

Taken for Suckers: Casual Attributions of the Consequences of Overcharging Sales Tax in Daily Deal Transactions.



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Abstract

In an experimental setting, we examine consumer participant reactions when daily deal operators provide additional discounts beyond that originally agreed to with the merchants. These discounts could result in sales tax overcharges to consumers. We argue that, under these circumstances, consumers would feel cheated and seek to hold the party most responsible for their feelings. Drawing on attribution theory, we posit that the lower status of the merchants as compared to the daily deal operators will result in consumers ascribing cause to the merchants. We examine the main and moderating effects of the overcharges on the behavioral intentions of consumers to repurchase from merchants. We find support for all hypotheses suggesting that even minor ethical violations come with consequences. Implications of these findings for daily deal participants and tax accountants are discussed.

Research Objective

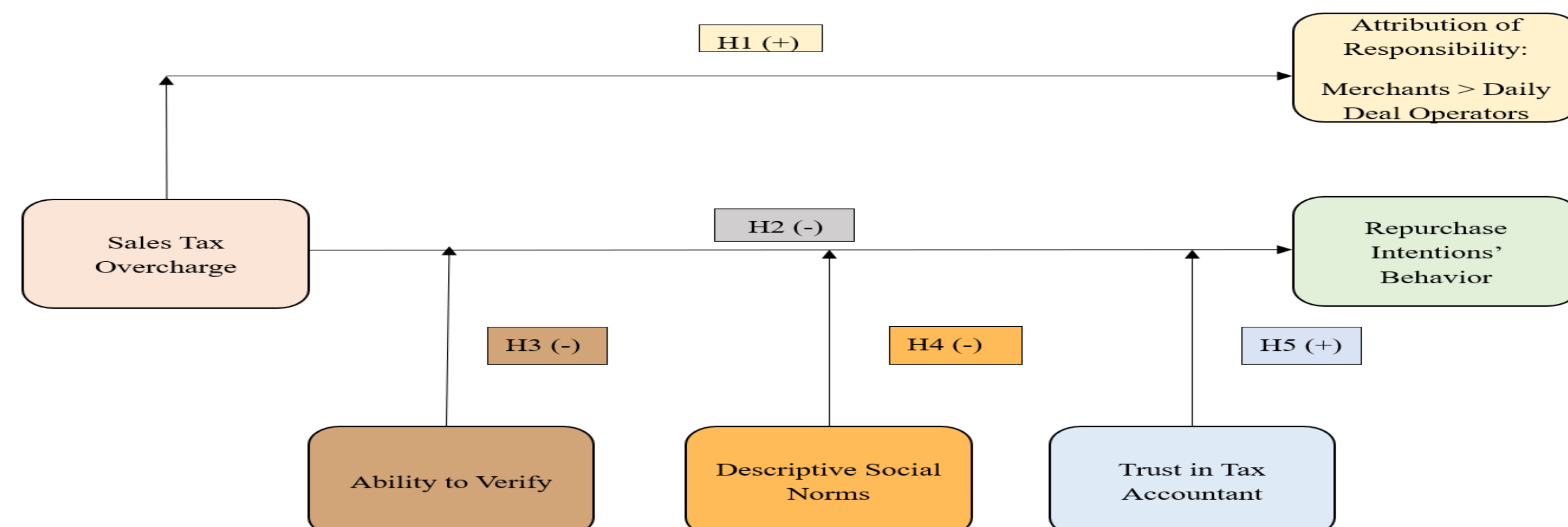
Anecdotal evidence supports that some merchants overcharge sales tax when a merchant is not properly informed when a daily deal operator engages in dynamic pricing by offering additional discounts to negotiated price discounts offered by merchants.

- Who is responsibility for the overcharge -the daily deal operator(s) or the merchant(s)?
- How will subsequent consumer behavior change toward the parties for the transgression/violation?

Hypotheses

- H1:** Consumer participants are more likely to assign responsibility for sales tax overcharges to the merchants than the daily deal operators.
- H2:** Sales tax overcharges are negatively associated to consumers' intentions to repurchase from merchants.
- H3:** The merchants' ability to verify prices paid for additional discounts given by daily deal operators will exacerbate the negative relationship of sales tax overcharges on consumers repurchase intentions from merchants.
- H4:** Consumers' descriptive social norms will attenuate the negative relationship of sales tax overcharges on consumers' repurchase intentions from merchants.
- H5:** Trust in a tax accountant will weaken the negative relationship of sales tax overcharges on consumers repurchase intentions from merchants.

Model



Methodology 1

- Self-administered online field study in a 2 x 2 x 2 between subjects design.
- Respondents were randomly split into eight different groups. Four groups were asked to read a hypothetical scenario whereby sales tax was overcharged (\$25 condition).
 - Another four control groups read a different hypothetical scenario whereby sales tax was correctly charged (\$18.75 condition).
 - The four groups were further split into two groups and given an ability or inability to verify the actual price paid condition.
 - Following a hypothetical scenario, dependent and control variables were administered using a mix of pre-existing, modified scales.
 - Participants: Mturk, Administered Survey through Qualtrics Survey
 - 757 surveys were completed.

Results

- H1 is supported** ($p < .001$). We find that the average scores for AR and its four dimensions were greater for merchants than the daily deal operators.
- H2 is supported.** *Sales Tax Overcharge* is negative and statistically significant ($b = -1.473$; $p < .001$).
- H3 is supported.** *Ability to verify* remains positive and the *sales tax overcharge x ability to verify* interaction term is negative and statistically significant ($b = -.502$; $p < .01$).
- H4 is not supported.** However, the *sales tax overcharge x ability to verify* interaction term is positive and statistically significant ($b = .182$; $p < .01$) in full model.
- H5 is supported.** *Sales tax overcharge x trust in tax accountant* is positive and statistically significant ($b = .360$; $p < .001$).

Discussion

- We found that merchants are attributed more responsibility for negative outcomes than daily deal operators, who provide pricing information to merchants to be able to assess and collect the proper amount of sales tax for each transaction.
- Responsibility for a negative event is born on the shoulders of the lower power entity.
 - A dichotomy exists between the recording of the sales tax overcharge by the merchant under GAAP and sales tax administration.
 - If a merchant had the ability to verify the actual price paid by a consumer to properly assess and collect sales tax, but did not, it diminished repurchase intentions.
 - The impact of a trusted professional's advice may mitigate the negative repurchase intention impact on merchants.

Limitations

- Sales tax overcharges are difficult to quantify because of the quantity and diversity of taxing jurisdictions.
- Although MTurk is a viable option to implement a behavior accounting survey (Buchheit et al., 2018), respondents can rush through surveys and not take them seriously.
 - Lower power merchants are more akin to stores without widely known brand recognition. However, we did not explore the effects if a high-power merchant, such as Starbucks or BJ Wholesale Club, ran offers through a high-power daily deal operator.

Implications

- Our research sets the stage for the accounting/tax literature to explore how various types of tax overcharges affect other entities with whom they engage in an exchange.
- Our research highlights communication deficiencies among entities (higher power entities, lower power entities, governmental agencies).
 - Researchers may want to explore whether higher power entities are adequately disclosing potentially material litigation actions.
 - Our research speaks to the continuing need to explore social norms and how they may or may not be violated.
 - The trust placed in tax accountants could mitigate negative outcomes for merchants. Future research may want to explore how accountants who service entities record these types of transactions for financial reporting and tax purposes.