

tics could be constantly applied by investors due to their simple implementation. The recent trend in financial markets to add huge numbers of new labels and to change their set of features may lead novel investors to make riskier choices. Observing how average investors tend to use simple heuristics for their portfolio selection suggests that rapidly, and perhaps strategically, changing financial environments can lead these investors to make undesirably riskier choices.

Behavioral economics, heuristics, decision-tree, ecological rationality

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Mental accounting of self-employed taxpayers: Insights from an interview study

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The theory of mental accounting (Thaler, 1999) has been rarely applied in tax compliance research. A few statements participants made in interviews and focus groups suggest that taxpayers keep different mental accounts regarding their sources of income, and that they perceive the process of collecting and paying the VAT differently (Adams & Webley, 2001; Ashby & Webley, 2008). A thorough understanding of taxpayers' mental accounting seems important, because behavioral consequences can be assumed. For example, integrating the tax due with one's income could yield the perception of paying taxes out of pocket, which would pronounce the feeling of a loss while paying taxes. By segregating taxes from net income, however, the tax portion of income would never feel like one's own money. Paying taxes should hurt less in the latter case. The present study focuses on the mental accounting regarding the income tax and comprises two parts. In the first part, results from interviews with self-employed individuals (N=30) are presented. These show that in fact, both views exist: taxpayers seem to either integrate their amount of tax due or they segregate it from the net income. Statements from inexperienced and experienced entrepreneurs were compared to analyze whether taxpayers' mental accounting changes over time. For the second part of our study, a Likert scale has been developed from the most prototypical statements participants had made in the interviews, which allows for assessing taxpayers' preferences for integration and segregation. The scale was tested on a sample of N=172 self-employed taxpayers. Scale characteristics are presented as well as correlations with tax morale and self-reported taxpaying behavior. Data analysis is still ongoing.

Mental accounting, tax compliance, self-employed

Detlef Fetchenhauer, Julia Pradel, Erik Hoelzl (Eds.)

A boat trip through economic change

Proceedings of the
IAREP/SABE/ICABEEP 2010 Conference
Cologne



PABST SCIENCE PUBLISHERS

Lengerich, Berlin, Bremen, Miami, Riga, Viernheim, Wien, Zagreb

Bibliographic information published by Die Deutsche Nationalbibliothek

Die Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available in the internet at <<http://dnb.ddb.de>>.

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© 2010 Pabst Science Publishers, 49525 Lengerich, Germany
www.pabst-publishers.com, www.psychologie-aktuell.com
Typesetting: Armin Vahrenhorst

Printed in the EU by booksfactory.de

ISBN 978-3-89967-651-8