# Consumer Responses to Corporate Tax Planning

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**Abstract**. Prior research examines practitioner, investor, and executive perceptions of corporate tax planning. However, little is known about how the typical U.S. consumer views corporate tax planning. We examine consumers' perceptions of corporate tax planning using both survey and experimental methods. First, we survey U.S. consumers and find that while most express negative preferences for tax planning, they rank it at the bottom of purchase decision factors. Few consumers recall ever seeing a negative media article about taxes. Thus, while consumers state a preference against corporate tax planning, that preference is not particularly strong. However, for the minority of consumers who have read negative articles about a firm's tax planning, a significant portion claim to have changed their purchasing behavior accordingly. Second, we use an experiment to investigate the consumer effects of tax planning, randomly treating consumers with exposure to news about tax planning and imposing real economic consequences on the participants. We find that consumers exposed to negative tax information about a firm are significantly less likely to prefer receiving a gift card from that firm, suggesting that there is an effect of tax planning on consumer preferences even in the presence of a real economic consequence.

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# I. INTRODUCTION

In this study, we examine consumer preferences for corporate tax planning. Consumers are a core stakeholder for any firm, as their purchases drive sales revenue and their perceptions drive brand value. Recent research suggests that consumers care about corporate behavior, as they are sensitive to societal impact of corporations whose products they purchase (Sen and Bhattacharya 2001; Mohr, Webb, and Harris 2005; Besley and Ghatak 2007). However, consumers have received far less direct attention than other stakeholders in academic research on corporate tax avoidance, with most prior evidence based on the perspectives of executives or investors (Graham et al. 2014; Hanlon and Slemrod 2009; Gallemore et al. 2014). Several questions exist regarding U.S. consumers perceptions of corporate tax activity, including: Is the average consumer attuned to corporate tax planning activities? How do consumers rank corporate tax activities relative to other corporate actions? Does news of corporate tax planning affect their stated or actual purchase decisions? By providing answers to these questions, our study provides direct evidence on consumer preferences for corporate tax avoidance. Moreover, by examining consumers, we add a new perspective to a literature that has provided fairly mixed evidence on the reputational effects of corporate tax planning.

Recent survey evidence indicates that tax executives view reputation costs and the costs of negative media attention as important deterrents to corporate tax planning (Graham, Hanlon, Shevlin, and Shroff 2014). However, documenting these costs empirically has proven challenging, with research generally finding that firms that make the news for tax planning suffer only small and/or temporary capital markets penalties (Hanlon and Slemrod 2009; Gallemore et al. 2014; Hoopes et al. 2018; Austin and Wilson 2017; Chen 2018). There are several possible explanations for the seemingly conflicting findings in prior work. First, it is possible that surveyed tax executives erroneously believe that aggressive tax planning carries significant reputational risks. Second, it is possible that tax planning entails substantial reputational risks that are difficult to observe empirically due to measurement error in reputation or self-selection out of aggressive tax planning. A third possibility is that reputational costs are usually insignificant but carry the potential to be substantial. We distinguish between these possibilities using both survey and experimental methods that directly target *actual* consumers.

We first survey a large set of consumers about their preferences for corporate tax planning. We then use an experiment to examine whether learning about a company's aggressive tax planning affects consumers' purchasing decisions. This survey-experiment approach provides direct evidence about consumers' response to corporate tax planning while also allowing us to sidestep many of the challenges of examining the reputational costs of tax planning using archival methods, such as measurement error in tax and reputation variables, omitted explanatory variables, and endogeneity of tax planning actions. Our experiment, in particular, can account for endogenous factors because we randomly assign the treatment effect of participants' awareness of tax planning activities.

In our survey, we ask a sample of U.S. consumers about their preferences for corporate tax planning, seeking their responses about the rank of tax planning relative to other corporate actions, their actual purchase behaviors in response to tax planning, and their recall of companies who have been in the news for tax planning activity. We analyze responses from 481 Amazon Turk participants, representative of a broad set of U.S. consumers. We also collect important demographic details, such as income, age, political preferences, gender, and education.[1]

[1] To the extent that our sample is not a representative sample of *all* U.S. consumers, examining how important demographic information might moderate our results increases our ability to generalize our results to the broader population. Therefore, in additional analyses, we examine how consumer demographics (e.g., age, income, education, etc.) influence consumer perceptions of corporate tax planning. We discuss these analyses in detail in Section V.

Our survey evidence provides several important insights regarding consumers' perceptions of corporate tax planning. First, survey respondents indicate a clear preference for purchasing from companies that adopt less aggressive tax planning practices. However, the survey evidence suggests that taxes rarely affect consumers' actual purchase decisions, as less than six percent of respondents indicate they have *ever* avoided purchasing from a company specifically because of the company's tax practices. In addition, survey respondents rank tax factors last out of eight factors that influence their purchasing decisions. The highest-ranking factors were, unsurprisingly, price and quality. But other factors, such as corporate environmental practices and how companies treat employees, also ranked significantly ahead of taxes. Finally, only about 20 percent of customers recall *ever* having read a media article about a specific company's aggressive tax practices. In summary, this survey evidence suggests that consumers are largely unaware of corporate tax planning, and even those that are attuned to it rarely let it affect their purchase decisions, casting some doubt on the idea that consumer perceptions of tax planning have a significant, negative impact on a company's bottom line.

One possible interpretation of this survey evidence is that corporate tax planning rarely affects consumer behavior but has the *potential* to affect consumer behavior if consumers become aware of those activities. Consistent with this interpretation, our survey evidence indicates that among participants who recalled an article about a specific company's aggressive tax practices, over 16 percent also previously avoided purchasing a product because of corporate tax practices. This result implies that, if widely disseminated, information about corporate tax practices has the potential to lead a relatively significant number of consumers to avoid purchasing from tax-aggressive companies.

We complement this survey evidence with an experiment that rules out two important alternative explanations for this implication. First, this pattern of results could arise because relatively few consumers have an interest in reading articles about corporate tax practices and thus wider dissemination of information about corporate tax practices would have little impact on tax planning. The experiment randomly assigns news about tax planning to a treatment group, ensuring that treated participants *know* about a company's aggressive tax practices. Second, survey respondents might say they have declined to purchase as a result of corporate tax practices when in reality they have declined to purchase for some other reason (e.g., a general preference for purchasing from a competitor).[2] The experimental design holds constant these other purchasing motives.

Specifically, our experiment provides participants with information on two competing firms, Amazon and Walmart, and we manipulate between subjects whether participants read an article discussing Amazon's aggressive tax practices. We then ask both treatment and control group participants to (1) indicate their preference for purchasing from Amazon or Walmart and (2) choose between a raffled gift card for $100 from either Amazon or Walmart. We find that randomly treating participants with negative tax information about Amazon reduces their preference for purchasing from Amazon and makes them significantly less likely to choose the Amazon gift card. Specifically, 83.8 percent of control group participants that were not treated with an article about Amazon's tax practices chose the Amazon gift card, suggesting that the vast majority of participants preferred to receive an Amazon gift card. In contrast, only 67.4 percent of treated participants chose the Amazon gift card—a reduction of 16.4 percentage points. This effect

[2] For example, survey respondents who indicated they have declined to purchase from Apple because of their tax practices may actually prefer to purchase from Microsoft or Samsung, even in the absence of corporate tax considerations.

is not moderated by whether participants are Amazon Prime members, suggesting that even loyal customers might be influenced by information about a firm's aggressive tax practices. The combination of a survey with an experiment allows us to link what consumers *say* about tax planning to how they *act* when confronted with real economic incentives. Collectively, the results from our survey and experiment indicate that corporate tax planning rarely affects consumer behavior, but the potential costs could be considerable if information about aggressive tax planning is widely distributed among consumers.

This study contributes novel evidence to the tax literature and helps shed light on some of the mixed evidence in prior work on the reputational consequences of corporate tax planning by showing that consumers' reputational responses tend to occur at the extremes of tax avoidance, rather than on average. Consistent with prior work that finds relatively small or no reputational costs of aggressive tax practices (e.g., Hanlon and Slemrod 2009; Gallemore et al. 2014), we find that consumers rarely learn about companies' use of aggressive tax practices, that corporate tax practices are generally not of primary importance for most purchase decisions, and that consumers very rarely decline to purchase from companies with aggressive tax practices. However, in line with prior work suggesting that tax executives are concerned about the reputational costs of aggressive tax practices (Graham et al. 2014; EY 2014), we find evidence supporting the notion that consumers are willing to change their purchase decisions if they learn that a company uses aggressive tax planning. Thus, our findings complement the mixed results in prior work—they suggest that aggressive tax planning has the potential to result in meaningful reputational costs, providing support for executives' concerns, while also providing support for the idea that corporate tax practices rarely have a measurable effect on consumer purchases because consumers rarely learn about them.

In addition to helping to reconcile this empirical puzzle in the literature, these findings should also be of interest to managers as they seek to trade off the costs and benefits of tax planning activities in a dynamic environment of changing tax perceptions and preferences. Our evidence that exposure to information about corporate tax planning can meaningfully alter consumers' actual purchase decisions is increasingly important in an era of growing influence of activist groups and internet and social media use that disseminate information about corporate activities (EY 2014).

## II. HYPOTHESIS DEVELOPMENT

Our primary objective in this study is to examine consumers' preferences for corporate tax planning. Consumer behavior is a key driver of sales revenues, executive compensation, and share prices. Further, society increasingly views corporations as social actors with the responsibility to improve communities (King, Felin, and Whetten 2009). Thus, to the degree consumers make consumption decisions based on perceptions of corporate responsibility, understanding consumer preferences for corporate tax planning is important.[3] However, an underexplored question is whether consumers exhibit direct preferences against tax planning companies and whether corporate tax planning relates to consumers' revealed preferences—actual purchase decisions.

### Do Consumers Respond to Corporate Tax Planning?

Prior research documents that some firms can maintain low effective tax rates over long periods, while other firms appear to maintain rates that hover around the U.S. statutory rate (e.g.,

[3] Our use of survey and experimental methods allows us to specifically examine consumer-related reputational costs, which are the focus of our study. Examination of other potential reputational costs provides a promising direction for future research. For example, managers may be concerned about their own reputations – rather than the firm's reputation – or be concerned about career outcomes related to tax decisions (e.g., Chyz and Gaertner 2018). Firms may bear reputational costs related to employee hiring (Dubner 2018) or stock market effects related to shareholder preferences against tax planning (Fama and French 2007; Ang, Chua, and Jiang 2010).

Dyreng et al. 2008). This evidence leads to the question: why is it that more firms choose not to undertake more strategic tax planning? Prior research has considered this question, dubbing it the "under-sheltering puzzle" (Weisbach 2001). Evidence suggests that tax planning varies on the margin with perceptions of the likelihood of tax authority audits (Hoopes, Mescall, and Pittman 2012; Ayers, Siedman, and Towery 2018; Kubick, Lockhart, Mills, and Robinson 2017; Nessa, Schwab, Stomberg, and Towery 2016) and yet actual audit rates for many firms remain very low (e.g., less than 1 percent of firms). With the limited resources of the tax authorities and the considerable variation in corporate tax planning, a common explanation in the literature is reputational concerns—firms fear that tax planning activities could alienate customers and tarnish the company's brand value.[4]

While the concept of reputational costs related tax planning is intuitive, evidence to support the existence of actual reputational costs varies across studies and research methodologies. Capital market studies provide mixed, weak evidence on how market participants perceive tax planning. For example, Hanlon and Slemrod (2009) find that stock market penalties for revealed illegal tax shelters activity is small (and in some specifications zero) and Gallemore et al. (2014) provide evidence this market effect is only temporary, with stock prices systematically reverting to pre-news levels within the ensuing 30 days. Gallemore et al. (2014) also find no *ex-post* evidence of an association between revelations of aggressive tax activities and other financial statements measures, such as sales revenues or advertising expenditures. Hoopes et al. (2018) find evidence of only very small consumer reactions to Australian firms not paying any tax, Chen (2018) finds

[4] Other types of reputational concerns also exist. For example, firms that seeks business from the government restrain their tax avoidance behavior for fear of their reputation as tax avoidance hampering their ability to receive government contracts (Mills, Nutter and Schwab 2013).

only small capital market responses to public disclosure about firms tax planning, and Austin and Wilson (2017) find mixed evidence on the effect of tax planning on brand values.

Surveys of corporate executives, on the other hand, offer strong evidence of a *perceived* reputational cost of tax planning. Graham at al. (2014) document that executives rank reputational costs as the second most important factor influencing their decision to undertake a tax planning strategy (second only to the transactions lacking a business purpose). EY (2014) corroborates the notion that tax-related reputational costs are a significant concern, with some 89 percent of the largest firms in their survey reporting that they are somewhat or significantly concerned about media coverage of firms' tax burdens or effective tax rates. Further, Klassen, Lisowsky, and Mescall (2017) highlight a pattern of firms exhibiting different internal priorities for tax-related activities, specifically transfer pricing, and that these distinctions are linked to the firms' reported tax burdens. Notably, these surveys do not test the actual existence of tax reputational costs, but rather, the perception of these costs through the eyes of tax directors and other executives.[5]

One important, but rarely examined, group is consumers. Evidence suggests that firms are sensitive to the potential for consumer backlash (Austin and Wilson 2017), but we have limited evidence on how firms' tax planning activities affect consumers' decisions. One reason for this lack of evidence is that consumer outcomes or preferences are somewhat difficult to measure with available archival data. DeZoort, Pollard, and Schnee (2017) overcome this measurement issue by investigating individuals' perceptions about how ethical it is for firms to avoid taxes and report low effective tax rates. They find that the general public views income shifting as unethical. They also find that perceptions of fairness and legality mediate the connection between tax planning

[5] Similarly, Dyreng, Hoopes, Langetieg, and Wilde (2018), Dyreng, Hoopes, and Wilde (2016), and Hasegawa, Hoopes, Ishida, and Slemrod (2013) all find evidence of corporations making choices consistent with the existence of perceived reputational costs, but none of these papers documents an actual reputational cost.

strategies and perceived ethicality. However, DeZoort et al. (2017) do not examine the relationship between taxes and reputation in a consumer-specific context, do not ask their survey participants about purchase decisions, and do not explore consumer decisions involving real economic consequences.

Hardeck and Hertl (2014) examine how news about aggressive tax activities affects German undergraduate students' perceptions of corporate reputation and their stated intention to purchase goods. Their results indicate that German undergraduate students state an unwillingness to pay a price premium to purchase from firms with conservative tax-planning firms and indicate that media reports have a more pronounced effect upon subjects with positive attitudes toward taxation. Hardeck, Harden, and Upton (2018) explore how tax avoidance activities affect the willingness of German versus U.S. students' willingness to pay and find that U.S. students' corporate social responsibility perceptions of tax avoidance are independent of tax authorities being likely to accept the tax strategy. Differences between U.S. and European consumers – who may care more about firms' tax planning activities – suggest that any evidence among our U.S. consumers may represent a lower bound on potential consumer responses to news about corporate tax planning. While these studies provide important initial insights on the perceptions of consumers regarding corporate tax planning activities, it is unclear how U.S. consumers rank taxes compared with other purchase factors, how often they are exposed to tax-related news about firms' tax planning activities, and whether they actually change their purchase decisions because of such news. Further, stated preferences towards tax planning are all contingent upon consumers actually consuming negative tax-related media, which could occur infrequently.

Accordingly, our objective is to study consumers' preferences for or against corporate tax planning. This objective is distinct from prior research because we examine consumers' (as opposed to investors' or executives') preferences for and exposure to tax planning activities as well as and the actions they take (purchase decisions when real economic costs exist). Prior evidence does not examine whether news about such tax planning leads consumers to avoid purchasing from the company engaging in aggressive tax practices, or whether exposure to media reports about aggressive tax strategies affects consumers' decisions when real economic costs are involved. Consistent with managers' expressed concerns about reputational costs of tax planning and individuals' stated concerns about aggressive tax planning activities, we posit that news about aggressive tax planning activities influences consumers' purchasing behavior. Stated formally, we propose the following hypothesis (expressed in the alternative form):

> **H1**: *Consumers change their purchases decisions in response to firms' tax planning activities.*

**Consumer Awareness of Corporate Tax Planning**

In this section, we examine consumers' awareness of tax planning. A necessary condition for consumers to develop opinions about corporate tax planning is that they are aware that specific corporations undertake actions to minimize taxes. However, whether consumers are aware of corporate tax planning is unclear, for several reasons. First, consumers are subject to limited attention, which can prevent them from allocating time and attention to corporate activities. Second, consumers are subject to a barrage of stimuli that can affect their perceptions and purchasing decisions, including product announcements, social media interactions, news events and other company-specific information. These other decision-relevant sources can act as competition to drive away (or significantly distract from) news about a company's tax planning strategies. Third, even if consumers are aware of the possibility of aggressive corporate tax planning, that information must be disseminated to them, and there may be frictions preventing the dissemination of tax-related news, including firms acting to prevent that information from becoming public.[6] Further, media outlets provide only moderate coverage of tax-related news relative to the pool of total news dissemination.[7] Finally, consumers come from a wide array of demographics and backgrounds, which differentially affects their attention allocation, especially given the complexity of corporate taxation.

On the other hand, consumer sensitivities to the social actions of corporations appear to have received much more attention in recent years (e.g., EY 2014). Corporations are not exempt from media and public scrutiny for how their actions directly or indirectly affect society. Examples of such high-attention settings include corporate scandals (e.g., Enron; Uber; Wells Fargo), environmental disruptions (e.g., BP), price gouging (e.g., fuel prices during hurricanes), and political meddling (e.g., Facebook). These events not only receive significant attention in the popular press, but other venues more directly linked to consumer attention (e.g., Twitter feeds, Google searches) all increase sharply around important corporate events (e.g., Drake, Roulstone, and Thornock 2012). Consistent with this discussion, we formulate the following research question:

**RQ1:** *Are consumers aware of corporate tax planning?*

The typical consumer's purchase decision is a function of a variety of factors, some of which might alter or interact with how corporate tax planning affects their purchase decisions. These factors include demographics (education, income, gender, etc.), brand loyalty, the level of tax aggressiveness, and consumption of tax-based news, which we consider briefly in Section V.

[6] For example, Dyreng et al. (2018) find evidence consistent with some firms managing their disclosures to minimize the number of tax haven subsidiaries publicly disclosed. Further, evidence from both Australia and Japan indicates that firms actively manage different financial accounts in order to circumvent public disclosure of tax liabilities, disclosures that often draw media attention (Hoopes et al. 2018; Hasegawa et al. 2013).

[7] See Chen, Powers and Stomberg (2018) for details on media coverage of corporate taxes. While prior research has examined instances of news related to tax planning (e.g., Hanlon and Slemrod 2009), the sample sizes are often small, consistent with the existence of substantial frictions to tax-related news dissemination or the lack of such tax-planning activities being made public, or both.

We do not develop specific *a priori* hypotheses for these factors but discuss their implications as we present the results in Section V below.

## III. SURVEY

### Survey Participants

To conduct our survey on consumer perceptions of tax planning, we recruited a sample of U.S. consumers from Amazon Mechanical Turk, an online platform that provides experimental subjects that is extensively used in experimental and behavioral research (e.g., Chandler, Mueller, and Paolacci 2014; Goodman, Cryder, and Cheema 2012; Mason and Suri 2012; Paolacci and Chandler 2014; Peer, Vosgerau, and Acquisti 2014; Shapiro, Chandler, and Mueller 2013; Sprouse 2011). Recruiting participants from Amazon Mechanical Turk ensures that our participants are demographically diverse, particularly in comparison to traditional student samples (Buhrmester, Kwang, and Gosling 2011). We required participants to have at least a 95 percent approval rating on Mechanical Turk and be located in the United States. 496 unique participants completed the survey in the Fall of 2017.[8] To ensure that participants paid careful attention to the task, the survey included three attention check questions. After excluding participants who missed one (n = 13), two (n = 1) or three (n = 1) attention check questions, our final sample consisted of 481 responses. The median participant was 25-34 years old, had a four-year college degree, and had household income between \$20,000 and \$59,000 (see Figure 1). 240 participants were male, 239 were female, and two did not report their gender. We paid each participant \$1.50 for completing the survey. On average, participants completed the survey in 6.61 minutes, earning an hourly rate of \$13.62.

[8] We exclude responses with a repeat IP address (n = 24), an incomplete survey (n = 10), or both (n = 5).

## Survey Questions

### *Primary Measures*

Our primary measures of interest consist of a series of questions that measure (1) how corporate tax planning information influences consumer purchase decisions and (2) the frequency with which consumers become aware of corporate tax planning. We discuss each question in detail.

**Purchase Likelihood.** Participants are asked to assume they are considering purchasing a product or service from a company. They then rate how each of four scenarios would affect the likelihood of purchasing the product or service on a seven-point scale (1 = "I would be LESS likely to purchase the product or service from the company"; 7 = "I would be MORE likely to purchase the product or service from the company"). The four scenarios indicate that the company: (1) paid high taxes last year; (2) paid no taxes by using common tax strategies that are legal; (3) paid no taxes by using aggressive tax strategies that are legal; or (4) paid no taxes by using aggressive tax strategies that are illegal. We present the scenarios one at a time with the order of the scenarios randomized between-subjects.

**Ranking Purchasing Decision Factors.** Participants are asked to rank eight factors in order of their importance for a typical purchasing decision. The decision factors include:

(1) how the company treats its employees;
(2) the quality of the product or service;
(3) the price of the product or service;
(4) the convenience of the purchasing process;
(5) the overall value of the product or service;
(6) the environmental practices of the company;
(7) the warranty and/or return policy; and
(8) the tax practices of the company selling the product or service.

These decision factors are listed in a random order for each participant, and participants drag each factor into a box, ordering the factors from most to least important. We randomize between-subjects whether participants answer the ranking question before or after rating their purchase likelihood in the four scenarios discussed above, alleviating the concern that we are merely documenting a demand effect.[9]

**Purchase Decision Recollection.** Participants indicate whether they can recall a specific instance in which they declined to purchase a product or service because of the tax practices of the company that sells the product or service. If yes, participants are asked to provide the name of the company.

**Article Recall.** Participants indicate whether they can recall a specific instance in which they read an article related to a company's tax practices. If yes, participants are asked to provide the name of the company.

### *Participant Characteristics and Demographic Information*

The survey concludes with questions about participants' characteristics and demographic information, including their political views, views on tax rates, views on aggressive tax planning practices, knowledge about taxes, age, highest level of education, employment status, household income, and gender. We discuss analyses of some of these factors in Section V.

## Survey Results

### *Hypothesis Tests*

Our hypothesis (H1) predicts that consumers will change their purchase decisions in response to firms' corporate tax planning activities. The survey results are consistent with this hypothesis, given consumers' stated preferences. Table 1 presents participants' willingness to purchase from a company in four hypothetical scenarios. We find that their preferences appear

[9] It is possible that participants would rank tax practices of the company higher if they are aware that the survey focuses on corporate tax practices (a potential demand effect). To address this possibility, we randomize between-subjects whether participants answer the ranking question before or after rating their purchase likelihood in the four scenarios discussed above (which corporate tax practice scenario the survey focuses on). Inferences are unchanged if we base our analyses only on participants who answer the ranking question first.

somewhat monotonic in the aggressiveness of the company's tax practices. Specifically, participants indicate a higher willingness to purchase from a company that paid high taxes than a company that used tax strategies to avoid paying taxes ($p < 0.001$). Similarly, participants' willingness to purchase is higher if a company used legal tax strategies rather than aggressive tax strategies ($p < 0.001$) and higher if a company used aggressive legal strategies rather than aggressive illegal strategies ($p < 0.001$).[10] These results provide support for H1; participants clearly state a willingness to change their purchase decisions in response to information about corporate tax practices.

[INSERT TABLE 1]

In our follow-up analyses, we quantify consumer preferences for buying products of companies with more/less aggressive tax practices. To do so, we ask participants to rank purchase decision factors, from most to least important. The results are presented in Table 2 and indicate that corporate tax practices are not of primary importance for their purchase decisions. Out of eight possible factors, the company's tax practices were ranked as the least important factor, with a mean ranking of 6.94 and a median ranking of 8.0 (see Table 2 Panel A). These ranks are significantly lower than the rankings of all other factors (all $p < 0.001$), including other factors related to the company's employee compensation and environmental practices (see Table 2 Panel B).[11]

[INSERT TABLE 2]

Taken together, the results in Tables 1 and 2 suggests the possibility that consumers might not change their actual purchase behavior in response to corporate tax practices even though they

[10] If we examine only the first question answered by each participant (a between-subjects test), inferences are unchanged with one exception: the difference between common legal tax strategies and aggressive legal strategies is not significant ($F$ (1, 477) = 0.01, $p = 0.933$, not tabulated). This suggests that consumers' purchasing decisions are relatively unlikely to be influenced by the aggressiveness of legal tax strategies unless that aggressiveness is made particularly salient.

[11] Inferences are unchanged if we use the non-parametric Wilcoxon Signed-Rank test.

express a willingness to do so (i.e., cheap talk). To examine this possibility, we directly ask whether participants can recall having ever *actually* declined to purchase a good or service because of the tax practices of the company selling the good or service. The results are in Table 3. We find that 28 participants (5.82 percent) indicate they have actually declined to purchase a product or service in the past specifically because of the tax practices of the company (see Table 3 Panel A). Further, this past purchase decision behavior is significantly associated with their expressed willingness to purchase as well as their ranking of tax practices (all $p < 0.05$, untabulated). These findings indicate that while corporate tax practices are not of primary importance for most purchase decisions, on average, consumers express a preference for purchasing from companies that adopt less aggressive tax planning practices, and these preferences are consistent with their actual purchase decisions.

[INSERT TABLE 3]

***Consumer Awareness of Corporate Tax Planning***

For corporate tax practices to affect consumers' purchase decisions, consumers must first learn about the aggressive tax practices, as discussed in RQ1. Therefore, we directly ask participants if they can recall having read a corporate tax-related story. We find that 104 participants (21.62 percent) indicate that they recall having read an article about a company's tax practices (see Table 3 Panel A). Among participants who recall having read an article about a specific company's tax practices, 16.35 percent also previously declined to purchase from a company because of tax practices. In contrast, among participants who did not recall having read an article about a specific company's tax practices, only 2.92 percent also previously declined to purchase from a company because of tax practices. This difference is significant ($p < 0.001$, see

Table 3 Panel B), and suggests that consumer awareness about corporate tax practices is an important barrier to changing purchase behavior.[12]

***Summary***

Overall, the survey results provide evidence of the effect of corporate tax practices on consumers' purchase behavior: consumers state a preference against tax planning, but other factors have much more influence on their purchase decisions, and a large majority of consumers do not recall having read any news articles about corporate tax planning. Further, only about 6 percent of participants indicate that they have *ever* declined to purchase products or services from companies because of their tax practices. Our findings also suggest that consumer awareness is a significant barrier to consumers' response to corporate tax practices. About 20 percent of participants can recall a specific instance in which they read an article about a company's tax practices, and these participants are more than five times more likely to have changed their purchase behavior due to corporate tax practices. Overall, these results suggest that corporate tax planning rarely impacts consumer behavior. We next examine the potential impact if information about a company's aggressive tax planning were to be widely distributed.

## IV. EXPERIMENT

Our experiment examines how information about a company's aggressive tax practices directly affects consumers' purchase behavior, complementing our survey evidence in three ways. First, our experiment addresses possible endogeneity concerns and provides causal evidence on the relationship between information about corporate tax practices and consumers' subsequent

[12] The relationship between knowing about tax planning and reading an article is likely endogenous (e.g., consumers who care most about corporate tax practices might also be the most likely to seek out related articles). Our experiment further addresses the possibility of endogeneity (see Section IV).

purchase behavior. This approach is important because one possible interpretation of our survey evidence is that reputation risk is relatively low – survey respondents ranked corporate tax practices as a relatively unimportant purchase decision factor, and only 5.82 percent of respondents recall having *ever* changed their purchase behavior in response to corporate tax practices. However, participants also expressed a willingness to change their purchase behavior, and nearly 80 percent of survey respondents cannot recall having ever read an article about a specific company's corporate tax practices. Thus, the *potential* for reputation risk might be much higher if information about a company's corporate tax practices is disseminated more broadly and consumers learn about the aggressive tax practices. In this experiment we impose variation on the level of tax information subjects receive, allowing us to directly test whether dissemination is one reason for the low level of overall responses to negative tax information.

Second, as we discuss in more detail below, we design our experiment to provide evidence regarding consumers' stated preferences and purchasing from particular companies. This approach is necessary because the tax scenarios presented to survey participants described a generic, hypothetical company without describing any other factors that consumers ranked as being much more relevant in a typical purchase decision (e.g., quality, price, value, convenience, etc.). It is possible that corporate taxes might matter a great deal less (or not at all) when consumers have well-defined preferences for purchasing from particular companies, as they do with real-world purchases.

Third, our experiment directly tests what participants say about how corporate tax activities affect their purchase decisions to a purchase decision. A limitation of our survey is that survey respondents can *say* anything. For example, survey respondents might say they have previously declined to purchase from a company as a result of their aggressive tax planning even if other factors such as price, quality, or convenience were the primary determinants of their purchase decision. We extend our survey results by observing consumer purchasing behavior when presented with news about corporate tax planning, in a setting where they are likely to have well-defined *ex ante* preferences for the company. Our experiment allows us to measure consumers' real economic decisions in reaction to information about a real company's corporate tax planning activities.

**Participants**

We recruited a sample of U.S. consumers from Amazon Mechanical Turk.[13] We required participants to have at least a 95 percent approval rating from Mechanical Turk and be located in the United States. 408 unique participants completed the experiment.[14] The survey included three attention check questions to ensure that participants paid careful attention to the task. After excluding participants who missed one (n = 13), two (n = 2) or three (n = 0) attention check questions, our final sample consisted of 388 responses. The median participant was 25-34 years old, had a four-year college degree, and had household income between $20,000 and $59,000. 216 participants were male, 169 were female, and three did not report their gender. We paid each participant $1.50 for completing the experiment. On average, participants completed the experiment in 6.52 minutes, earning an hourly rate of $13.79.

**Experiment Design and Procedures**

Participants begin the experiment by reading necessary background information about two companies. As described in more detail below, we manipulate, in a 2 × 2 between-subjects design, (1) the extent to which participants have well-defined preferences for the two companies and (2)

[13] The survey and experiment were conducted simultaneously, and participants were randomly assigned to complete either the survey or the experiment.
[14] We exclude responses with a repeat IP address (n = 23), an incomplete survey (n = 7), or both (n = 5).

whether participants read an article describing the aggressive tax practices of one of the companies. Participants then indicate their preference for purchasing from the two companies. Participants complete the study by answering a number of additional questions. We discuss these manipulations and measures in detail, below.

***Independent Variables***

**Identities Known versus Identities Unknown.** We vary the extent to which participants have well-defined preferences for the two companies by manipulating whether participants know the real identities of the two companies. We present participants in the Identities Known condition with information describing Amazon and Walmart, calling each company by name. We present participants in the Identities Unknown condition with the same information except we replace the company names "Amazon" and "Walmart" with "Company A" and "Company B," respectively. The background information provided to participants is intentionally general and focuses on the similarities between the two companies to prevent participants from forming preferences or identifying the two companies based on this information (see Appendix A).

The Identities Unknown condition is conceptually similar to the hypothetical scenarios presented in our survey, as participants have little ability to discriminate between the two companies. As such, we expect the provision of information about Company A's tax planning activities to have a similar effect, reducing participants' preference for purchasing from Company A. In contrast, the Identities Known condition allows participants to draw on their well-defined preferences for the two companies, such that, *ex ante*, there is a distinct possibility that the provision of information about Amazon's tax planning activities will have little (or no) impact given participants' preferences to purchase from Amazon or Walmart for other reasons (e.g., price, quality, convenience, etc.).

**Article Manipulation.** Participants in the Article condition view an article describing Amazon's (or Company A's) aggressive tax practices (see Appendix B).[15] The article is based on a recent article in Newsweek entitled "Amazon: How the World's Largest Retailer Keeps Tax Collectors at Bay (Marks 2016)." Participants in the No Article condition do not view the article and serve as a benchmark that reveals participants' preferences for purchasing from Amazon (Company A) or Walmart (Company B) in the absence of information about Amazon's (Company A's) tax planning activities.

***Dependent Measures***

**Stated Preference.** Participants state their preference for purchasing from Amazon (Company A) or Walmart (Company B). Participants in the Identities Known condition respond on a seven-point scale with endpoints anchored at "I would strongly prefer to purchase from Amazon" and "I would strongly prefer to purchase from Walmart." Participants in the Identities Unknown condition respond on the same scale with the company names replaced. Responses are coded from 1 to 7, with higher ratings corresponding to a preference for purchasing from Amazon (Company A).

**Gift Card.** Aside from merely asking consumers about their preferences, we also provide a situation in which a real economic consequence is tied to the choice. Specifically, we inform subjects that ten participants will be randomly selected to receive a $100 gift card. Participants in the Identities Known condition choose between receiving a gift card from Amazon or Walmart.

[15] We used excerpts from the article (rather than the entire article) because it would have been difficult to prevent participants in the Identities Unknown condition from identifying Amazon based on the full article. To test whether this design choice influenced our results, our full experimental design included an additional condition in which 94 participants in the Identities Known condition were provided with the full article. In untabulated results, we compare the Identities Known + Article condition to the Identities Known + Full Article condition and find no differences for the dependent measures (all $p > 0.477$).

Participants in the Identities Unknown condition choose between having the opportunity to receive a gift card from Company A or Company B.[16]

### *Additional Questions*

Participants answered the same additional demographic questions as participants in the survey. In addition, all participants answer questions about their past preferences for Amazon and Walmart (e.g., whether they are Amazon Prime members).

## Experiment Results

In Table 4, we present the results related to the experiment (see Panel A for descriptive statistics). In Panel B, we find that participants in the Article condition indicate a lower preference to purchase from Amazon/Company A relative to Walmart/Company B ($p < 0.001$), suggesting that reading a tax article sways participants' stated preferences. This result is consistent with the evidence in our survey where we ask participants how their willingness to purchase from a company would change based on that company's tax planning aggressiveness—in both cases, the knowledge that a firm has engaged in tax planning reduces the stated willingness to purchase from that firm.

Also in Panel B, we find that participants are significantly less willing to purchase when exposed to the article when they are in the Identity Unknown condition ($p = 0.002$), consistent with the idea that information about corporate tax practices affects consumers' purchase decisions more when they do not have clear preferences for purchasing from that company. This finding is consistent with our survey result that corporate tax practices are generally ranked as less important than many other decision factors such as price, quality, and convenience. Importantly, however,

[16] This dependent measure allows us to link what they *say* about their preferences for corporate tax planning to an actual purchase decision. In addition, because this measure entails real economic consequences, this measure is less subject to concerns about demand effects.

the article also reduces participants' stated preference for Amazon in the Identities Known condition ($p < 0.001$, see Table 4 Panel C). This result suggests that information about corporate tax planning activities affects consumer preferences for purchasing from a company even when consumers can consider these other purchase decision factors. Furthermore, untabulated results reveal that, even among Amazon Prime members, the article reduces participants' stated preference for Amazon ($F$ (1, 232) = 11.52, $p = 0.008$). This result suggests that information about corporate tax practices can affect a company's loyal customer base.

[INSERT TABLE 4]

In Table 5, we augment the results above to include a real economic outcome for participants. Specifically, we test whether consumers change their behavior in light of a real economic outcome by asking participants to indicate whether they would prefer to receive, as part of a raffle, one of ten $100 gift cards from Amazon or Walmart. We present descriptive statistics for participants' choice between receiving a gift card from Amazon (Company A) or Walmart (Company B) in Table 5 Panel A.

We find that participants in the Article condition are less likely to choose the Amazon/Company A gift card ($p = 0.001$, see Panel B). This effect is stronger for participants in the Identity Unknown condition ($p = 0.002$), consistent with the idea that information about corporate tax practices affects consumers' purchase decisions more when they do not have clear preferences for purchasing from that company. Again, however, even in the Identities Known condition, the article reduces participants' propensity to choose the Amazon gift card ($p = 0.008$, see Table 5 Panel C). Specifically, while 83.8 percent of participants in the No Article condition chose the Amazon gift card, 67.4 percent of participants in the Article condition chose the Amazon gift card. This represents a 16.4 percentage point reduction in participants' propensity to choose a chance at a $100 Amazon gift card. Untabulated results reveal that this result is not moderated by whether participants are Amazon Prime members ($t$ = -0.73, $p$ = 0.466), again suggesting that a company's loyal customer base could be affected by information about a company's aggressive tax planning. [17]

[INSERT TABLE 5]

***Mediation Analysis***

Finally, for participants in the Identities Known condition, we conduct a mediation analysis that links what participants say about their willingness to purchase to participants' actual consumption decisions. As indicated in Figure 2, we find that the news article reduces participants stated willingness to purchase from Amazon ($p$ < 0.001), and participants with a higher stated willingness to purchase from Amazon are more likely to choose the Amazon gift card ($p$ < 0.001). The indirect effect of the article on participants' gift card choice (through their stated willingness to purchase) is significant using 10,000 bootstrap samples ($z$ = -3.05, $p$ = 0.002, not tabulated).

[INSERT FIGURE 2]

Combined, results from our experiment indicate that consumers change their purchasing decisions in response to information about corporate tax practices. While our survey results suggest that tax practices are not a primary factor considered in a purchasing decision, our experiment confirms that they can become an important factor when consumers learn about a company's aggressive tax practices.

[17] To the degree that Amazon Mechanical Turk participants feel some loyalty towards Amazon, the use of Amazon as a case firm in the experiment may bias against finding evidence consistent with news about tax planning activities changing participants' reduced preference for purchasing from Amazon. This finding alleviates the concern that any such effect significantly biases our results. In addition, we note that the magnitude of the effects of tax about planning activities on deterring purchases from companies in the survey and the experiment are similar, mitigating concerns that using Amazon as a case study unduly influence the results.

## V. ADDITIONAL ANALYSES

In this section, we examine how participant demographics affect our survey results to understand better how our survey results might generalize to a broader sample of U.S. consumers. We focus on the survey evidence, where evidence is not based on a treatment randomly assigned across the sample of participants, which has the advantage of random assignment.[18] We examine a number of different demographic determinants (*Male, Reads National News, College Graduate, 55+, Low Income, High Income, Conservative, and Liberal*), some of which have been may be associated with preferences for tax behavior (Torgler and Valev 2010; Hasseldine 2002; Burgoon and Burgoon 1980; Francis, Hasan, and Sun 2012; Peyer and Vermaelen 2016; Christensen, Dhaliwal, Boivie, and Graffin 2014). Examining how demographic characteristics influence consumers' purchase decisions could be especially helpful in understanding why executives have expressed concerns about potential reputational costs. For example, firms known to appeal more to political conservatives might be less sensitive to tax reputational concerns if we find that firms' aggressive tax practices have less influence on conservatives' purchase decisions. Traditionally, consumers of one party patronize some well-known firms more than another (Picchi 2018).

We examine the influence of participant demographics using multiple regression, allowing multiple demographics to enter the model at one time. The dependent variables are as follows: (1) whether survey respondents have ever *Declined to Purchase Because of Tax Actions of Firm,* (2) survey respondents' willingness to purchase from a company that *Pays High Taxes on High*

[18] Participants in our experiment are randomly assigned to experimental conditions such that participant demographics are unlikely to explain the between-subjects results. Demographic factors do not moderate the effect of the Amazon article on participants' stated willingness to purchase from Amazon vs. Walmart or on their choice between the Amazon and Walmart gift card (all $p > 0.10$). Including interactions of these variables with the Amazon article also does not improve the explanatory power of the model.

*Income*, and (3) survey respondents' willingness to purchase from a company that *Engages in Aggressive and Illegal Tax Strategy*. We estimate the model using Ordinary Least Squares.

Table 6 presents the results of regressions of these outcome variables on participant demographics. In general, we find that few of our demographic characteristics meaningfully explain our dependent variables, suggesting that our primary survey results are likely to generalize to a broader population of U.S. consumers. However, a few exceptions stand out. Females express a higher willingness than males to purchase from a company that pays high taxes and a lower willingness to purchase from a company that uses aggressive, illegal tax strategies to avoid paying taxes. Thus, females' stated preferences appear to be less tolerant of aggressive tax practices (though they are no more likely to have actually declined to purchase due to tax practices). We also find that participants that generally read the national news (*Reads National News*) are more likely to have declined purchases because of tax planning. We find that income levels play some role in explaining preferences for corporate tax behavior in our sample, with a weak propensity of low-income respondents to be more likely to decline a purchase because a company engages in aggregative and illegal tax strategies. On the other end of the income distribution, we find some evidence that *High Income* is associated with being less likely to have declined to purchase because of the tax actions of the firm. Finally, we find that liberals express a lower willingness to purchase from a company because the company engages in aggressive and illegal tax strategies, and a higher willingness to purchase if they pay high taxes.

[INSERT TABLE 6]

## VI. CONCLUSION

We examine consumer perceptions of corporate tax planning using two methodologies: first, we survey a large sample of consumers on their awareness of, and purchase decisions in response to, news of corporate tax planning. Second, we conduct an experiment in which we treat respondents with a news article about a company's aggressive tax planning activities and examine whether this treatment affects their stated and revealed preferences for that company.

Our survey results can be summarized as follows. First, we find that, on average, consumers indicate a reduced willingness to purchase from companies with aggressive tax planning strategies. However, relative to other important purchase inputs (e.g., price, quality, employee compensation, environmental practices), the company's tax strategies rank last on the list of factors that affect the purchase decision. The survey participants also indicate low recall (about 20 percent) of ever having read an article about company tax practices and less than six percent recalled an instance where corporate tax practices affected an actual purchase decision. These results indicate that consumers exert a low penalty for tax-avoiding companies, but also indicate the potential for a much higher penalty if consumers become more aware of their tax practices.

Surveys are often limited because people can *say* anything—we must also understand what consumers *do* when confronted with news about corporate tax planning, especially when they have an economic tie to the company or *ex ante* preferences for the company. In this way, our experimental results extend the survey's findings by providing participants with an awareness of a company's tax practices to see whether it substantially and directly affects their actual purchase preferences for the company. We find that it does—treating consumers with viewing excerpts from an actual Newsweek article about Amazon's tax practices reduces participants' preferences for an $100 Amazon gift card by over 16 percentage points.

Overall, we view our results as rounding out a puzzling set of mixed results from prior literature. Prior surveys of executives indicate that they avoid aggressive tax strategies precisely because of *ex ante* perceptions of reputational damage (Graham et al. 2014), but empirical evidence fails to find a consistent, measurable reputational effect from corporate tax planning (Gallemore et al. 2014). Our results are consistent with *both* of these seemingly contradictory findings: participants indicate a fairly low awareness of corporate tax planning, but once made aware (either in the survey or as a treatment in the experiment), they indicate a substantial decrease in the willingness to purchase. Hence, as to whether a meaningful number of consumers exhibit negative preferences for corporations engaging in tax planning, the answer seems to be: yes, if they become aware of it.

## Appendix A. Company Background Information

### *Identities Known Condition*

Amazon and Walmart are similar in many ways. Both companies are large retail firms serving customers in all 50 states, and many countries worldwide. Both companies have a strong online presence. Both companies were founded and run for their first two decades by a strong leader, each of which is among the most influential individuals in the history of the retail sector.

Despite being fierce rivals, Amazon and Walmart both continue to see success in the retail industry, even while many other competitors have struggled financially. Both companies have innovated many leading practices that have since been copied by competitors, including inventory management systems and online purchasing and shipping by third party vendors. Both companies pride themselves in providing a large array of goods to their customers. Both companies also produce a line of generic products made by the company, some of which are leaders in their product categories.

The stock market has appreciated the innovations of both companies, and many early investors have since become very wealthy as the stock price of both companies has soared since their founding.

### *Identities Unknown Condition*

Company A and Company B are similar in many ways. Both companies are large retail firms serving customers in all 50 states, and many countries worldwide. Both companies have a strong online presence. Both companies were founded and run for their first two decades by a strong leader, each of which is among the most influential individuals in the history of the retail sector.

Despite being fierce rivals, Company A and Company B both continue to see success in the retail industry, even while many other competitors have struggled financially. Both companies have innovated many leading practices that have since been copied by competitors, including inventory management systems and online purchasing and shipping by third party vendors. Both companies pride themselves in providing a large array of goods to their customers. Both companies also produce a line of generic products made by the company, some of which are leaders in their product categories.

The stock market has appreciated the innovations of both companies, and many early investors have since become very wealthy as the stock price of both companies has soared since their founding.

## Appendix B. Article

### *Identities Known Condition*

“Throughout much of Amazon’s more than 20-year history, [Amazon's CEO] has carved out competitive tax positions for the company as it expanded globally…

“Newly revealed documents seen by Newsweek from a landmark court case in Seattle between Amazon and the IRS reveal how the company has attained global dominance over competitors in part by moving its global headquarters to the small, landlocked state of Luxembourg. While Amazon’s corporate structure there has been well-documented, the court documents from Seattle shed new light on allegations of tax avoidance. They also raise questions about how and why Luxembourg handed one of the world’s largest companies a tax deal that private citizens can only dream of…

“Amazon’s IRS case in the U.S., which could force it to pay more than $1.5 billion in unpaid taxes, has revealed some findings that are, at best, awkward for the company. According to court documents, Amazon hired an economist from the global financial advisory company Deloitte in 2001 to review the various approaches that could be adopted to reduce its taxes…

“Amazon has largely avoided federal taxation by managing its books to avoid reporting any meaningful profits over the past 20 years. In the last quarter of 2015, for example, Amazon paid just $73 million in taxes on $35.7 billion in revenues.”

### *Identities Unknown Condition*

“Throughout much of [Company A’s] more than 20-year history, [Company A's CEO] has carved out competitive tax positions for the company as it expanded globally…

“Newly revealed documents seen by Newsweek from a landmark court case in [Company A's headquarter city] between [Company A] and the IRS reveal how the company has attained global dominance over competitors in part by moving its global headquarters to the small, landlocked state of Luxembourg. While [Company A’s] corporate structure there has been well-documented, the court documents from [Company A's headquarter city] shed new light on allegations of tax avoidance. They also raise questions about how and why Luxembourg handed one of the world’s largest companies a tax deal that private citizens can only dream of…

“[Company A’s] IRS case in the U.S., which could force it to pay more than $1.5 billion in unpaid taxes, has revealed some findings that are, at best, awkward for the company. According to court documents, [Company A] hired an economist from the global financial advisory company Deloitte in 2001 to review the various approaches that could be adopted to reduce its taxes…

“[Company A] has largely avoided federal taxation by managing its books to avoid reporting any meaningful profits over the past 20 years. In the last quarter of 2015, for example, [Company A] paid just $73 million in taxes on $35.7 billion in revenues.”

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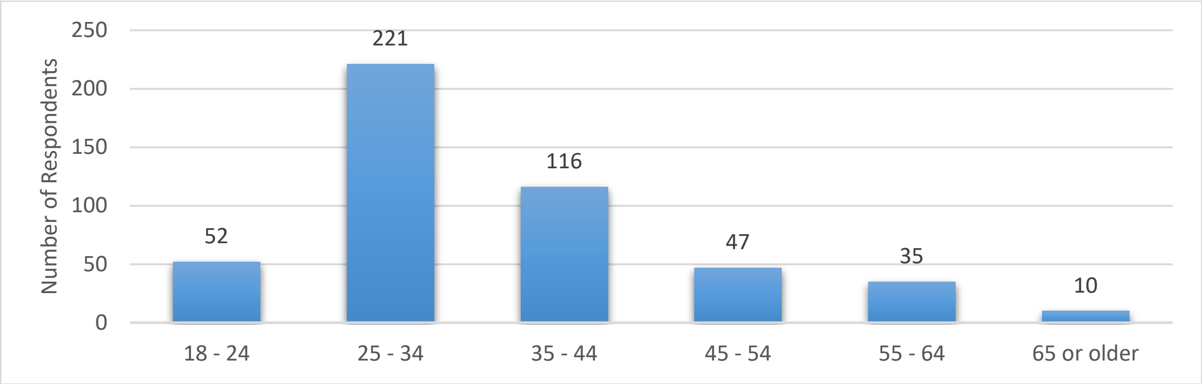
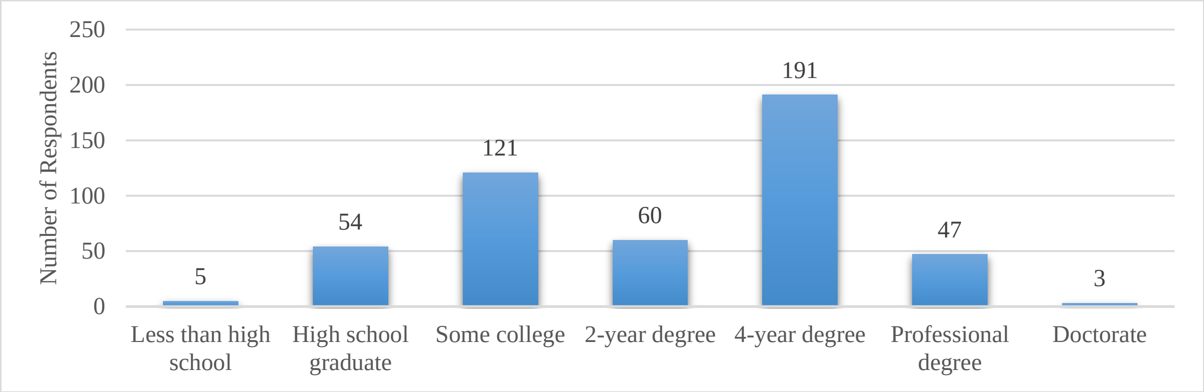
**Figure 1. Demographics for Survey Participants**

**Panel A. Age**



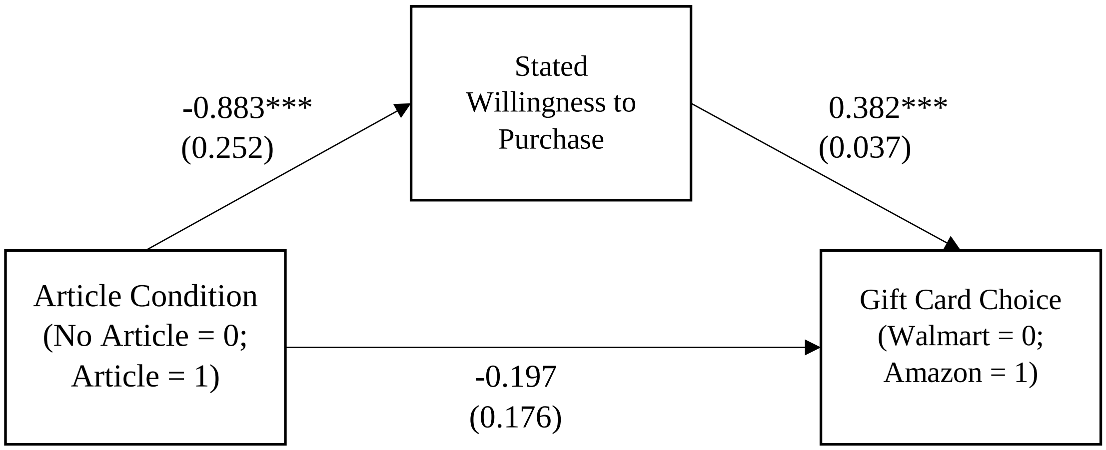

**Panel B. Education**




**Panel C. Household Income**


This figure depicts the distributions for age, education, and household income for survey respondents.

**Figure 2. Mediation Analysis for the Effect of a News Article on Consumer Preferences (Identities Known Condition)**

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This figure depicts regression coefficients and (standard errors) from a mediation analysis examining consumer preferences for purchasing from Amazon or Walmart if they read (Article condition) or do not read (No Article condition) a news article about Amazon's aggressive tax practices (see Appendix B). Participants indicate their preference for purchasing from Amazon or Walmart on a seven-point scale with endpoints anchored at "I would strongly prefer to purchase from Amazon" and "I would strongly prefer to purchase from Walmart." Responses are coded from 1 to 7, with higher ratings corresponding to a preference for purchasing from Amazon (Company A). Participants also choose between receiving a gift card from Amazon or Walmart should they win a raffle for one of ten $100 gift cards. Statistical significance (one-tailed) is indicated by * ($p < 0.10$), ** ($p < 0.05$), and *** ($p < 0.01$).

**Table 1. Survey Results – Willingness to Purchase**

**Panel A. Descriptive Statistics – Mean, (Median), [Standard Deviation]**

| **Assume you are considering purchasing a product or service from a company. Please indicate how each of the following scenarios would affect your willingness to purchase the product or service from that company.** **While researching your purchase, you read a credible news article highlighting that…** | **Willingness Ratings** |
|---|---|
| 1. The company paid high taxes last year because the company had high earnings last year. | 4.846 (4.0) [1.175] |
| 2. The company paid no taxes last year even though the company had high earnings last year. The company used common tax strategies that are legal. | 3.613 (4.0) [1.257] |
| 3. The company paid no taxes last year even though the company had high earnings last year. The company used aggressive tax strategies that are legal. | 3.326 (4.0) [1.354] |
| 4. The company paid no taxes last year even though the company had high earnings last year. The company used aggressive tax strategies that are illegal. | 2.091 (2.0) [1.329] |

**Panel B. Planned Comparisons**

| Comparison | df | *t*-statistic | *p*-value |
|---|---|---|---|
| (1) > (2) | 480 | 14.67 | <0.001 |
| (2) > (3) | 480 | 5.82 | <0.001 |
| (3) > (4) | 480 | 20.02 | <0.001 |

Table 1 presents descriptive statistics (Panel A) and planned comparisons (Panel B) for survey respondents' willingness to purchase in four scenarios. Participants are asked to assume they are considering purchasing a product or service from a company. They then rate how each of four scenarios would affect the likelihood of purchasing the product or service from that company on a seven-point scale (1 = "I would be LESS likely to purchase the product or service from the company"; 7 = "I would be MORE likely to purchase the product or service from the company"). The four scenarios are presented in Panel A. The scenarios were presented one at a time, and the order of the scenarios was randomized between-subjects.

**Table 2. Survey Results – Purchase Decision Factor Rankings**

**Panel A. Mean and Median Rankings**

| Factor | Mean Ranking | Median Ranking |
|---|---|---|
| 1. Quality | 2.36 | 2.0 |
| 2. Price | 2.48 | 2.0 |
| 3. Value | 2.94 | 3.0 |
| 4. Convenience | 4.81 | 5.0 |
| 5. Warranty | 5.09 | 5.0 |
| 6. Employee Treatment | 5.51 | 6.0 |
| 7. Environmental Practices | 5.87 | 6.0 |
| 8. Tax Practices | 6.94 | 8.0 |

**Panel B. Planned Comparisons**

| Comparison | df | *t*-statistic | *p*-value |
|---|---|---|---|
| (8) > (1) | 480 | 41.44 | <0.001 |
| (8) > (2) | 480 | 38.42 | <0.001 |
| (8) > (3) | 480 | 34.02 | <0.001 |
| (8) > (4) | 480 | 18.60 | <0.001 |
| (8) > (5) | 480 | 16.29 | <0.001 |
| (8) > (6) | 480 | 14.85 | <0.001 |
| (8) > (7) | 480 | 10.27 | <0.001 |

Table 2 presents descriptive statistics (Panel A) and planned comparisons (Panel B) for survey respondents' rankings of the importance of eight decision factors that might influence a typical purchasing decision. The decision factors are presented in Panel A. These decision factors were listed in a random order for each participant, and participants dragged each factor into a box, ordering the factors from most important to least important.

**Table 3. Survey Results – Purchase Decision Recollections, by Article Recollections**

**Panel A. Purchase Decision Recollections, by Article Recollection**

| | **Declined to Purchase?** | | |
|---|---|---|---|
| **Read an Article?** | **No** | **Yes** | **Total** |
| **No** | | | |
| Count | 366 | 11 | 377 |
| Row Percentage | 97.08% | 2.92% | 78.38% |
| **Yes** | | | |
| Count | 87 | 17 | 104 |
| Row Percentage | 83.65% | 16.35% | 21.62% |
| **Total** | | | |
| Count | 453 | 28 | 481 |
| Row Percentage | 94.18% | 5.82% | |

**Panel B. Tests of Independence for Article and Purchase Decision Recollections**

| **Test** | **$\chi^2$-statistic** | ***p*-value** |
|---|---|---|
| Likelihood Ratio | 21.52 | <0.001 |
| Pearson | 26.811 | <0.001 |

Table 3 presents descriptive statistics (Panel A) and tests of independence (Panel B) for (a) whether survey respondents can recall a specific instance in which they read an article related to a specific company's tax practices and (b) whether survey respondents can recall a specific instance where they declined to purchase a product or service because of the tax practices of the company that sells the product or service

**Table 4. Experiment Results – Stated Preference for Purchasing from Amazon (Company A) or Walmart (Company B)**

**Panel A. Descriptive Statistics – Mean, (Median), [Standard Deviation]**

| **Well-Defined Preferences Condition** | **Article Condition** | | |
|---|---|---|---|
| | **No Article** | **Article** | **Total** |
| **Identities Unknown** (Company A vs. Company B) | 4.040<br>(4.0)<br>[0.665]<br>n = 100 | 2.268<br>(2.0)<br>[1.334]<br>n = 97 | 3.168<br>(4.0)<br>[1.373]<br>n = 197 |
| **Identities Known** (Amazon vs. Walmart) | 5.686<br>(6.0)<br>[1.717]<br>n = 105 | 4.802<br>(5.0)<br>[1.734]<br>n = 86 | 5.288<br>(6.0)<br>[1.776]<br>n = 191 |
| **Total** | 4.883<br>(4.0)<br>[1.549]<br>n = 205 | 3.459<br>(3.0)<br>[1.988]<br>n = 183 | 4.211<br>(4.0)<br>[1.905]<br>n = 388 |

**Panel B. ANOVA – The Effect of Article and Well-Defined Preferences**

| **Source of Variation** | **SS** | **df** | **MS** | ***F*-Statistic** | ***p*-value** |
|---|---|---|---|---|---|
| Well-Defined Preferences | 421.42 | 1 | 421.42 | 208.23 | <0.001 |
| Article | 170.06 | 1 | 170.06 | 84.03 | <0.001 |
| Well-Defined Preferences x Article | 19.04 | 1 | 19.04 | 9.41 | 0.002 |
| Error | 777.14 | 384 | 2.02 | | |

**Panel C. Tests of Simple Effects**

| **Comparison** | **df** | **SS** | ***F*-Statistic** | ***p*-value** |
|---|---|---|---|---|
| No Article > Article, Given Identities Unknown | 1 | 154.60 | 76.39 | <0.001 |
| No Article > Article, Given Identities Known | 1 | 36.89 | 18.23 | <0.001 |

Table 4 Panel A presents descriptive statistics for participants' stated preference for purchasing from one of two companies. We manipulate (a) whether the identities of the companies are known (Amazon vs. Walmart) or unknown (Company A vs. Company B) and (b) whether participants read an article describing Amazon's (Company A's) aggressive tax practices. Participants indicate their preference on a seven-point scale with endpoints anchored at "I would strongly prefer to purchase from Amazon [Company A]" and "I would strongly prefer to purchase from Walmart [Company B]." Responses are coded from 1 to 7, with higher ratings corresponding to a preference for purchasing from Amazon (Company A). Hypothesis tests are presented in Panels B and C.

**Table 5. Experiment Results – Gift Card from Amazon (Company A) or Walmart (Company B)**

**Panel A. Descriptive Statistics – Proportion of Participants who Chose a Gift Card from Amazon (Company A)**

| **Well-Defined Preferences Condition** | **Article Condition** | | **Total** |
|---|---|---|---|
| | **No Article** | **Article** | |
| **Identities Unknown** (Company A vs. Company B) | 0.730<br>n = 100 | 0.186<br>n = 97 | 0.462<br>n = 197 |
| **Identities Known** (Amazon vs. Walmart) | 0.838<br>n = 105 | 0.674<br>n = 86 | 0.764<br>n = 191 |
| **Total** | 0.785<br>n = 205 | 0.415<br>n = 183 | 0.611<br>n = 388 |

**Panel B. Effect Likelihood Ratio Test – The Effect of Article and Well-Defined Preferences**

| **Source of Variation** | **df** | **$\chi^2$-statistic** | ***p*-value** |
|---|---|---|---|
| Well-Defined Preferences | 1 | 35.98 | <0.001 |
| Article | 1 | 51.40 | <0.001 |
| Well-Defined Preferences x Article | 1 | 10.04 | 0.002 |

**Panel C. Tests of Simple Effects**

| **Comparison** | **df** | **$\chi^2$-statistic** | ***p*-value** |
|---|---|---|---|
| No Article > Article, Given Identities Unknown | 1 | 62.24 | <0.001 |
| No Article > Article, Given Identities Known | 1 | 7.03 | 0.008 |

Table 5 Panel A presents descriptive statistics for participants' choice to receive gift card from Amazon or Walmart if they are a winner in a raffle for one of ten $100 gift cards. We manipulate (a) whether the identities of the companies are known (Amazon vs. Walmart) or unknown (Company A vs. Company B) and (b) whether participants read an article describing Amazon's (Company A's) aggressive tax practices. Participants in the Identities Known condition choose between receiving a gift card from Amazon or Walmart. Participants in the Identities Unknown condition choose between receiving a gift card from Company A or Company B. Hypothesis tests are presented in Panels B and C.

**Table 6. Cross-Sectional Determinants of Consumers Tax Preferences**
**Panel A. Descriptive Statistics**

| Variable | n | Mean | S.D. | Min | 0.25 | Mdn | 0.75 | Max |
|---|---|---|---|---|---|---|---|---|
| Declined to Purchase because of Tax Actions of Firm | 479 | 0.06 | 0.23 | 0 | 0 | 0 | 0 | 1 |
| Would be willing to purchase if company pays high taxes on high income | 479 | 4.87 | 1.15 | 2 | 4 | 4 | 6 | 7 |
| Would be willing to purchase if company engages in aggressive and illegal tax strategy | 479 | 2.1 | 1.33 | 1 | 1 | 2 | 3 | 7 |
| Female | 479 | 0.5 | 0.5 | 0 | 0 | 0 | 1 | 1 |
| Reads National News | 479 | 0.41 | 0.49 | 0 | 0 | 0 | 1 | 1 |
| College Graduate | 479 | 0.5 | 0.5 | 0 | 0 | 1 | 1 | 1 |
| 55+ | 479 | 0.09 | 0.29 | 0 | 0 | 0 | 0 | 1 |
| Low Income | 479 | 0.11 | 0.32 | 0 | 0 | 0 | 0 | 1 |
| High Income | 479 | 0.11 | 0.32 | 0 | 0 | 0 | 0 | 1 |
| Conservative | 479 | 0.17 | 0.37 | 0 | 0 | 0 | 0 | 1 |
| Liberal | 479 | 0.46 | 0.5 | 0 | 0 | 0 | 1 | 1 |

**Panel B. Regression Results**

| | (1) | (2) | (3) |
|---|---|---|---|
| | | Would be willing to purchase from a company if the company… | |
| | Declined to Purchase because of Tax Actions of Firm | Pays High Taxes on High Income | Engages in Aggressive and Illegal Tax Strategy |
| Female | -0.0234 | 0.2523** | -0.5322*** |
| | (-1.09) | (2.34) | (-4.41) |
| Reads National News | 0.0619*** | -0.0644 | 0.0043 |
| | (2.66) | (-0.60) | (0.03) |
| College Graduate | 0.0183 | -0.1380 | -0.0181 |
| | (0.84) | (-1.27) | (-0.15) |
| 55+ | 0.0444 | -0.2151 | -0.1351 |
| | (0.99) | (-1.41) | (-0.75) |
| Low Income | -0.0185 | 0.0239 | -0.3042* |
| | (-0.56) | (0.14) | (-1.89) |
| High Income | -0.0780*** | -0.1514 | 0.1373 |
| | (-4.64) | (-1.00) | (0.74) |
| Conservative | -0.0308 | 0.0019 | -0.1353 |
| | (-1.20) | (0.01) | (-0.71) |
| Liberal | 0.0140 | 0.2150* | -0.3334** |
| | (0.58) | (1.84) | (-2.54) |
| Constant | 0.0409* | 4.7749*** | 2.5792*** |
| | (1.68) | (40.89) | (18.91) |
| Observations | 479 | 479 | 479 |
| R-squared | 0.04 | 0.03 | 0.06 |

Table 6 presents the results of cross-sectional tests examining determinants of consumer tax-related purchase preferences (decisions). Panel A presents descriptive statistics for participants' purchase decisions and attributes. Panel B presents the results of OLS regression models examining the association between participant attributes and actual historical purchase behavior (column 1) and stated willingness to purchase from the company if it pays high taxes on high income (column 2) or engages in illegal and aggressive tax strategies (column 3).