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Nearly 7 in 10 Are Worried About Their Tax Refunds Due to Inflation, Smaller Payouts and More

Three-Quarters Expecting Refunds Say the Money is Important to Their Financial Situation, Up from 67% Last Year

NEW YORK – March 1, 2023 – Concerns about inflation, smaller payouts and other economic factors are causing 69% of Americans who are expecting a federal tax refund this year to have at least one worry about their returns, according to a new report from Bankrate.com. Additionally, 75% who expect to receive a federal tax refund in 2023 say the money is important to their overall financial situation, up from 67% last year. This year, that includes 43% who say their tax refund is very important to their financial situation. To view the full report, click here:

<https://www.bankrate.com/taxes/tax-return-survey/>

Among those expecting a tax refund this year, 34% fear that their refund won't make as big of an impact due to inflation/rising costs and 33% worry the refund will be smaller than usual. About 1 in 5 (19%) expressed concern that their refund will be delayed, and an equal percentage fret that their refund won't stretch as far due to higher interest rates.

Overall, younger generations are more likely to say they have at least one concern about their tax refund this year. 82% of Gen Zers (ages 18-26) and 78% of millennials (ages 27-42) who are expecting a tax refund have at least one related worry, compared to 69% of Gen Xers (ages 43-58) and 50% of baby boomers (ages 59-77).

"It's reasonable to expect that many people will receive smaller tax refunds this year," said Bankrate.com senior industry analyst Ted Rossman. "That's mostly because many pandemic-related tax breaks have expired: Stimulus payments, the expanded child tax credit and the expanded child and dependent care credit, to name a few."

In fact, the average federal tax refund so far this year is \$3,140, down 11 percent from the same period a year ago (according to IRS data gathered through Feb. 17, 2023).

Among those who expect a tax refund in 2023, 79% of women and 71% of men say their refund is important to their financial situation, with nearly half of women (46%) saying it is very important, compared to 39% of men.

In addition to having more worries regarding their tax refunds, younger generations are also more likely to report that the refund is important to their overall financial situation. 84% of millennials, 80% of Gen Zers, 75% of Gen Xers and 63% of boomers who expect refunds this year say the money is important to their financial situation, with nearly half of millennials (49%) and Gen Xers (48%) saying it is very important.

Lower-income households (those who earn under \$50,000/year) are most likely (82%) to say their refund is important to their overall financial situation, followed by 75% of households earning between \$50,000-\$79,999 annually, 69% earning between \$80,000 and \$99,999 annually, and 66% who make \$100,000 or more each year.

Paying down debt (28%) and boosting savings (26%) are Americans' top priorities with their tax refund money this year. Last year, 32% prioritized savings and 23% opted to use most or all of the funds for debt payoff.

Additionally, 13% who anticipate receiving a refund plan to use most or all of the money to pay for day-to-day expenses, 8% will spend on home improvements, 7% will finance a vacation, 5% will invest the funds and 3% will splurge on retail purchases. That leaves 5% who don't know and 4% who said something else.

Overall, older generations expecting refunds are more likely to use the money to pay down debt, with 33% of Gen Xers and 32% of baby boomers planning to do so this year, compared to 25% of millennials and 18% of Gen Zers.

"If you have credit card debt – and more than a third of Americans do – then using some of your tax refund money to pay down this high-cost debt would be an excellent choice. The average credit card charges 19.94%. Think of every dollar you pay down as a guaranteed, tax-free return of whatever your interest rate happens to be," Rossman added. "Increasing your savings is an important, and related, priority as well. If you don't have enough savings (and our research shows most people don't: <https://www.bankrate.com/banking/savings/emergency-savings-report/>), then your next unexpected expense might well land on a credit card, which sets the debt cycle into motion. Many people would benefit from using part of their tax refund to pay down some of their credit card debt and part of their refund to increase their savings."

Among those planning to file their taxes this year, 45% expect a refund, 19% expect to owe the government and 16% believe they will break even, while 20% say they don't know what to expect.

February is the most popular month among prospective tax filers: 36% of Americans who plan to file a tax return this year say they will do so in February. March is next (25%), while 14% were early birds and already filed in January. Some 13% plan to wait until April (the 2023 filing deadline is April 18). There were 3% who said later than that, and 9% who don't know.

Methodology:

Bankrate.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,367 US adults (18+), including 907 expecting a federal refund. Fieldwork was undertaken February 1-3, 2023. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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