We provide archival evidence on firms' book-tax reporting differences using tax return data on public and private manufacturing firms. Prior research suggests that managers should report conforming book income to minimize tax-related costs. However, reporting conformity can also impose nontax costs. We find evidence that public firms have generally higher financial-reporting costs that result in larger book-tax differences. In addition, we find that higher debt levels impose greater nontax costs on firms that are privately held or more financially distressed. Finally, our tests of differences among public firms suggest that nontax costs associated with bonus plan thresholds and book income patterns affect their book-tax reporting. Our tests extend prior studies that focus on whether firms engage in specific conforming transactions. From a tax policy perspective, our results suggest that book-tax differences may be a less useful indicator of private firms' aggressive tax positions because they have fewer incentives to report nonconforming book income.

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