

The Impact of Uncle Sam: Tax Season Insights Report

Overview

Tax season is a mix of opportunities and challenges for retailers. On the one hand, many consumers will get a refund - creating a bump in their discretionary spending. However, consumers who owe will likely adjust spending to account for a payment to Uncle Sam.

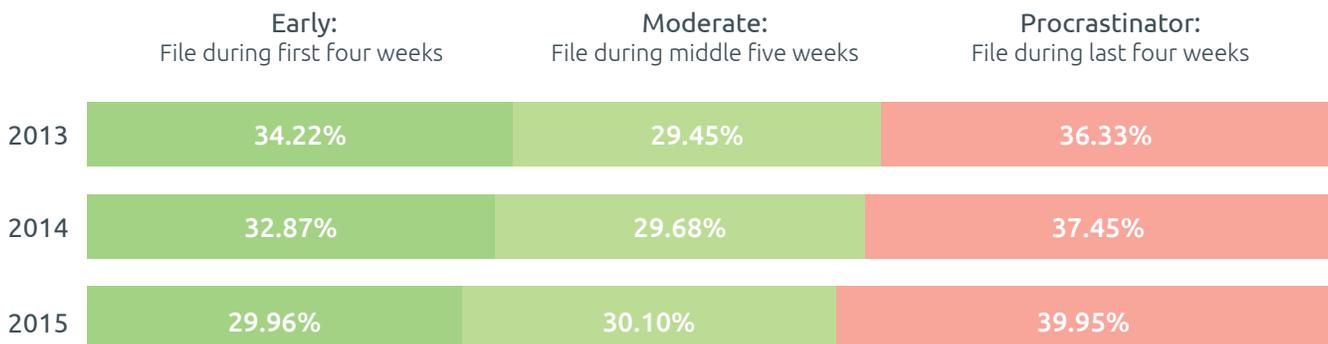
How can brands capture their share of consumers' refund dollars and limit the impact of decreased spending from consumers who owe?

Using our purchase intelligence gleaned from partnerships with 1500+ financial institutions, we looked at how consumer tax habits are changing and the opportunities these trends create for brands. Read on to learn more.

Eleventh-Hour Filers

The number of Americans who wait until the last four weeks of tax season to file is on the rise. In 2013, 34% of Americans filed in the first four weeks of the tax season - what we would call early filers. Surprisingly, those former early filers didn't just slip into the moderate filers (consumers who file during the middle five weeks of the tax season). The majority of the lost share (3.6 share points) shifted to the procrastinator group - those who file during the last four weeks - which grew from 36% in 2013 to 40% in 2015.

Tax Filing by Time Period

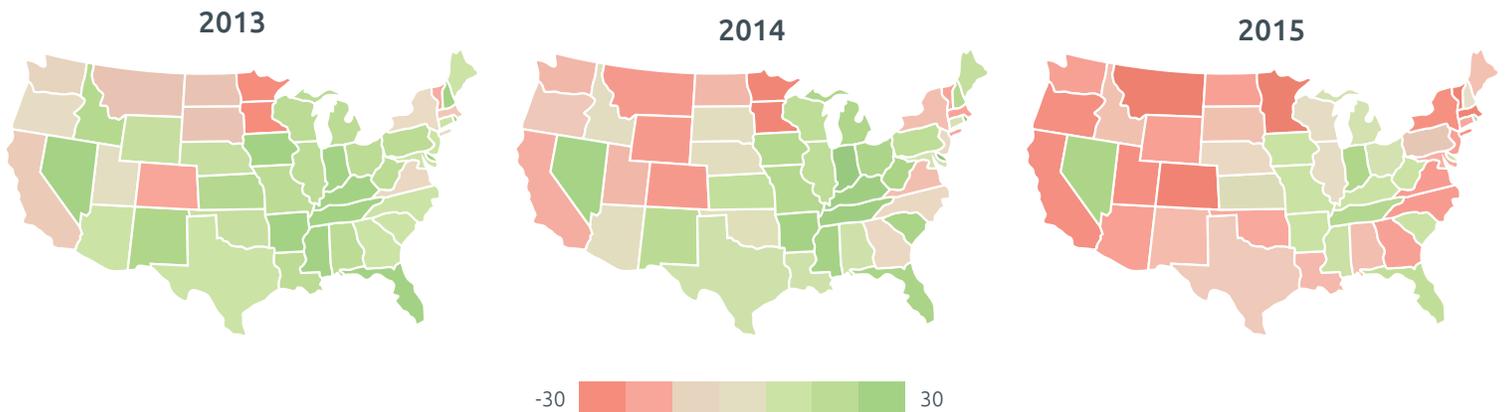


Tax Filing Procrastination by State

While procrastination is on the rise throughout the country, certain states and districts consistently have the most procrastinators. The District of Columbia is home to both the IRS *and* the most tax filing procrastinators for three years running. Conversely, Indiana and Rhode Island took the prize for the most early bird filers from 2013 to 2015.

Fast Fact:

Moderate filers are 30% more likely than procrastinators or early filers to choose in-person tax preparation over online.



Procrastination Score Definition: Early filers received 100 points, moderate filers received 0 points and procrastinators received -100 points. The overall state score is an average of all the customers in that particular state.

Filing Late Costs More

Waiting until the last minute to file costs consumers more in prep costs. As the tax season progresses, the average cost of tax preparation services increase. Americans pay twice as much to get their taxes done in week 10 than in week one.

So who pays more, people that file in-store or those who opt for online? Consumers who file at a national brick & mortar tax prep provider pay 311% more than those who file online and 18% more than consumers who work with a local accountant.

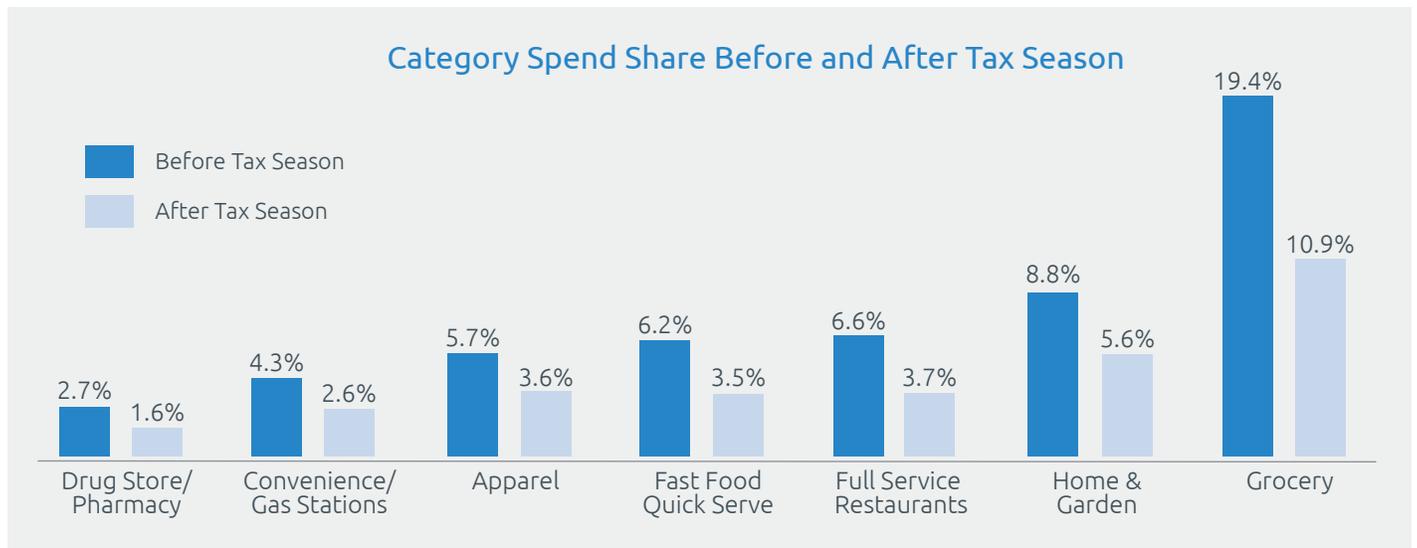
Fast Fact:

People who owe favor online tax prep. In 2015, about 78% of Americans filed their taxes online, but 89% of customers who owed additional taxes chose online over in-person.



Which Categories Lose the Most to Uncle Sam?

How does spending change for consumers who have to pay additional taxes? Entertainment (47%), grocery (44%) and restaurants (44%) lose the most share from consumers who make a payment versus getting a refund.



Conclusion

Consumers filing later means that more Americans will get their refunds in April or May versus earlier in the season. For marketers, considering tax-related promotions during this time can help you win your share of those refund dollars. This is also a good time to re-engage those consumers trying to save to balance out their tax payment. BOGO movie tickets or a percentage discount on groceries who present their completed tax return can help keep these customers engaged.

To learn more, contact info@cardlytics.com.

Methodology

- Target Population: Customers on Cardlytics Network from Jan. 2013 to Oct. 2015 with at least one transaction per month and one purchase with a tax prep provider.
- Timeframe: Analysis includes consumer spend during the 13 week tax seasons in 2013 – 2015 (2013: Jan. 24 – April 24; 2014: Jan. 23 – April 23; 2015: Jan. 22 – April 22)
- How We Categorize Tax Prep Services: Online: Online tax preparation service such as TurboTax.com or TaxAct.com; Brick & Mortar: National tax prep service storefront such as Jackson Hewitt or H&R Block; Local Accountant: Independent accountant not affiliated with a national brand.
- How We Categorize Tax Filers: Early: File during first 4 weeks; Moderate: File during middle 5 weeks; Procrastinator: File during last 4 weeks.

About Cardlytics

Cardlytics uses purchase-based intelligence to make marketing more relevant and measurable. We partner with more than 1,500 financial institutions – including Bank of America, PNC, and Citibank – to run their banking rewards programs that promote customer loyalty and deepen banking relationships. In turn, we have a secure view into where and when consumers are spending their money. We use these insights to help marketers identify, reach and influence likely buyers at scale, as well as measure the true sales impact of marketing campaigns. Headquartered in Atlanta, Cardlytics has offices in London, New York, Chicago and San Francisco.

Learn more at www.cardlytics.com.