Book Reviews

In each issue, JATA publishes reviews of textbooks and other books of interest to tax scholars. All book reviews are solicited by the Associate Editor. However, if you know of a book that you would like reviewed, or if you are interested in reviewing a book, please contact the Associate Editor.

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What factors affect individual tax compliance? For a student of behavioral tax, Professor Erich Kirchler’s recent book is a good introduction to the complex field of tax-compliance research. With its bibliography of 500 articles, The Economic Psychology of Tax Behaviour thoroughly summarizes prior compliance research across disciplines, particularly from economic decision-making and social psychology.

A more experienced behavioral tax researcher will find the themes presented here familiar. These readers may benefit, however, from the book’s global perspective. The author, a professor of psychology at the University of Vienna who visited at the Australian National University at Canberra and the University of Sydney while writing the book, incorporates research from Australia, New Zealand, Austria, Switzerland, Sweden, Latin America, and Africa that U.S. researchers may not have studied.

Kirchler’s review of prior tax compliance literature is organized into four main areas.

In the first, labeled the “Social Representation of Taxes,” he compiles research on the psychological determinants of tax compliance, such as tax knowledge, individual perceptions and attitudes toward taxes, personal, social and societal norms, motivation, and morale. Kirchler’s discussion of fairness as a factor focuses on the three areas of justice in social psychology (Wenzel, 2003): distributive justice (the exchange of resources), procedural justice (trust in governmental procedures), and retributive justice (appropriate sanctions).
In the next section, “Tax Compliance Decisions,” Kirchler shifts from the social psychology literature to socio-economics, summarizing prior tax research on prospect theory, framing effects and factors such as the probability of audit (and repeated audits), penalties and fines, tax rates, and income levels.

The opportunity to evade is discussed as a separate area of research, “Self-Employment and Taxpaying.” Research on factors related to entrepreneurship, such as work effort, are included here.

In the fourth area, the author summarizes the relationship between citizens and the state as the “Interaction Between Tax Authorities and Taxpayers,” presenting different audit selection methods and strategies to build a voluntary compliance structure. And finally, the author gets to the book’s main premise—that the way the tax-enforcement agency treats its taxpayers is crucial to the success of a voluntary tax system. Kirchler contrasts a “cops and robbers” or “hunter” approach of strict enforcement with a “customer” orientation, concluding that a relationship of trust is a necessary element for tax compliance. He concludes with his “slippery-slope model,” which compares the taxpayer’s trust in taxing authorities to the taxing authority’s power over the taxpayer and the impact on tax compliance.

The strength of this book is that it presents a well-organized review of the tax-compliance literature. This is also the book’s greatest weakness because it does not afford Kirchler the opportunity to fully develop and explore his core idea—that the interaction of taxpayers and taxing authorities and the element of trust are crucial to tax compliance.

The summary of prior literature can be a bit misleading when not placed in current context. For example, the author refers to a number of research projects based on the Taxpayer Compliance Management Program (TCMP), noting the richness of this data set and its use by the IRS in setting audit-selection criteria. However, TCMP audits have not been conducted for years and the IRS has replaced this program with less intrusive National Research Program (NPR) examinations.

Kirchler’s model could be applied to the shifts in IRS philosophy over the course of the last decade. During the period following the IRS Restructuring and Reform Act of 1998, the IRS moved to a customer model with emphasis on serving the public and meeting the needs of taxpayers. When, in 2003, Mark Everson was appointed Commissioner of Internal Revenue, he redefined the mission of the IRS, using the slogan “Service + Enforcement = Compliance,” restoring the element of enforcement. At the time of this writing, a permanent replacement for Everson, who resigned in May 2007, has not been confirmed.

*The Economic Psychology of Tax Behaviour* provides a very useful review of tax-compliance research in a social psychology context. Kirchler’s model of the relationship of taxpayers to the tax authority suggests a framework that can be further developed in future research.

**REFERENCES**


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In the fall of 2001, even after the devastation of 9/11 and while New York City was dealing with its aftermath, scholars gathered at New York University for a conference in honor of Dick Netzer. Perhaps best known for his work on property tax, Netzer wrote extensively on topics dealing with public finance, urban economics, and the application of microeconomics to real-world problems. City Taxes, City Spending, is a collection of papers presented at this conference. The works presented are themselves a reflection of Netzer’s areas of research interest.

A part of the “Studies in Fiscal Federalism and State and Local Finance” series, City Taxes, City Spending is a collection of seven essays presented at the conference sponsored by the Wagner School of Public Service at NYU. The editor of the book opens with an introduction to set the stage and orient the reader. Each subsequent chapter is a paper, followed by a comment. The comment is written by a colleague or researcher in that particular field.

The first essay discusses the use of two tax bases by local governments: property versus income. In the second essay, the authors seek to determine if the adoption of local sales and income taxes have lead to reductions in property taxes. A healthy dose of charts and graphs are used to analyze the breadth of usage of sales and income tax. Comparisons are made among all fifty states and a good number of cities. The third essay revolves around New York City. Using a computable general equilibrium model of New York City’s economy, the author attempts to simulate the replacement of New York City’s current tax system with a land tax. The fourth essay deals with the public housing sector in New York City. The results of the research highlight the significant role a city plays in the public housing markets, particularly in rehabilitating distressed neighborhoods.

In the fifth essay, “Public Ownership in the American City,” the author follows the pattern of the first four essays by using theoretical models in research. Here, however, a very interesting and readable piece is written on the history of public ownership in New York City. He looks specifically at the water supply, sanitation, roads, power and light, and public transportation. He also discusses local government expenditures on the justice system, fire safety, and schools. He traces the development of these areas from colonial times, in some cases from the Dutch rule of New Netherlands, through the 1900s. This fascinating section is a delightful romp into history, and a brief respite from statistical analysis.

The last two essays focus on the not-for-profit sector. One essay uses empirical research to study the effect of private schools on public K-12 education. The final essay seeks to estimate the value of public support received by nonprofit arts organizations.

Overall, City Taxes, City Spending is a well-presented collection of essays. There are seven thoroughly researched papers that focus on an array of topics dealing with public finance and urban economics. Worth noting is the comment written after each essay. The comments are beneficial in that they are a good blend of affirmation, critique, and challenge for further research. I recommend City Taxes, City Spending for those doing research in the area of public finance. Additionally, it would be of good use in an academic setting to supplement a doctoral research course in economics and/or taxation. I also recommend the book as part of a Master’s program in taxation, as additional reading in a state and local taxation course.

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