

Summary of Paper: [What Matters for In-House Tax Planning: Tax Function Power and Status](#)

What is this Study About?

Many corporations invest in and maintain in-house tax functions. This study examines whether the power and status of those tax functions within corporations influence corporate tax planning.

What are the major findings of the study?

The power and status of a corporation's tax function are significantly associated with more tax planning, leading to lower effective tax rates. Specifically, corporations with higher-ranking tax executives undertake greater tax planning, suggesting that the positioning of the tax function within the corporate hierarchy plays a crucial role in determining tax outcomes. This relation is evident using alternative measures of tax function power and status and after controlling for the effects of tax function expertise, promotions, and newly hired executives. The study's findings indicate that the power and status of tax function are key drivers of tax planning and are even more important than the resources and expertise within the tax function.

Why is the study important?

These findings highlight the relationship between tax planning and the organizational structure, and the strategic importance of the positioning of tax executives within the corporate hierarchy. For practitioners and policymakers, these insights suggest that empowering the tax function can be a key lever for improving tax outcomes. For academics, it opens new avenues for exploring the effects of organizational structure on corporate decision-making and outcomes.