

Tax Ethics Research Guide

Purpose: This guide provides a framework for researching and analyzing tax policies and strategies from ethical, economic, and social perspectives. Use it to structure your exploration of tax ethics and policy implications.

Research Framework

When analyzing tax policies and strategies, consider these four key dimensions:

1. **Legal Framework:** The laws, regulations, and court decisions that define what is allowed
2. **Economic Impact:** The financial effects on individuals, businesses, and government
3. **Ethical Considerations:** The moral principles and values that inform judgments about fairness
4. **Social Consequences:** The broader societal implications of tax policies and practices

Research Topics

Topic 1: Corporate Tax Inversions

Definition: A corporate tax inversion occurs when a U.S. company restructures itself so that a foreign subsidiary becomes the parent company, typically to reduce tax liability by relocating its legal domicile to a country with lower tax rates.

Key Research Questions:

- How do corporate inversions work, and what legal mechanisms make them possible?
- What impact do corporate inversions have on U.S. tax revenue?
- Who benefits from these strategies, and who might be disadvantaged?
- What policy responses have been proposed or implemented to address inversions?
- What ethical arguments exist for and against corporate inversions?

Recommended Sources:

- Congressional Research Service: "Corporate Inversions: Tax Policy Implications"
- Tax Policy Center: "What is a corporate inversion?"

- U.S. Treasury Department regulations on corporate inversions

Topic 2: Charitable Giving Tax Incentives

Definition: Tax incentives that encourage charitable donations by allowing taxpayers to deduct contributions to qualified organizations from their taxable income.

Key Research Questions:

- How do charitable tax deductions work in the current tax system?
- How do these incentives affect giving behavior across different income levels?
- What is the fiscal impact of charitable deductions on government revenue?
- Do charitable tax incentives primarily benefit certain types of charities or causes?
- What ethical arguments exist for and against tax-incentivized charitable giving?

Recommended Sources:

- Urban Institute: "How the Tax Cuts and Jobs Act Affected Charitable Giving"
- IRS Publication 526: "Charitable Contributions"
- National Bureau of Economic Research: studies on charitable giving incentives

Topic 3: Capital Gains Tax Preferences

Definition: Preferential tax rates applied to profits from the sale of capital assets (stocks, bonds, real estate) held for more than a year, typically lower than ordinary income tax rates.

Key Research Questions:

- How are capital gains taxed differently from ordinary income?
- What is the historical rationale for preferential capital gains tax rates?
- How do capital gains preferences affect wealth distribution?
- What economic effects (investment, growth, etc.) are attributed to capital gains preferences?
- What ethical arguments exist for and against preferential treatment of capital gains?

Recommended Sources:

- Congressional Budget Office: "Effects of Capital Gains Tax Rates on Investment"

- Tax Foundation: "An Overview of Capital Gains Taxes"
- Center on Budget and Policy Priorities: "Capital Gains Tax Preference" reports

Topic 4: State Tax Competition

Definition: The practice of states competing to attract businesses and residents by offering lower tax rates or targeted tax incentives.

Key Research Questions:

- How do states use tax policy to compete for businesses and residents?
- What types of tax incentives do states commonly offer?
- Does tax competition lead to economic growth or a "race to the bottom"?
- How does state tax competition affect public services and infrastructure?
- What ethical considerations arise when states compete on tax policy?

Recommended Sources:

- Tax Foundation: State Business Tax Climate Index
- Good Jobs First: "Subsidy Tracker" database
- Pew Charitable Trusts: Research on state fiscal health

Topic 5: International Tax Havens

Definition: Jurisdictions that offer minimal or zero taxation, financial privacy, and limited regulatory oversight, often used to minimize tax liability on global income.

Key Research Questions:

- What characteristics define a tax haven, and which jurisdictions are commonly identified as such?
- How do individuals and corporations use tax havens to minimize tax liability?
- What is the estimated impact of tax havens on global tax revenue?
- What international efforts exist to regulate tax havens and prevent abuse?
- What ethical arguments surround the use of tax havens?

Recommended Sources:

- OECD: Base Erosion and Profit Shifting (BEPS) Project

- Tax Justice Network: Financial Secrecy Index
- International Consortium of Investigative Journalists: Panama Papers and Paradise Papers

Topic 6: Mortgage Interest Deduction

Definition: A tax benefit that allows homeowners to deduct mortgage interest payments from their taxable income, intended to promote homeownership.

Key Research Questions:

- How does the mortgage interest deduction work, and who benefits most from it?
- What is the historical purpose of the mortgage interest deduction?
- How effective is the deduction at promoting homeownership?
- What are the distributional effects across income levels and geographic regions?
- What ethical arguments exist for maintaining, reforming, or eliminating this deduction?

Recommended Sources:

- Urban-Brookings Tax Policy Center: Research on mortgage interest deduction
- National Association of Realtors: Position on homeownership incentives
- Congressional Research Service: "The Mortgage Interest Deduction" report

Analysis Template

Use this template to structure your analysis of your assigned tax policy or strategy:

1. Description

- What is this tax policy/strategy?
- How does it work within the current tax system?
- What is its historical development and purpose?

2. Stakeholder Analysis

- Who benefits from this policy/strategy?
- Who might be disadvantaged or bear costs?

- How are benefits and costs distributed across income levels?

3. Economic Impact

- What is the fiscal impact on government revenue?
- What are the macroeconomic effects (growth, investment, etc.)?
- What behavioral incentives or disincentives does it create?

4. Ethical Dimensions

- What values or principles underlie this policy/strategy?
- How does it relate to concepts of fairness, equity, or justice?
- What ethical arguments are made for and against this approach?

5. Policy Alternatives

- What alternatives or reforms have been proposed?
- How would these alternatives address perceived problems?
- What tradeoffs would these alternatives involve?

6. Conclusion

- What are your key findings about this policy/strategy?
- Based on your analysis, what position would you take on this issue?
- What broader implications does this analysis have for tax policy?

Ethical Frameworks for Tax Policy Analysis

When analyzing tax policies from an ethical perspective, consider these common frameworks:

1. Utilitarian Approach

Evaluates tax policies based on their total benefit or harm to society. This approach might ask: "Does this tax policy produce the greatest good for the greatest number of people?"

2. Rights-Based Approach

Focuses on protecting individual rights and freedoms. This approach might ask: "Does this tax policy respect individuals' rights to property and economic freedom while ensuring basic rights for all?"

3. Justice and Fairness

Emphasizes distributive justice and equitable treatment. This approach might ask: "Does this tax policy distribute burdens fairly based on ability to pay?" or "Does it provide equality of opportunity?"

4. Common Good Approach

Considers what policies best serve the community as a whole. This approach might ask: "Does this tax policy advance the common welfare and maintain important social institutions?"

5. Virtue Ethics

Focuses on developing character and integrity. This approach might ask: "Does this tax policy encourage responsible citizenship and civic virtue?"

Reliable Sources for Tax Policy Research

Government Sources

- Internal Revenue Service (IRS): www.irs.gov
- U.S. Treasury Department: home.treasury.gov
- Congressional Budget Office (CBO): www.cbo.gov
- Congressional Research Service Reports
- Government Accountability Office (GAO): www.gao.gov

Research Organizations

- Tax Policy Center: www.taxpolicycenter.org
- Tax Foundation: taxfoundation.org
- Center on Budget and Policy Priorities: www.cbpp.org
- Urban Institute: www.urban.org
- Brookings Institution: www.brookings.edu
- National Bureau of Economic Research: www.nber.org
- OECD Tax Database: www.oecd.org/tax

Academic Sources

- Journal of Public Economics
- National Tax Journal
- Tax Law Review
- University tax policy centers and law school tax programs

Research Approach:

When researching tax policy and ethics, seek out multiple perspectives and consider diverse viewpoints. Evaluate sources critically, distinguish between factual information and opinion, and look for evidence-based analysis. This complex field involves not just technical aspects but also deeply held values about fairness, freedom, and social responsibility.