

A STUDY OF ADMITTED INCOME TAX EVASION

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A sample survey of 800 Oregon adults showed that nearly one in four admit they practice evasion. Higher percentages were found for people who were young, with low income, male, and who believed their chance of getting caught was low. Occupational prestige and belief that the tax system is unfair were unrelated to noncompliance. Differential opportunities to practice evasion is a promising explanation, and the deterrent effect of penalties seems uncertain. The evidence suggests conceptualizing tax evasion as a white-collar crime by the nature of the violation and not by the characteristics of the offender.

Willful income tax evasion is an offense against government in which the taxpayer has withheld the property of the government for his or her own use, and it is punishable by civil and criminal penalties. An active audit and intelligence effort is mounted by the Internal Revenue Service and by revenue departments in states with income tax laws. The level of noncompliance and the patterns of evasion observed are not publicly disclosed, although the mass media do report some criminal proceedings. Beyond the few studies discussed below, there is little literature on the level of taxpayer noncompliance in the United States, the motivations for noncompliance, the success of detection, or the effectiveness of sanctions.

Social scientists generally have considered tax evasion a typical "white-collar crime," defined by Sutherland as "a crime committed by a person of respectability and high social status in the course of his occupation" (1949: 9). Empirical studies of tax evasion have therefore focused on individuals from middle and upper income groups, on the assumption that these persons have the greatest opportunities to evade. Groves (1958), for example, confined his tax compliance study to a group of Wisconsin landlords and farmers. Schwartz and Orleans (1967), investigating the effect of different types of sanctions on subsequent income tax evasion, sampled individuals in 1962 from geographical areas where 1961 household income was

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generally \$10,000 or more — at that time only about 15.8 percent of all households (U.S. Bureau of Census, 1976: Part 1, 289). Spicer and Lundstedt (1976) limited their survey of tax non-compliance to 130 upper-income households selected from two central Ohio suburban areas. Only Tittle and Villemez (1977) surveyed a random sample of the total population.

Sutherland's original definition of white-collar crime focused on the violator, not the offense, in order to emphasize the way in which society discriminated between the crimes of the respectable and affluent and those of the poor or otherwise disadvantaged. But, as Edelhertz (1970) has pointed out, white-collar crime has now been democratized; it can be committed by the bank teller as well as the banker.¹ In the thirty years since Sutherland's early work, an increasing proportion of the

Table 1. Disposition of Prosecutions for Tax Fraud Initiated in 1975, upon Recommendation of Intelligence Division of Portland District IRS Office, by Occupational Stratum^a

Occupational stratum of alleged offender	Pending	Dismissed	Acquitted	Sentenced	Total
Professional - technical	0	0	0	3	3
Managers and officials (not self-employed)	1	0	0	7	8
Managers and officials (self-employed)	2	1	1	6	10
Clerical and sales	0	0	0	0	0
Craftsmen	0	0	0	1	1
Operators	0	1	0	9	10
Unskilled ^b	1	0	0	1	2
Total	4	2	1	27	34

^a Data are for 34 individuals involved in 29 cases.

^b Includes farm and nonfarm laborers, service and private household workers.

¹ Edelhertz (1970: 3) defined white-collar crime less restrictively than Sutherland: "an illegal act or series of illegal acts committed by nonphysical means and by concealment or guile, to obtain money or property, to avoid the payment or loss of money or property, or to obtain business or personal advantages." Income tax fraud is included as a white-collar crime in Edelhertz's classification system. Edelhertz *et al.* (1977) also elaborated his concept of white-collar crime, particularly as it is distinguished from street crime, and considers additional aspects in the investigation and prosecution of this type of crime as well. See Katz (1977) for considerations concerning bias in the prosecution of white-collar crime.

working class has become relatively affluent and has acquired sources of income that are not subject to income tax withholding. Workers whose incomes previously fell below the threshold at which they could be taxed now come within the purview of federal and state income tax laws.

It is not surprising, therefore, to find prosecuted tax evaders distributed across the full range of income levels and occupations, although the middle and upper classes are overrepresented. As Table 1 shows, more than one-third of the thirty-four persons recommended for prosecution for tax fraud by the Portland, Oregon, IRS district office were not in the white-collar category. Sixty-two percent of individuals recommended for indictment were in typical white-collar positions.² Time series data going back to Sutherland's era are not available for comparison, but the trend toward "democratization" of both noncompliance and tax prosecutions is clearly supported by other evidence. Any understanding about tax noncompliance today must be based on a sample of the entire population, and not just persons in upper-income groups and high-status occupations.

I. VARIABLES

The absence of a well-developed theory of income tax noncompliance from which to derive hypotheses led us, instead, to identify a set of variables associated with tax noncompliance from the literature on compliance behavior and criminal activity. The identified variables were then tested empirically in order to generate a statistical model of behavior.

Except where a criminal prosecution is filed, all information about state and federal audits of income tax returns and investigations of suspected tax fraud remains secret. Even where civil penalties are imposed, the name of the violator, the seriousness of the offense, and the sanction are confidential (U.S. Internal Revenue Service, 1975 b: § 6103). The violator, of course, is unlikely to disclose the facts of detection or punishment. Criminal cases are reported in the media only when the accused is socially prominent (or notorious) or alleged to have defrauded the government of a very large amount of money (see, e.g., Irey and Slocum, 1948).

² Criminal prosecutions are recommended where evidence is sufficient to indicate guilt beyond reasonable doubt and reasonable probability of conviction exists (IRS Manual, 1973: § P-9-2). Criteria employed to determine if a given violation merits civil liabilities or a recommendation of criminal prosecution include the magnitude of the alleged tax deficiency, voluntary disclosure of the violation by the alleged defendant, and the defendant's health.

Typical citizens will not know the range or frequency of sanctions imposed; nor will they identify with the few violators whose punishment is publicized. At most, they will recognize that some tax returns are audited and some violators fined. Tittle and Logan (1973) emphasized that beliefs about the probability of apprehension and certainty of punishment are more important than the sanctions actually imposed. Any measure of the deterrent effect of current tax enforcement practices therefore must include a study of beliefs concerning the likelihood of detection.

Income level has been used to explain tax evasion because of the belief that it affects the opportunity to underreport income. Certainly, income from nonwithholding sources — professional consulting or writing, interest, dividends, rentals, and the sale of capital goods — is likely to be concentrated among the affluent (see Barlow *et al.*, 1966). Groves (1958) estimated that Wisconsin landlords and farmers underreported their income by as much as 50 percent and 25 percent, respectively. But low-paying occupations also furnish sources of nonwithholding income: service workers such as taxi drivers and waitresses, for instance, receive much of their income in tips and gratuities.

Age and sex appear to be related to compliance because these variables are so closely tied to income level and occupation. Older persons are likely to receive more of their income from nonwithholding sources than younger persons. Certain techniques of income tax evasion require a knowledge of the law and of accounting practices that is only acquired through experience, and thus may be associated with age. Men have greater access to occupations that produce nonwithholding income than do women, who have traditionally held such jobs as nurse, teacher, laboratory technician, clerical or sales worker, or have been employed in service occupations (see Ferber and Lowry, 1976). In all of these occupations, salary is usually subject to withholding.

Age and sex may also have an independent influence upon compliance. Sutherland and Cressey (1970: 122) noted that youth is generally associated with higher crime rates, although this varies considerably with the specific crime. The theoretical explanation advanced for such association is that crimes are committed by those who are physically strong or predisposed to take risks, both characteristics attributed to youth. But it is not clear whether, or why, such an explanation should apply to white-collar crime. Females apparently commit many

fewer crimes than males, although again this ratio varies with the crime (see Hoffman-Bustamante, 1973). Sutherland and Cressey (1970: 130) argue that maleness *per se* is not a cause of crime but that females are subjected to more rigorous and extensive social controls.

A third factor that may affect compliance is belief about the fairness of the tax system. Strumpel (1969) constructed a tax compliance model that stipulated positive relationships between rigidity of enforcement, an independent variable, willingness to cooperate, an intervening variable, and tax compliance, the dependent variable. His model also postulated a negative relationship between rigidity of assessment and willingness to cooperate. He defines willingness to cooperate operationally as attitudes toward taxation, perceived equity of the tax system, and attitudes toward tax offenders. He suggests that Germany and England achieve a similar level of compliance—satisfactory, though far from perfect—by very different methods. Germany employs rigid assessment and enforcement policies, at considerable social cost, whereas England's less rigid policies foster a willingness to cooperate with tax officials at the expense of rendering enforcement procedures redundant.

Vogel (1974) attributed the level of willful noncompliance he found in Sweden (approximately 34 percent) to widespread dissatisfaction with the tax system, even among groups supporting government policies. He believes that the additional taxes required to compensate for the revenue lost through tax evasion have placed such a burden upon honest taxpayers that even those who are satisfied with the tax system, and those who believe they have few opportunities to evade, now engage in evasion. Evasion breeds evasion in two other ways: by dissemination of knowledge about opportunities to evade, and by generating resentment in those whose honesty compels them to bear the burden of others who have, or make, greater opportunities to cheat. Although most Swedes condemn tax evasion, many practice it nevertheless. Spicer and Lundstedt (1976) argue that the perceived inequity of the tax system is significantly related to tax evasion in the United States. Among those of their respondents who thought the tax system was basically unfair, 75 percent specified the loopholes by which wealthy individuals and corporations legally avoid paying taxes. The authors believe that taxpayers who perceive that the tax burden is inequitably distributed may respond by engaging in evasion, although some may be rationalizing their behavior.

These studies suggest two variables that may influence compliance with tax laws. The first is the taxpayer's perception of the equity of the tax exchange between him and the government, i.e., between the taxes he pays and the benefits he receives. This subjective "rate of return" on the tax investment presumably diminishes as income rises, since marginal taxes usually increase and fewer social services are received. We therefore would expect to find perceptions of inequity among those higher-income groups whose members receive most of their income in sources that are subject to withholding or reporting: salary, interest, and dividends. The second variable is the taxpayer's perception of the basic fairness of the entire tax system.

II. METHODS

Operational Measures of Variables

This study concerns knowledge of, attitudes toward, and compliance with the personal income tax laws in the state of Oregon. In order to simplify the filing of state returns, Oregon has adopted the federal definition of taxable income and requires that a copy of the federal return accompany the state return. Our findings therefore should have applicability to federal income taxation as well. We constructed a dichotomous measure of three types of evasion: failure to file a return, underreporting of income, and overstatement of deductions. These items were asked at the end of an hour-long interview, preceded by reassurances of anonymity, and phrased so as to minimize any implication of immorality or wrongdoing.³

Operational measures of the independent variables were more straightforward. Level of income, occupational status, age, and sex were asked as in standard household surveys (see, e.g., Van Dusen and Zill, 1975). We measured perceived risk of apprehension by summing responses to two scalar items in which the respondent estimated the likelihood of being caught when seeking to evade taxes by large or by small amounts. Equity was measured by responses to two questions which were treated as distinct variables. First, we asked if the respondent thought he or she received more or fewer benefits from programs and services of state government than the average person in the state. Second, we asked if the respondent

³ The exact wording of the survey items and marginal percentages are reported in Mason, *et al.* (1975). No estimates were made for the dollar amount of evasion. Our experience, however, suggests that this information can be obtained by asking respondents to estimate the amount of tax owed.

thought his or her state taxes were reasonable or unreasonable, considering benefits received. Finally, we measured the perceived fairness of the tax system by asking if the respondent thought the state tax system was fair or unfair to him or her personally.

Sampling and Interviewing Procedure

The population sampled was Oregon households containing noninstitutionalized persons 18 years or older. A probability sample of dwelling units was selected, with the county as the primary sampling unit. A ten percent sample of blocks was taken within each census tract within each Standard Metropolitan Statistical Area; outside the SMSA's we chose one dwelling unit within each of a sample of block-like segments defined so as to produce a sample that was proportional to the county population. Total sample size was 800 individuals. Professional interviewers were assigned specific households and made at least two callbacks before they were reassigned random households within the same sample block segment. The statewide substitution rate was approximately 25 percent (20 percent not at home and 5 percent refusal). Only two respondents objected strongly to the questions. The adult who claimed responsibility for keeping records for income tax purposes was interviewed.

Validity of Self-Reported Evasion

Bias in self-report data is difficult to assess. It may occur from lying to the interviewer, from redefining tax laws to suit one's situation (e.g., selective misperception), or from lapse of memory. The possibility of contamination is serious if it affects responses differently for those in different age, sex, income or status groups. However, we are optimistic that such contamination affected the data minimally. First, the frankness and openness of many respondents was reassuring. Second, interviewers were asked to judge the truthfulness of respondents' answers, and they said 92 percent of them answered everything openly and truthfully. Seven percent seemed to withhold some information and one percent withheld a lot of information. A respondent's sincerity was doubted in five percent of the cases, and only a few of these concerned answers to the evasion items. Third, a comparison of sample estimates with population values available at the Oregon Department of Revenue showed we were within ± 1 percent for items that could be compared. These included filing a short or long form, filing a joint or separate return, owing a tax or receiving a refund, and

filing for a renter or property tax refund. The ± 1 percent is well within sampling tolerances. The available evidence thus points to substantially truthful responses and accurate data. One can never be sure, however, and, until better measures of validity are forthcoming, caution is recommended.

Statistical Procedures

We compared evader and nonevader groups for each of the three types of evasion in terms of the means of each of the independent variables, and found statistically significant differences with perceived likelihood of apprehension, income level, age, sex, and occupational prestige, but not with perceived equity or fairness. We then constructed a common model that sought to account for differences within each of the three types of evasion in terms of the five significantly related independent variables. Discriminant analysis was employed using an equation of the form:

$$D = d_1X_1 + d_2X_2 + d_3X_3 + d_4X_4 + d_5X_5$$

where D is the score on the discriminant function and the X 's are the standardized values of the discriminating variables:

- X_1 = perceived likelihood of apprehension (2 to 8)
- X_2 = age (groups 1 to 6)
- X_3 = sex (1 for male, 2 for female)
- X_4 = income level (groups 0 to 13)
- X_5 = occupational prestige level (12 to 82)
- $d_1\dots d_5$ = weighting coefficients

The dependent variable was dichotomous with a value of zero if a person reported no evasion of a given type, and one if there was a report of such evasion. Estimates of d 's for the best linear function are given in Table 4.⁴

III. RESULTS AND DISCUSSION

Respondents were asked whether they engaged in three types of income tax evasion (see Table 2). A quarter of the sample admitted at least one of these acts. The largest category of admitted evasion was underreporting of income (15 percent). Respondents were then grouped into evaders or nonevaders for each type of evasion and evasion for any one type, and the groups were compared in terms of their mean scores for each of the eight independent variables (see Table 3). The two measures of beliefs in equity and the measure of perceived fairness of the tax system were not significantly related to any type of tax evasion. Thus, this study provides no support for the assertion frequently found in the literature that

⁴ Prior probabilities for classification were equal, since we had no *a priori* reason to set them differently.

evasion can be explained as a result of public dissatisfaction with the tax laws.⁵ With the exception of occupational prestige, all of the remaining independent variables (likelihood of apprehension, income, age, and sex) were significantly related to two or more types of admitted evasion.

Table 2. Percentage of Respondents Admitting Each Type of Income Tax Evasion

Type of evasion	Percentage
Overstatement of deductions	5.3
Underreporting of income	14.5
Failure to file	8.5
At least one violation	24.2 ^a
No violation	75.8
(N)	(800)

^a Types of evasion are not additive because some respondents committed more than one.

A discriminant analysis was completed for the five independent variables with significant differences in Table 3 (see Table 4). The magnitudes of the coefficients (standardized so that size indicates the relative importance of each) and the corresponding F-values show the best linear function of the independent variables for discriminating between evaders and nonevaders within each category. Canonical correlations of the discriminant function for the groups (all statistically significant at the .05 level or better) and the centroid values (the overall means for evaders and nonevader groups) are also presented.

On the basis of the canonical correlations, less than six percent of the variability in the discriminant function can be accounted for by differences between evaders and nonevaders for each type of violation. These values, together with scatter plots of the data (not shown) indicate considerable overlap between the means for evaders and nonevaders for each type of noncompliance analyzed. Nevertheless, the statistical significance of the discriminant functions shows that there are mean differences between these groups.

⁵ Ball (1960) found that the joint effect of perceived fairness of rent control ceilings and the type of ceiling imposed (which affected income) was significantly related to the admission of rent control violations by Hawaiian landlords. We entered an interaction term (equity \times income) into the model (not shown in tables). The effect was not significantly related to admissions of tax violations for our Oregon sample.

Table 3. Mean Values for Independent Variables of Evader and Nonevader Groups by Type of Evasion^a

Independent variables	Overstatement of deductions		Underreporting of income		Failure to file		Any one violation	
	Non-evader	Evader	Non-evader	Evader	Non-evader	Evader	Non-evader	Evader
Likelihood of apprehension	<i>5.44</i>	<i>4.91</i>	<i>5.48</i>	<i>5.05</i>	<i>5.45</i>	<i>5.19</i>	<i>5.53</i>	<i>5.07</i>
Income	8.35	8.95	8.37	8.43	<i>8.59</i>	<i>6.24</i>	<i>8.52</i>	<i>7.96</i>
Age	<i>4.43</i>	<i>3.95</i>	<i>4.53</i>	<i>3.66</i>	4.40	4.43	<i>4.53</i>	<i>4.02</i>
Female/Male	<i>1.54</i>	<i>1.37</i>	<i>1.55</i>	<i>1.44</i>	1.54	1.44	<i>1.56</i>	<i>1.43</i>
Occupational prestige	40.76	40.79	40.99	39.78	<i>41.12</i>	<i>37.45</i>	41.07	40.03
Benefits received (equity)	1.74	1.67	1.73	1.75	1.74	1.71	1.74	1.72
Taxes reasonable (equity)	2.23	2.16	2.20	2.33	2.22	2.29	2.20	2.30
Taxes fair	2.46	2.51	2.46	2.45	2.46	2.44	2.46	2.47

^a Figures in italics signify that difference between non-evader and evader means is statistically significant at the .05 level.

Table 4. Discriminant Function Analysis of Tax Evasion^a

	Overstatement of deductions		Underreporting of income		Failure to file		Any one violation	
	Stand. coef.	F	Stand. coef.	F	Stand. coef.	F	Stand. coef.	F
<i>Variables:</i>								
Likelihood of apprehension	-.60	7.75	-.40	6.90	-.28	2.39	-.56	18.78
Income	0.17	0.26	-.14	0.69	-.91	27.02	-.44	8.33
Age	-.48	3.23	-.83	25.26	0.03	0.03	-.54	8.86
Female/male	-.48	3.31	-.33	3.38	-.37	5.39	-.49	8.57
Occupational prestige	-.11	0.14	-.03	0.02	-.11	0.33	-.04	0.06
<i>Centroids in reduced space:</i>								
Non-evaders				-0.09		-0.07		-0.14
Evaders				0.52		0.72		0.43
<i>Canonical correlation:</i>				0.22		0.21		0.24
<i>Percent of cases correctly classified:</i>				61.9		65.7		61.1

^a F - values and canonical correlations in italics are statistically significant at the .05 level.

One way to evaluate the quality of the statistical models is to consider how much they improve upon chance in classifying respondents. Since we are trying to place respondents in one of two categories, evaders or nonevaders, the chance of an accurate classification, given no information about the individual, is 50 percent. The models achieve correct classification of the cases in an additional 11 percent (for any one violation) to 16 percent (for failure to file). The gain suggests that the models have some theoretical relevance but little applied importance, given the number of erroneous predictions that remain.

Results of the discriminant analysis reveal that four of the independent variables play a statistically significant role in accounting for some form of tax evasion—but not always in the expected direction. For instance, income is significantly, but inversely, related to failure to file a return ($r = -0.19$, $p < .01$; not shown in tables). We can think of several reasons for this finding. Many people with low incomes receive much of it in cash, which creates no records. They may also avoid withholding, and thus lack that incentive for filing (including the desire to recover excess prepayments of taxes). Finally, the public generally, and low-income people in particular, may believe that the IRS concentrates upon those who have cheated the government out of large amounts of money, overlooking cases where any additional revenue that might be recovered is likely to be small.

Young people are significantly more likely to admit underreporting income than are older people. This is consistent with statistical data for other, non-white-collar, crime; but the effects of age in such a cross-sectional analysis are confounded with characteristics of the cohort, the historical period, and the biological consequences of aging. A cohort study would be necessary to make finer discriminations.

Men are significantly more likely to admit failure to file a return than are women; among those who admitted any one form of evasion, 57 percent were men. But the proportion of women who admitted to tax evasion is substantially higher than the proportion of women who are charged with other forms of crime, according to available arrest statistics. Either women are more prone to commit white-collar crime than other crimes, or they are systematically overlooked by the criminal process.

The independent variable with the strongest correlation with admitted tax evasion is belief in the probability of not being apprehended.⁶ Such a belief is likely to be associated with amount of information, one source of which is formal education. The correlation coefficient between level of formal education and belief in the likelihood of apprehension is -0.17 (significant at the .01 level; not shown in tables). Thus, the better-educated believe that their chances of getting caught are lower. However, educational level is not related to any form of admitted tax evasion. One reason may be that education also is positively related to income; and income is inversely related to most forms of evasion in Table 4.

Beliefs about the probability of apprehension may also be affected by personal experience, peer discussion, and mass media exposure. Although we lack direct measures of these influences, we can attempt an indirect assessment of their possible effects by examining the auditing and criminal investigation activities of the IRS and the Oregon Department of Revenue.

Most information about these activities is not public; names of violators are confidential, and even statistical data are aggregated at the statewide level. In 1975, 1,025,202 individual federal income tax returns were filed in Oregon, of which the IRS audited 17,589 and claimed \$9,892,000 in additional tax and penalties as a result (U.S. Internal Revenue Service, 1975a: 134). The state Department of Revenue audited 35,236 returns and obtained additional revenue of \$3,326,359 as a result. These audits are not independent; the IRS referred 5,425 returns to the state Department of Revenue, which produced an additional state tax of \$877,892 (personal communication, Oregon Department of Revenue, Nov. 8, 1977).⁷ Approximately five percent of individual income tax returns in Oregon were audited in 1975. Given this low figure, the confidentiality granted all those not prosecuted, and the unwillingness of most people to publicize their own deviance, the general deterrent effect of these

⁶ With the exception of a few studies using simple gambling situations, determinants of perceived risk—an aspect of likelihood of apprehension—remain unexplored (see Slovic, *et al.*, 1977).

Low fear of apprehension may serve either as a motivation or as a rationalization for tax evasion, and the link of causality is unclear. Motivation for evasion may stem from several sources, e.g., simple greed; and successful noncompliance produces the expectation of further escape from detection. Rationalization may be the effect of successful evasion when one begins to cheat and the experience of nonapprehension serves as a motivation for continued noncompliance.

⁷ The lower net tax from state audits may be explained by the fact that state personal income tax rates are much lower than federal tax rates. A ten percent rate is assessed against all taxable incomes of \$9,000 or more, whereas federal tax rates are graduated to higher levels. State penalties for violations, however, are 100 percent of the tax due, compared with federal penalties of 50

enforcement mechanisms is likely to be small, although such audits may be effective in collecting additional tax revenue and may well deter recidivism in those whose noncompliance is detected.

Fear of apprehension may affect compliance in other ways as well. Tittle and Logan (1973) have argued that anxiety produced by uncertainty about the likelihood of detection plus the severity of punishment can be an effective deterrent. Middle-class taxpayers, for instance, may comply with the tax laws because they grossly overestimate the likelihood of apprehension and are extremely fearful of both the psychological and economic penalties for evasion.

Another explanation for patterns of noncompliance may be differences in the perceived seriousness of the offense. People who engage in tax evasion may view it as a trivial matter, and this may explain their belief that apprehension is unlikely. Erickson, *et al.* (1977), for instance, found a high degree of multi-collinearity among measures of perceptions by juveniles concerning the seriousness of an offense and the certainty of punishment.

Finally, variation in the perceived seriousness of tax evasion may affect these results in yet another way. People who believe that evasion is not serious may be more willing to admit that they engage in it; without an independent measure of seriousness of evasion it is impossible to eliminate this hypothesis.

IV. SUMMARY AND CONCLUSIONS

This investigation of admitted income tax noncompliance studied the behavior of the total adult population of Oregon and not just that of persons in high-status occupations. Drawing upon the literature concerning tax compliance and criminal activity in general, it sought to account for such behavior in terms of perceived likelihood of apprehension, income level, occupational prestige, age, sex, perceived equity between taxes paid and services received, and perceived fairness of the tax system. Through a personal interview survey of an area probability sample of 800 Oregon adults, we gathered data on three kinds of noncompliance: over-statement of deductions, underreporting of income, and failure to file. Evaders and

percent. The state has not prosecuted criminal tax fraud cases primarily because the state statute of limitations is two years, but the Oregon Department of Revenue refers criminal tax fraud cases to the IRS.

nonevaders for each of these acts (and for any one of them) were compared in terms of the mean values for each of the independent variables, and those variables that were statistically significant were combined into a common model and tested by discriminant analysis.

Nearly one person in four engaged in evasion, and even higher percentages of people with low incomes, or under age 35, admitted such practices. Belief that the chance of apprehension was low, low income, youth, and being male were all significantly related to at least one form of income tax evasion. On the other hand, occupational prestige had no significant bearing on tax evasion; evasion apparently is practiced with comparable frequency throughout the occupational hierarchy.⁸ Nor is compliance affected by the sense that the tax system is inequitable or unfair. People do not seem to need, or at least do not report, an ideological justification for tax evasion.

Differential opportunity offers a more promising explanation. Some may comply because withholding practices allow little opportunity to do otherwise. Recent tax reforms requiring the withholding of tax owed upon tips and other gratuities therefore probably reduce noncompliance among people in certain occupations; extending withholding to gambling and other sources of income might be the single most effective constraint upon evasion.

The deterrent effect of civil and criminal penalties seems uncertain, at best. Those audited and punished may be dissuaded from further evasion, but the general deterrent effect upon others may be small. Confidentiality diminishes the amount of information that can be disseminated. News reports of criminal cases are likely to be read by the well-educated and affluent, who are generally more knowledgeable about tax matters (see Mason *et al.*, 1975: 12). This group believed their chances of apprehension were low; nevertheless, they were also less likely to practice evasion. Hence, patterns of evasion cannot be explained by any simple concept of deterrence. Only the elderly and women believed that their chances of apprehension were high and also were less likely to evade their tax obligation.

⁸ Tittle and Villemez (1977) agree with this finding after controlling for age effects. They were relating a measure of social class, not occupational prestige, to admitted tax evasion.

The evidence accumulated in this study suggests that the concept of tax evasion as a white-collar crime must focus upon the nature of the violation and not on the characteristics of violators. Demographic variables differ greatly in their effects; and some, such as occupational status, do not seem to be related to evasion at all. Nor do the variables that are related adequately explain noncompliance. The data suggest a more complex model that concentrates upon the *modus operandi* of tax evaders and the efforts of government to reduce that behavior, using such variables as perceptions about the opportunity to evade, the seriousness of evasion, the likelihood of apprehension, and the severity of punishment.

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