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## TENNESSEE AND NEW YORK LEAD SETTLEMENT WITH TURBOTAX OWNER INTUIT

*More than 100,000 Tennesseans eligible for restitution*

**Nashville-** Attorney General Herbert H. Slatery III, along with New York Attorney General Letitia James, announced today they have secured \$141 million from the owner of TurboTax, Intuit Inc. (Intuit), for deceiving consumers into paying for tax services that should have been free. All 50 states and the District of Columbia have signed onto the agreement. In Tennessee, approximately 111,000 consumers will be eligible to receive payments of about \$30 for each year during tax years 2016-2018 they used a paid TurboTax product when they qualified to file free through the IRS program

“The last thing anybody needs at tax time is more confusion and complexity over filing,” said General Slatery. “I appreciate working with New York Attorney General Letitia James and coordinating with our fellow attorneys general on this settlement.”

An investigation into Intuit began after ProPublica reported that the company was using deceptive digital tactics to steer low-income consumers toward its commercial products and away from federally-supported free tax services.

Intuit has offered two free versions of TurboTax. One was through its participation in the IRS Free File Program, a public-private partnership with the Internal Revenue Service (IRS), which allows taxpayers earning roughly \$34,000 and members of the military to file their taxes for free. In exchange for participating in the program, the IRS agreed not to compete with Intuit and other tax-prep companies by providing its own electronic tax preparation and filing services to American taxpayers.

In addition, Intuit offers a commercial product called “TurboTax Free Edition,” which is only free for taxpayers with “simple returns” as defined by Intuit. However, this TurboTax “freemium” product is only free for approximately one-third of US taxpayers. In contrast, the IRS Free File product was free for 70 percent of taxpayers.

The multistate investigation found that Intuit engaged in several deceptive and unfair trade practices that limited consumers’ participation in the IRS Free File Program. The company created confusion by using similar names for both its IRS Free File product and its commercial “freemium” product. Intuit bid on paid search advertisements to direct consumers who were looking for the IRS Free File product to the TurboTax “freemium” product instead. Intuit also purposefully blocked its IRS Free File landing page from search engine results during the 2019



## Herbert H. Slatery III Attorney General & Reporter

tax filing season, effectively shutting out eligible taxpayers from filing their taxes for free. Moreover, TurboTax’s website included a “Products and Pricing” page that stated it would “recommend the right tax solution,” but never displayed or recommended the IRS Free File program, even when consumers were ineligible for the “freemium” product.

Intuit will pay \$141 million in restitution, of which roughly \$2.5 million will be used for administrative fund costs.

Under the agreement, Intuit will provide restitution to millions of consumers who started using TurboTax’s Free Edition for tax years 2016 through 2018 and were told that they had to pay to file even though they were eligible to file free using the version of TurboTax that Intuit offered as part of the IRS Free File program. Consumers are expected to receive a direct payment of approximately \$30 for each year that they were deceived into paying for filing services. Impacted consumers will automatically receive notices and a check by mail.

Intuit has also agreed to reform its business practices, including:

- Refraining from making misrepresentations in connection with promoting or offering any online tax preparation products;
- Enhancing disclosures in its advertising and marketing of free products;
- Designing its products to better inform users whether they will be eligible to file their taxes free; and
- Refraining from requiring consumers to start their tax filing over if they exit one of Intuit’s paid products to use a free product instead.

Intuit withdrew from the IRS Free File program in July 2021.

New York and Tennessee led the multistate investigation with support from the attorneys general of Florida, Illinois, New Jersey, North Carolina, Pennsylvania, Texas, and Washington. All 50 states and the District of Columbia joined this agreement. The states wish to thank the Federal Trade Commission for its assistance in the investigation.

To access the settlement, click here:

<https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2022/pr22-14-avc.pdf>

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