

Supplementary Online Appendix

Tax Professionals and Tax Evasion

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S1 Placebo Tests: Further Results

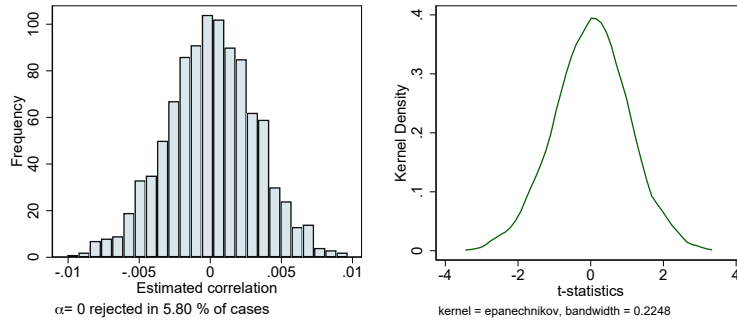
In Section 4, we show that the correlation between the evasion of the taxpayer and evasion of the TA disappears reassigning taxpayers to a random but similar TA, where similarity is defined using an unsupervised clustering algorithm that uses a large number of TA characteristics. In this section, we show the results that are obtained when TA similarity is defined using two (key) precise characteristics: sector specialization and size. Specifically, for a given taxpayer, we reassign a different TA in the same province of the true TA (i) with at least one client in the same 2-digit sector, or (ii) in the same decile of number of clients as the true TA. We repeat the random reassignments 1,000 times. Figure S1 shows the distribution of the estimated coefficients for these placebo regressions, as well as the distribution of the t -statistic of the null hypothesis of a coefficient equal to zero. The spillover parameter is significantly different from zero only in 6% of the cases.

Using the same clustering algorithm, in Section 5.1.4 we investigate the existence of informational spillovers between clients of different but similar TAs, finding no effect (Table 8). In this section, we show further evidence using a formal Montecarlo experiment similar to the ones in Figure S1, described above. Results are displayed in Figure S2 in Panel A and B. In Panel A we define a TA similar to the true TA if it has clients in the same province and (i) has at least one client in the same 2-digit sector, or he/she (ii) is in the same decile of number of clients. Moreover, in Panel C we randomly reassign taxpayers to a different TA in the same province and in the same decile of the distribution of evaders over audited clients of the true TA. Along all these dimensions the effect is close to zero when replacing the true TA with a similar TA randomly assigned.

Figure S3 shows a last set of placebo regressions, as a further robustness check for the results in Section 5.2.1. It shows the results of placebo regressions when the evasion of a

mover is regressed on the evasion of a randomly chosen new TA similar to the true new TA in terms of sector and size, as defined above for Figures S1 and S2. Figure S3 shows the distribution of the estimated slope parameter and of the corresponding t -statistics. The estimates are small and centered around zero.

(A) Random TA in same province and sector



(B) Random TA in same province and size

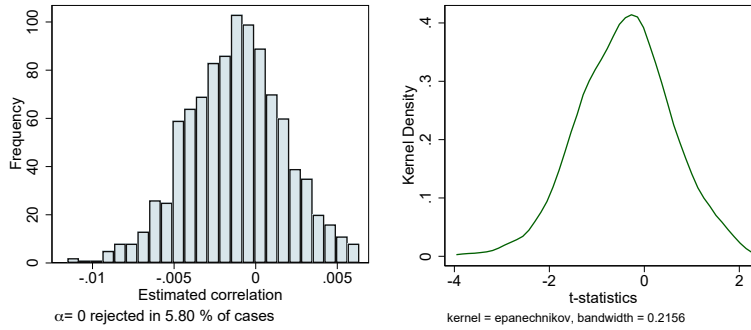
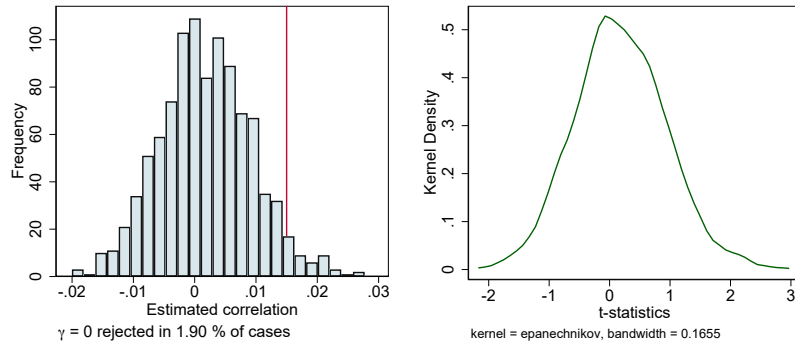


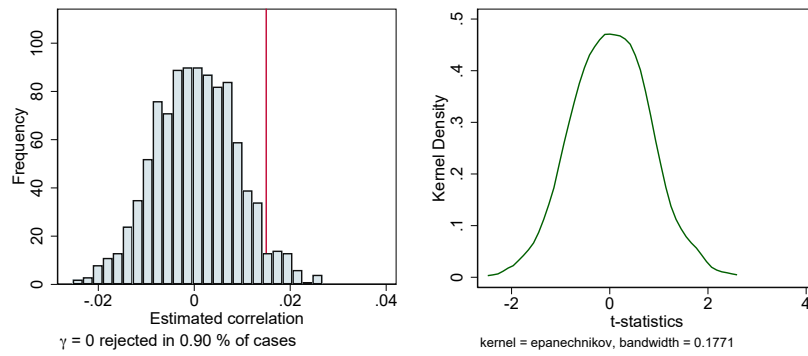
Figure S1
Placebo Regressions - Spillover Effect

These figures show the distribution of estimated coefficients α and t -statistics for the OLS specification in Table 6, column 2, when randomly assigning TAs in the same province and with at least one client in the same 2-digit sector as the taxpayer (panel A), and in the same province and decile of the taxpayer TA's number of clients (panel B). The spillover estimate obtained in Table 6, column 2, is 0.116.

(A) Random TA in same province and sector



(B) Random TA in same province and size



(C) Random TA in same province and with same share of evaders

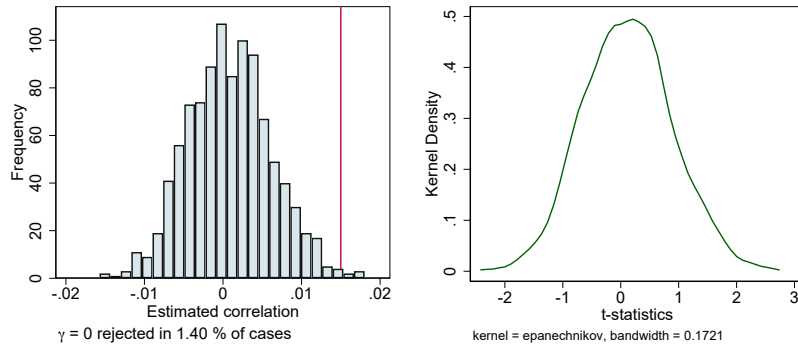


Figure S2
Placebo Regressions - Information Channel

These figures show the distribution of estimated coefficients γ and t -statistics from the OLS specification in Table 8, column 2, when randomly assigning TAs in the same province and with at least one client in the same 2-digit sector as the clients' of the true TA (panel A), in the same province and decile of the taxpayer TA's number of clients (panel B), and in the same province and decile of number of evaders over the number of audited clients (panel C). The red line represents the estimate of the information channel obtained in Table 8, column 2, which is 0.013.

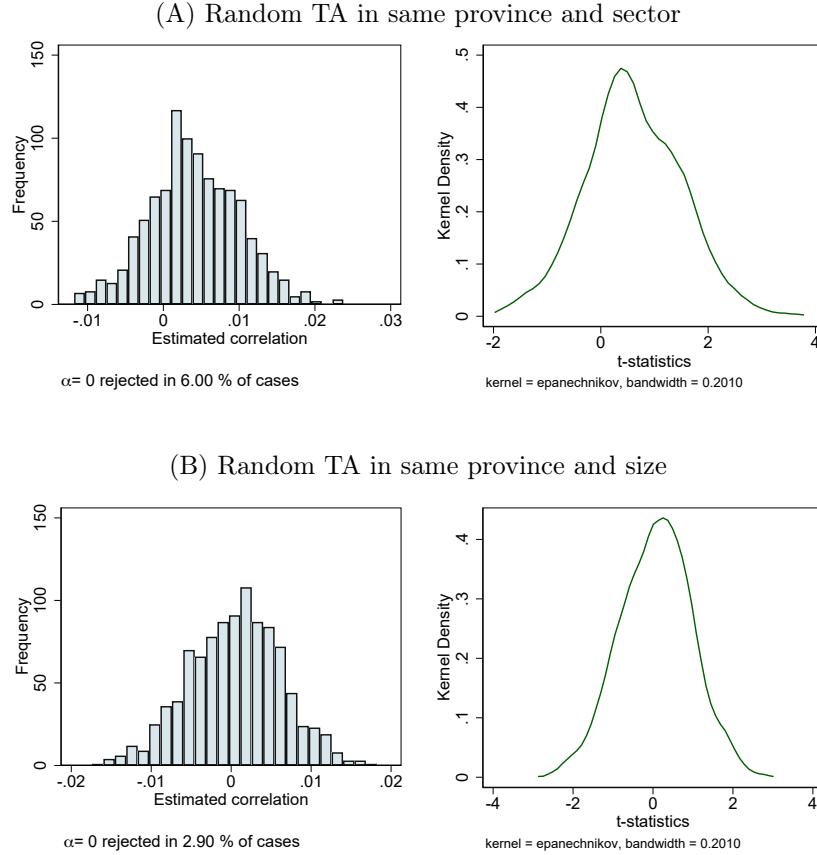


Figure S3
 Placebo Regressions - Sorting Effect

These figures show the distribution of estimated coefficients α and t -statistics from the OLS specification in Table 11, column 2, when randomly assigning TAs in the same province and with at least one client in the same 2-digit sector as the taxpayer (panel A), and in the same province and decile of the TA's number of clients (panel B). The estimate of the sorting effect obtained in Table 11, column 1, is 0.042.

S2 Effects of audits on switching TAs

In this section, we study whether tax audits affect taxpayers' decision to switch TAs in addition to affecting filed income. We do not have a complete theory about this phenomenon; we document here what we observe in the data. We use a probit regression model with the same specification of the model used in Table 8 (column 2) but where the dependent variable is a dummy variable equal to 1 if the taxpayer has switched TAs in year t . The results in the first column of Table S1 reveal that the effect of other clients' audits is negative: a taxpayer is less likely to switch TAs if other customers of his/her TA have been audited. This effect

is also quite sizable. If at least one other client of the TA has been audited, the probability of the taxpayer switching TAs falls by about 6 percentage points. While this negative effect may, *prima facie*, sound implausible, it is fully consistent with the information dissemination role of the TA. Indeed, taxpayers can come to know that other clients have been audited because their TA notifies them about the IRA’s activities. Taxpayers that become aware of this are less likely to switch TAs for two possible reasons. The first possible reason is the well-known behavioral phenomenon known as the “gambler’s fallacy”, that is, the mistaken belief that, if something happens more frequently than normal during a given period, it will happen less frequently in the future. The second and perhaps more important reason is that the taxpayer who has not been targeted by the audit may appreciate the fact that the TA shares valuable information about the audits with other customers. The effect of own audit is instead positive and significant: a taxpayer that has been audited this year is more likely to switch TAs next year. The increase in the probability of switching is about 0.5 percentage points. When the client is audited directly, the TA gets no credit for the information. In addition, in this case, the client is tempted to blame the TA even if the TA is not responsible. This psychological phenomenon is also well-known, corresponding to the phenomenon of voters punishing a politician for events that the politician could not control (e.g., Achen and Bartels, 2004, and Wolfers, 2002). This phenomenon is not necessarily inconsistent with the gambler’s fallacy hypothesis described above. However, the disappointment associated with the fact of being audited may overwhelm the effect of the gambler’s fallacy in this case. The other columns of S1 enrich the specification by adding interactions between the indicator for audits of other customers and indicators for similarity between the others and the taxpayer to test whether the decision to switch is sensitive to information that is more relevant to the taxpayer’s characteristics. Indeed, we find that audits on peers have a stronger negative effect on the probability of switching when there is at least one audited customer who is similar to the taxpayer either in terms of sector of activity or business size or age.⁶²

⁶²In Section 5.2 we document that movers choose a new TA whose average evasion of clients is similar to their own before the move. We estimate if this positive correlation is stronger for a taxpayer switching TA after an audit by augmenting the regression in Table 11, column 1, with an interaction term of the new TA clients’ evasion and a dummy indicator equal to 1 if the taxpayer received an audit in the previous year. The correlation is not different after an audit. Moreover, also the correlation between the evasion of the old and new TA is not different for taxpayers moving after an audit.

Table S1
Audit and TA Switches

	(1)	(2)	(3)	(4)
Peer audit at t-1	-0.059*** (0.003)	-0.016*** (0.004)	-0.053*** (0.002)	-0.055*** (0.002)
Peer audit same province		-0.041*** (0.004)		
Peer audit same sector			-0.026*** (0.001)	
Peer audit same cluster				-0.030*** (0.001)
Own audit at t-1	0.005*** (0.000)	0.006*** (0.000)	0.007*** (0.000)	0.020*** (0.001)
Time-varying characteristics	yes	yes	yes	yes
Year of move FE	yes	yes	yes	yes
Audit policy controls peer audit	yes	yes	yes	yes
Audit policy controls own audit	yes	yes	yes	yes
Pseudo R-squared	0.057	0.063	0.062	0.062
N. observations	14,697,629	14,697,629	14,697,629	14,697,629

Notes. This table reports marginal effects of probit models estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is a dummy indicator with value 1 if the taxpayer moved to a new TA at t . Audit policy controls for peer and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous year. Time-varying characteristics of the taxpayer in the year of filing and the old TA in the year before filing are added. To avoid the incidental parameter problem, fixed effects for location are included at the province level. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Finally, Table S2 studies dynamic effects of audits of others and own audit on the switching decision by adding lags of these variables. Interestingly, like in the income reporting decisions, the effects of own audits tend to decline with time, while that of peers' audit is either constant or increasing (in absolute value) with time (see the second column). As before, this pattern is consistent with the idea that information gathered this year by the TA has a persistent effect, as it broadens permanently the information set of the TA that he passes over to his customers. The specification is the same as in Table 10 but with a different dependent variable. Results reveal that the effect of own audit is always positive at all lags but fades away with time, while the effect of audits of others is always negative at all lags and its absolute size is either constant or increasing over time. This pattern of effects is very similar to the response in reported income documented in Table 10. The last column reports the results when repeating the estimation on the sample of those whose TA is still active to make sure that the switching decision is not triggered by TA closure. The results are qualitatively unchanged.

Table S2
Memory of Information and TA Switches

	(1)	(2)	(3)	(4)
Peer audit at t-1	-0.576*** (0.023)	-0.115*** (0.010)	-0.080*** (0.012)	-0.067*** (0.011)
Peer audit at t-2		-0.111*** (0.011)	-0.083*** (0.014)	-0.058*** (0.008)
Peer audit at t-3		-0.163*** (0.011)	-0.135*** (0.012)	-0.103*** (0.008)
Own audit at t-1	0.096*** (0.004)	0.103*** (0.004)	0.088*** (0.005)	0.089*** (0.005)
Own audit at t-2	0.072*** (0.004)	0.078*** (0.004)	0.074*** (0.005)	0.077*** (0.005)
Own audit at t-3	0.040*** (0.004)	0.045*** (0.004)	0.045*** (0.005)	0.046*** (0.005)
Time-varying characteristics	yes	yes	yes	yes
Year of move FE	yes	yes	yes	yes
Audit policy controls peer audit at t-1, t-2, t-3			yes	yes
Audit policy controls own audit at t-1, t-2, t-3			yes	yes
Sample: Old TA still active				yes
Pseudo R-squared	0.058	0.027	0.032	0.030
N. observations	7,902,444	7,462,868	7,462,868	7,419,000

Notes. This table reports marginal effects of probit models estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is a dummy indicator with value 1 if the taxpayer moved to a new TA at t. In column 1, the sample includes taxpayers filing in two consecutive years; in columns 2 to 4, taxpayers filing in four consecutive years. Time-varying characteristics of the taxpayer in the year of filing and the old TA in the year before filing are added. Audit policy controls for peer and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous years. To avoid the incidental parameter problem, column 5 includes fixed effects for location at the province level. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

S3 Additional Figures and Tables

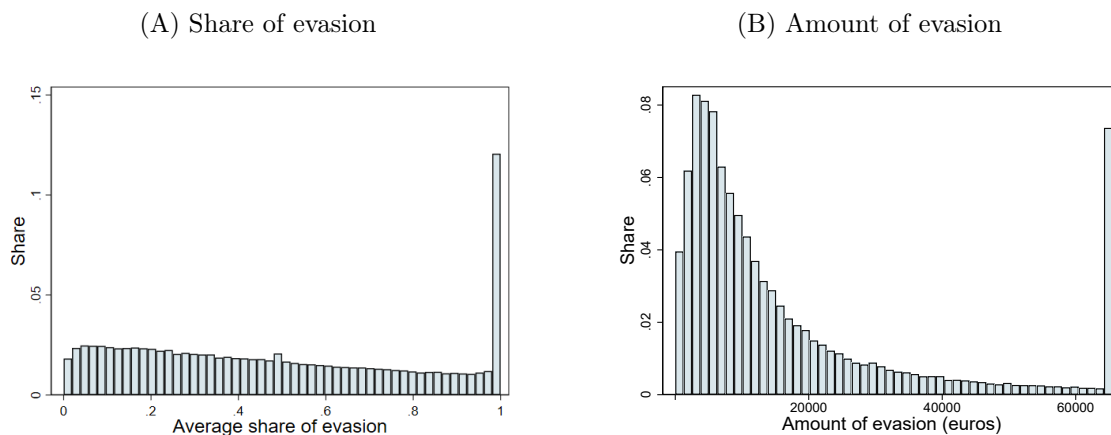


Figure S4
Distribution of Evaders by Share and Amount of Tax Evasion

These figures display the distributions of taxpayers with positive evasion by share and amount of evasion. In panel B, the distribution of evasion is winsorized at the 95th percentile.

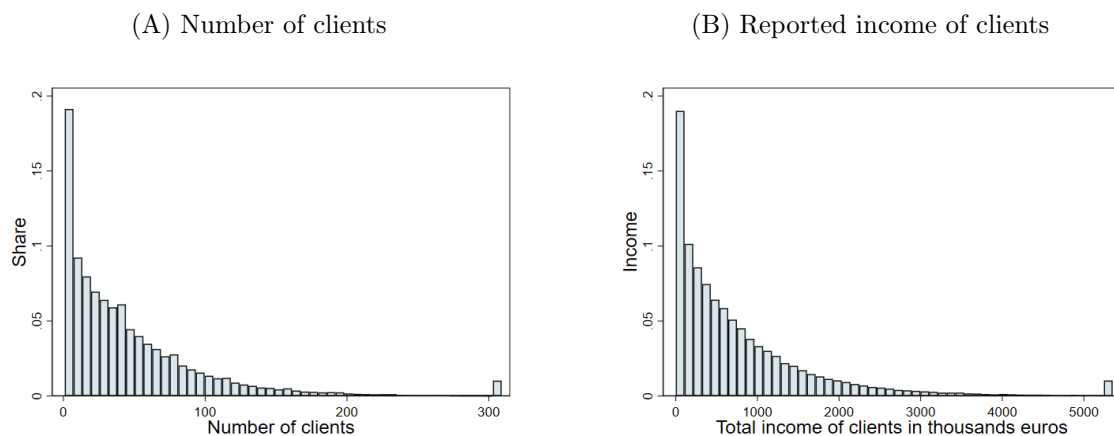


Figure S5
Distribution of TAs by Size

These figures display the distribution of TAs by size. In panel A, the x-axis is the number of clients over the entire period; in panel B it is the sum of the mean income of the clients over the entire period. The distributions are winsorized at the 99th percentile.

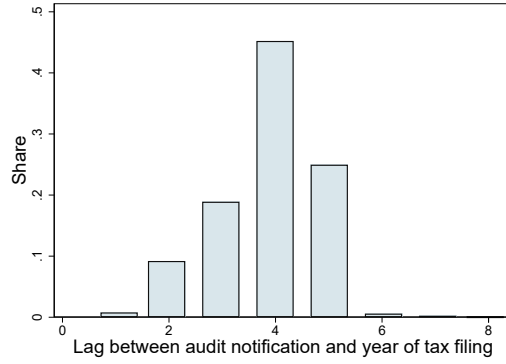


Figure S6
Distribution of Audited Tax Filings by Age

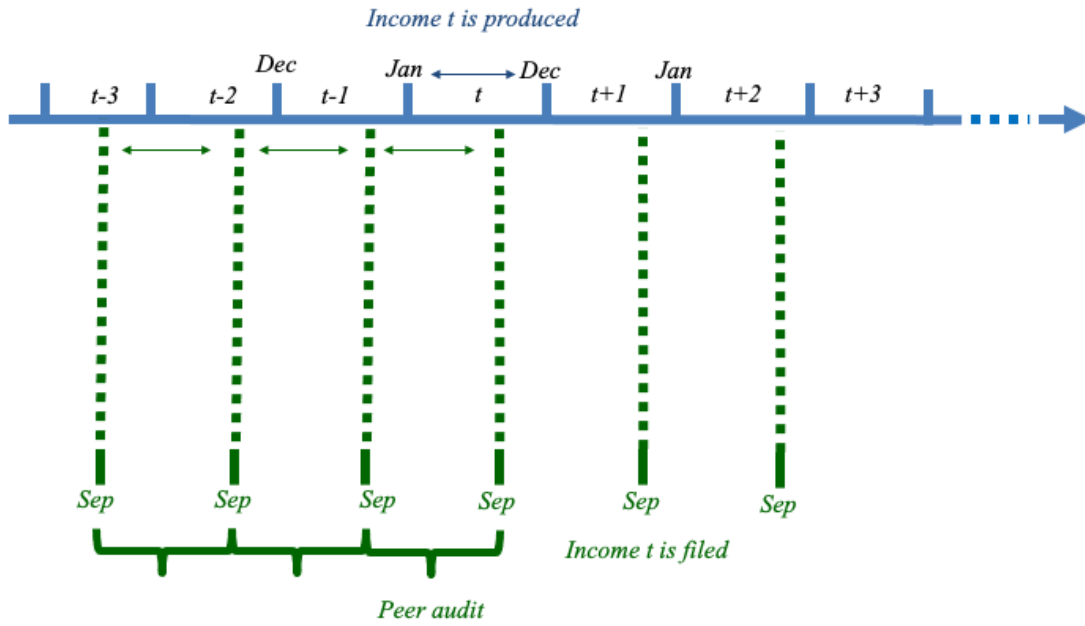


Figure S7
Timing of the Audit Process

Table S3
Summary Statistics - Audits by Selecting Authority

<i>A. Audits by the Italian Revenue Agency</i>					
N. taxpayers: 284,554					
N. tax filings: 377,113					
Taxpayers with positive evasion: 66.43%					
	mean	median	sd	10th pct	90th pct
Yearly % not congruent tax filings	35.06	33.22	5.40	29.47	45.17
Yearly % not coherent tax filings	51.79	51.74	3.61	46.02	56.39
Yearly % audited tax filings	1.83	2.37	1.22	0.16	3.33
Age of audited tax filings	3.88	4	0.94	3	5
Audit duration (days)	111.38	60	174.82	15	195
Filed income audit	29,300.45	13,475	99,848.39	0	59,857
Agriculture	17,557.29	5,619.50	44,745.68	39	40,764
Trade	20,180.89	11,426	71,816.39	0	42,802
Constructions and Manufacturing	20,859.36	13,495	56,640.03	0	38,415
Private services	38,989.92	15,113.50	134,691.43	0	78,861
Health, education and recreational services	56,684.58	38,059.50	85,459.71	5,940	112,068
Evaded income	19,507.30	4,080	137,783.24	0	35,643
Evaded income positive evasion	31,310.19	10,112	173,496.76	2,550	55,140
Share of evasion on total income	0.33	0.20	0.35	0	0.94
Agriculture	0.30	0.09	0.36	0	0.93
Trade	0.34	0.22	0.36	0	0.98
Constructions and Manufacturing	0.39	0.31	0.36	0.00	0.97
Private services	0.31	0.16	0.35	0	0.91
Health, education and recreational services	0.18	0.05	0.26	0	0.60
Share of evasion positive evasion	0.50	0.46	0.32	0.08	1
Appeal audit	0.18	0	0.39	0	1
Agriculture	0.23	0	0.42	0	1
Trade	0.18	0	0.39	0	1
Constructions and Manufacturing	0.14	0	0.35	0	1
Private services	0.20	0	0.40	0	1
Health, education and recreational services	0.21	0	0.41	0	1

<i>B. Audits by Guardia di Finanza</i>					
N. taxpayers: 6,043					
N. tax filings: 11,400					
Taxpayers with positive evasion: 62.77%					
	mean	median	sd	10th pct	90th pct
Yearly % not congruent tax filings	29.95	28.54	4.77	24.21	38.93
Yearly % not coherent tax filings	48.67	46.69	5.38	41.70	57.81
Yearly % tax filings with positive evasion	0.06	0.05	0.03	0.01	0.10
Age of audited tax filings	3.60	4	1.46	2	5
Audit duration (days)	74.93	60	72.54	7	168
Filed income audit	39,592.27	16,679	126,724.85	0	78,120
Agriculture	11,849.26	3,566.50	30,198.50	0	28,816
Trade	24,980.44	13,220	57,788.56	0	47,544
Constructions and Manufacturing	26,656.78	15,540	54,807.37	0	49,864
Private services	52,501.18	19,515	180,892.30	144	97,747
Health, education and recreational services	65,463.15	41,630.50	95,592.23	8,604	124,905
Evaded income	47,477.75	1,860.50	266,905.38	0	73,882.50
Evaded income positive evasion	81,414.92	11,785	345,548.99	1,279	140,103
Share of evasion on total income	0.29	0.10	0.36	0	0.94
Agriculture	0.30	0	0.38	0	0.95
Trade	0.32	0.12	0.37	0	0.98
Constructions and Manufacturing	0.35	0.15	0.39	0	0.98
Private services	0.26	0.08	0.34	0	0.88
Health, education and recreational services	0.18	0.08	0.24	0	0.56
Share of evasion positive evasion	0.47	0.41	0.35	0.04	1
Appeal audit	0.20	0	0.40	0	1
Agriculture	0.21	0	0.41	0	1
Trade	0.21	0	0.41	0	1
Constructions and Manufacturing	0.23	0	0.42	0	1
Private services	0.19	0	0.39	0	1
Health, education and recreational services	0.12	0	0.32	0	1

Notes. Income figures are expressed in euros.

Table S4
 Characteristics of Tax Filings - Unmatched *vs* Matched TAs

		Unmatched	Matched
Clients' characteristics:			
Share of women	mean	0.285	0.284
	s.d.	0.208	0.162
Share of married	mean	0.612	0.624
	s.d.	0.232	0.185
Age	mean	46.042	45.885
	s.d.	6.716	5.683
Experience	mean	12.577	12.540
	s.d.	5.209	4.214
Firm size	mean	0.745	0.721
	s.d.	1.703	1.382
Not congruent	mean	0.479	0.468
	s.d.	0.261	0.205
Not coherent	mean	0.609	0.595
	s.d.	0.246	0.205
Taxable income	mean	8.097	8.122
	s.d.	1.839	1.410
Evaded income	mean	5.565	5.732
	s.d.	3.135	3.279
Share of evasion	mean	0.297	0.319
	s.d.	0.238	0.255
Share of audited	mean	0.048	0.048
	s.d.	0.084	0.053
TA's characteristics:			
N. clients	mean	51.735	27.598
	s.d.	244.213	30.812
N. different provinces	mean	3.024	2.613
	s.d.	3.055	1.899
N. observations		30,693	76,376

Notes. This table displays the mean and the standard deviation of characteristics of the tax filings compiled by TAs with unobserved and observed personal tax filings. Income figures are expressed in log euros.

Table S5
Information Channel - Alternative Specifications of the Dependent Variable

	(1)	(2)	(3)	(4)
Peer audit at t-1	0.001*** (0.000)	0.001*** (0.000)	0.002*** (0.000)	0.001** (0.000)
Own audit at t-1	0.006*** (0.000)	0.008*** (0.001)	0.014*** (0.001)	0.007*** (0.000)
Taxpayer FE	yes	yes	yes	yes
Time-varying characteristics	yes	yes	yes	yes
Year of filing FE	yes	yes	yes	yes
Audit policy controls peer	yes	yes	yes	yes
Audit policy controls own	yes	yes	yes	yes
R-squared	0.585	0.690	0.688	0.711
N. observations	13,928,480	13,928,480	13,928,480	13,928,480

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variables are dummy variables with value 1 if the taxable income produced at t is respectively: positive (column 1), higher than the 25th percentile of income (column 2), higher than the 50th percentile (column 3), higher than the 75th percentile (column 4). Time-varying characteristics of the taxpayer and the TA in the year of filing are added. Audit policy controls for peer and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous year. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S6
Information Channel - In-Person Audits

	(1)	(2)
Peer audit at t-1	0.012*** (0.003)	0.012*** (0.003)
Peer visit at t-1	0.003 (0.003)	0.002 (0.003)
Own audit at t-1	0.075*** (0.004)	0.043*** (0.005)
Own visit at t-1		0.090*** (0.008)
Taxpayer FE	yes	yes
Time-varying characteristics	yes	yes
Year of filing FE	yes	yes
Audit policy controls peer	yes	yes
Audit policy controls own	yes	yes
R-squared	0.686	0.686
N. observations	13,928,480	13,928,480

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is the logarithm of the taxable income produced at t and reported at t+1. Time-varying characteristics of the taxpayer and the TA in the year of filing are added. Audit policy controls for peer and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous year. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S7
Audit Probability

	(1)	(2)	(3)
Peer audit at t-1	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Non-peer audit same sector at t-1		-0.001 (0.002)	-0.001 (0.002)
Non-peer audit same municipality at t-1			0.000 (0.001)
Own audit at t-1	-0.156*** (0.001)	-0.156*** (0.001)	-0.156*** (0.001)
Taxpayer FE	yes	yes	yes
Time-varying characteristics	yes	yes	yes
Year of filing FE	yes	yes	yes
Audit policy controls peer	yes	yes	yes
Audit policy controls non-peer		yes	yes
Audit policy controls own	yes	yes	yes
R-squared	0.340	0.340	0.340
N. observations	13,928,480	13,928,480	13,928,480

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is a dummy indicator with value 1 if a taxpayer receives an audit at t. "Non-peer audit same sector (municipality)" is a dummy variable with value 1 if in the previous year a client of a *different* TA in the same 5-digit sector (municipality) received an audit. Time-varying characteristics of the taxpayer and the TA in the year of filing are added. Audit policy controls for peer, non-peer and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous year. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S8
Information Channel - Peers *vs* TA
Robustness Test

	(1)	(2)	(3)	(4)
Peer audit same cluster ($k=50$)	0.016*** (0.003)	0.016*** (0.003)		
Peer audit other cluster ($k=50$)	0.013*** (0.003)	0.013*** (0.003)		
Non-peer audit same cluster ($k=50$)		-0.016 (0.011)		
Peer audit same cluster ($k=150$)			0.009*** (0.003)	0.009*** (0.003)
Peer audit other cluster ($k=150$)			0.013*** (0.003)	0.013*** (0.003)
Non-peer audit same cluster ($k=50$)				-0.004 (0.005)
Own audit at t-1	0.067*** (0.004)	0.067*** (0.004)	0.071*** (0.004)	0.071*** (0.004)
Taxpayer FE	yes	yes	yes	yes
Time-varying characteristics	yes	yes	yes	yes
Year of filing FE	yes	yes	yes	yes
Audit policy controls peer	yes	yes	yes	yes
Audit policy controls non-peer same cluster	yes	yes	yes	yes
Audit policy controls own	yes	yes	yes	yes
F test of coefficients' equality: p -value	0.548	0.530	0.282	0.296
R-squared	0.686	0.686	0.686	0.686
N. observations	13,928,480	13,928,480	13,928,480	13,928,480

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is the logarithm of the taxable income produced at t and reported at $t+1$. A cluster is defined by a k -means clustering algorithm over observable characteristics of the tax filing as described in Section 5.1. The number of different clusters in each province is 50 in columns 1 and 2, and 150 in columns 3 and 4. “Peer audit same cluster” is a dummy variable with value 1 if in the previous year another client of the *same* TA and in the same cluster of the taxpayer received an audit. “Peer audit other cluster” is a dummy variable with value 1 if in the previous year another client of the same TA and in a different cluster of the taxpayer received an audit. “Non-peer” denotes clients of a *different* TA. “Peer in the future” denotes clients of a different TA at $t-1$ that move to the same TA of the taxpayer at t . “Peer in the past” denotes prior clients of the same TA who move to another TA before $t-1$ and are not audited before $t-1$. Time-varying characteristics of the taxpayer and the TA in the year of filing are added. Audit policy controls for peer, non-peer, and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous year. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S9
Information Channel - Peers by Sector

	(1)	(2)	(3)
Peer audit same sector	0.017*** (0.004)	0.017*** (0.004)	0.011** (0.006)
Peer audit other sector	0.013*** (0.003)		
Peer audit same province other sector		0.010*** (0.002)	0.009*** (0.003)
Peer audit other province other sector		0.010*** (0.003)	0.012*** (0.004)
Own audit at t-1	0.074*** (0.004)	0.074*** (0.004)	0.068*** (0.006)
Taxpayer FE	yes	yes	yes
Time-varying characteristics	yes	yes	yes
Year of filing FE	yes	yes	yes
Audit policy controls peer	yes	yes	yes
Audit policy controls own	yes	yes	yes
Sample: zero non-peer audit nearby			yes
<i>F</i> test of coefficients' equality: <i>p</i> -value	0.304	0.252	0.815
R-squared	0.686	0.686	0.705
N. observations	13,928,480	13,928,480	7,761,211

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is the logarithm of the taxable income produced at t and reported at $t+1$. “Peer audit same (other) province same (other) sector” indicates the presence of an audit in the previous year on other clients of the *same* TA in the same (other) province and same (other) 5-digit sector. Time-varying characteristics of the taxpayer and the TA in the year of filing are added. Audit policy controls for peer and own audit include the mean characteristics listed in Table 3 of the tax filings audited in the previous year. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S10
Sorting and TA Specialization - Other Dimensions

	(1)	(2)	(3)	(4)	(5)	(6)
New TA: Evasion of clients before move	0.043*** (0.010)	0.043*** (0.010)	0.043*** (0.010)	0.042*** (0.010)	0.043*** (0.010)	0.042*** (0.010)
New TA: Modal income decile in mover's decile	0.006 (0.005)					
Old and new TAs same modal income decile				0.005 (0.006)		
New TA: Modal age decile in mover's decile		0.000 (0.005)				
Old and new TAs same modal age decile					-0.005 (0.005)	
New TA: Modal experience decile in mover's decile			0.003 (0.005)			
Old and new TAs same modal experience decile						0.001 (0.005)
Old TA characteristics before move	yes	yes	yes	yes	yes	yes
Year of move FE	yes	yes	yes	yes	yes	yes
Audit policy controls mover	yes	yes	yes	yes	yes	yes
Audit policy controls clients new TA	yes	yes	yes	yes	yes	yes
R-squared	0.283	0.283	0.283	0.283	0.283	0.283
N. observations	30,330	30,330	30,330	30,330	30,330	30,330

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variable is the evasion of a mover before moving to a new TA. The sample includes taxpayers who changed TA at least once and were audited at least once before the move. Income deciles are computed using the distribution of tax filings in the same year, province, and 5-digit sector. Audit policy controls mover are the means of the variables listed in Table 3 of the audited tax filings of clients compiled by the mover before the move. Audit policy controls new TA are computed as means of the same variables of the audited tax filings of clients compiled before the move. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S11
Sorting - Tax Avoidance and Appeal Rate

	(1)	(2)
New TA: Tax avoidance of clients before move	0.082*** (0.007)	
New TA: Appeal rate of clients before move		0.060** (0.025)
Old TA characteristics before move	yes	yes
Year of move FE	yes	yes
Sector FE	yes	yes
Municipality and IRA Office FE	yes	
Audit policy controls mover		yes
Audit policy controls clients new TA		yes
R-squared	0.099	0.457
N. observations	684,861	3,735

Notes. This table reports OLS estimates with standard errors clustered at the TA level (in parentheses). The dependent variables are tax avoidance (column 1) and appeal rate (column 2) of a mover before moving to a new TA. The sample includes taxpayers who changed TA at least once and were audited at least once before the move. Audit policy controls mover are the means of the variables listed in Table 3 of the audited tax filings of clients compiled by the mover before the move. Audit policy controls new TA are computed as means of the same variables of the audited tax filings of clients compiled before the move. To avoid the incidental parameter problem, column 2 includes fixed effects for location at the province level and excludes fixed effects for IRA office. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

Table S12
Financial Accounts with and without a TA

Dep. Var.:	(1) Tax avoidance	(2) Operating costs	(3) Amortized costs	(4) VAT-generating operations
(Mean)	(0.209)	(44,813)	(1,848)	(26,014)
Advised by a TA	0.006*** (0.000)	1189.846*** (266.932)	166.355*** (7.708)	-1463.827*** (297.718)
N. employees	0.002*** (0.000)	14979.300*** (246.381)	573.525*** (7.827)	6213.744*** (107.063)
Municipality, Sector, Income decile FE	yes	yes	yes	yes
R-squared	0.168	0.239	0.166	0.003
N. observations	21,186,025	21,787,977	21,787,977	21,787,977

Notes. This table reports OLS estimates with robust standard errors (in parentheses). The mean values of each dependent variable are reported below the variable name. The main explanatory variable is a dummy indicator with value 1 if the tax return is filed by a TA. Controls include firm size, and fixed effects for the municipality, the sector of activity and the decile of declared income. The sample includes all tax filings filed with or without TA advice. The different sample size in column 1 is due to observations with zero income. *, **, *** denote statistical significance at the 10, 5, 1 percent level.

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