Punitive Reactions to Tax Evasion in Italy:

The Moderating Role of Economic System Justification

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Abstract

Two motives behind people's punitive reactions can be identified: a retributive motive, which emphasizes people's desire to punish offenders in proportion of their offense, and a utilitarian motive, which emphasizes people's desire to punish offenders in order to prevent future crimes. This work proposes that economic system-justifying beliefs may influence punitive reactions toward tax evasion depending on the extent to which retributive-based and utilitarian-based information about the tax evasion behavior is more (or less) salient. Based on the assumption that high system justifiers do not tolerate any violation of the social order and tend to defend the extant status quo, we investigate whether they are more likely to exhibit stronger punitive reactions when the retributive or utilitarian motive of punishment is high in salience. By integrating the punishment perspective with the system justification perspective, we intend to provide new insights about reasons why, and under what circumstances, people punish tax evaders.

Retributive and Utilitarian Motives for Punishment

A key question in punishment research has always been why people are motivated to punish. Defining what are the motivating factors that drive people's punitive reactions is a task that has interested scholars for years. On the one hand, Kant's (1952) retributive principle of punishment (see Carlsmith, 2008; Carlsmith, Darley, & Robinson, 2002) posits that people should punish on the basis of offenders' level of deservingness and in proportion of the offense severity. According to this view, punitive reactions are explained by the extent to which offenders deserve to be punished for their moral wrong – as the moral wrong increases, punishment will be more severe. Retributive punishment (also called deontology-based punishment) is thus motivated by the claim that offenders and those who break the law must suffer proportionally to the crime they committed; punishment serves to retaliate for their past behavior (Van Prooijen, 2017). There is evidence that people support the retributive motive of punishment. For example, results from three studies conducted by Carlsmith (2006) demonstrated that participants punished mainly on the basis of retribution and that retributive-based information about a crime increased their confidence in assigning punishment. In two experimental studies, Darley, Carlsmith, and Robinson (2000) asked participants to assign punishment to wrong-doers described as committing various harms. The authors found that sentences were primarily affected by a "just deserts" motive, thereby indicating that retribution was the best predictor of punishment. Importantly, participants were found to be insensitive to the retribution motive only in a case in which a brain tumor was the cause of the criminal's offense, a case that does not fit the standard prototype of a crime intentionally committed (Darley et al., 2000).

In a retributive perspective, indeed, the *intentionality* of the harm is one of the major determinants of the sentence, together with, for example, the magnitude of the harm committed and whether or not the transgressor has an excuse for committing it (Carlsmith et al., 2002; Darley et al., 2000). Retribution assumes that the punishment is a valuable end in itself that serves to close (or at least to reduce) the injustice gap by giving criminals what they deserve (Carlsmith & Darley, 2008).

On the other hand, Bentham (1962) and Mill (1998) argued that people punish in order to limit the likelihood of future transgressions (see Carlsmith, 2008). The utilitarian principle of punishment aims to control the transgressors' behavior and to inhibit them from doing future harms. The utilitarian punishment (also called consequentialist-based punishment) is indeed motivated by the positive consequences it produces; it is a means for promoting happiness and social security (see Carlsmith et al., 2002). As such, one of the factors that is of supreme importance for the utilitarian principle is the *detectability* of the harm (there are other factors as well, for example, whether or not criminals can be punished publicly; Carlsmith et al., 2002; Darley et al., 2000). Because people who adhere to utilitarianism are primarily concerned with deterring future instances of the offense, they are more likely to assign severe punishment for crimes with little or no chance of detection. Studies in this field provided evidence that people punish in line with the utilitarian motive of punishment. For example, Ellsworth and Ross (1983) explored the attitudinal and informational bases of opinions about the death penalty among a sample of 500 Northern California residents. Results of their survey pointed out that there was a general tendency to perceive the death penalty as a powerful tool against crime and criminals. Opinions of those who favored the death penalty as well as life imprisonment were primarily based on the utilitarian issue of deterrence. Moreover, and as mentioned before, Darley and colleagues (2000; Study 2) presented to participants a vignette in which a person with a medical condition (i.e., a brain tumor) committed violence and acted dangerously to the community. In this case, participants expressed a desire to punish in order to prevent potential future harms rather than to retaliate that person for his or her past behavior.

The utilitarian principle is grounded on the assumption that individuals, including criminals, are rational actors who behave in accordance with costs and benefits of a given situation. Accordingly, punishment serves to avoid (or at least to reduce) future transgressions and to protect thus societal members from potential future crimes, insofar it is capable to enhance costs over benefits of the criminal activity (Carlsmith & Darley, 2008).

In summary, although punishment researchers have substantially enriched our knowledge on motivational factors responsible for people's desire to punish, there are conflicting findings in the literature. As we reviewed above, some studies have found that people adhere to the retributive motive of punishment (e.g., Carlsmith, 2006; Darley et al., 2000), whereas other studies have found that people adhere to the utilitarian motive of punishment (e.g., Darley et al., 2000; Ellsworth & Ross, 1983). These and other discordant results (see for example, Glaeser & Sacerdote, 2000; Gollwitzer, Meder, & Schmitt, 2011; Kahneman, Schkade, & Sunstein, 1998; Roberts & Gebotys, 1989) make available evidence difficult to interpret and suggest that much remains to be learned about people's underlying motive to punish.

The present research addresses this issue and focuses on people's punitive reactions toward tax evasion in Italy. Specifically, we ask whether and how retributive-based and utilitarian-based information about the tax evasion behavior may influence people's punitive reactions according to economic system-justifying beliefs. In the following section, we describe the construct of economic system justification and present our hypotheses and methodological approach in detail.

Economic System Justification

From a system justification perspective, economic system justification refers to the tendency to exaggerate the economic system's virtues and to justify the economic status quo and, by extension, the economic disparities between societal members (Jost & Thompson, 2000). People high in system justification believe that the economic system that affects them is fair and tend to see their status quo as the most desirable state of affair (see Jost, Banaji, & Nosek, 2004 for a review). Relative to people who possess low economic system-justifying beliefs, people who possess high economic system-justifying beliefs are more likely to perceive the extant social order as good and to legitimate economic systems, institutions, and arrangements (Jost & Banaji, 1994). It follows that high economic system justifiers, advantaged and disadvantaged group members, desire to maintain the status quo, bolstering the stability of prevailing economic arrangements (Jost & Banaji, 1994).

The fact that high system justifiers do not tolerate violations of social order and need to preserve social security (Jost & Banaji, 1994) might suggest that they should assign punishment primarily on the basis of the retributive motive. Tax evaders, indeed, challenge the economic system as well as its norms (Kirchler, 2007; Kirchler, Hoelzl, & Wahl, 2008); they break the law by jeopardizing the security of the existing social order. Among high system justifiers, the violation of the legitimate social order via tax evasion should thus motivate to close the injustice gap and to compensate for the (violated) social order, endorsing a retributive motive for punishment – that is, the punishment based on the transgressor's level of deservingness. It follows from the foregoing that *the effect of economic system-justifying beliefs on punitive reactions toward tax evaders should increase when retributive-based information about the tax evasion behavior is high in salience [Hypothesis 1 (H1)].*

Nevertheless, from a conceptual point of view, a competing hypothesis is also possible, and it deserves some attention. Following Carlsmith and Darley (2008), the utilitarian motive of punishment is profoundly rooted in maintaining the status quo. Those who punish on the basis of utilitarianism aim at protecting the societal members by deterring transgressors to commit future crimes (see also Carlsmith et al., 2002). The fact that high system justifiers are particularly concerned with maintaining the stability of existing arrangements and obtaining benefits for societal members (Jost & Banaji, 1994) led us to advance the alternative prediction that they should embrace the utilitarian motive of punishment to a greater extent. Specifically, because motivation to prevent future crimes might well fit with high system justifiers' desire to defend the extant societal system, we propose that high economic system-justifying beliefs should amplify the utilitarian punishment – that is, the punishment based on the likelihood that future transgressions should be discouraged. This idea is consistent with prior findings from Giacomantonio and colleagues (2014, 2017) that high need for closure people, because of their high concern for the maintenance of social stability and group cohesion, were more prone to endorse the utilitarian rather than retributive punishment (Giacomantonio & Pierro, 2014; Giacomantonio, Pierro, Baldener, & Kruglanski,

2017). If this reasoning is correct, *the effect of economic system-justifying beliefs on punitive reactions toward tax evaders should increase when utilitarian-based information about the tax evasion behavior is high in salience [Hypothesis 2 (H2)].*

In examining these competing hypotheses, the present research contributes to previous research on tax evasion. Tax evasion is illegal and refers to an act of non-compliance that leads taxpayers to pay less taxes than is owed (Kirchler & Wahl, 2010). Particularly during the past decade, the literature has increasingly concerned itself with the more proximal psychological determinants of tax evasion such as demographic, cultural and behavioral, legal and institutional, and economic variables (see Khlif & Achek, 2015 for a review). Although intentions of tax behavior and reasons why people are motivated to pay or to abstain from paying taxes are undoubtedly important, little is known about motivational mechanisms underlying reactions toward tax evasion behavior. This is exactly what we investigate in this study by focusing on people's punitive reactions toward tax evasion behavior in Italy.

Present work might also contribute to past research on punishment by investigating whether and how individual differences in economic system justification lead to a preference for the retributive motive or the utilitarian motive for punishment. As far as we are aware, this is the first attempt to integrate the punishment perspective with the system justification perspective. By focusing on the interplay between punishment motives and system-justifying beliefs, this study not only accounts for reasons *why* people punish tax evaders, but it also enables us to uncover *when* people's punitive reactions could be strengthened (or weakened). This is relevant from both theoretical and practical points of view. There is consensus, indeed, that fear of criminal persecution plays an important role in deterring tax noncompliance (Klepper & Nagin, 1989). Punishment and penalties to rules-breakers are successful in predicting their tax evasion behavior (Chen, 2003) and their long-term voluntary tax compliance (Williams, 2001). Thus, understanding people's underlying motive to punish tax evaders as well as the circumstances under which their punitive

reactions could become more (or less) activated could enable the development of intervention strategies aimed at regulating taxpayers' compliance with obligations under the law.

We will test our integrative line of thought by engaging adult men and women living in Italy. We will measure participants' system-justifying beliefs about the economic system and will manipulate retributive-based and utilitarian-based information about the tax evasion behavior via written instructions. After the manipulation check, we will measure participants' punitive reactions in terms of punishment severity and inevitability that tax evaders are punished.

Hypotheses and Method

In the present study, we aim to investigate whether and how (a) system-justifying beliefs about the economic system, (b) retributive-based and (c) utilitarian-based information about the tax evasion behavior influence people's punitive reactions toward tax evaders, operationalized as the punishment severity and the inevitability that tax evaders are punished. Specifically, through a between-subjects design, we will test a dual set of hypotheses.

Because of high system justifiers' need to preserve the existing social order and their tendency to see individuals as getting what they deserve (Jost & Banaji, 1994), we hypothesize that:

Hypothesis 1a (*H1a*): *the effect of economic system-justifying beliefs on punishment severity should increase when retributive-based information is high (versus low) in salience;*

Hypothesis 1b (*H1b*): *the effect of economic system-justifying beliefs on punishment inevitability should increase when retributive-based information is high (versus low) in salience.*

Because of high system justifiers' desire to maintain the stability of the existing status quo and their concern for societal security (Jost & Banaji, 1994), we formulate the rival hypotheses that:

Hypothesis 2a (*H2a*): *the effect of economic system-justifying beliefs on punishment severity should increase when utilitarian-based information is high (versus low) in salience;*

Hypothesis 2b (*H2b*): *the effect of economic system-justifying beliefs on punishment inevitability should increase when utilitarian-based information is high (versus low) in salience.*

The Individual Difference Measure. Participants will complete the Italian version of the 17-item *Economic System Justification Scale* (*IESJS*; Caricati, 2008; see Jost & Thompson, 2000), which assesses individual differences in the extent to which people possess economic system-justifying beliefs. Examples of items are: "There are many reasons to think that the economic system is unfair" [reverse coded]; "Economic differences in the society reflect an illegitimate distribution of resources" [reverse coded]; "There is no point in trying to make incomes more equal". Ratings will be made on 7-point scales ranging from 1 = *completely disagree* to 9 = *completely agree*.

Experimental Manipulation. In line with Carlsmith and colleagues' (2002) design, participants will read a short vignette in which we will manipulate high (versus low) intentionality and detectability of tax evasion as relevant factors for retributive and utilitarian motives of punishment, respectively. Specifically, all participants will read about Mr. Jones, a 50 years old entrepreneur who serves as CEO of a telephone company. We will specify that Mr. Jones is required to submit an annual informational return to the tax agency to report the income of his company, but he undervalues the sums of his receipts and evades taxes. For retribution, we will alter information about the intentionality of the tax evasion behavior: the low retribution case will describe the tax evasion behavior as non-intentionally committed (i.e., it is caused by a mistake attributed to Mr. Jones's negligence), whereas the high retribution case will describe the tax evasion behavior as intentionally committed (i.e., it is caused by Mr. Jones's aim to reduce the tax obligation). For utilitarianism, we will alter information about the detectability of the tax evasion behavior: the low utilitarianism case will describe the tax evasion behavior as eventually easy to detect (i.e., it is detected by the state tax office after being in operation for 11 months), whereas the

high utilitarianism case will describe the tax evasion behavior as almost impossible to detect (i.e., it can be detected only by a set of very unlikely coincidences). Thus, participants will be randomly assigned to one of the four experimental conditions: (1) low retribution-high utilitarianism, (2) high retribution-low utilitarianism, (3) high retribution-high utilitarianism, and (4) low retribution-low utilitarianism. The specific vignettes we intend to show to participants can be found in *Appendix*. This manipulation is based on experimental methodologies from previous studies on retribution and utilitarianism (e.g., Carlsmith, 2008; Carlsmith et al., 2002; see Carlsmith & Darley, 2008).

Manipulation Check. Next, participants will complete two manipulation check items (one item for intentionality and one item for detectability), which assess their perceptions of retributive-based and utilitarian-based information manipulations. These items are: "To what degree is this tax evasion behavior intentionally committed?" and "How difficult is this tax evasion behavior to detect?". Ratings will be made on 7-point scales where 1 = *not at all* and 7 = *extremely*.

The Dependent Measures. Thus, we will measure participants' punitive reactions. Following Carlsmith and colleagues (2002), we will first measure the severity of punishment by asking participants to provide an appropriate punishment severity on a 7-point scale ranging from 1 = *not at all severe* to 7 = *extremely severe*. Then, we will measure the degree of inevitability that Mr. Jones is punished by asking participants to rate the extent to which they perceive the punishment as inevitable on a 7-point scale where 1 = *completely evitable* and 7 = *completely inevitable*.

Control Variable. As a control variable, we will measure perceived procedural justice. It has been demonstrated, indeed, that perceptions of procedural justice affect the relationship between citizens and the state tax office (Tyler, 1990, 1997). People who perceive that the state tax office implements procedural justice exhibit greater trust and are less likely to engage in conflict with the tax authorities (Murphy, 2003a). Following Braithwaite, Murphy, and Reinhart (2007), we will

measure perceptions of procedural justice with three scales developed by Braithwaite (2001b): the 2-item *Respect Scale* (i.e., "The tax office respects the individual's rights as a citizen" and "The tax office is concerned about protecting the average citizen's rights"), which assesses the extent to which people perceive that the state tax office treats taxpayers with respect; the 2-item *Trustworthy Treatment Scale* (i.e., "The tax office treats people as if they can be trusted to do the right thing" and "The tax office treats people as if they will only do the right thing when forced to" [reverse coded]), which assesses the extent to which people perceive that the state tax office communicates its trustworthiness as an authority; the 4-item *Consultation Scale* (i.e., "The tax office listens to powerful interest groups, not to ordinary Italians" [reverse coded], "The tax office is more concerned about making their own job easier than making it easier for taxpayers" [reverse coded], "The tax office consults widely about how they might change things to make it easier for taxpayers to meet their obligations", and "The tax office goes to great lengths to consult with the community over changes to their system"), which assesses the extent to which people perceive that the state tax office adopts impartial and transparent procedures via consultation with the taxpaying community. Ratings will be made on 5-point scales where 1 = *strongly disagree* and 5 = *strongly agree*.

Demographic Information. Finally, participants will furnish demographic data (i.e., age, level of education, political orientation, socio-economic status), before being fully debriefed and thanked for participating.

Secondary Hypotheses

We will also measure participants' feeling of anger toward Mr. Jones on a 7-point scale ranging from 1 = *none* to 7 = *a great deal*. In accordance with Carlsmith and Darley's (2008) research, we hypothesize that the relationships between economic system-justifying beliefs and punitive reactions are mediated by feeling of anger toward Mr. Jones, while high (versus low)

retributive-based information about tax evasion moderates the link between anger and punitive reactions. Specifically, we predict that:

Hypothesis 3a (*H3a*): *economic system justification positively predicts anger toward Mr. Jones, and the effect of anger on punishment severity is amplified when retributive-based information about the tax evasion behavior is high (vs. low) in salience;*

Hypothesis 3b (*H3b*): *economic system justification positively predicts anger toward Mr. Jones, and the effect of anger on punishment inevitability is amplified when retributive-based information about the tax evasion behavior is high (vs. low) in salience.*

Thus, we predict a moderated mediation effect according to which anger mediates the effect of economic system justification on punitive reactions (punishment severity and inevitability), and the effect of anger on punitive reactions ("b-path") is moderated by retribution-based information.

Data Analysis

Two two-way ANOVAs will be conducted to verify the manipulations of retributive-based and utilitarian-based information about the tax evasion behavior. The experimental conditions of high (versus low) retribution and utilitarianism to which participants will be assigned will represent the two fixed factors, whereas the perceived intentionality and detectability of the tax evasion behavior will be the criterion, respectively. We expect that participants would perceive the tax evasion behavior as more intentionally committed in condition of high retribution relative to the condition of low retribution. Conversely, we expect that participants would perceive the tax evasion behavior as less detectable in condition of high utilitarianism relative to the condition of low utilitarianism. No other main or interaction effects should be significant.

Then, we will test our competing hypotheses that the effect of economic system-justifying beliefs on (*H1a*) punishment severity and (*H1b*) punishment inevitability should increase when

retributive-based information about the tax evasion behavior is high (versus low) in salience and that the effect of economic system-justifying beliefs on (*H2a*) punishment severity and (*H2b*) punishment inevitability should increase when utilitarian-based information about the tax evasion behavior is high (versus low) in salience. In other words, we expect a significant effect of the two-way interaction between economic system-justifying beliefs and retribution (*H1*) or utilitarianism (*H2*) on participants' punitive reactions. Specifically, the simple slopes analysis should reveal that economic system-justifying beliefs significantly increase punitive reactions in condition of high retribution, whereas a significant – but weaker –relation between system-justifying beliefs and punitive reactions should be find in condition of low retribution (*H1*). Otherwise, economic system-justifying beliefs should significantly increase punitive reactions in condition of high utilitarianism, whereas a significant – but weaker –relation between system-justifying beliefs and punitive reactions should be find in condition of low utilitarianism (*H2*). Although we expect significant and positive effects of system-justifying beliefs, retribution, and utilitarianism on punitive reactions, the three-way interaction between system-justifying beliefs, retribution, and utilitarianism on punitive reactions should be not significant.

We will conduct two separate moderation analyses with the SPSS macro PROCESS with 5,000 bootstrap samples and 95% confidence intervals (Model 3; Hayes, 2013) for the punishment severity and the degree of inevitability that Mr. Jones is punished, respectively. In the models, system-justifying beliefs about the economic system will be the independent variable (X), retributive-based and utilitarian-based information about the tax evasion behavior will be the moderators (M1 and M2 respectively), and punitive reactions will be the dependent variable (Y). Because perceived procedural justice could be related with people's attitudinal responses toward the state tax office and taxpayers (Braithwaite et al., 2007), we will include perceptions of procedural justice as a covariate in each moderation analysis.

Concerning our secondary hypotheses, we will test whether the effect of economic system-justifying beliefs on feeling of anger and, in turn, on (*H3a*) punishment severity and (*H3b*)

punishment inevitability increases when retributive-based information about the tax evasion behavior is high (versus low) in salience. We expect a significant effect of the two-way interaction between anger and retribution on participants' punitive reactions. Specifically, the simple slopes analysis should reveal that feeling of anger significantly increases punitive reactions in condition of high retribution, whereas a significant – but weaker –relation between feeling of anger and punitive reactions should be find in condition of low retribution. We expect significant and positive effects of system-justifying beliefs on feeling of anger as well as on punitive reactions, as well as we expect significant and positive effects of feeling of anger and retribution on punitive reactions. Moderated mediation analysis should thus reveal that feeling of anger is a key mediator for people in condition of high retribution but not for people in condition of low retribution (*H3*).

We will conduct two separate moderated mediation analyses with the SPSS macro PROCESS with 5,000 bootstrap samples and 95% confidence intervals (Model 15; Hayes, 2013) for the punishment severity and inevitability, respectively. In the models, system-justifying beliefs about the economic system will be the independent variable (X), retributive-based and utilitarian-based information about the tax evasion behavior will be the moderators (M1 and M2 respectively), feeling of anger will be the mediator (M), and punitive reactions will be the dependent variable (Y). Again, we will include perceptions of procedural justice as a covariate in each moderated mediation analysis. As specified previously, we intend to run the analyses for both punishment severity and punishment inevitability in order to test our hypotheses separately for each dependent variable. However, because these two dependent variables might be highly correlated with each other, we could also combine them into one aggregate measure of punitiveness.

Sample Size and Data Collection

The power analysis for interaction was performed with G*power. Cohen (1988) suggested that effect sizes (f^2) of .02, .15, and .35 can be considered as small, medium, and large effect sizes, respectively. However, more recent literature (i.e., Aguinis, Beaty, Boik, & Pierce, 2005) has

pointed out that effect sizes in moderation tests are lower than those indicated by Cohen (1988). Specifically, Aguinis and colleagues (2005) highlighted in a 30-year review (1969-1998) of the size of moderating effects that the median observed effect size (f^2) was only .002. Indeed, Perugini, Gallucci, and Costantini (2018) advised to opt for conservative choices in testing research hypotheses, particularly when one is going to test a novel effect. As we did not find a published study upon which to base our estimation of effect sizes of the moderation effect of retributive-based and utilitarian-based information about tax evasion on the relationship between system-justifying beliefs and punitive reactions, we grounded our power analysis on a conservative f^2 value of .01. Thus, we computed the optimal sample size for this study by assuming a multiple regression model with 1 tested predictor (i.e., the expected two-way interaction between system-justifying beliefs and retributive-based or utilitarian-based information) on a total of 8 predictors (i.e., three main effects, four moderation effects, and one covariate). By setting a conventional statistical power of .80 and an error probability of .05, analysis revealed a minimum sample size of 787 participants.

In order to equally distribute participants across conditions, we will collect data from 788 Italian adults, preferably in the age range of 25-65 years and with gender balanced. They will be recruited online via ZPID's PsychLab.

Appendix

(1) The low retribution-high utilitarianism vignette

Mr. Jones is 50 years old. He is an entrepreneur who serves as CEO of a telephone company. He is required to submit an annual informational return to the tax agency to report the income of his company. *Because of a mistake attributed to his negligence, Mr. Jones accepts cash payments for services rendered without reporting them properly to the agency. Thus, even if non-intentionally, he falsifies information on the tax return by accidentally undervaluing the sums of his receipts. A crime of this sort is almost impossible to detect. A taxpayer's financial situation is commonly examined by the state tax office, but it can be detected only by a set of very unlikely coincidences.*

(2) The high retribution-low utilitarianism vignette

Mr. Jones is 50 years old. He is an entrepreneur who serves as CEO of a telephone company. He is required to submit an annual informational return to the tax agency to report the income of his company. *Because of his intention to reduce the tax obligation, Mr. Jones accepts cash payments for services rendered without reporting them properly to the agency. Thus, and intentionally, he falsifies information on the tax return by willfully undervaluing the sums of his receipts. Unknown to Mr. Jones, a crime of this sort is eventually easy to detect. A taxpayer's financial situation is constantly examined and detected by the state tax office after being in operation for 11 months.*

(3) The high retribution-high utilitarianism vignette

Mr. Jones is 50 years old. He is an entrepreneur who serves as CEO of a telephone company. He is required to submit an annual informational return to the tax agency to report the income of his company. *Because of his intention to reduce the tax obligation, Mr. Jones accepts cash payments*

for services rendered without reporting them properly to the agency. Thus, and intentionally, he falsifies information on the tax return by willfully undervaluing the sums of his receipts. A crime of this sort is almost impossible to detect. A taxpayer's financial situation is commonly examined by the state tax office, but it can be detected only by a set of very unlikely coincidences.

(4) The low retribution-low utilitarianism vignette

Mr. Jones is 50 years old. He is an entrepreneur who serves as CEO of a telephone company. He is required to submit an annual informational return to the tax agency to report the income of his company. *Because of a mistake attributed to his negligence, Mr. Jones accepts cash payments for services rendered without reporting them properly to the agency. Thus, even if non-intentionally, he falsifies information on the tax return by accidentally undervaluing the sums of his receipts. Unknown to Mr. Jones, a crime of this sort is eventually easy to detect. A taxpayer's financial situation is constantly examined and detected by the state tax office after being in operation for 11 months.*

Anticipated Timeline

August to September: Data collection

September: Data analysis

October: Manuscript writing – Stage 2

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