

**Letitia James**

New York State Attorney General

Attorney General James Secures \$141 Million for Millions of Americans Deceived by TurboTax

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AG James Leads All 50 States in Agreement with TurboTax Owner Intuit for Deceiving Low-Income Americans into Paying for Free Tax Services

New York Will Receive Over \$5.4 Million for More Than 176,000 New Yorkers

NEW YORK – New York Attorney General Letitia James today announced a record multistate [agreement with the owner of TurboTax, Intuit Inc. \(Intuit\)](#), for deceiving millions of low-income Americans into paying for tax services that should have been free. As a result of Attorney General James’ agreement, Intuit will pay \$141 million in restitution to millions of consumers across the nation who were unfairly charged. In addition, Intuit must suspend TurboTax’s “free, free, free” ad campaign that lured customers with promises of free tax preparation services, only to deceive them into paying. All 50 states and the District of Columbia have signed onto the agreement. New York will receive more than \$5.4 million for more than 176,000 New Yorkers who were tricked into paying to file their federal tax return.

“Intuit cheated millions of low-income Americans out of free tax filing services they were entitled to,” said **Attorney General James**. “For years, Intuit misled the most vulnerable among us to make a profit. Today, every state in the nation is holding Intuit accountable for scamming millions of taxpayers, and we’re putting millions of dollars back into the pockets of impacted Americans. This agreement should serve as a reminder to companies large and small that engaging in these deceptive marketing ploys is illegal. New Yorkers can count on my office to protect their wallets from white-collar scammers.”

The Office of the Attorney General (OAG) opened an investigation into Intuit 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 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. In recent years, TurboTax marketed this “freemium” product aggressively, including through ad campaigns where “free” is the most prominent or sometimes the only selling point. In some ads, the company repeated the word “free” dozens of times in as short as 30 seconds. However, the TurboTax “freemium” product is only free for approximately one-third of US taxpayers. In contrast, the IRS Free File products were free for 70 percent of taxpayers.

The OAG’s 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 used confusingly 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 service to the TurboTax “freemium” product instead. Intuit also purposefully blocked its IRS Free File landing page from search engine results during the 2019 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 nearly 4.4 million 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 for free using the IRS Free File

program offered through TurboTax. 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 for 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.

Attorney General James led the multistate investigation with Tennessee, 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.

This case was handled by Assistant Attorney General Joseph P. Mueller of the Consumer Frauds and Protection Bureau, as well as Assistant Attorney General Jordan Adler, Deputy Bureau Chief Clark Russell, and legal assistants Shirley Huang and Richard Borgia of the Bureau of Internet and Technology. The Bureau of Internet and Technology is led by Bureau Chief Kim Berger. The Consumer Frauds and Protection Bureau is led by Jane M. Azia. Both of the bureaus are part of the Division for Economic Justice, which is led by Chief Deputy Attorney General Chris D'Angelo and overseen by First Deputy Attorney General Jennifer Levy.