

American Taxation Association

Volume 27, Spring 1991

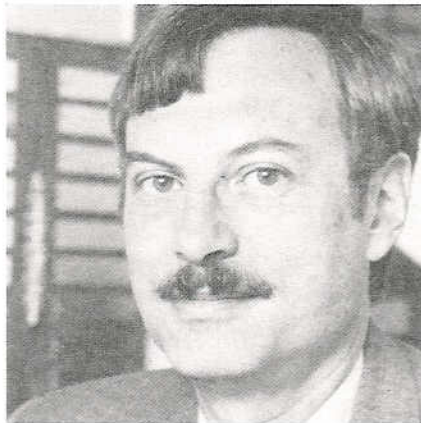
Barry Arlinghaus, Editor

PRESIDENT'S LETTER

About the time that this newsletter reaches your office, the ATA mid-year meeting will be under way in Albuquerque. Caroline Strobel and the Meeting Committee have scheduled an excellent mix of teaching and research sessions, including presentations by the JATA Editors and doctoral students. As in prior years, generous financial support from KPMG Peat Marwick helped make this meeting possible.

The mid-year meeting also provides the opportunity for ATA officers and trustees to meet and set an agenda for the remainder of the year. A number of significant items will be addressed. The Strategic Planning Committee will present an interim report on their review of the ATA organizational structure and operations. The ATA's participation in the 1991 AAA regional programs will be covered. KPMG Peat Marwick will again be offering its regional tax seminars prior to these meetings. Of special interest will be issues associated with the AAA Task Force on Section and Region Liaison and Restructuring Considerations (see discussion below). Another important topic concerns JATA policies related to the sharing of author data bases and multiple manuscript submissions.

As mentioned above, the AAA formed a Task Force, chaired by Wanda Wallace, with the objective of fostering improved cooperation between the AAA Sections and Regions. The initial report of this



Ken Heller, ATA President

group was issued in October and, in summary, recommended appointing section liaisons to each regional meeting planning committee. The section liaisons would have primary responsibility for one research/panel session (i.e., a dedicated technical session) and would also assist the regional program chair in arranging the other technical sessions as well as workshops. These recommendations will be discussed at the AAA Council meeting in April.

While progress is being made towards improving relations between sections and regions, relations between the AAA parent and its sections and regions potentially could deteriorate. There are two key issues: (1) should sections and regions pay a separate fee for administrative services provided by the AAA office in Sarasota? and (2) should the sections and regions have representatives on the AAA Executive

Committee? The former issue was addressed in the fall 1990 newsletter. The latter issue pertains to the AAA's organizational structure. The Executive Committee is elected by the AAA membership at large while the Council is composed primarily of officers from the sections and regions. Although the AAA Bylaws grant joint authority for the Association's policies and procedures to both groups, in practice the Executive Committee appears to make the majority of important decisions affecting the AAA and its sections and regions. That committee presently assigns one of its own members to serve as liaison to the sections and regions. I believe, along with many other Council members, that there is legitimate concern that sections and regions are not being adequately represented under this organizational structure and would be better served if each group had their own representative on the Executive Committee. (Query: If the ATA is charged administrative fees, would this constitute taxation without representation?) More on these issues in the next newsletter.

In closing, you will notice that the 1991 issues of JATA will have a new format (e.g., logo and paper stock) acknowledging the AAA's 75th anniversary which all sections agreed to adopt for this purpose. Best wishes for a happy, healthy, and prosperous 1991.

Ken Heller

ATA REGIONAL MEETINGS

Region	Dates	Location	Tax Papers Sessions	Tax Panel	KPMG Tax Workshop
Southwest	3-12/3-16	Houston, TX	2 or more	Yes, '90 Act	No
Mid Atlantic	4-11/4-13	E. Hanover, NJ	2 or more	Yes	No
Northeast	4-18/4-20	Springfield, MA	1 session	Yes, PFP	4-17
Midwest	4-18/4-20	Kansas City, MO	2 sessions	No	No
Southeast	4-25/4-27	Birmingham, AL	3 or more	Yes, 150 hrs	4-24
Western	5-02/5-04	Scottsdale, AZ	2 or more	No	5-1
Ohio	5-03/5-04	Cleveland, OH	1 or more	Yes	No

This schedule of regional meeting tax presentations is tentative. More tax sessions, panels, or workshops may materialize.

KPMG Peat Marwick at this writing plans to offer tax workshops at three locations in 1991. A brochure describing these will be sent to the ATA membership in January, 1991. If none is received by February 1, 1991, a copy of "Regional Tax Seminars" may be obtained by writing to:

KPMG Peat Marwick, Three Chestnut Ridge Road, Building 1-1, Montvale, New Jersey 07645
ATTN: Elizabeth Ernst

IRS' STATISTICS OF INCOME DIVISION

Wendy Alvey
SOI Division

The Statistics of Income (SOI) Division of IRS produces detailed income and tax statistics for use by policy researchers, demographers and economic analysts. For about 75 years, statistical data going back to 1913 have been made available, as initially stipulated by the Revenue Act of 1916. The Division is primarily responsible for obtaining, tabulating, and publishing tax return statistics and for providing the Treasury Department's Office of Tax Analysis and the Congressional Joint Committee on Taxation with information on income and taxes for use in analyzing existing and proposed tax policies. In addition, SOI conducts special studies for other U.S. Government agencies—most notably for input into the National Income and Product Accounts, produced by the Commerce Department's Bureau of Economic Analysis—and for state government tax administration agencies, as well as some universities. The results of SOI's many studies are available to the general public in the form of publications, special tabulations and electronic databases.

All in all, there are about 190

employees in the Division, most of whom work at the National Office in Washington, DC. For the most part, the technical staff is comprised of college graduates with degrees in general and mathematical statistics, economics, management information systems and computer science. The Division is divided into three subject-matter Branches—that focus on taxation pertaining to individuals, corporations, and foreign and special studies—and one support staff, which includes technical experts in statistical methodology, computer systems and publications. These Branches oversee about 60-70 projects annually. The remainder of this article will highlight some of the major products which might be of special interest.

Statistics of Income Bulletin.—Perhaps the best and most current source of data on SOI projects is the quarterly *Statistics of Income Bulletin*. The *Bulletin* usually provides the earliest published financial statistics from individual and corporation income tax returns. It also includes annual data on sole proprietorships and partnerships, as well as other special

or periodic studies (e.g., the non-profit sector, estates, personal wealth, foreign income and environmental taxes). Historical tables, containing data from SOI as well as tax collections and refunds by type of tax, are also provided. (The *SOI Bulletin* can be purchased from the Superintendent of Documents, U.S. Government Printing Office (GPO), Washington, DC 20402 for \$20.00 a subscription or \$7.50 an issue—Publication No. 1136, Stock No. 748-005-00000-5.)

Individual Statistics.—In addition to early releases of data through the *Bulletin*, the Individual Statistics Branch releases information from individual income tax returns in a number of different forms:

- An annual report contains data on sources of income, adjusted gross income, exemptions, deductions, taxable income, income tax, and tax credits. Classifications are by tax status, size of adjusted gross income, marital status and type of tax (GPO Publication No. 1304, Stock No. 048-004-02296-6, \$9.00).

(Continued on next page)

- A public-use computer file, containing the above information for records selected for the Statistics of Income sample, is also produced, suitable for making national estimates.
 - Additional unpublished information from individual income tax returns classified by size of adjusted gross income may be available, as well, upon request.
- Limited geographic information is also available by state and locale:
- For very large states, the SOI public-use file can be obtained in sort by state; for less populous states, the sample is too small to be useful for making small area estimates.
 - A more expensive "super sample" file is also available publicly, which augments our statistical sample with limited data from the regular administrative tax files and is more useful for making state estimates.
 - Below the state level, special compilations can be obtained showing annual migration patterns by state and county, based on year-to-year changes in taxpayer addresses.
 - Finally, ZIP Code data are occasionally available, as a by-product of special tabulations run for our users.

Business Statistics.—On the business side, separate Statistics of Income samples are selected for corporations, partnerships and sole proprietorships. Data from these studies are first released in the *SOI Bulletin*. While no public-use files are currently available for these data, information for each of the groups is, also, routinely made available to the public in several other different formats:

- Corporation "source books," which present income statement and balance sheet information for various industry groupings, can be purchased either for the entire sample or by particular industry. Source books, containing somewhat

more limited data items, are also available for sole proprietorships and partnerships.

- Annual data are also released from each of the series in our published reports. The latest corporation book contains tax year 1986 information on receipts, deductions, net income, taxable income, income tax, tax credits, assets, and liabilities by industry or accounting period or size of total assets or size of business receipts (GPO Publication No. 16, Stock No. 048-004-02290-7, \$10.00). In recent years the reports for partnerships and sole proprietorships have been released as multi-year compendiums and present data similar to that for corporations.
- Like the individual data, special tabulations can also be obtained for the business samples, on a reimbursable basis.

Foreign and Other Special Projects.—Numerous Statistics of Income studies are also carried out in the international area. These cover such diverse populations as activities of U.S. corporations abroad, activities of foreign corporations in the U.S., foreign interests in U.S. corporations, foreign trusts, individuals with foreign income and taxes, etc. A multi-year compendium, *Studies of International Income and Taxes, 1979-1983* presents data for 13 of these studies. More recent information is generally available in the *Statistics of Income Bulletin*.

Other special areas for which statistical data are produced include private foundations, tax exempt organizations, non-profit charitable organizations, personal wealth, estate tax returns and the intergenerational wealth study (an archive file, which traces transfers of wealth from one generation to the next, in order study investment patterns). In addition to regular articles in the quarterly *Bulletin*, microdata public-use files are available on magnetic tape for

the private foundation and charitable organization samples. Limited access can also be obtained to the estate archival file, mentioned above, under special arrangements with the Division.

Other Publications.—In addition to producing data from its annual statistical files, the Statistics of Income Division has an ongoing interest in developing new and better technological and methodological approaches for selecting and improving its samples. In that vein, technical statistical papers are written each year, which are published in the series, *Statistics of Income and Related Administrative Record Research*. Articles have covered a broad range of topics pertaining to statistical uses of administrative records, from sample design and disclosure issues to missing data adjustments and cognitive research techniques. These volumes also contain related papers of interest to SOI by other statisticians and researchers in the Federal statistical community. Finally, occasional special methodology reports are also produced to document specific areas of statistical interest. This is often done in conjunction with special workshops or conferences conducted by the Division; recent topics have focused on record linkage and microsimulation modeling.

For More Information.—The best way to obtain information about Statistics of Income data is to contact our Statistical Information Service Desk (202) 233-1755 or FAX (202) 233-1620.

Most SOI reports and tapes can be purchased from the Division directly, unless otherwise indicated above. Special tabulations and limited-use files are available on a reimbursable basis, subject to computer programming resources. All data released are subject to disclosure constraints and have been processed to ensure the confidentiality of individual taxpayers.

THE ERNST & YOUNG TAX RESEARCH GRANT PROGRAM

by William A. Duncan, Ernst & Young

Introduction

The program was established in 1984 to encourage research which would lead to the development of an improved tax system and to promote the professional advancement of professors involved in accounting education. In the ensuing six years, more than \$1,150,000 has been awarded. We believe that the investment has encouraged and influenced programs of tax research and the development of many outstanding tax researchers.

Types of Research

Proposals may be submitted on any aspect of federal, state, or local taxation. We encourage a broad range of tax research and do not restrict nor do we suggest appropriate areas of inquiry. Awards have been made on a wide variety of topics ranging from expert systems to agency theory, and from equity to ethics. Methodologies include model construction and testing, legal research, experiments, surveys, or any other method appropriate to the project.

Application Procedures and Deadlines

Research grant applications are accepted during the month of October each year and awards are generally announced on the last day of February. Applications should include a proposal (in triplicate), a vita for each researcher, a budget detailing the use of the amounts requested, and a schedule of target completion dates for each phase of the project. Proposals should clearly describe the purpose of the research, review related research, explain in detail the methodology to be employed, and briefly describe the expected contribution of the research. An abstract is recommended for all

proposals and required for those exceeding 10 pages.

Applications should be mailed to:

William A. Duncan
Program Director
The Tax Research Grant Program
Ernst & Young
1950 Roland Clarke Place
Reston, Virginia 22091-1490

The Approval Process

I review every proposal. In addition, each proposal is blind reviewed by two Ernst & Young tax partners. Over 140 Ernst & Young tax partners participated in the review process for the 1990 awards. These evaluations are used to develop a pool of the most promising proposals for review by the Selection Committee. The Selection Committee is composed of two academic representatives, three to four tax partners including the leaders of Ernst & Young's tax practice and myself. The Committee submits their recommendation for funding to the Ernst & Young Foundation where a final funding decision is made.

Limitations

The principal researcher must be a full-time accounting faculty member and possess terminal degree qualifications as prescribed by the American Assembly of Collegiate Schools of Business. It is important to note that this program is intended to encourage the development of faculty members and is not intended to be used to support doctoral students. We do encourage interdisciplinary research with co-researchers who are full-time faculty members and who possess the appropriate terminal degree for their discipline.

Payments are made to researchers only and are disbursed in stages as each major step in the project is completed. These pay-

ments usually cover researcher stipends and out of pocket expenses for such items as data tapes, postage, or necessary travel. We will not make payments to universities for overhead charges, for the purchase of computer equipment, or for services normally provided to faculty members by universities in the conduct of research. These limitations are important in that, as a general rule, we do not approve partial funding of proposals. Awards are limited to a maximum of \$50,000.

Rights to Completed Work

Researchers retain the right of publication while appropriately recognizing the funding assistance of the Ernst & Young Foundation. We request that researchers give us permission to distribute copies of their completed research project working papers to interested parties who request them.

Characteristics of Successful Proposals

The single most important element of successful research applications is the clarity with which the researchers explain their project. There are many topics of interest and many which would add to our understanding of the tax system. These elements are important and necessary but they are insufficient if the proposal does not have a clear exposition of the questions to be addressed, the methodology and the expected contribution.

Deadline for
Summer Issue of
Newsletter
April 30, 1991

KPMG PEAT MARWICK FOUNDATION OFFERS TAX RESEARCH OPPORTUNITIES

by Elizabeth Ernst, KPMG Peat Marwick

1991-92 will mark the fourth year of the KPMG Peat Marwick Foundation's Tax Research Opportunities (TRO) program. Created to encourage research benefiting the accounting profession and the broad business community, the program has funded research in such areas as tax policy, revenue modeling, taxpayer compliance, and taxpayer behavior. Since its inception, TRO has granted over \$425,000 to 29 researchers for 15 projects. 1990-91 recipients will be announced on or about February 15.

TRO provides grants of up to \$40,000 to college or university faculty members and Ph.D. candidates. If a project requires funds in excess of \$40,000 the proposal should request funds within the \$40,000 limit for a segment of the project that has a defined output. Proposals for follow-up segments can be submitted during subsequent submission periods.

Applications, which may be in any form, must be submitted in triplicate, and must provide information about the researcher (and coresearchers, if any) including education, research background, and training in the specific skills needed to carry out the proposed project; current academic position (if applicable); extent of practical experience in taxation, and a list of publications (enclosing a representative sample).

Applications should also include:

- a concise executive summary of the research objectives for the proposed project, the research methodology to be used, and the relevance of the results to the business community, the tax practice, tax policy, and the tax system.
- research design, indicating how the research objectives will be achieved.
- if applicable, a description of the survey techniques and instruments to be used.
- a work program, indicating the estimated completion dates of each phase of the project so progress can be monitored. The proposed plan must include the estimated time, expressed in man-days, required by each researcher for each phase of the project, and the funding required at the completion of each phase of the project.
- itemized funding requirements (e.g., salary and expenses such as travel costs, computer costs, research assistants' fees). Arrangements for co-sponsorship or the use of non-Foundation funds should be described if the researcher is obtaining support from sources other than the Foundation. Note that the Foundation will not reimburse indirect overhead costs expressed in terms of a percentage of the research grant.
- the need for follow-up projects and their nature.
- the nature and extent of Peat Marwick technical and administrative support.

Grant requests should be submitted by October 31, 1991 to: Tax Research Opportunities, KPMG Peat Marwick Foundation, 3 Chestnut Ridge Road, Montvale, NJ 07645-0435. Winners will be announced on or about February 15, 1992.

For further information, or for a listing of research topics suggested by *Fortune* 1000 executives and others, contact Elizabeth Ernst at the address above or call (201) 307-7151.

NOMINATIONS FOR 1991-1992

Please send your recommendations for the slate of officers and trustees to be nominated at the 1991 ATA Business Meeting in Nashville. The positions to be filled are (a) president-elect, (b) vice president, (c) secretary/treasurer and (d) three members of the board of trustees.

ATA members may recommend themselves as well as others for these positions. Please send your recommendations to:

W. Eugene Seago, Chairperson
ATA Nominations Committee
Department of Accounting
College of Business Administration
Virginia Tech
Blacksburg, VA 24061-0101

1991 IRS RESEARCH CONFERENCE

The 1991 Research Conference will be "Closing the Small Business Tax Gap: Alternatives to Enforcement." It will be held November 14-15, 1991.

ATA members who would like to submit a paper for the conference should contact conference coordinator, Joseph Weikel, Research Division PR:R, Internal Revenue Service, Room 3113, 1111 Constitution Ave., N.W., Washington, D.C. 20224 or he may be contacted by telephone at 202-233-1245. The IRS will pay travel and per diem expenses for presenters.

Members should refer to their summer 1990 issues of the ATA Newsletter for the original announcement of the conference. R. L. Plate, Director of the Research Division, discussed the conference topic in detail in his announcement of the 1991 conference.

NEWSLETTER DEADLINE

The deadline for submitting information to the ATA Newsletter is as follows:
Summer 1991 Issue—April 30, 1991. Please send information to:
Barry P. Arlinghaus, 317 Laws Hall, School of Business,
Miami University, Oxford, Ohio 45056
Phone: (513) 529-6216 FAX: (513) 529-6992

INITIAL CALL FOR PAPERS

The Journal of International Accounting,
Auditing & Taxation

First issue: July, 1992.

The journal invites articles in all areas of international accounting including auditing, taxation, management advisory services, and internal reporting. The journal intends to bridge the gap between academic researchers and practitioners by publishing readable papers with a practical emphasis but relevant to development of the field of international accounting.

Critiques of current practices, measurement and reporting of effects of current practices on business decisions, general purpose solutions to problems through simple tax models or methods, essays on new trade agreements and effects on practice, and applied research findings of interest to both academics and practitioners are all within the scope of this journal. In addition, cases used in teaching which may be also of interest for professional

continuing education and training are within the scope of the journal. Controversy, critique and stimulating opinion are ideal types of essays. This journal is a forum for debate, position papers and interpretation of new developments.

Manuscripts should be double spaced with numbered footnotes appearing at the end of the text. Manuscripts will be refereed. Accordingly, the author's name should appear only on a separate title page. Three copies of the manuscript should be sent with three copies of a separate abstract page of no more than 100 words and a \$15 submission fee payable to JIAAT to:

James A. Schweikart, editor
Journal of Internal Accounting, Auditing & Taxation
E. Claiborne Robins School of Business
University of Richmond
Richmond, VA 23173

ROLLING CALENDAR

The ATA would like to have a rolling calendar of events published in each issue of the newsletter. Events submitted for the calendar should be limited to conferences and symposiums on tax education, research in taxation and related topics. They can be events sponsored by universities, the AAA, AICPA, TEI or other such organizations, government, industry, or public accounting firms. Of course ATA events would also be included on the calendar. The events should be open to the general ATA membership. Do not send information about events that are by invitation only. The ATA Newsletter editor, in conjunction with the ATA president, reserves the right to decline including an event when deemed appropriate.

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