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# Two in Five Americans Filing Taxes This Year Doing Nothing to Minimize Their Tax Liability

*Contributing to charities and deducting state and local taxes most common measures taken*

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A new Wall Street Journal Online/Harris Interactive Personal Finance Poll finds that among those U.S. adults who have filed or plan to file taxes this year (91% of all adults), two in five (39%) did not or do not plan to do anything to minimize their tax liability. With the April 15 deadline right around the corner, the survey also shows that more than one-third (37%) of online adults say they have filed or are planning to file their taxes themselves using tax preparation software or an online tax preparation program (37%), while 35 percent of all adults are having them prepared by an accountant or tax service. Furthermore, among those who received or expect to receive a tax refund this year, a majority (52%) used or plans to use the money to pay bills.

These are some of the results of an online survey of 2,009 U.S. adults conducted between February 28 and March 2, 2006 for The Wall Street Journal Online's Personal Journal Edition.

## Preparing Taxes

While many will either work with an accountant to file their taxes or will do it themselves by computer, 12 percent of U.S. adults have filed or plan to file their taxes themselves using hard copies of IRS forms, while another eight percent say they have or will have a friend or family member file for them. As one might expect, factors such as age, gender, marital status and income impact how one chooses to file.

- Men ages 45 to 54 who are online are most likely to say they have filed or will file their taxes themselves using tax preparation software or an online tax preparation program (47%). Women in this age category who are online are less likely to say this (33%).
- Women ages 35 to 44 are most likely to say they will utilize an accountant or tax service (47%), compared to only 36 percent of men in the same age category.
- Perhaps due to the more complicated nature of the forms needed when filing, married adults (42%) and those who are divorced, separated or widowed (37%) are more likely than those who are single or have never been married (19%) to utilize an accountant or tax service to prepare their taxes.

- Among online adults, those with household incomes of \$75,000 or more (46%) are more likely than those with incomes less than \$75,000 (35%) to file their taxes themselves using tax preparation software or an online tax preparation program.

“The accessibility and ease of use of tax preparation software has opened up this avenue to many tax payers and this method of tax preparation clearly appeals to people across a range of demographic characteristics,” comments Anne Aldrich, senior vice president of the Financial Services Research Practice at Harris Interactive. “However, the peace of mind that comes with having one’s taxes prepared by a professional, especially for those with complicated financial circumstances, is of considerable importance to many.”

### Minimizing Tax Liability

While two-fifths (39%) of tax-filing adults<sup>1</sup> did not or do not plan to do anything to minimize their tax liability when filing taxes this year, a majority (61%) has done something or is planning to do something to minimize their liability. The most popular tax minimizing strategies include: contributing to charities (42%), deducting state and local taxes (29%), giving deductible monetary gifts (21%), and itemizing certain purchases as work expenses (19%). Again, demographic differences exist.

- When examining the data by age, those aged 45 to 54 are most likely to say they did or plan to do something to minimize their tax liability when filing this year (68%), while those 18 to 34 are least likely to say this (49%).
- Those who are married (67%) and those who are divorced, separated or widowed (65%) are much more likely than those who are single (42%) to say they have done or plan to do something to minimize their tax liability.
- Interestingly, those in the West (72%) are much more likely than those in the Northeast (49%) to have done or plan to do something.
- As expected, the greater one’s education and income, the greater the likelihood that they have taken or plan to take steps to minimize their tax liability.

### Immoral or Incorrect Tax-Saving Strategies

The poll also attempted to gauge how likely those using an accountant or tax service to prepare their taxes this year were to be presented with an immoral or incorrect tax-savings strategy by a professional. Overall, only three percent of these adults say an accountant or tax preparer has offered them an immoral or incorrect tax-saving strategy. One percent admitted to being presented with an immoral or incorrect strategy and actually using it. Interestingly, more than one-quarter (28%) is not sure if this has ever happened to them and more than half (58%) say their tax professional has never offered a tax-saving strategy.

<sup>1</sup>“Tax-filing adults” refers to U.S. adults aged 18 and over who filed or plan to file taxes this year (91% of all U.S. adults).

Aldrich states, “Tax payers place enormous trust in their tax professional’s ability to accurately prepare their taxes, and the results of this survey reveal that very few in the profession have violated that trust with immoral or incorrect recommendations.”

## Tax Refunds

The saying “It’s better to give than to receive” doesn’t usually apply to tax time and more than three in five (62%) tax-filing adults have received or expect to receive a refund this year. While a majority (52%) of these adults have used or plan to use this money to pay bills, others have done or plan to do such things as save it (32%), use it for an extravagance (15%), use it to pay off a loan (12%), invest it (9%) or donate it (2%). One in 10 (10%) say they have other plans for their refund. Gender, age and income all play a role in how people plan to spend their refund.

- Women are more likely than men to say they have used or plan to use their refund to pay bills (58% vs. 44%), while men are more likely than women to say they have saved or are planning to save their refund (36% vs. 28%).
- Men aged 35 to 44 (22%) are most likely to say they invested or plan to invest their refund.
- Young women aged 18 to 34 (22%) are more likely than men of that age range (15%) to say they have used or plan to use their refund for an extravagance.
- Those with incomes of \$75,000 or more (38%) are more likely than those with lower incomes (27% of those with incomes less than \$75,000) to have saved or plan to save their refund.
- Those with incomes less than \$35,000 (20%) are more likely than those with incomes of \$35,000 or more (14%) to have used or plan to use their refund for an extravagance, such as a gift to themselves or someone else or a vacation.

**TABLE 1A**  
**Plans for Filing Taxes – by Age**

“When filing your taxes this year did you/do you plan to...?”

Base: All Adults

	Age				
	Total	18-34	35-44	45-54	55+
	%	%	%	%	%
<b>Filed/Plan To File Taxes This Year (Net)</b>	<b>91</b>	<b>87</b>	<b>96</b>	<b>93</b>	<b>92</b>
File them yourself using tax preparation software or an online tax preparation program*	37	36	42	40	29
Utilize an accountant or tax service to prepare your taxes	35	26	41	32	43
File them yourself using hard copies of IRS forms	12	8	10	14	14
Have a friend/family member file them for you	8	16	4	3	5
Other	3	6	1	2	2
I will not file taxes this year	9	13	4	7	8

\*Data were weighted to reflect the total U.S. online adult population.

**TABLE 1B**

**Plans For Filing Taxes – by Age and Gender**

“When filing your taxes this year did you/do you plan to...?”

Base: All Adults

	Male Age					Female Age			
	Total	18-34	35-44	45-54	55+	18-34	35-44	45-54	55+
	%	%	%	%	%	%	%	%	%
<b>Filed/Plan To File Taxes This Year (Net)</b>	<b>91</b>	<b>89</b>	<b>94</b>	<b>95</b>	<b>95</b>	<b>85</b>	<b>97</b>	<b>91</b>	<b>89</b>
File them yourself using tax preparation software or an online tax preparation program**	37	35	45	47	29	37	39	33	28
Utilize an accountant or tax service to prepare your taxes	35	23	36	28	41	28	47	36	44
File them yourself using hard copies of IRS forms	12	11	10	13	18	6	10	15	10
Have a friend/family member file them for you	8	19	4	1	5	13	4	5	5
Other	3	6	*	1	1	5	3	2	3
I will not file taxes this year	9	11	6	5	5	15	3	9	11

Note: Percentages may not add up to 100% due to rounding.

\*Less than 0.5%.

\*\*Data were weighted to reflect the total U.S. online adult population.

**TABLE 1C**

**Plans for Filing Taxes – by Marital Status**

“When filing your taxes this year did you/do you plan to...?”

Base: All Adults

	Marital Status			
	Total	Married	Single/ Never Married	Divorced/ Separated/ Widowed
	%	%	%	%
<b>Filed/Plan To File Taxes This Year (Net)</b>	<b>91</b>	<b>97</b>	<b>82</b>	<b>86</b>
File them yourself using tax preparation software or an online tax preparation program*	37	37	34	34
Utilize an accountant or tax service to prepare your taxes	35	42	19	37
File them yourself using hard copies of IRS forms	12	13	9	10
Have a friend/family member file them for you	8	6	17	2
Other	3	2	5	4
I will not file taxes this year	9	3	18	14

Note: Percentages may not add up to 100% due to rounding.

\*Data were weighted to reflect the total U.S. online adult population.

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**TABLE 1D**

**Plans for Filing Taxes – by Income**

“When filing your taxes this year did you/do you plan to...?”

Base: All Adults

	Income				
	Total	Less than 35K	\$35K - \$49.9K	\$50K - \$74.9K	\$75K+
	%	%	%	%	%
<b>Filed/Plan To File Taxes This Year (Net)</b>	<b>91</b>	<b>82</b>	<b>97</b>	<b>97</b>	<b>97</b>
File them yourself using tax preparation software or an online tax preparation program**	37	33	40	33	46
Utilize an accountant or tax service to prepare your taxes	35	26	40	43	38
File them yourself using hard copies of IRS forms	12	15	16	12	7
Have a friend/family member file them for you	8	8	3	10	6
Other	3	6	*	2	*
I will not file taxes this year	9	18	3	3	3

\*Less than 0.5%.

\*\*Data were weighted to reflect the total U.S. online adult population.

Note: Percentages may not add up to 100% due to rounding.

**TABLE 2A**

**Minimizing Tax Liability – by Region**

“Which of the following did you do this past year or will you do when filing to minimize your tax liability?”

Base: Those Who Filed/Plan to File Taxes This Year

	Region				
	Total	Northeast	Midwest	South	West
	%	%	%	%	%
<b>Did/Plan To Do Something To Minimize Tax Liability (Net)</b>	<b>61</b>	<b>49</b>	<b>61</b>	<b>62</b>	<b>72</b>
I contributed to charities.	42	32	45	43	48
I deducted/plan to deduct state and local taxes.	29	25	27	28	37
I gave deductible monetary gifts.	21	16	19	23	24
I itemized/plan to itemize certain purchases as work expenses.	19	16	15	22	23
I itemized/plan to itemize travel or commuting as a work expense.	12	8	10	12	19
I purchased an IRA.	7	5	10	8	6
I timed the sale of stocks or other assets to minimize my tax liability.	5	4	3	5	7
I filed/plan to file taxes separately, rather than with my spouse.	4	5	2	3	4
Other	12	9	9	10	19
I did not/do not plan to do anything to minimize my tax liability.	39	51	39	38	28

Note: Multiple-response question.

**TABLE 2B**

**Minimizing Tax Liability – by Age**

“Which of the following did you do this past year or will you do when filing to minimize your tax liability?”

Base: Those Who Filed/Plan to File Taxes This Year

	Age				
	Total	18-34	35-44	45-54	55+
	%	%	%	%	%
<b>Did/Plan To Do Something To Minimize Tax Liability (Net)</b>	<b>61</b>	<b>49</b>	<b>66</b>	<b>68</b>	<b>64</b>
I contributed to charities.	42	26	45	54	46
I deducted/plan to deduct state and local taxes.	29	17	25	33	39
I gave deductible monetary gifts.	21	14	20	23	25
I itemized/plan to itemize certain purchases as work expenses.	19	15	23	25	17
I itemized/plan to itemize travel or commuting as a work expense.	12	10	14	13	13
I purchased an IRA.	7	6	10	8	6
I timed the sale of stocks or other assets to minimize my tax liability.	5	1	4	5	8
I filed/plan to file taxes separately, rather than with my spouse.	4	3	4	4	4
Other	12	14	10	9	12
I did not/do not plan to do anything to minimize my tax liability.	39	51	34	32	36

Note: Multiple-response question.

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**TABLE 2C**

**Minimizing Tax Liability – by Marital Status**

“Which of the following did you do this past year or will you do when filing to minimize your tax liability?”

Base: Those Who Filed/Plan to File Taxes This Year

	Marital Status			
	Total	Married	Single/ Never Married	Divorced/ Separated/ Widowed
	%	%	%	%
<b>Did/Plan To Do Something To Minimize Tax Liability (Net)</b>	<b>61</b>	<b>67</b>	<b>42</b>	<b>65</b>
I contributed to charities.	42	48	24	49
I deducted/plan to deduct state and local taxes.	29	32	14	35
I gave deductible monetary gifts.	21	23	14	22
I itemized/plan to itemize certain purchases as work expenses.	19	23	11	16
I itemized/plan to itemize travel or commuting as a work expense.	12	15	7	7
I purchased an IRA.	7	9	5	4
I timed the sale of stocks or other assets to minimize my tax liability.	5	6	2	6
I filed/plan to file taxes separately, rather than with my spouse.	4	4	1	7
Other	12	12	11	12
I did not/do not plan to do anything to minimize my tax liability.	39	33	58	35

Note: Multiple-response question.

**TABLE 2D**

**Minimizing Tax Liability – by Education**

“Which of the following did you do this past year or will you do when filing to minimize your tax liability?”

Base: Those Who Filed/Plan to File Taxes This Year

	Education			
	Total	High School or Less	Some College	College Graduate+
	%	%	%	%
<b>Did/Plan To Do Something To Minimize Tax Liability (Net)</b>	<b>61</b>	<b>44</b>	<b>66</b>	<b>80</b>
I contributed to charities.	42	23	44	66
I deducted/plan to deduct state and local taxes.	29	15	29	48
I gave deductible monetary gifts.	21	10	21	35
I itemized/plan to itemize certain purchases as work expenses.	19	11	21	29
I itemized/plan to itemize travel or commuting as a work expense.	12	7	13	18
I purchased an IRA.	7	3	8	12
I timed the sale of stocks or other assets to minimize my tax liability.	5	1	5	9
I filed/plan to file taxes separately, rather than with my spouse.	4	4	4	3
Other	12	10	15	10
I did not/do not plan to do anything to minimize my tax liability.	39	56	34	20

Note: Multiple-response question.

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**TABLE 2E**

**Minimizing Tax Liability – by Income**

“Which of the following did you do this past year or will you do when filing to minimize your tax liability?”

Base: Those Who Filed/Plan to File Taxes This Year

	Income				
	Total	Less than 35K	\$35K - \$49.9K	\$50K - \$74.9K	\$75K+
	%	%	%	%	%
<b>Did/Plan To Do Something To Minimize Tax Liability (Net)</b>	<b>61</b>	<b>38</b>	<b>55</b>	<b>66</b>	<b>83</b>
I contributed to charities.	42	21	31	44	65
I deducted/plan to deduct state and local taxes.	29	13	22	29	47
I gave deductible monetary gifts.	21	7	13	19	38
I itemized/plan to itemize certain purchases as work expenses.	19	9	14	23	31
I itemized/plan to itemize travel or commuting as a work expense.	12	4	10	16	20
I purchased an IRA.	7	2	6	7	14
I timed the sale of stocks or other assets to minimize my tax liability.	5	2	2	4	9
I filed/plan to file taxes separately, rather than with my spouse.	4	3	2	2	5
Other	12	10	11	12	12
I did not/do not plan to do anything to minimize my tax liability.	39	62	45	34	17

Note: Multiple-response question.

**TABLE 3**

**Opinions of Tax-Saving Strategies – by Those Who Use an Accountant or Tax Service**  
“Has an accountant or other tax preparer ever offered a tax-saving strategy that you thought was...?”

Base: Those Who Have or Will Utilize an Accountant or Tax Service to Prepare Their Taxes this Year

	Total
	%
<b>Accountant/Tax Preparer Offered Immoral/Incorrect Tax-Savings Strategy (Net)</b>	<b>3</b>
Immoral/Incorrect Didn't Use (Sub-Net)	2
Incorrect, so I didn't use it	2
Immoral, so I didn't use it	1
Immoral/Incorrect, But Used It (Sub-Net)	1
Incorrect, but I used it anyway	*
Immoral, but I used it anyway	1
An accountant or other tax preparer has never offered me a tax-saving strategy.	58
Not sure	28
Decline to answer	10
Incorrect (Sub-Net)	2
Immoral (Sub-Net)	1

Note: Multiple-response question.

\*Less than 0.5%.

**TABLE 4A**

**Expectations for Paying Money or Receiving a Refund This Year – by Age**  
“Did you/Do you expect to pay money to the IRS or receive a refund this year?”

Base Those Who Filed/Plan To File Taxes This Year

	Age				
	Total	18-34	35-44	45-54	55+
	%	%	%	%	%
I received/expect to receive a refund.	62	69	71	62	51
I paid/expect to pay money to the IRS.	22	12	19	26	29
Not Sure	16	19	10	12	20

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**TABLE 4B**

**Expectations for Paying Money or Receiving a Refund This Year – by Income**

“Did you/Do you expect to pay money to the IRS or receive a refund this year?”

Base: Those Who Filed/Plan To File Taxes This Year

	Income				
	Total	Less than 35K	\$35K - \$49.9K	\$50K- \$74.9K	\$75K+
	%	%	%	%	%
I received/expect to receive a refund.	62	69	67	61	63
I paid/expect to pay money to the IRS.	22	12	21	24	29
Not Sure	16	19	12	14	8

**TABLE 5A**

**How Will You Spend Your Refund – by Age and Gender**

“If you received/expect to receive a refund, how did you spend/do you plan to spend the money?”

Base: Those Who Received/Expect To Receive A Refund

	Male Age						Female Age				
	Total	Total	18-34	35-44	45-54	55+	Total	18-34	35-44	45-54	55+
	%	%	%	%	%	%	%	%	%	%	%
I used it/plan to use it to pay bills.	52	44	38	53	47	41	58	54	62	66	53
I saved/plan to save it.	32	36	42	32	41	30	28	32	27	21	30
I used it/plan to use it for an extravagance, such as a gift to myself or someone else or a vacation.	15	12	15	16	10	9	18	22	19	18	11
I used it/plan to use it to pay off a loan.	12	9	11	7	11	7	14	20	18	12	7
I invested/plan to invest	9	13	10	22	10	10	6	3	4	8	9
I donated/plan to donate it.	2	1	*	1	2	2	3	3	3	5	2
Other	10	8	3	8	16	10	11	12	14	8	11
Not sure	5	6	4	6	2	9	5	4	1	1	16

Note: Multiple-response question.

\*Less than 0.5%

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**TABLE 5B**

**How Will You Spend Your Refund – by Age and Gender**

“If you received/expect to receive a refund, how did you spend/do you plan to spend the money?”

Base: Those Who Received/Expect To Receive A Refund

	Income				
	Total	Less than 35K	\$35K - \$49.9K	\$50K- \$74.9K	\$75K+
	%	%	%	%	%
I used it/plan to use it to pay bills.	52	59	63	60	39
I saved/plan to save it.	32	27	30	25	38
I used it/plan to use it for an extravagance, such as a gift to myself or someone else or a vacation.	15	20	12	11	16
I used it/plan to use it to pay off a loan.	12	12	12	14	13
I invested/plan to invest	9	7	5	6	16
I donated/plan to donate it.	2	1	1	4	3
Other	10	7	13	14	8
Not sure	5	6	2	5	5

Note: Multiple-response question.

\*Less than 0.5%

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**Methodology**

Harris Interactive conducted this online survey within the United States between February 28 and March 2, 2006 among a nationwide cross section of 2,009 adults aged 18 and over, of whom 1,954 filed or plan to file taxes this year and 1,267 received or expect to receive a refund. Unless otherwise noted, data were weighted to reflect the total U.S. adult population on the basis of age, gender, race/ethnicity, education, income, region and propensity to be online. Data related to the use of online tax preparation programs were weighted to reflect the total U.S. adult online population on the basis of age, gender, race/ethnicity, education, region and hours spent online per week.

In theory, with probability samples of this size, one can say with 95 percent certainty that the overall results have a sampling error of plus or minus 3 percentage points of what they would be if the entire U.S. adult population had been polled with complete accuracy. Sampling error for the various sub-sample results is higher and varies. Unfortunately, there are several other possible sources of error in polls or surveys that are probably more serious than theoretical calculations of sampling error. This includes refusals to be interviewed (nonresponse), question wording and question order, and weighting. It is impossible to quantify the errors that may result from these factors. This online sample is not a probability sample.

*These statements conform to the principles of disclosure of the National Council on Public Polls.*

### **About the Survey**

The Wall Street Journal Online/Harris Interactive Personal Finance Poll is an exclusive poll that is published in the Personal Journal Edition of The Wall Street Journal Online at [www.wsj.com/personaljournal](http://www.wsj.com/personaljournal).

### **About The Wall Street Journal Online**

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Harris Interactive Inc. ([www.harrisinteractive.com](http://www.harrisinteractive.com)), based in Rochester, New York, is the 13th largest and the fastest-growing market research firm in the world, most widely known for *The Harris Poll* and for its pioneering leadership in the online market research industry. Long recognized by its clients for delivering insights that enable confident business decisions, the Company blends the science of innovative research with the art of strategic consulting to deliver knowledge that leads to measurable and enduring value.

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