Dr. Chelsea Rae Austin Receives Prominent Research Award


Austin co-authored the paper with Ryan Wilson (University of Oregon, Lundquist College of Business). Austin states that the topic of this paper evolved from her interest in “the determinants and consequences of tax avoidance.” In this paper, Austin and Wilson found that valuable brand ownership is a deterrent to tax avoidance.

An Examination of Reputational Costs and Tax Avoidance: Evidence from Firms with Valuable Consumer Brands

Chelsea Rae Austin
Assistant Professor
University of South Carolina

Ryan Wilson
Professor
University of Oregon

ABSTRACT

We expect firms with the greatest exposure to reputational damage among consumers will engage in lower levels of tax avoidance to minimize unwanted scrutiny that could impair the firms' reputation. We identify a set of firms with valuable consumer reputation using Harris Interactive's EquiTrend survey, which surveys consumers about their perceptions of valuable and prominent brands. We find evidence in support of our hypothesis that firms with valuable brands will engage in less tax avoidance. Specifically, we find a positive and significant association between our measure of reputation and both the GAAP and cash effective tax rates (measured over one and three years). We find mixed evidence on whether there is a negative and significant association between reputation and the probability the firm is engaging in tax sheltering.