



# Attorney General Doug Peterson

# News Release

FOR IMMEDIATE RELEASE

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## **AG Peterson Secures Close to \$798,000 for Consumers Deceived by TurboTax**

*Attorney General Doug Peterson Joins All 50 States in Agreement with TurboTax Owner Intuit for Deceiving Low-Income Americans into Paying for Free Tax Services*

Lincoln— Attorney General Doug Peterson today secured close to \$798,000 from the owner of TurboTax, Intuit Inc. (Intuit), for deceiving consumers into paying for tax services that should have been free. As a result of a multistate 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 for services. All 50 states and the District of Columbia have signed onto the agreement. Nebraska will receive \$798,000 for consumers who were deceived into paying to file their federal tax return.

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. In recent years, TurboTax has 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 TurboTax 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 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 product 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 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 for free using the version of TurboTax 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 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.

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.

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