<u>1</u>
Total	38

Local public accounting. With the exception of one response, all positive responses in this practitioner group indicated that computers were used to prepare clients' tax

returns. The single exception was "Yes - to assist in estate planning" and the respondent indicated 10 percent of his estate planning was computer assisted.

Table 15 lists the computer income tax return services used by respondents and the frequencies with which they were employed.

Table 15. Computer income tax services used by respondents

Service	Local		Nat'l.	
	N	%	N	%
Computax	54	66	63	64
Autotax	14	17	13	13
Fast-tax	--	--	18	18
CCH	6	7	1	1
Programmed Tax Systems	1	1	--	--
No response	<u>7</u>	<u>9</u>	<u>4</u>	<u>4</u>
Total	82	100	99	100

Local practitioners used the above services to varying degrees. Responses to "What % of tax returns?" ranged from 1 percent to 100 percent. The median response indicated 40 percent of tax returns were computer processed.

National public accounting. As shown by Table 15, practitioners in this group also used computer income tax

services. Responses indicated that the selection of a particular tax service was made by individual local offices. Their selection of a service would often depend on the availability of state and local tax returns in addition to the federal return. Responses to "What % of tax returns?" ranged from 1 percent to 100 percent, with a median response of 50 percent.

Similar information was provided for estate planning and tax planning. National practitioners reported that computer assisted estate planning accounted for 5 percent to 80 percent of total estate planning. The median percentage was 20.

National practitioners also reported that computers were used for tax planning purposes. Twenty-four individuals reported that the computer accounted for 1 percent to 40 percent of total tax planning, with a median utilization of 10 percent.

Four national practitioners responded "Yes - other." Their responses included: "projections and forecasts;" "depreciation schedules;" "defense of IRS proposed audit changes;" and, "various."

Summary. The basic utilization of computers by corporate tax accountants differed from the use made of computers

by tax practitioners in public accounting firms. The corporate tax accountant often utilized an in-house computer to generate data pertaining to the corporation's own tax returns, whereas public practitioners often employed computer service companies to provide computer prepared tax returns and other services for their clients.

Although some practitioners used computers to assist in estate planning and tax planning, responses indicate that computers were mainly used to assist in the preparation of tax returns. Computers were utilized most frequently by national public accounting firm practitioners, followed by local public practitioners and corporate practitioners, respectively.

Teaching of Computer Subject Matter

Item 14 asked -- "Should computer oriented subject matter be included in college and university tax courses?" Participants were asked to respond for three tax courses; the first and second undergraduate courses, and a graduate tax course. The responses are summarized in Table 16.

χ^2_0 : There is no difference between the three respondent groups in their recommendations concerning instruction of computer oriented subject matter in college and university tax courses.

χ^2_1 : There is a difference between the three respondent groups in their recommendations concerning instruction of computer oriented subject matter in college and university tax courses.

Table 16. Frequency of response to "Should computer oriented subject matter be included in college and university tax courses?"

Response	Undergraduate--First Course						Undergraduate--Second Course						Graduate Course											
	Corp.			Local			Corp.			Local			Corp.			Local								
	N	Z	N	Z	N	Total	N	Z	N	Z	N	Total	N	Z	N	Z	N	Total						
Yes--description of IRS's use of computers.	17	14	22	17	19	16	58	16	14	11	9	15	13	40	11	6	5	4	3	1	1	11	3	
Yes--description of services available to practitioners.	15	12	14	11	20	17	49	13	18	14	22	17	20	17	60	16	11	9	7	5	7	6	25	7
Yes--overall descriptive discussion of computer usage in taxation	22	18	27	21	20	17	69	18	37	31	29	22	38	32	104	28	25	20	21	16	27	23	73	19
Yes--exercises or problems (actual computer use by students)	2	1	2	1	0	0	4	1	18	14	22	17	11	9	51	13	43	35	31	24	40	33	114	31
Yes--other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0
No.	38	31	34	27	44	37	116	31	21	17	19	15	22	18	62	17	12	9	17	13	19	16	48	13
I have no opinion	29	23	28	22	16	13	73	20	15	12	24	19	13	11	52	14	26	21	47	37	24	20	97	26
No response	2	1	2	1	0	0	4	1	2	1	2	1	0	0	4	1	1	1	2	2	1	1	4	1
Total	125	100	129	100	119	100	373	100	125	100	129	100	119	100	373	100	125	100	129	100	119	100	373	100

The Pearson chi-square statistic was used to test the above null hypothesis for each of the three tax courses, with the "no response" category omitted from the computation of the test statistic. Test results were as follows:

Undergraduate - first course. The test results showed that chi-square equaled 10.519. This value was not significant at the .05 level and led to a failure to reject the null hypothesis of no difference between the three respondent groups in their recommendations concerning instruction of computer oriented subject matter in the first undergraduate tax course.

Forty-eight percent of the respondents indicated that they favored the inclusion of at least some computer oriented subject matter in the first undergraduate tax course. An "overall descriptive discussion of computer usage in taxation" was the most frequent positive response. Thirty-one percent of the respondents answered "No," computer oriented subject matter should not be included in the first course. An additional 20 percent of the respondents had "no opinion."

Undergraduate - second course. The value of the χ^2 statistic was 9.976. This value of chi-square was not significant and the null hypothesis was not rejected for the

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second undergraduate tax course. Sixty-eight percent of the respondents indicated that they favored the inclusion of at least some computer oriented subject matter in the second tax course. The most frequent response in each group was -- "Yes--overall descriptive discussion of computer usage in taxation," and represented 28 percent of all responses.

Graduate course. One respondent checked "Yes--other" and specified "use of time sharing for tax planning." However, for the computation of χ^2 statistic, this response was reclassified as "overall descriptive discussion of computer usage in taxation." This reclassification was necessary to insure proper application of the chi-square test.

After the above adjustment, the value of chi-square equaled 18.807. This value of χ^2 was significant and rejected the null hypothesis. Thus, the three respondent groups significantly differed in their recommendations concerning instruction of computer oriented subject matter in graduate tax courses.

Thirty-one percent of the respondents indicated "Yes--exercises or problems (actual computer use by students)." This response was closely followed in frequency by "I have no opinion" which accounted for 26 percent of all responses and was the modal response for "local" practitioners. This

large proportion of local practitioners who responded "I have no opinion" was the primary cause of the significant chi-square statistic.

The Goodman-Kruskal index of predictive association (λ_B) for the graduate tax course responses was 0.0639. This statistic indicates that knowledge of a respondent's firm category would only reduce the probability of error in predicting his response by 0.06. Thus, there was little predictive association among the significantly different responses of the three practitioner groups.

Summary. The three practitioner groups agreed in their response recommendations concerning computer oriented subject matter in the first and second tax courses in colleges and universities. However, the three groups significantly differed concerning their recommendations for the graduate tax course.

Table 16 reflects practitioners' perceptions of the importance of computer oriented subject matter in college and university tax courses. The responses indicated that there should be at least some computer oriented subject matter in the first and second undergraduate tax courses, and in a graduate tax course. Furthermore, the responses indicated the inclusion of progressively more computer

content as the course level increased. Modal responses across the three groups of practitioners indicated that an overall descriptive discussion of computer usage in taxation should be included in the second undergraduate course, and students should be exposed to actual computer use through exercises or problems in a graduate tax course.

However, interviews with tax training directors revealed that they generally disagreed with this latter recommendation for the graduate course. Instead, they would prefer to limit computer oriented subject matter in the graduate course to a descriptive discussion of the ways in which a computer can aid the tax specialist in the performance of his work. They viewed actual computer use as a series of mechanical procedures which are better left to on-the-job training. One practitioner expressed a similar view:

I believe there will be an increased use of computers by CPAs in two ways--the active preparation of returns by doing the computation work, and by use of the computer for researching tax questions by retrieval of information, tax cases, etc. I believe a student needs to know how CPAs are using such equipment-- largely thru service centers and in some cases on their own computers, but there is no necessity for going into the techniques in any great depth -- this can be acquired in a relatively short period "on the job."

Job Activities

Item 16 of the questionnaire asked practitioners to indicate their experience in performing specific job activities. These activities were categorized under three types of service: preparation or review of tax returns; consultation on tax problems; and, technical tax accounting services. For each individual activity, response alternatives included "frequently (more than 10 times per year), occasionally, or never."

To analyze the data, the three response alternatives were numbered for each activity in such a manner that the higher the number, the more frequent the activity. Thus, numbers were assigned so that Frequently = 3, Occasionally = 2, and Never = 1. The mean response was then calculated for each activity and reported in Tables 31, 32, and 33 of Appendix D.

The response means were then utilized to assign ranks to the activities in the order of their frequency of performance. Ranks were assigned within the three categories of service for each respondent group and in total, and are summarized in Tables 17, 18, and 19. Twenty-two activities specified by respondents as "other" are presented in Tables 34 and 35 of Appendix D.

Table 17. Summary of ranks assigned according to frequency of preparation or review of tax returns (federal, state, and local as required)

Type of return	Rank			
	Total	Corp.	Local	Nat'l.
Corporate income.	1	1	2	1
Franchise taxes	2	2	4	4.5
Individual income	3	10	1	2
Partnership income.	4	14	3	3
Sales and use taxes	5	3	6	14
Payroll taxes	6	6	5	12
Property taxes - personal	7	5	7	13
Capital stock	8	8	10	10
Employee trusts	9	12	8	8
Corporate organization and qualification	10	9	11.5	11
Exempt organizations.	11	13	14	7
Gross receipts taxes.	12	7	16	15
Gift tax.	13	15	9	4.5
Property taxes - real	14	4	13	17
Personal trusts	15	17	15	6
Estates and inheritance	16	16	11.5	9
Excise taxes.	17	11	17	16

Table 18. Summary of ranks assigned according to frequency of consultation on tax problems (federal, state, and local as required)

Type of problem	Rank			
	Total	Corp.	Local	Nat'l.
Closely held corporations. . . .	1	10	1	1
Form of business organization. .	2	6	2	4
Real estate.	3	3	4	8
Reorganizations, mergers, acquisitions	4	4	7.5	2
Executive compensation	5	7	3	6
Consolidations	6	2	9	5
Liquidations	7	8	7.5	3
Multi-state operations	8	1	10	9
Employee trusts, formation, operation, etc.	9	9	5.5	11
Estate planning.	10	11	5.5	7
Foreign operations	11	5	11	10

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of frequency of preparation or review of tax returns.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of frequency of preparation or review of tax returns.

The test results showed that the coefficient of concordance between the three group rankings equaled 0.497. This value was not significantly different from zero at the .05 level of significance and the null hypothesis was not rejected. This means that there was no significant agreement between the rank orders of the three practitioner groups (shown in Table 17) for the ranking of preparation or review of tax returns according to the frequency of preparation or review.

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of frequency of consultation on tax problems.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of frequency of consultation on tax problems.

The results of the test showed that the W between the three group rankings in Table 18 was 0.267. This coefficient of concordance was not significantly different from zero and led to a failure to reject the null hypothesis.

There was no significant agreement between the rank orders of the three practitioner groups for the ranking of consultation on tax problems according to the frequency of consultation.

Since there was no significant agreement for the frequency of preparation or review of tax returns, and the frequency of consultation on tax problems, the "total" ranks in Tables 17 and 18 are based on a comparison of the overall mean response for the activities within each table.

Table 19. Summary of ranks assigned according to frequency of performance of technical tax services

Service during:	Rank			
	Total	Corp.	Local	Nat'l.
Audit by revenue agent (field and/or office).	1	1	1	1
Informal conference.	2	2	2	2
Appellate Division proceedings . .	3	3	3	3
Formal litigation (Tax Court, Dist. Court, etc.)	4	4	4	4

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of frequency of technical tax accounting services.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of frequency of technical tax accounting services.

Since there was perfect agreement between the rank orders of the three respondent groups, the coefficient of concordance (W) equaled 1.000. This extreme value of W is significantly different from zero and the null hypothesis was rejected.

The Kendall coefficient of concordance showed that there was no significant agreement between the three practitioner groups for the ranking of frequency of preparation or review of tax returns, and the ranking of frequency of consultation on tax problems. Further analysis of that data was possible by comparing the rankings between groups, taken two at a time. Table 20 summarizes the results of the tests.

Table 20. Summary of the Kendall coefficient of concordance W with the null hypothesis that the coefficient of concordance between pairs of group rankings equals zero

Group	Group	W	Level of Significance
<u>Preparation or Review of Tax Returns</u>			
Corporate	Local	0.689	NS
Corporate	National	0.380	NS
Local	National	0.799	NS
<u>Consultation on Tax Problems</u>			
Corporate	Local	0.234	NS
Corporate	National	0.414	NS
Local	National	0.700	NS

Each of the six comparisons produced a test statistic that was not significant at the .05 level, indicating no significant agreement between pairs of group rankings. However, since this lack of between group agreement could be due to a lack of within group agreement, further analyses were performed by computing a two-way analysis of variance for each practitioner group under each job classification (preparation or review of tax returns, and consultation on tax problems), a total of six two-way analysis of variance tests.

The results of the six tests disclosed that the mean square for activities accounted for 93.6 percent to 99.2 percent of the total expected mean square for practitioners. This indicated that there was high response agreement within each practitioner group. Thus, there was no agreement between pairs of group rankings for the frequency of preparation or review of tax returns, and consultation on tax problems, even though there was agreement within groups.

Tax Topics

The second part of the questionnaire was designed to gather data concerning the relative instructional emphasis to be accorded thirty-eight specific tax topics, and to determine those topics for which academic preparation is well suited as opposed to those topics for which in-firm or

professional tax training is more appropriate. Participants were asked to respond twice to each topic -- once for emphasis to be accorded the topic in college and university tax courses, and once for emphasis to be accorded the topic in professional or in-firm tax training programs.

The procedures used in the analysis of tax topic response were similar to the procedures employed for the analysis of tax activities. Numbers were assigned to the response choices so that Major Emphasis = 4, Some Emphasis = 3, Little Emphasis = 2, and No Emphasis = 1. For each topic, means were calculated in two categories (College or University Emphasis, and Profession or In-Firm Emphasis), for each of the three practitioner groups (corporate, local public accounting, and national public accounting). The topics and response means are presented in Table 36 of Appendix D.

The response means for topic emphasis was then used to assign ranks to the tax topics in such a manner that the highest topic mean was ranked number one and the lowest mean, thirty-eight. Thus, the topic to be given the most emphasis was ranked 1, while the topic to be given the least emphasis was ranked 38.

Table 21 presents the thirty-eight tax topics, with accompanying emphasis rankings, in the order in which the topics appeared in the questionnaire.

Table 21. Summary of tax topics ranked according to the emphasis that the topics should receive in tax instruction

Topic	College or University			Professional or In-Firm		
	Total	Corp.	Local Nat'l.	Total	Corp.	Local Nat'l.
1. Historical, constitutional, and fiscal background.	16.5	9	29	13	38	38
2. Tax law formation and evaluation . . .	12.5	7	21	15	36	36
3. Administration and compliance.	14	13	16	20.5	13	28
4. Tax management	19.5	21	17	19	7	8
5. Taxability of entities and assignment of income	11	17	14	11	23.5	23
6. Taxable income concept	2	1.5	3	1	18	15
7. Deductions - criteria; classification.	1	1.5	1	2	4	4
8. Tax accounting	6	5	7	7	11	9
9. Timing of incomes and deductions . . .	3.5	3	4	4	2.5	2
10. Timing exceptions.	10	15	5.5	12	2.5	8
11. Basis of property.	9	11	12	8	20	18
12. Capital gains and losses	3.5	6	2	3	6	10
13. Itemized deductions.	8	10	9	5.5	16	20
14. Income from investments - securities .	12.5	18	15	10	21.5	21
15. Income from real estate.	15	23	13	14	19	23
16. Depreciation and amortization.	5	4	5.5	9	14	7
17. Gross income	7	8	8	5.5	15	13
						17
						19.5

Table 21.--Continued

Topic	College or University			Professional or In-Firm		
	Total	Corp.	Local Nat'l.	Total	Corp.	Local Nat'l.
18. Natural resources and depletion. . . .	32	30	33	30	24	34
19. Expenses for the production of income.	16.5	14	20	23.5	16	21
20. Acquisition and disposition of business property.	18	16	18.5	5	6	6
21. Farm operations.	38	38	37	37	38	35
22. Tax problems of self-employed persons.	31	35	27	27.5	34	14
23. Employers and employees - deferred compensation; pensions	27	24	24	10	19	5
24. Individuals - nonbusiness expenses	25	26	28	31	33	29
25. Individuals - marital and family status	23.5	27	23	33	36	30
26. Withholding; estimated tax	35	33	34	32	29	31
27. Partnerships - general	21	28	10	27.5	26	24
28. Partnerships - distribution of income	23.5	29	11	21.5	25	12
29. Estates, trusts, beneficiaries	29	34	26	26	32	20
30. Estate planning.	34	36	31	12	28	9
31. Corporations - formation and financing; multiple corporation.	22	20	18.5	8	14	10

Table 21.--Continued

Topic	College or University			Professional or In-Firm		
	Total	Corp.	Local Nat'l.	Total	Corp.	Local Nat'l.
32. Corporations - reorganization; distribution and liquidation	26	19	30	25	9	12 18.5 2
33. Corporations - subchapter "S" corporations	28	31	25	28	17	27 15 13
34. Exempt organizations	37	37	35	35	34.5	35 33 31
35. Foreign income and foreign taxpayers.	33	25	38	34	29	17 36 27
36. Tax planning	19.5	12	22	23	1	1 1 1
37. State taxes.	30	22	32	37	25	11 26 29
38. Social security taxes.	36	32	36	38	34.5	30 32 37

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities.

The test results showed that the coefficient of concordance between the three group rankings equaled 0.871. This value of W was significantly different from zero, and the null hypothesis was rejected at the .05 level of significance. Thus, the three practitioner groups agreed in their ranking of tax topics according to the emphasis to be accorded the topics in college and university tax courses. This means that there was a consensus among the three practitioner groups as to those topics that should be emphasized and those that should receive little emphasis in college and university tax courses.

W_0 : The coefficient of concordance between the three respondent groups equals zero for the ranking of emphasis to be accorded topics in professional or in-firm tax training programs.

W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of emphasis to be accorded topics in professional or in-firm tax training programs.

The W between the three group rankings equaled 0.810 which was significantly different from zero. The significant agreement rejected the null hypothesis and led to the acceptance of the research hypothesis, W_1 . The respondents in the three practitioner groups agreed concerning the ranking of tax topics according to the emphasis to be accorded those topics in professional or in-firm tax training programs.

Since there was significant agreement for topic emphasis in undergraduate tax instruction, and topic emphasis in tax instruction in professional or in-firm training programs, the best estimates of the "true" relative emphasis to be accorded each topic are represented by the "total" emphasis ranks for each topic. These "total" ranks are shown in Table 21 and were derived by comparisons of the sum of ranks for each topic across the three practitioner groups.

W_0 : The coefficient of concordance between total ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities and total ranking of emphasis to be accorded topics in professional or in-firm tax training programs equals zero.

W_1 : The coefficient of concordance between total ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities and total ranking of emphasis to be accorded topics in professional or in-firm tax training programs does not equal zero.

The test results showed that the coefficient of concordance (W) equaled 0.764. This value of W was significantly different from zero and the null hypothesis was rejected. This was equivalent to acceptance of the research hypothesis and means that there was significant agreement between the ranking of tax topics according to emphasis to be accorded in colleges and universities, and the ranking of those same topics according to emphasis in professional or in-firm tax training programs.

Thus, those topics highly ranked to be emphasized in college and university tax courses, also were highly ranked to be emphasized in professional and in-firm tax training programs. Similarly, those topics ranked to receive little emphasis in college and university tax courses, also were lowly ranked for emphasis to be accorded in professional or in-firm tax training programs.

Table 22 presents the thirty-eight topics in the order of their total ranking for emphasis in college and university tax courses. In Table 23, the topics are arranged in the order of their total ranking for emphasis in professional or in-firm tax training programs.

Table 22. Summary of tax topics ranked according to the emphasis that the topics should receive in tax instruction in colleges and universities

Topic	Emphasis Rank			
	Total	Corp.	Local	Nat'l.
Deductions - criteria; classification.	1	1.5	1	2
Taxable income concept.	2	1.5	3	1
Capital gains and losses.	3.5	6	2	3
Timing of incomes and deductions. . .	3.5	3	4	4
Depreciation and amortization	5	4	5.5	9
Tax accounting.	6	5	7	7
Gross income.	7	8	8	5.5
Itemized deductions	8	10	9	5.5
Basis of property	9	11	12	8
Timing exceptions	10	15	5.5	12
Taxability of entities and assignment of income.	11	17	14	11
Income from investments - securities. .	12.5	18	15	10
Tax law formation and evaluation. . .	12.5	7	21	15
Administration and compliance	14	13	16	20.5
Income from real estate	15	23	13	14
Historical, constitutional, and fiscal background	16.5	9	29	13
Expenses for the production of income	16.5	14	20	17
Acquisition and disposition of business property	18	16	18.5	22
Tax planning.	19.5	12	22	23

Table 22.--Continued

Topic	Emphasis Rank			
	Total	Corp.	Local	Nat'l.
Tax management.	19.5	21	17	19
Partnerships - general.	21	28	10	20.5
Corporations - formation and financing; multiple corporations. .	22	20	18.5	24
Partnerships - distribution of income	23.5	29	11	26
Individuals - marital and family status	23.5	27	23	16
Individuals - nonbusiness expenses. .	25	26	28	18
Corporations - reorganization; distribution and liquidation. . . .	26	19	30	25
Employers and employees - deferred compensation;pensions	27	24	24	29
Corporations - subchapter "S" corporations.	28	31	25	28
Estates, trusts;and beneficiaries . .	29	34	26	27
State taxes	30	22	32	37
Tax problems of self-employed persons	31	35	27	30
Natural resources and depletion . . .	32	30	33	33
Foreign income and foreign taxpayers.	33	25	38	34
Estate planning	34	36	31	31
Withholding; estimated tax.	35	33	34	32
Social security taxes	36	32	36	38
Exempt organizations.	37	37	35	35
Farm operations	38	38	37	36

Table 23. Summary of tax topics ranked according to the emphasis that the topics should receive in professional or in-firm tax training programs

Topic	Emphasis Rank			
	Total	Corp.	Local	Nat'l.
Tax planning.	1	1	1	1
Timing exceptions	2.5	8	2	4
Timing of incomes and deductions. . .	2.5	2	7	5
Deductions - criteria; classification.	4	4	4	7
Acquisition and disposition of business property	5	6	6	8
Capital gains and losses.	6	10	3	10
Tax management.	7	5	8	12
Corporations - formation and financing; multiple corporations	8	14	10	3
Corporations - reorganization; distribution and liquidation. . . .	9	12	18.5	2
Employers and employees - deferred compensation; pensions.	10	19	5	11
Tax accounting.	11	9	18.5	9
Estate planning	12	28	9	6
Administration and compliance	13	3	28	14
Depreciation and amortization	14	7	16	23
Gross income.	15	13	17	19.5
Itemized deductions	16	20	11	21
Corporations - subchapter "S" corporations.	17	27	15	13
Taxable income concept.	18	15	27	15
Income from real estate	19	23	13	22

Table 23.--Continued

Topic	Emphasis Rank			
	Total	Corp.	Local	Nat'l.
Basis of property	20	18	25	16
Income from investments - securities.	21.5	21	22	18
Partnerships - distribution of income	21.5	25	12	24
Expenses for the production of income	23.5	16	21	25
Taxability of entities and assignment of income.	23.5	22	23	17
State taxes	25	11	26	29
Estates, trusts; and beneficiaries . .	26	32	20	19.5
Partnerships - general.	27.5	26	24	26
Tax problems of self-employed persons	27.5	34	14	28
Foreign income and foreign taxpayers	29	17	36	27
Natural resources and depletion . . .	30	24	34	33
Individuals - nonbusiness expenses. .	31	33	29	30
Withholding; estimated tax.	32	29	31	34
Individuals - marital and family status	33	36	30	32
Exempt organizations.	34.5	35	33	31
Social security taxes	34.5	30	32	37
Tax law formation and evaluation. . .	36	31	37	36
Farm operations	37	38	35	35
Historical, constitutional, and fiscal background	38	37	38	38

Staff Training

Question 15 asked practitioners "Does your firm offer staff training programs in taxation?" Table 24 presents a summary of practitioner responses to this question.

Table 24. Frequency of response to "Does your firm offer staff training programs in taxation?"

Response	<u>Corp.</u>		<u>Local</u>		<u>Nat'l.</u>		<u>Total</u>	
	N	%	N	%	N	%	N	%
Yes	14	11	49	38	116	97	179	48
No	109	87	77	60	0	0	186	50
No response	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>8</u>	<u>2</u>
Total	125	100	129	100	119	100	373	100

χ^2_0 : There is no difference between the three respondent groups in the proportion of respondents whose firms offer in-firm staff training programs in taxation.

χ^2_1 : There is a difference between the three respondent groups in the proportion of respondents whose firms offer in-firm staff training programs in taxation.

The null hypothesis was tested with the Pearson chi-square test of association, with the "no response" category omitted from the computation of the chi-square statistic.¹

¹The assumption of independence was violated in the application of this test because in some cases, more than one respondent was employed by the same firm.

The value of χ^2 equaled 195.675. This extreme value of chi-square was significantly different from zero at the .05 level of confidence, and rejected the null hypothesis of no difference. The three practitioner groups significantly differed in the proportion of respondents whose firms offered staff training programs in taxation. Post-hoc comparisons revealed that there also was a significant difference between the responses of each pair of practitioner groups.

Furthermore, the significant difference in response between practitioner groups was predictive, as signified by a Goodman-Kruskal index of predictive association of 0.6481. This statistic indicated that knowledge of a respondent's firm category would reduce the probability of error in predicting his response for staff training by 0.65. Thus, there was major predictive association between the significantly different responses of the three practitioner groups.

Those respondents who indicated that their firms offer staff training programs in taxation were asked to describe their firm's tax training programs offered in the last twelve months in regard to the number of meetings, length of individual meetings, total hours for all meetings, prerequisite training for those participating, and general subject emphasis.

The first three items (number of meetings, length of individual meetings, and total hours for all meetings) relate to the amount of time devoted to in-firm tax training. All three items were included in the questionnaire to aid respondents in making a reasonable estimate of the total hours devoted to tax training, since the number of meetings multiplied by length of individual meetings equals the total amount of time for all meetings combined. Table 25 summarizes the practitioner responses for total hours of in-firm tax training.

Table 25. Summary of responses for total hours of in-firm staff training programs in taxation

Total hours	Corp.		Local		Nat'l.		Total	
	N	%	N	%	N	%	N	%
1 - 25	4	29	36	74	28	24	68	38
26 - 50	2	14	4	8	29	25	35	19
51 - 75	1	7	3	6	11	10	15	8
76 - 100	1	7	0	0	8	7	9	5
101 - 125	2	14	0	0	5	4	7	4
126 - 350	0	0	0	0	8	7	8	5
No response	<u>4</u>	<u>29</u>	<u>6</u>	<u>12</u>	<u>27</u>	<u>23</u>	<u>37</u>	<u>21</u>
Total	14	100	49	100	116	100	179	100

The responses appear to indicate that those corporate and national public accounting practitioners who received in-firm tax training, received more intensive tax training than did the local public accounting practitioners. The responses ranged from a low of two hours to a high of three-hundred-fifty training hours. For all respondents, the median response was thirty hours, while the mean response was forty-seven tax training hours.

Respondents were next asked to describe any "pre-requisite training or level of those participating" in tax training programs. Their responses are summarized in Table 26.

The last item in question 15 asked practitioners to indicate the general subject emphasis of their in-firm tax training. Table 27 presents a summary of practitioners' responses.

As is evident from Tables 26 and 27, practitioners' responses were exceptionally brief and generally nonspecific. Many responses did not indicate specific training emphasis, course levels, or specific prerequisites for participants.

However, the responses do indicate a broad scope of training areas. In-firm training ranged from the mechanical aspects of Computax, and the concepts of a basic tax course, to the technical aspects of corporate tax planning. The

Table 26. Summary of responses for "prerequisite training or level of those participating" in staff training programs in taxation

Response	Corp.		Local		Nat'l.		Total	
	N	%	N	%	N	%	N	%
Various (depends on experience and level)	4	28	9	18	40	34	53	30
All staff members	0	0	21	43	16	14	37	21
One year experience as tax specialist	1	7	1	2	16	14	18	10
None	3	22	3	6	10	9	16	9
BS in accounting	2	14	2	4	8	7	12	7
2 - 3 years experience	0	0	1	2	7	6	8	4
Basic tax course	1	7	0	0	5	4	6	3
No response	<u>3</u>	<u>22</u>	<u>12</u>	<u>25</u>	<u>14</u>	<u>12</u>	<u>29</u>	<u>16</u>
Total	14	100	49	100	116	100	179	100

responses also indicate that national public accounting firms placed major emphasis on in-firm tax training, covering all areas of taxation. Local public accounting firms appeared to place less emphasis on in-firm tax training programs, with most of their training concentrated on the study of changes in tax laws and procedures.

Table 27. Summary of responses for "general subject emphasis"
of staff training programs in taxation

Response	Corp.		Local		Nat'l.		Total	
	N	%	N	%	N	%	N	%
Full scope (all tax subjects)	2	14	2	4	31	27	35	19
Tax law changes	3	22	18	37	10	8	31	17
Various depends on level	1	7	6	12	22	19	29	16
Tax reform act and preparation of returns. . .	0	0	9	19	13	11	22	12
Corporate and personal income tax.	0	0	1	2	9	8	10	6
Specialized problems. . .	1	7	3	6	1	1	5	3
Basic tax course.	0	0	0	0	4	3	4	2
Internal revenue code . .	1	7	0	0	3	2	4	2
Federal income tax. . . .	1	7	0	0	2	2	3	2
Conceptual subjects; income determination. .	0	0	0	0	2	2	2	1
Corporate tax planning; subchapter C	0	0	0	0	2	2	2	1
Internal revenue code; research and communication of opinion to client.	0	0	0	0	1	1	1	1
Problem solving	0	0	0	0	1	1	1	1
Computax	0	0	0	0	1	1	1	1
No response	<u>5</u>	<u>36</u>	<u>10</u>	<u>20</u>	<u>14</u>	<u>12</u>	<u>29</u>	<u>16</u>
Total	14	100	49	100	116	100	179	100

AICPA Professional Development Programs in Taxation

Many firms supplement their formal in-firm staff training with AICPA professional development programs. Table 28 indicates respondents' participation in taxation programs.

Table 28. Frequency of response to "Have you participated in any of the AICPA professional development courses in taxation?"

Response	<u>Corp.</u>		<u>Local</u>		<u>Nat'l.</u>		<u>Total</u>	
	N	%	N	%	N	%	N	%
Yes	14	11	71	60	48	42	133	37
No	<u>110</u>	<u>89</u>	<u>47</u>	<u>40</u>	<u>67</u>	<u>58</u>	<u>224</u>	<u>63</u>
Total	124	100	118	100	115	100	357	100

χ^2_0 : There is no difference between the three respondent groups in the percentage that participate in AICPA professional development courses in taxation.

χ^2_1 : There is a difference between the three respondent groups in the percentage that participate in AICPA professional development courses in taxation.

The test results showed chi-square equaled 61.887. This value was significant at the .05 level and rejected the null hypothesis of no difference. The three respondent groups differed in their participation in AICPA professional development courses in taxation. Furthermore, post-hoc

comparisons revealed that there was a significant difference in participation between each pair of groups. The significant difference also was mildly predictive as evidenced by an index of predictive association (λ_B) of 0.1804.

Table 28 reveals that local public accounting practitioners made more use of AICPA professional development programs in taxation than did national public accounting practitioners. This appears reasonable, since local public accounting firms offered less in-firm training than did national public accounting firms. Thus, local firms had more need for external training programs.

The table also shows that corporate tax practitioners made substantially less use of AICPA sponsored programs in taxation than did public accounting practitioners. However, it is likely that corporate practitioners made use of comparable professional development programs offered by organizations not included in the scope of this study.

The AICPA professional development offerings in taxation consisted of five types of educational programs. These programs ranged from ten days to as little as a few minutes a day in length. The principal areas covered under each type of program are discussed below:

1. Seminars - were generally one day in length and

centered around group discussion. They were generally presented through state societies of CPAs to small groups of approximately 25 participants. Various seminars were devoted to tax planning, estate planning, Subchapter "C", and procedure and practice before the IRS. The Effective Tax Planning Series consisted of nine individual seminars and involved such areas as problems of the closely-held corporation; purchase, sale or liquidation of a corporate business; taxation of personal holding companies; partnerships; depreciation; tax accounting problems; Subchapter "S" corporations; tax problems of individuals; and, multiple corporations. The Estate Planning Series consisted of five separate seminars including estate and gift taxation; income taxation of estates and trusts; basic concepts in estate planning; planning for the executive or professional person; and, planning for the owner of a closely-held enterprise. Two seminars were offered in the Subchapter "C" Series; one devoted to corporate liquidations, the other covered tax-free reorganizations. Finally, a single seminar was devoted to procedure and practice before the Internal Revenue Service. This seminar was intended for CPAs who occasionally represent their clients on procedural matters before the IRS.

2. Workshops - provide practical training in the

techniques and procedures of tax return preparation. They generally lasted two days in length and were presented by the AICPA's Professional Development Division, or were co-sponsored by a state society. There were two workshops; one involved individual tax returns, the other concerned corporate income tax return preparation.

3. Training programs - in taxation were of one-week duration and utilized lecture, group discussion, and problem solving instructional techniques. Subjects encountered in the Level III program included capital and casualty losses, contributions, real estate problems, securities transactions, and selected depreciation and partnership problems. The Level IV program focused on tax planning approaches and procedures in such areas as nonrecognition of gains and losses by corporations and shareholders, consolidated returns, multiple corporations, depreciation, and taxation of personal holding companies.

4. Lectures - were designed to bring practitioners up to date on significant current tax developments. Each lecture was followed by a question and answer period during which participants could ask questions concerning specific problems.

5. CPAAudio - consisted of cassette tapes featuring

lectures and discussions of pertinent tax problem areas. There were two principal cassette offerings. One, "Tax Highlights Quarterly," was available on a subscription basis and alerted practitioners to recent IRS rulings and court decisions, together with their impact on tax planning. The second consisted of three cassette tapes featuring an in-depth discussion of the 1969 Tax Reform Act.

Comment. Interviews with the Professional Development Division's tax area project managers disclosed that most course materials were developed by outside authors contracted by the AICPA. Much of the work of the project managers involved rewriting, editing, and revising those course materials.

The project managers indicated that most AICPA course materials in taxation consist of advanced subjects not taught in undergraduate tax courses. The managers also felt that a conceptual emphasis made the AICPA's basic tax materials unique, and not a duplication of the tax materials used in colleges and universities.

In-Firm Tax Training in Seven Public Accounting Firms

Each of the national public accounting firms interviewed offered extensive in-firm staff training in taxation.

They offered various courses and seminars appropriate to the particular areas of specialty and levels of development of their tax specialists and other employees. In-firm training programs included firm-wide centralized training at the national level, and training in local offices. Formal classroom-type training was offered on a regular basis at the national level. Local office training, formal and informal, was usually offered as required by the needs of local office employees.

Formal training at the national level was usually scheduled once a year and courses typically lasted one week. Courses were usually offered at the basic, advanced, and specialty levels. The basic tax course was designed for new tax specialists and dealt with basic concepts of income and deductions, as well as firm procedures. The basic tax course often was also offered to audit staff at the senior-staff level. The advanced tax course was designed for tax specialists with about eighteen months experience and centered around corporate taxation, with most emphasis placed on corporate reorganization, liquidation, and tax planning. The advanced course was followed by special tax courses or seminars which focused on specific topics such as compensation, reorganizations, consolidated returns, and foreign

taxes. These sessions lasted two to five days depending on the scope of the topic and were intended for seniors or managers specializing in particular areas. In addition, there was usually an annual tax conference for partners during which seminars and workshops were held to discuss special areas and tax law changes.

At the local office level, training was often in the form of departmental meetings held on a regular monthly basis. These meetings were of one to three hours duration and typically were devoted to tax planning techniques, specialized topics, and current developments. Often the mechanics of tax return preparation were also taught at the local level.

The following sections contain a description of the tax training programs of seven national public accounting firms:

Firm A. The basic tax course of this firm was designed for new tax specialists who did not have an advanced degree in taxation. The course lasted two weeks and was based on a text especially designed to teach the concepts of Federal income taxation. Topics emphasized included gross income, exclusions from gross income, deductions, gains and losses from disposition of property, accounting

periods, accounting methods, tax research, partnerships, and fiduciaries.

A two-week intermediate tax course was designed for tax staff with about eighteen months experience. Emphasis was given to the tax considerations relating to the organization, reorganization, liquidation, and operations of corporations. An introduction was made to forms of business organization, Subchapter S corporations, personal holding companies, accumulated earnings tax, net operating losses, taxable and tax-free reorganizations, and collapsible corporations.

Specialized tax courses were offered to staff and managers to provide training in specific areas of tax practice. These courses lasted two to five days, with instruction devoted to the taxation provisions peculiar to certain industries (such as utilities, financial institutions, and minerals) as well as advanced study of corporate reorganization, international taxation, and family tax planning. Attendance was based upon the needs of each individual and the nature of the tax practice of the office to which he was assigned.

There was also a two-day seminar for all tax managers and partners. This seminar was designed to keep them abreast

of current developments and provide an opportunity for discussion of subjects of mutual interest. Topics discussed in the past have included corporate reorganizations, family tax planning, pending I.R.S. developments, and the use of computers in tax practice.

In addition to the above courses and seminars offered on a national basis at one centralized location, firm tax specialists had prepared tax training kits for use by the operating offices in their local training programs. The content varied depending upon the subject covered, but included the applicable sections of the Internal Revenue Code and Regulations, rulings, court cases, and tax planning ideas. These training kits were prepared by the national office to help standardize the quality of training at local offices. Tax training kits were available for such subjects as family tax planning, depreciation recapture, property valuation, employee stock plans, the formation of corporations, tax return preparation, and tax research.

Firm B. The basic tax course was given in local offices to all staff members within their first two years on the staff. The course was composed of twenty-two assignments and was patterned after the P-H and CCH Federal Tax Courses. Emphasis was placed on the Internal Revenue Code

and Regulations, and on group discussion. Each assignment was covered in two class hours, and required two to five hours of preparation.

The basic course was followed by the initial tax course for tax specialists. This course was offered primarily to tax specialists who had spent a maximum of one year in tax work and had previously completed the basic tax course. The initial tax course for tax specialists was given at a university over a four week period, six days per week. The primary emphasis of the course was on tax research and the writing of technical memorandums. For most of the subjects, in addition to reading assignments, the specialists were assigned specific questions to be researched in various tax services. For many research problems, the students wrote a memorandum or other document typical of those prepared in practice. Subjects covered included partnerships, inventories, sales and exchange, depreciation, estate and gift taxes, tax planning, consolidated returns, corporate organization and reorganization, and corporate distributions and liquidations.

The firm also conducted an annual firm-wide tax conference on a workshop and seminar basis, and conducted other special seminars from time to time as required by

special problems and current developments.

Firm C. Tax specialists in this firm received centralized training in four courses at four levels. Each course was given once per year and lasted five days; a sixth day was devoted to examinations. Throughout the four courses there was increasing emphasis on case studies and the planning implications of tax provisions. The suggested minimum study time for each course was 120 hours.

The basic first course contained topics such as professional responsibilities in tax practice, research techniques, gross income, deductions, income averaging, preparing and reviewing tax returns, family financial planning, and writing of tax memoranda. Many audit staff members also took this course.

The second course was designed to give more advanced tax training with emphasis on corporations, personal holding companies, accumulated earnings tax, partnerships, estates and trusts, private foundations, and depreciation recapture.

The third course was designed to emphasize the practical applications of Subchapter C of the Internal Revenue Code including corporate distributions, liquidations, organizations, and reorganizations.

The fourth course was devoted to family financial

planning. This area of practice was an outgrowth of the firm's tax planning services to companies and provided similar services for individual executives. Topics included gifts, short-term trusts, revocable living trusts, and deferred compensation arrangements.

In addition to the four courses, the firm held special seminars at the district level, and in local offices offered periodic staff meetings to advise the staff of changes in the tax law.

Firm D. This firm recently redesigned its national tax training program. Prior to the new program, tax specialists, on an annual basis, attended a one-week national training program for their first four years in the firm's tax department. The year four program presumed an excellent background of the basics in taxation and dealt almost in its entirety with tax planning ideas and techniques. The overall program was primarily changed because the firm discovered that they were spending a lot of money training people who did not remain with the firm. As a substitute, the new program contained less national training and consisted of four phases.

1. All first year tax specialists attended a national basic tax training program. This program lasted

for three days and was designed to assist new staff members who had no experience in tax work. The program explained the tax accounting services offered for corporations, individuals, and trusts, and described the technique of preparing various tax returns. Topics included such subjects as tax planning, research, and conferences with Internal Revenue Agents. Instruction was given in small discussion groups.

2. In addition to the basic program, three two-day seminars were held for specialists at the senior staff level or above. One seminar reviewed the specialized tax benefits available to savings and loan companies and the tax planning problems unique to commercial banks. Another seminar was devoted to an in-depth coverage of several of the tax problems most prevalent in the real estate industry, such as dealer versus investor, collapsible corporations, multiple corporations, foreclosures, syndications, and methods of accounting. A third seminar placed emphasis on situations where LIFO should be used and on various applications of the installment method for retailers and manufacturers. Actual cases were used as a basis for discussion.

3. In addition to the national training program, local offices sponsored periodic training meetings throughout the year except for the busy season. These local

programs were varied but generally emphasized current tax planning ideas, Tax Management Portfolios, and Federal Income Taxation of Corporations and Shareholders by Bittker and Eustice.

4. The last phase involved a "personal self-development program." The Firm had outlined those areas of the Code with which new specialists were expected to become conversant within a two-year period. To assist the staff in their self-development program, tax departments were organized into small groups wherein the staff helped one another in understanding the various technical areas.

Firm E. The Basic Tax Concepts course in this firm was given at the national level and lasted for one week. Included in the course were twenty-five short case studies, each devoted to a specific area of tax law. The subjects emphasized included substance vs. form, constructive receipt, assignment of income, claim of right, capital expenditures vs. repairs, bad debts, depreciation, depreciation recapture, accounting periods, inventory valuation, long-term contracts, travel and entertainment expense, charitable contributions, fringe benefits, net operating losses, consolidated returns, involuntary conversions, like-kind exchanges, and installment sales.

Following the above course, the advanced tax training program consisted of thirty case studies offered over five different levels on a national basis. Tax specialists each year advanced to the next level. Some cases were devoted to change of accounting methods, casualty losses, Subchapter S corporations, corporate organization, complete liquidations, nontaxable exchanges, personal holding companies, retirement plans, partnerships, accumulated earnings, partial liquidation, taxable acquisitions, collapsible corporations, divisive reorganizations, trusts and estates, estate planning, financial institutions, foreign operations, oil and gas taxation, and mitigation of statute.

Tax training at local offices was offered as needed and often included instruction in the preparation of tax returns.

Firm F. This firm offered three, three-day courses on a national basis for tax specialists. One course was devoted to individual income taxation and preparation of individual returns, a second course dealt with corporate taxation and the preparation of corporate returns, and the third course was devoted to tax planning for clients.

The basic national training was subsequently followed with training on a regional or sub-regional basis

for tax staff with two or more years of experience. This training consisted of specialized courses of one to five days duration which were devoted to such topics as consolidated returns, taxation of banks, estate and financial planning, taxation of insurance companies, and the tax aspects of doing business abroad. The firm also encouraged the use of certain AICPA professional development courses in taxation including the Subchapter "C" Series, Procedure and Practice Before the IRS, and the Effective Tax Planning Series.

On the local level, offices conducted programs as made necessary by staff requirements. Training for new employees centered around income tax return preparation and research techniques.

The firm also had an annual tax conference for managers and partners which lasted three to five days. Seminars and workshops were used to highlight new laws and current developments.

Firm G. The national tax training program of this firm consisted of three formal tax courses, and various special tax seminars devoted to specific problems. The courses were offered once a year and lasted approximately one week; the seminars were of one to two days duration.

The first course was designed for new staff and

covered the principal aspects of Federal income tax law. The course briefly covered estate and gift taxes and placed special emphasis on the Internal Revenue Code, Regulations, and researching tax problems.

The second course was designed for staff with one year of tax experience. Course topics included pension and profit-sharing plans, accounting and inventory methods, corporate distributions, liquidations, reorganizations, and partnerships. The course also covered ethics, the scope and limitations of tax practice, and procedures and problems in representing clients before the Internal Revenue Service.

The third course was designed for staff who had the second course and approximately two years of tax experience. Half of the course was devoted to corporate liquidations and reorganizations, with major emphasis on corporate acquisition problems. The remainder of the course was devoted to consolidated returns and the international aspects of U.S. taxation.

Attendance at special tax seminars was limited to tax personnel selected to obtain the special exposure that the seminars offered. The seminar programs dealt with current developments and advanced problems including corporate reorganizations, with emphasis on corporate acquisitions;

income taxation of estates, trusts, and decedents; pension, profit sharing, and deferred compensation; and, consolidated returns.

Training programs in the form of staff meetings were held at local offices as needed.

Comment. Although each of the seven tax training programs was in some respect uniquely different from the others, there were certain characteristics which appeared common to all of the programs. These common characteristics included the discussion method of teaching, the use of case study, and the great amount of emphasis on tax planning.

Training directors indicated that the discussion method of teaching was used because they had found that discussion promoted attention, participation, and interaction among their employees. Although the lecture method was used to present current developments, lectures had been generally found to be unnecessary because of good outside preparation by trainees.

The use of case studies also had been found to have several advantages. The case studies were drawn from the firm's practice experience and therefore acquainted trainees with situations they would likely encounter in practice. They also offered opportunities to demonstrate the firm's

technique in approaching a problem, or the firm's position in respect to a particular problem.

The emphasis placed on tax planning was understandable, since tax planning means "tax avoidance." Many practitioners devote more than half their time to helping clients save money by reducing their taxes or by deferring them through proper tax planning.

Finally, there was common agreement among the training directors that no formal training program could completely substitute for on-the-job training. To them, this meant that it was important that the individuals who scheduled assignments provide for a wide range of industries and client sizes for their junior staff. Formal training was provided for in-charge seniors and other supervisory staff to help them in developing junior staff through effective on-the-job training and supervision.

Duplication of Effort

In the process of reviewing the in-firm tax training programs, it became apparent that there was duplication of educational effort between the offerings of university tax courses and the basic course as found in the in-firm training programs of national public accounting firms. Duplication of material was obvious, since three of the texts used

in basic in-firm courses were also widely adopted by colleges and universities.

Training directors were asked, "If the tax subject matter to be taught in universities were specifically defined, could this duplication of education be eliminated?" They generally agreed that the answer was "ideally-yes" but, "practically-no." One training director said that the purpose of his firm's in-firm training was to provide uniformity in training materials, emphasis applied, and time allotted, so that staff members can be considered as achieving a certain standard of training for basic to advanced subjects. Another indicated that he would be reluctant to dictate to university professors what they must teach in the tax area. Others indicated that since students do not concentrate in taxation at the undergraduate level, and since there is usually some time lag between the university tax course and any practical experience in the tax area, at least some duplication would be necessary to review the basics of taxation in in-firm programs. In addition, most directors also felt that there were different levels of quality among college and university tax courses, and that this variety of quality tended to preclude the elimination of duplicated effort.

Reaction to AAA and AICPA Committee
Recommendations for Tax Education

The tax training directors of the seven national public accounting firms were asked for their reaction to the tax education recommendations made by the AAA's Income Tax Instruction Committee, and the AICPA's Committee on Education and Experience Requirements for CPA's. Four of the seven training directors responded by saying that they were not familiar with the tax education recommendations made by those committees. The three directors who were aware of the recommendations could make no specific comments about the recommendations, and said that the recommendations had not influenced their own in-firm tax training programs.

All seven were then shown a copy of the AAA's "A Statement of Tax Concepts to be Used as A Basis for Teaching Income Taxation," and "Subject Matter Outline to Accompany the Statement of 'Concepts of Federal Income Taxation,'" along with a copy of the AICPA's "Report of the Committee on Education and Experience Requirements for CPAs," which contained recommended content concerning 'Tax Theory and Considerations' and 'Tax Problems.' After a review of the materials, the directors voiced a general approval of the AAA Committee's recommendations because the directors liked the conceptual emphasis of the suggested course content.

However, they thought that the AICPA Committee's recommendations were not specific enough to give adequate guidance, and felt that the general directives were too broad in scope to be included in one three-semester-hour course.

Several directors also remarked that the inclusion of only one required three-semester-hour tax course in a four- or five-year accounting program would result in insufficient coverage of taxation, and would not reflect the growing importance of taxation in the CPA's business. Others felt that the requirement of only one tax course was inconsistent with the emphasis placed on taxation in recent CPA exams, and the AICPA Committee's recommendation that "Candidates should be encouraged to take the CPA examination as soon as they have fulfilled education requirements and as close to their college graduation as possible."²

The directors were most likely correct in their assertion that a recent graduate, who has taken only one undergraduate tax course, does not have sufficient knowledge to achieve a passing score on the tax portions of the CPA exam. But, on the other hand, many academicians would probably argue that "preparation for the CPA exam" should not

²Committee on Education and Experience Requirements for CPAs, op. cit., p. 14.

be a principal objective of the first undergraduate tax course. Also, from a statistical viewpoint, a three-semester-hour tax course, as a percentage of total accounting hours, closely approximated the percentage that tax represented of the total accounting and auditing sections of the CPA exam. For example, the tax portions of the 1960 thru 1970 CPA exams have, on the average, accounted for approximately 11.5 percent of the total accounting and auditing sections. Looking at just the 1968 thru 1970 exams, the average percentage has slightly increased to 13 percent. This percentage closely approximates the three semester hours of tax as a percentage of the recommended total accounting hours. In the four-year program, tax accounts for approximately 16 percent of the recommended nineteen hours of accounting courses. While in the five-year accounting program, tax accounts for 10 percent of the recommended 30 credit hours of accounting.

Role of Universities and Firms in Tax Education

The respective roles of universities and firms in the area of tax education escaped precise definition. With regard to universities, "role" was interpreted as meaning the content of tax courses. The definition of the firms' role was more evasive.

Role of Universities

The interviews revealed that training directors felt that universities should stress the development of basic principles, concepts, and the theory of taxation in the first tax course. They would favor a course patterned after "A Statement of Tax Concepts to be Used as a Basis for Teaching Income Taxation," which was developed by the 1967-68 Income Tax Instruction Committee of the American Accounting Association. The training directors were opposed to the memorization of detailed regulations or emphasis on the preparation of tax returns.

Practitioners' questionnaire responses indicated that they favored a somewhat more extensive coverage in the first tax course. Examples of practitioners' recommendations are:

I believe the most important criteria the college or university should strive to achieve is "exposure." Introduce the student to as much and as many tax areas as possible. The student can become "expert" after he has graduated and tackles his real problems. Schooling should help trigger problems, not necessarily help solve them.

Speaking generally, the first taxation course in college should give as broad an introduction to taxation as is possible and subsequent courses should build on this foundation. Once the graduate is in practice, areas of special interest in taxation will develop and professional, in-firm, and other training can emphasize these areas as desired.

In addition to a broad approach, many practitioners felt that universities should emphasize research techniques and tax planning:

I feel that in school we would be better off if we taught people "How to find an answer" rather than try to teach the law. The law is too involved and too pragmatic to "learn." If we could devise a method of teaching concepts and how to use various reference services the person would be "better" educated. I feel that most practitioners, even with experience, very seldom give answers to tax questions without (a) building up the factual situation (therefore learning a law within a hypothetical set of facts is no answer), (b) quickly reviewing a reference even in simple cases or more involved research for moderately complex to complex situations.

I feel that most tax subjects should be reviewed and touched on at the university level. Emphasis should be placed on awareness of the overall problems of individuals, partnerships, and corporations. Since no practical experience has been attained by college or university students the fine points or details will not register with the student. If the student is aware and knows how to research them (the problems) when he does want the answer he can readily locate the legal or IRS position or answer.

Based on my own experience, I feel that college and university courses should touch lightly on the topics listed, only enough to give a basic understanding. These courses should emphasize more the tax planning aspects, and the sources and procedures for research on the various topics.

I believe tax courses researching the law to give experience in finding the answer to tax questions in tax services (CCH and PH, etc.) and case law, Rev. Rulings, etc., would be helpful. Memorizing tax laws have little value in college as opposed to general tax structure and ability to find the answer.

Some of the training directors pointed out that most undergraduate accounting majors do not know what area of accounting they will be entering, certainly not all will be tax specialists, or connected professionally with taxation. Thus, the first course should be general in scope, with subsequent courses devoted to specialized topics. They felt that graduate level courses hold the most promise for academic specialization in taxation, and hope that more schools will develop a masters degree in taxation:

There is, in my opinion, room for a degree in taxation as opposed to accounting or business administration. I should like to see Michigan State or some other university develop a curriculum for those intending to make taxation their life work. The field encompasses sufficient theoretical as well as practical material to warrant it as a field of concentration in and of itself.

Maybe a partial solution to the lack of trained tax personnel would be the offering by more universities of a masters degree program in taxation.

Role of Firms

The role of firms in the area of tax education could not be specifically defined in terms of course content. As one director said, "We want our staff to be well informed, up to date, and expert in their specialties. To do this, we must assess the needs of our staff and the needs of our firm in respect to our clientele."

In general, the role of firms was to bridge the gap between academia and the "real world" and between the resources of the firm and the needs of its clients. Several practitioners expressed the idea that the "role" depended on the particular firm:

The role of the firm in tax training should be guided by the specific areas in which that firm is dealing, or in which a person may be working. These areas may differ according to the size of the firm, location, and also the specialties of that firm.

The role of in-firm tax training and the importance of such training largely depends on one's clientele or one's specialty.

CHAPTER IV

SUMMARY, CONCLUSIONS, RECOMMENDATIONS, AND SUGGESTIONS FOR FUTURE RESEARCH

Brief Summary of Purpose and Methodology

The purpose of the research was to gather tax practitioners' recommendations regarding tax education. The study gathered specific recommendations concerning areas to be stressed in the first undergraduate tax course, the teaching of tax research procedures in college and university tax courses, the teaching of computer oriented subject matter in college and university tax courses, and the emphasis to be accorded specific tax topics in college and university tax courses. In addition, the study determined the relative frequency of use of tax information sources, the use of computers in performing tax work, the relative frequency of performance of specific types of tax service, and the nature of in-firm staff training programs in taxation.

Data were gathered by means of a questionnaire survey and personal interviews. A total of six hundred questionnaires were sent to practitioners employed by local and national public accounting firms, and by corporations, with

two hundred questionnaires allocated to practitioners in each firm classification. Separate interviews were held with the national tax training directors of seven national public accounting firms, and with tax project managers from the Professional Development Division of the American Institute of Certified Public Accountants.

The data were analyzed to determine if there was any consensus between the educational recommendations made by the three practitioner groups. Of particular interest was a comparison of practitioners' recommendations with views previously expressed by academicians.

Statistical tests of significance were conducted using the Pearson chi-square test of association and the Kendall coefficient of concordance.

Summary of Findings

Areas to be Stressed in the First Undergraduate Tax Course

There was significant agreement between the three practitioner groups for the ranking of areas to be stressed in the first undergraduate tax course. The areas were assigned the following priorities: (1) current provisions of tax law; (2) history and philosophy of taxation; (3) re-searching tax problems; (4) preparation of tax returns;

(5) economic aspects; and, (6) tax ethics.

However, there was no significant agreement between the above priority rankings made by the practitioners in this study, and the priority rankings of the same areas made by tax professors in Otha Gray's study.

Use of Tax Research Sources

The three practitioner groups significantly agreed in their use of six information sources for tax research.

In the order of frequency of use, the sources were:

1. Standard Federal Tax Reporter (CCH)
2. Tax Management (BNA)
3. Federal Tax Coordinator (RIA)
4. Federal Taxes (P-H)
5. Law of Federal Income Taxation (Mertens)
6. Federal Income, Gift, & Estate Taxation
(Rabkin and Johnson)

However, there was no significant agreement between the above ranking according to frequency of use by tax practitioners, and the ranking of the same sources according to their availability in AACSB libraries.

Teaching of Tax Research

The three practitioner groups also agreed in their recommendations for teaching tax case research in college and university tax courses. The consensus was that there should be a discussion of tax research sources in the first undergraduate tax course, discussion of tax research sources and procedures in the second undergraduate tax course, and actual tax research and preparation of tax cases in a graduate level tax course.

Use of Computers in Taxation

The three groups of practitioners significantly differed in their use of computers in the tax area. Computers were utilized most frequently by national public accounting firm practitioners, followed by local public practitioners and corporate practitioners, respectively. Responses indicated that approximately 75 percent of computer usage in the tax area was devoted to the preparation of tax returns. The remaining usage was about evenly divided between estate planning and tax planning.

Teaching of Computer Subject Matter

Practitioners agreed in their recommendations for the first and second undergraduate courses. The general

recommendation was that there should be at least some computer oriented subject matter in the first tax course, and that an overall descriptive discussion of computer usage in taxation should be included in the second tax course.

Practitioners displayed less agreement in their recommendations for the graduate level course. Although 31 percent of all respondents felt that there should be exercises or problems featuring actual computer use by students, 19 percent felt that an overall descriptive discussion was adequate, and 26 percent had no opinion.

Performance of Job Activities

The three practitioner groups significantly differed in their frequency of preparation or review of the seventeen tax returns listed in the questionnaire. The three groups of practitioners also differed in their frequency of consultation on the eleven tax problem areas contained in the questionnaire. Further analysis revealed that not only was there no agreement between the three groups, but there also was no agreement between any two of the practitioner groups for the above job activities. However, the three groups of practitioners did agree in their frequency of performance of four technical tax services.

Tax Topic Emphasis

The three groups of practitioners agreed in their ranking of thirty-eight specific tax topics according to the emphasis to be accorded those topics in college and university undergraduate tax courses. The practitioners also agreed in their ranking of the same thirty-eight tax topics according to the emphasis to be accorded the topics in professional or in-firm tax training programs.

Further analysis revealed that there also was significant agreement between the ranking of tax topics according to emphasis to be accorded in colleges and universities, and the ranking of those same topics according to emphasis in professional or in-firm tax training programs. Thus, in general, there was concordance between a topic's ranking for emphasis in college and university tax courses, and the same topic's ranking for emphasis to be accorded in professional or in-firm tax training programs.

In-Firm Tax Training

The three practitioner groups significantly differed in the proportion of respondents whose firms offered in-firm staff training programs in taxation. Practitioners in national public accounting firms received the most in-firm training, followed by local public and corporate

practitioners, respectively.

Interviews revealed that the in-firm tax training programs of seven national public accounting firms offered extensive taxation coverage, from basic concepts to highly technical specialty areas. The interviews also revealed that there was duplication of educational content and effort between the basic courses offered by in-firm programs, and basic tax courses offered in colleges and universities. However, the directors of in-firm tax training programs felt that it was doubtful that any significant duplication could be eliminated.

Conclusions

The major conclusion derived from the results of the study is that there was significant agreement among tax practitioners in national and local public accounting firms, and in corporations, regarding certain recommendations for tax education in colleges and universities. This conclusion is especially significant in view of the practitioners' diverse academic and professional qualifications, and the fact that there was no significant agreement between the three practitioner groups for the frequency of job activities performed. Thus, even though their job activities varied, in general, most practitioners had similar recommendations for tax

education in colleges and universities.

The second conclusion concerns a comparison of practitioners' recommendations with the recommendations made by tax professors. The results of the study indicate that according to tax practitioners, teaching emphasis has been misdirected in the first undergraduate tax course. This conclusion is reached because there was found to be no significant agreement between practitioners' and tax professors' priority rankings of areas to be stressed in the first undergraduate tax course.

The third conclusion concerns whether it is feasible to divide tax subject matter into topics for emphasis in the classroom, and other topics for emphasis in professional or in-firm training programs. The practitioners' responses did not yield evidence to support the assertion that such a division of topics is feasible, at least not on an overall basis for the thirty-eight topics contained in this study. This conclusion is reached because in general, those topics highly ranked to be emphasized in college and university tax courses, also were highly ranked to be emphasized in professional and in-firm training programs. Similarly, those topics ranked to receive little emphasis in college and university tax courses, also were lowly ranked for emphasis to be accorded

in professional or in-firm training programs.

The fourth conclusion concerns the elimination of duplicated educational effort posited to accrue to a division of tax topics between universities and the profession. Since the study revealed concordance between a topic's ranking for emphasis in college and university tax courses, and the same topic's ranking for emphasis to be accorded in professional or in-firm tax training programs, it is doubtful that any meaningful amount of duplication can be eliminated. This conclusion also is supported by the fact that the time and expense incurred in the duplicated portion of in-firm training is mostly offset by such benefits as standardized training, es prit de corps within the firm as a result of personal interaction, and more effective training within the context of actual practice.

Implications and Recommendations for Tax Instruction in Colleges and Universities

Total curricula improvement should involve active participation on the part of faculty, administrators, students, graduates, and employers.¹ To this end, the results of this study reflect the views of graduates and employers, and should be considered as one of several

¹Hancock and Bell, op. cit., p. 9.

inputs in the continuing development of tax curricula in colleges and universities. As an input, the results of this study should be used by instructors to assist in the evaluation of the content of tax courses, the establishment of teaching objectives for tax courses, and the evaluation of textbooks and other instructional materials in the tax area.

There are specific recommendations included in the results of this study for the first and second undergraduate tax courses, as well as a graduate tax course. These practitioner recommendations are as follows:

First undergraduate course. The instructor should assign teaching priorities to the following six subject areas according to the order in which they are listed:

1. Current provisions of tax law
2. History and philosophy of taxation
3. Researching tax problems
4. Preparation of tax returns
5. Economic aspects
6. Tax ethics.

Within the framework of the above general areas, the data in Table 29 should be used as a gauge to measure the relative emphasis to be accorded the specific topics included in the first course. Table 29 contains thirty-eight tax

topics ranked according to the relative emphasis that the topics should receive in tax instruction in colleges and universities.

In addition, students should be exposed to an introductory discussion concerning the use of information sources for tax research. Also, at least some computer oriented subject matter should be included in the first tax course. Two areas for possible discussion are the use of computers by the Internal Revenue Service, and the use of computers by tax practitioners.

Second undergraduate course. In this course, students should receive a more expanded discussion of tax research including procedures followed in the process of researching a tax problem. Students also should receive an overall descriptive discussion of computer usage in taxation. This discussion should reflect actual practice and should include a description of computer applications for preparing tax returns, estate planning, tax planning, and the use of computers by the Internal Revenue Service.

As in the first course, the data in Table 29 should be used as a measure of the relative emphasis to be assigned the topics included in this second course.

Graduate level course. In a graduate level tax

Table 29. Tax topics ranked according to the emphasis that the topics should receive in tax instruction in colleges and universities

Emphasis Rank	Topic
1	<u>Deductions</u> -- criteria; classification; deduction for adjusted gross and deductions from adjusted gross income; non-deductible items.
2	<u>Taxable Income Concept</u> -- nature of income; possible alternatives-accounting, economic, psychic; gross income; tax-exempt income.
3.5	<u>Capital Gains & Losses</u> -- nature of capital assets; sales & exchanges; holding periods; 50% net long term capital gain deduction; alternative tax; real and depreciable business property.
3.5	<u>Timing of Incomes & Deductions</u> -- accounting methods; realization; recognition; cash basis; hybrid basis; change of basis.
5	<u>Depreciation & Amortization</u> -- depreciation methods; amortization.
6	<u>Tax Accounting</u> -- tax formula; tax periods; change of period; matching of incomes and deductions.
7	<u>Gross Income</u> -- sales of merchandise; inventories; capital gain v. ordinary income.
8	<u>Itemized Deductions</u> -- losses; bad debts; interest expense; taxes expense; contributions.
9	<u>Basis of Property</u> -- historical cost; fair market value; March 1, 1913 value; substituted basis derived from other property; substituted basis derived from other persons; adjustment of basis.
10	<u>Timing Exceptions</u> -- averaging; installment sales; deferred payment sales; long-term contracts; "tax free" exchanges.
11	<u>Taxability of Entities and Assignment of Income</u> -- classification of taxpayers; closely related parties; restrictions upon assignment.
12.5	<u>Income from Investments- Securities</u> -- interest; dividends; stock dividends; constructive dividends; sale and redemption of shares.

Table 29.--Continued

Emphasis Rank	Topic
12.5	<u>Tax Law Formation and Evaluation.</u>
14	<u>Administration and Compliance</u> -- Internal Revenue Service organization and operation; tax examination; appeal procedures; court systems.
15	<u>Income from Real Estate</u> -- rentals; leaseholds; leasehold improvements; personal residence; disposition of real estate.
16.5	<u>Historical, Constitutional, and Fiscal Background</u> of income taxation.
16.5	<u>Expenses for the Production of Income</u> -- capital expenditures v. expenses; entertainment; travel & transportation; education expenses.
18	<u>Acquisition & Disposition of Business Property</u> -- lease v. purchase; depreciation recapture; transfer to a controlled corporation; exchanges and tradeins; involuntary conversion.
19.5	<u>Tax Planning.</u>
19.5	<u>Tax Management</u> -- nature of; avoidance v. evasion; restrictions and limitations on tax management.
21	<u>Partnerships</u> -- General.
22	<u>Corporations</u> -- formation & financing; multiple corporations.
23.5	<u>Partnerships</u> -- distribution of partnership income; contribution and distribution of property; partnership interest; sale, retirement, and death of partners.
23.5	<u>Individuals- Marital & Family Status</u> -- joint returns, separate returns; surviving spouse; head of household; exemptions.
25	<u>Individuals- Nonbusiness Expenses</u> -- medical expense; alimony and separate maintenance; standard deduction; outline of tax calculation.
26	<u>Corporations</u> -- reorganization; distribution & liquidation.

Table 29.--Continued

Emphasis Rank	Topic
27	<u>Employers & Employees</u> -- compensation for services; deferred compensation; pensions; profit-sharing plans; employees expenses.
28	<u>Corporations</u> -- subchapter "S" corporations.
29	<u>Estates, Trusts, Beneficiaries</u> -- taxation of estates, decedents, trusts, grantors, and beneficiaries.
30	<u>State Taxes.</u>
31	<u>Tax Problems of Self-Employed Persons</u> -- fringe benefits; retirement plans; partly business & partly personal expenses and property.
32	<u>Natural Resources and Depletion.</u>
33	<u>Foreign Income & Foreign Taxpayers</u> -- income from U.S. possessions; earned foreign income; income and foreign corporations, foreign trusts; foreign corporations; foreign tax credit; resident aliens.
34	<u>Estate Planning.</u>
35	<u>Withholding; Estimated Tax.</u>
36	<u>Social Security Taxes.</u>
37	<u>Exempt Organizations.</u>
38	<u>Farm Operations</u> -- farming; gentleman farmer; crop basis; inventory basis; cash basis; farm cooperatives.

course, students should be exposed to actual tax research and the preparation of one or more tax cases. This research should be supplemented or combined with exercises or problems featuring actual computer use by students.

Suggestions for Future Research

There are several directions that future research could take in the general area of tax curricula. Three possibilities are as follows:

1. Many practitioners noted that the graduate level seems to offer the most promise for additional curricula in the tax area. Thus, it appears reasonable that a study of the present offerings of masters programs in taxation, and research into the need for additional graduate tax programs would provide beneficial guidance for future tax curricula development.

2. The present study was restricted to practitioners in local and national public accounting firms, and in corporations. Extension of the study to teachers of college and university tax courses could determine areas of disagreement or agreement between teachers and practitioners, and any overall consensus of recommendations for teaching tax courses.

3. Results of any empirical study which involves sampling should not be completely relied upon until

replication of the study provides similar results. Thus, replication of this present study appears justified to improve the confidence that can be placed in the results obtained.

APPENDIX A

SUMMARY OF PROPOSED RESEARCH

AND

INTERVIEW GUIDE

APPENDIX A

AN ANALYSIS OF TAX PRACTICE WITH IMPLICATIONS FOR THE
IMPROVEMENT OF TAX INSTRUCTION

Summary of Proposed Research

by

Edward C. Foth

April, 1970

The Problem

The content and topical emphasis of taxation courses appears to be in a transitional stage. Two factors which have contributed to this change are the national trend in education away from the specialized and toward the general, and statements by educational committees that advocate an emphasis on conceptual understanding rather than procedural details.

This de-emphasis of specialized areas is also reflected in the "Model Program" in accounting described by the AICPA Committee on Education and Experience Requirements for CPAs.¹ Their program places increased emphasis on the quantitative and behavioral areas and advocates the inclusion of only one required three-semester-hour taxation course in the undergraduate curriculum.

But if the content and scope of taxation offerings are to be decreased, it is important that remaining coverage be consistent with professional recommendations and be relevant to the demands of current practice. Change also implies that there may be some alteration in the respective

¹Committee on Education and Experience Requirements for CPAs, "Academic Preparation for Professional Accounting Careers," Journal of Accountancy, December, 1968, p. 57.

responsibilities of accounting firms and universities for the education and training of future practitioners.

John L. Carey, in The CPA Plans For The Future, voiced a plea for the reappraisal of the CPA's training for tax practice:

While the CPA must be better prepared than ever before to practice in the tax field, the training available to the aspiring CPA does not seem to have been adapted to meet this need, except perhaps in the internal training programs of some firms. Perhaps the CPA in the tax field is in greater danger of relative loss of position from these circumstances than from any external influence.²

Objectives of the Study

The primary objectives of this study are:

1. to determine those topic areas that are in need of emphasis in the instruction of taxation,
2. to determine the need for computer oriented content in tax instruction,
3. to determine the need for in-depth tax research experience in tax instruction,
4. to determine the scope and perceived role of staff training programs in taxation, and
5. to derive conclusions which may be used to guide taxation educators in the formulation of the content of tax courses.

²John L. Carey, The CPA Plans for the Future (New York: American Institute of Certified Public Accountants, 1965), p. 176.

Research Methodology

The proposed dissertation is based on the following research efforts:

1. Questionnaire survey -- As a pretest, a questionnaire will be prepared and discussed in interviews with area tax practitioners to determine its effectiveness. Based on the results of the pretest, the questionnaire will be revised and an improved questionnaire sent to the participants in this study. A primary purpose of the pilot study will be to transform free-answer questions into closed-form questions.

It is intended to send the questionnaire to a stratified random sample of practitioners from the following firm classifications:

- (1) National public accounting -- "Big 10"
- (2) Local public accounting -- Michigan firms
(excluding "Big 10")
- (3) Corporations

The above classifications will be used in order to obtain a broad range of responses, since a priori analysis suggests that the activities of tax practitioners differ accordingly. Returned questionnaires will be statistically tested for differences in response among groups.

2. Field research -- This phase of the research will provide a description of the scope and perceived role of

staff training programs in taxation. The technique used will be that of personal interview.

Separate personal interviews will be held with the tax training directors of several national public accounting firms, and with the tax area project managers from the Professional Development Division of the American Institute of Certified Public Accountants.

Contribution Toward Accounting

It is believed that this proposed dissertation will benefit accounting firms, tax educators, and future tax practitioners in the following ways:

1. provide guidance to tax educators in the development of relevant content for taxation courses,
2. help determine the respective roles of universities and the profession in sharing the responsibility for the initial education and training of future practitioners,
3. help eliminate the duplication of educational effort in the taxation area, and
4. help eliminate gaps in tax education at the university level.

INTERVIEW GUIDE

A. Staff Training in Taxation

1. Location?
2. Number of courses?
3. Frequency?
4. Length?
5. Academic or experience prerequisites prior to admission?
6. Course content?
7. What changes have been made in last three years?
8. Do you emphasize on-the-job training?
9. To what extent, if any, is computer oriented subject matter utilized?

B. AICPA and AAA

1. Are you aware of the AICPA and AAA tax education recommendations?
 - a. What is your reaction?
 - b. Have they influenced your staff training?

C. Part Two of Questionnaire

1. What do you perceive to be the role of the firm (profession) v. the role of the university in the area of tax education?
 - a. Can roles be defined?
 - b. Is it possible to eliminate duplication of educational effort?
2. How many tax courses should be required of accounting majors? What emphasis/content?

APPENDIX B

THE QUESTIONNAIRE

APPENDIX B

QUESTIONNAIRE

Part one is designed to gather certain data to help in my generalizations. Please understand that this information will be kept confidential and at no time will any specific information about you be revealed.

PART ONE

1. What is the title of your position? _____
2. Are you a CPA? ☐ Yes ☐ No An attorney? ☐ Yes ☐ No A former revenue agent? ☐ Yes ☐ No
3. If not a CPA or attorney, are you enrolled to practice before the IRS? ☐ Yes ☐ No
4. How many years of professional experience have you had in the tax area? _____
5. What per cent of your work involves the tax area?
☐ 1 - 25% ☐ 26 - 50% ☐ 51 - 75% ☐ 76 - 100%
6. What level of formal education have you completed?
☐ High School ☐ 4-year College ☐ Law Degree
☐ 2-year College ☐ Master's Degree ☐ Doctoral Degree
7. Was accounting your major area of undergrad. study? ☐ Yes ☐ No--(please specify) _____
" " " " " " graduate study? ☐ Yes ☐ No--(please specify) _____
8. How many tax courses were included in your formal education? Undergrad. _____ Grad. _____
9. Select three of the following as areas that should be stressed in the first undergraduate tax course in a college or university. (RANK AS TO PRIORITY- 1,2,3.)
☐ Current provisions of tax law
☐ Economic aspects
☐ History and philosophy of taxation
☐ Preparation of tax returns
☐ Researching tax problems
☐ Tax ethics
10. Have you participated in any of the AICPA professional development courses in taxation?
☐ Yes ☐ No
11. What three information sources do you use most frequently when doing tax research?
(RANK AS TO FREQUENCY- 1,2,3.)
☐ Federal Income, Gift and Estate Taxation, by Rabkin and Johnson, Matthew Bender & Co.
☐ Federal Tax Coordinator, by Research Institute of America
☐ Federal Taxes, by Prentice-Hall
☐ Law of Federal Income Taxation, by Mertens, Callaghan & Co.
☐ Standard Federal Tax Reporter, by Commerce Clearing House
☐ Tax Management, by Bureau of National Affairs
☐ Other--(please specify) _____
12. Should tax case research be taught in college and university tax courses?
(CHOOSE ONE PER COURSE- FIRST, SECOND, GRAD.)

<u>Undergraduate</u>		
<u>First</u>	<u>Second</u>	<u>Grad.</u>
<u>Course</u>	<u>Course</u>	<u>Course</u>
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

☐ Yes--discussion of information sources only
☐ Yes--discussion of information sources and procedures
☐ Yes--actual research and preparation of tax case(s)
☐ No
☐ I have no opinion

(Please Continue to Next Page)

13. Do you use a computer in performing your tax work?

☐ No

☐ Yes--to prepare tax returns. What % of tax returns? ____% Which service? _____

☐ Yes--to assist in estate planning. What % of estate planning? ____%

☐ Yes--to assist in tax planning. What % of tax planning? ____%

☐ Yes--other (please specify) _____

14. Should computer oriented subject matter be included in college and university tax courses? (CHOOSE ONE PER COURSE- FIRST, SECOND, GRAD.)

Undergraduate

First Second Grad.

Course Course Course

☐ ☐ ☐ Yes--description of IRS's use of computers

☐ ☐ ☐ Yes--description of services available to practitioners

☐ ☐ ☐ Yes--overall descriptive discussion of computer usage in taxation

☐ ☐ ☐ Yes--exercises or problems (actual computer use by students)

☐ ☐ ☐ Yes--other (specify) _____

☐ ☐ ☐ No

☐ ☐ ☐ I have no opinion

15. Does your firm offer staff training programs in taxation?

☐ No

☐ Yes--please describe the programs (offered in last 12 mos.) in regard to:

Number of meetings: _____

Length of individual meetings: _____

Total hours all meetings: _____

Prerequisite training or level of those participating: _____

General subject emphasis: _____

16. Please indicate [✓] on each of the following lines, your experience in rendering the following types of service, that is, frequently (more than 10 times per year), occasionally, or never.

**PREPARATION OR REVIEW OF
TAX RETURNS (FED., STATE,
& LOCAL AS REQUIRED)**

Freq. Occas. Never

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| 1. Capital stock..... | ☐ | ☐ | ☐ |
| 2. Corporate organization and qualification..... | ☐ | ☐ | ☐ |
| 3. Corporation income..... | ☐ | ☐ | ☐ |
| 4. Employee trusts..... | ☐ | ☐ | ☐ |
| 5. Estates and inheritance.... | ☐ | ☐ | ☐ |
| 6. Excise taxes..... | ☐ | ☐ | ☐ |
| 7. Exempt organizations..... | ☐ | ☐ | ☐ |
| 8. Franchise taxes..... | ☐ | ☐ | ☐ |
| 9. Gift tax..... | ☐ | ☐ | ☐ |
| 10. Gross receipts taxes..... | ☐ | ☐ | ☐ |
| 11. Individual income..... | ☐ | ☐ | ☐ |
| 12. Partnership income..... | ☐ | ☐ | ☐ |
| 13. Payroll taxes..... | ☐ | ☐ | ☐ |
| 14. Personal trusts..... | ☐ | ☐ | ☐ |
| 15. Property taxes- real..... | ☐ | ☐ | ☐ |
| 16. Property taxes- personal... | ☐ | ☐ | ☐ |
| 17. Sales and use taxes..... | ☐ | ☐ | ☐ |
| 18. Other (specify) _____ | ☐ | ☐ | ☐ |

**CONSULTATION ON TAX PROBLEMS
(FEDERAL, STATE, & LOCAL AS
REQUIRED) INVOLVING:**

Freq. Occas. Never

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Closely held corporations | ☐ | ☐ | ☐ |
| 2. Consolidations..... | ☐ | ☐ | ☐ |
| 3. Employee trusts, formation, operation, etc. | ☐ | ☐ | ☐ |
| 4. Estate planning..... | ☐ | ☐ | ☐ |
| 5. Executive compensation.... | ☐ | ☐ | ☐ |
| 6. Foreign operations..... | ☐ | ☐ | ☐ |
| 7. Form of business organiz. | ☐ | ☐ | ☐ |
| 8. Liquidations..... | ☐ | ☐ | ☐ |
| 9. Multi-state operations.... | ☐ | ☐ | ☐ |
| 10. Real estate..... | ☐ | ☐ | ☐ |
| 11. Reorganizations, mergers, acquisitions..... | ☐ | ☐ | ☐ |
| 12. Other (specify) _____ | ☐ | ☐ | ☐ |

TECHNICAL TAX ACCOUNTING

SERVICES DURING:

Freq. Occas. Never

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Audit by revenue agent (field and/or office).... | ☐ | ☐ | ☐ |
| 2. Informal conference..... | ☐ | ☐ | ☐ |
| 3. Appellate Division proceed. | ☐ | ☐ | ☐ |
| 4. Formal litigation (Tax Court, Dist. Court, etc.. | ☐ | ☐ | ☐ |

(Please Continue to Next Page)

PART TWO

Part two is designed to gather data concerning the relative emphasis to be accorded certain tax topics, and to determine those topics for which academic preparation is well suited as opposed to those topics for which in-firm or professional tax training is more appropriate.

DIRECTIONS: Following are a number of tax topics that might be encountered in a first or second undergraduate course in taxation, and/or professional tax training programs.

SECTION A: Indicate by a check mark [✓] in the appropriate column the emphasis to be accorded the topic in tax instruction in colleges and universities. (Assume tax instruction oriented toward accounting majors.)

SECTION B: Indicate by a check mark [✓] in the appropriate column the emphasis to be accorded the topic in professional or in-firm tax training programs.

Topic and Description	SECTION A College or University Degree of Emphasis				SECTION B Profession or In-Firm Degree of Emphasis			
	Major Emphasis	Some Emphasis	Little Emphasis	No Emphasis	Major Emphasis	Some Emphasis	Little Emphasis	No Emphasis
1. <u>Historical, Constitutional, and Fiscal Background</u> of income taxation.								
2. <u>Tax Law Formation and Evaluation.</u>								
3. <u>Administration and Compliance</u> -- Internal Revenue Service organization and operation; tax examination; appeal procedures; court systems.								
4. <u>Tax Management</u> -- nature of; avoidance v. evasion; restrictions and limitations on tax management.								
5. <u>Taxability of Entities and Assignment of Income</u> -- classification of taxpayers; closely related parties; restrictions upon assignment.								
6. <u>Taxable Income Concept</u> -- nature of income; possible alternatives-- accounting, economic, psychic; gross income; tax-exempt income.								
7. <u>Deductions</u> -- criteria; classification; deduction for adjusted gross and deductions from adjusted gross income; nondeductible items.								
8. <u>Tax Accounting</u> -- tax formula; tax periods; change of period; matching of incomes and deductions.								
9. <u>Timing of Incomes & Deductions</u> -- accounting methods; realization; recognition; cash basis; accrual basis; hybrid basis; change of basis								
10. <u>Timing Exceptions</u> -- averaging; installment sales; deferred payment sales; long-term contracts; "tax free" exchanges.								
11. <u>Basis of Property</u> -- historical cost; fair market value; Mar. 1, 1913 value; substituted basis derived from other property; substituted basis derived from other persons; adjustment of basis.								
12. <u>Capital Gains & Losses</u> -- nature of capital assets; sales & exchanges; holding periods; 50% net long term capital gain deduction; alternative tax; real and depreciable business property.								
13. <u>Itemized Deductions</u> -- losses; bad debts; interest expense; taxes expense; contributions.								
14. <u>Income from Investments- Securities</u> -- interest; dividends; stock dividends; constructive dividends; sale and redemption of shares.								
15. <u>Income from Real Estate</u> -- rentals; leaseholds; leasehold improvements; personal residence; disposition of real estate.								
16. <u>Depreciation & Amortization</u> -- depreciation methods; amortization.								

(Please Continue to Next Page)

	SECTION A				SECTION B			
	College or University Degree of Emphasis				Profession or In-Firm Degree of Emphasis			
	Major Emphasis	Some Emphasis	Little Emphasis	No Emphasis	Major Emphasis	Some Emphasis	Little Emphasis	No Emphasis
17. <u>Gross Income</u> -- sales of merchandise; inventories; capital gain v. ordinary income.								
18. <u>Natural Resources and Depletion.</u>								
19. <u>Expenses for the Production of Income</u> -- capital expenditures v. exp.; entertainment; travel & transportation; education expenses.								
20. <u>Acquisition & Disposition of Business Property</u> -- lease v. purchase; depreciation recapture; transfer to a controlled corporation; exchanges and tradeins; involuntary conversion.								
21. <u>Farm Operations</u> -- farming; gentleman farmer; crop basis; inventory basis; cash basis; farm cooperatives.								
22. <u>Tax Problems of Self-Employed Persons</u> -- fringe benefits; retirement plans; partly business & partly personal expenses and property.								
23. <u>Employers & Employees</u> -- compensation for services; deferred compensation; pensions; profit-sharing plans; employees expenses.								
24. <u>Individuals- Nonbusiness Expenses</u> -- medical expense; alimony and separate maintenance; std. deduction; outline of tax calculation.								
25. <u>Individuals- Marital & Family Status</u> -- joint returns; separate returns; surviving spouse; head of household; exemptions.								
26. <u>Withholding; Estimated Tax.</u>								
27. <u>Partnerships- General.</u>								
28. <u>Partnerships</u> -- distribution of partnership income; contribution and distribution of property; partnership interest; sale, retirement, and death of partners.								
29. <u>Estates, Trusts, Beneficiaries</u> -- taxation of estates, decedents, trusts, grantors, and beneficiaries.								
30. <u>Estate Planning.</u>								
31. <u>Corporations</u> -- formation & financing; multiple corporations.								
32. <u>Corporations</u> -- reorganization; distribution & liquidation.								
33. <u>Corporations</u> -- subchapter "S" corporations.								
34. <u>Exempt Organizations.</u>								
35. <u>Foreign Income & Foreign Taxpayers</u> -- income from US possessions; earned foreign income; income from foreign corporations, foreign trusts; foreign corporations; foreign tax credit; resident aliens.								
36. <u>Tax Planning.</u>								
37. <u>State Taxes.</u>								
38. <u>Social Security Taxes.</u>								

COMMENTS

If you have any suggestions or if there is any question which you feel needs a more amplified answer, please feel free to add your comments here:

Would you like a copy of the results of this survey sent to you? If yes, please list your name and address:

Name: _____

Address: _____

Again, thank you for your time. Please place this questionnaire in the return envelope and mail it at your earliest convenience.

APPENDIX C

RESEARCH HYPOTHESES

RESEARCH HYPOTHESES

Areas to be Stressed in the
First Undergraduate Tax Course

- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of areas to be stressed in the first undergraduate tax course.
- W_1 : The coefficient of concordance between practitioners' total ranking of areas to be stressed in the first undergraduate tax course and tax professors' ranking of areas to be stressed in the first undergraduate tax course does not equal zero.

Tax Research

- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of information sources used most frequently in tax research.
- W_1 : The coefficient of concordance between practitioners' total ranking of information sources used most frequently in tax research and the ranking of information sources according to their availability in libraries for research and teaching does not equal zero.
- χ^2_1 : There is a difference between the three respondent groups in their recommendations concerning instruction of tax research in colleges and universities.

Computers

- χ^2_1 : There is a difference between the three respondent groups in the percentage that use computers to perform tax work.

- X_1^2 : There is a difference between the three respondent groups in their recommendations concerning instruction of computer oriented subject matter in college and university tax courses.

Job Activities

- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of frequency of preparation or review of tax returns.
- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of frequency of consultation on tax problems.
- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of frequency of technical tax accounting services.

Tax Topic Emphasis

- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities.
- W_1 : The coefficient of concordance between the three respondent groups does not equal zero for the ranking of emphasis to be accorded topics in professional or in-firm tax training programs.
- W_1 : The coefficient of concordance between total ranking of emphasis to be accorded topics in undergraduate tax instruction in colleges and universities and total ranking of emphasis to be accorded topics in professional or in-firm tax training programs does not equal zero.

In-Firm Staff Training

χ^2_1 : There is a difference between the three respondent groups in the proportion of respondents whose firms offer in-firm staff training programs in taxation.

AICPA Professional Development in Taxation

χ^2_1 : There is a difference between the three respondent groups in the percentage that participate in AICPA professional development courses in taxation.

APPENDIX D

MISCELLANEOUS TABLES

APPENDIX D

Table 30. "Other" tax information sources listed as responses to item eleven of the questionnaire

Source	Rank and Frequency
<u>Listed by corporate practitioners</u>	
State Tax Reporter (CCH)	1,1,2,2,2 ^a
State & Local Tax Service (P-H)	1,1,2
Montgomery's Federal Taxes	1
Federal Tax Guide (CCH)	1
IRS publications	3,3
Periodicals	3,3
NYU Institute of Taxation	3
Original material - bulletins & tax cases	3
European Taxation by International Fiscal Documentation	3
West Legal Reporting System	3
<u>Listed by local public accounting firm practitioners</u>	
U. S. Master Tax Guide (CCH)	1,1,1
Federal Tax Guide and Reports (CCH)	1,1,1
NYU Institute of Taxation	1,3,3
Federal Income Taxes (CCH)	1
IRS code	1
J. K. Lasser Professional Edition - Income Tax	2
Firm publications	3
Journal of Taxation	3
Periodicals	3
Taxation for Accountants	3

^aRank and frequency should be interpreted as follows: Five corporate practitioners listed this information source; two ranked it first, and three practitioners ranked it second in frequency of use.

Table 30.--Continued

Source	Rank and Frequency
<u>Listed by national public accounting firm practitioners</u>	
Bittker & Eustice	2,3,3
Code, regs., cases, legist. history	1
Federal Estate & Gift Tax Reporter (CCH)	1
IRS code	3
Periodicals	3

Table 31. Summary of mean response to frequency of preparation or review of tax returns (federal, state, and local as required)

Type of return	Mean Response			
	Total	Corp.	Local	Nat'l.
1. Capital stock.	2.194	2.323	2.132	2.126
2. Corporate organization and qualification.	2.062	2.121	2.070	1.992
3. Corporate income	2.903	2.887	2.930	2.891
4. Employee trusts.	2.073	1.766	2.202	2.252
5. Estates and inheritance.	1.860	1.323	2.070	2.193
6. Excise taxes	1.763	2.097	1.628	1.563
7. Exempt organizations	2.048	1.742	2.023	2.395
8. Franchise taxes.	2.685	2.661	2.814	2.571
9. Gift tax	2.019	1.331	2.171	2.571
10. Gross receipts taxes	2.038	2.363	1.922	1.824
11. Individual income.	2.653	2.105	2.969	2.882
12. Partnership income	2.419	1.637	2.884	2.731
13. Payroll taxes.	2.352	2.387	2.667	1.975
14. Personal trusts.	1.901	1.258	2.008	2.454
15. Property taxes - real.	2.011	2.435	2.047	1.529
16. Property taxes - personal.	2.285	2.418	2.528	1.891
17. Sales and use taxes.	2.372	2.639	2.591	1.866

Table 32. Summary of mean response to frequency of consultation
on tax problems (federal, state, and local as required)

Type of problem	Mean Response			
	Total	Corp.	Local	Nat'l.
1. Closely held corporations. . . .	2.384	1.613	2.822	2.714
2. Consolidations	2.170	2.339	1.783	2.415
3. Employee trusts, formation, operation, etc.	2.024	1.815	2.124	2.134
4. Estate planning.	1.935	1.347	2.124	2.345
5. Executive compensation	2.280	2.032	2.442	2.361
6. Foreign operations	1.863	2.258	1.225	2.143
7. Form of business organization. .	2.364	2.089	2.585	2.441
8. Liquidations	2.169	2.016	2.062	2.445
9. Multi-state operations	2.145	2.508	1.705	2.244
10. Real estate.	2.347	2.306	2.419	2.311
11. Reorganizations, mergers, acquisitions	2.288	2.274	2.062	2.546

Table 33. Summary of mean response to frequency of performance of technical tax services

Service during:	Mean Response			
	Total	Corp.	Local	Nat'l.
1. Audit by revenue agent (field and/or office)	2.586	2.621	2.581	2.556
2. Informal conference	2.092	2.129	2.023	2.128
3. Appellate Division proceedings	1.686	1.790	1.442	1.846
4. Formal litigation (Tax Court, Dist. Court, etc.)	1.235	1.435	1.085	1.188

Table 34. "Other" job activities listed as responses to preparation or review of tax returns

Tax Return	Frequency
<u>Listed by corporate practitioners</u>	
Foreign	F,F,F,F,0,0,0 ^a
Payments in lieu of taxes	F
State and local licenses	F
Regulatory reports and drawback claims	F
Narcotics alcohol drawback	F
Export drawback	F
<u>Listed by local public accounting firm practitioners</u>	
Michigan intangibles	F
Foreign tax credits	F
Highway use tax	F
Depreciation	F
State and city income	0
<u>Listed by national public accounting firm practitioners</u>	
Foreign	F
Earnings and profits	F
Intangibles	0

^aFrequency should be interpreted as follows: Seven corporate practitioners listed this tax return; four indicated Frequently (more than 10 times per year), and three practitioners indicated Occasionally.

Table 35. "Other" job activities listed as responses to consultation on tax problems

Tax Problems	Frequency
<u>Listed by corporate practitioners</u>	
Corporate withdrawal from states	F
Inter-corporate pricing	F
Patent and license transfers	F
Exempt organizations	0
<u>Listed by local public accounting firm practitioners</u>	
Depreciation	F
<u>Listed by national public accounting firm practitioners</u>	
Life insurance and brokerage	F
Oil and gas	F
Accounting methods and periods	F

Table 36. Summary of mean response to tax topic emphasis

Topic	College or University			Professional or In-Firm		
	Mean Emphasis			Mean Emphasis		
	Corp.	Local	Nat'l.	Corp.	Local	Nat'l.
1. Historical, constitutional, and fiscal background.	3.160	2.829	3.084	2.009	1.513	1.974
2. Tax law formation and evaluation . . .	3.184	2.976	2.932	2.468	1.974	2.310
3. Administration and compliance. . . .	3.057	3.078	2.857	3.461	3.138	3.339
4. Tax management	2.831	3.073	2.863	3.437	3.449	3.398
5. Taxability of entities and assignment of income	2.884	3.102	3.110	2.948	3.284	3.302
6. Taxable income concept	3.492	3.359	3.689	3.237	3.202	3.336
7. Deductions - criteria; classification.	3.492	3.535	3.555	3.436	3.565	3.475
8. Tax accounting	3.280	3.248	3.220	3.381	3.322	3.458
9. Timing of incomes and deductions . .	3.306	3.320	3.294	3.525	3.530	3.576
10. Timing exceptions.	3.016	3.258	3.102	3.403	3.667	3.597
11. Basis of property.	3.089	3.133	3.218	3.153	3.259	3.319
12. Capital gains and losses	3.258	3.367	3.412	3.328	3.598	3.437
13. Itemized deductions.	3.122	3.219	3.269	2.128	3.427	3.277
14. Income from investments - securities .	2.870	3.095	3.160	2.992	3.303	3.286
15. Income from real estate.	2.738	3.119	3.000	2.915	3.392	3.261
16. Depreciation and amortization. . . .	3.282	3.258	3.210	3.412	3.339	3.235
17. Gross income	3.165	3.234	3.269	3.254	3.333	3.280

Table 36.--Continued

Topic	College or University			Professional or In-Firm		
	Mean Emphasis			Mean Emphasis		
	Corp.	Local	Nat'l.	Corp.	Local	Nat'l.
18. Natural resources and depletion. . . .	2.405	2.408	2.237	2.735	2.530	2.771
19. Expenses for the production of income.	3.033	2.992	2.881	3.229	3.316	3.203
20. Acquisition and disposition of business property.	2.916	3.008	2.822	3.436	3.533	3.466
21. Farm operations.	1.800	2.266	2.008	1.948	2.445	2.546
22. Tax problems of self-employed persons.	2.207	2.852	2.471	2.370	3.381	3.051
23. Employers and employees - deferred compensation; pensions	2.694	2.882	2.703	3.151	3.538	3.403
24. Individuals - nonbusiness expenses . .	2.582	2.836	2.873	2.422	3.119	2.831
25. Individuals - marital and family status	2.537	2.883	2.908	2.328	3.042	2.782
26. Withholding; estimated tax	2.264	2.341	2.297	2.568	2.873	2.731
27. Partnerships - general	2.517	3.143	2.857	2.595	3.261	3.127
28. Partnerships - distribution of income	2.454	3.135	2.748	2.655	3.412	3.227
29. Estates, trusts, beneficiaries	2.250	2.865	2.746	2.448	3.319	3.280
30. Estate planning.	2.185	2.720	2.470	2.574	3.438	3.508
31. Corporations - formation and financing; multiple corporation. . . .	2.860	3.008	2.797	3.246	3.433	3.661

Table 36.--Continued

Topic	College or University			Professional or In-Firm		
	Mean Emphasis			Mean Emphasis		
	Corp.	Local	Nat'l.	Corp.	Local	Nat'l.
32. Corporations - reorganization; distributions and liquidation	2.866	2.758	2.757	3.280	3.322	3.718
33. Corporations - subchapter "S" corporations	2.358	2.871	2.709	2.590	3.380	3.350
34. Exempt organizations	2.092	2.320	2.034	2.347	2.579	2.795
35. Foreign income and foreign taxpayers.	2.602	2.090	2.127	3.227	2.333	3.060
36. Tax planning	3.058	2.959	2.821	3.748	3.680	3.822
37. State taxes.	2.750	2.587	1.966	3.311	3.205	2.873
38. Social security taxes.	2.267	2.307	1.720	2.551	2.639	2.195

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