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## JUSTICE NEWS

### Department of Justice

Office of Public Affairs

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## **Justice Department Requires Divestiture of Credit Karma Tax for Intuit to Proceed with Acquisition of Credit Karma**

### **Divestiture Will Preserve Competition for Digital Do-It-Yourself Tax Preparation Products**

The Department of Justice announced today that it is requiring Intuit Inc. and Credit Karma Inc. (Credit Karma) to divest Credit Karma's tax business, Credit Karma Tax, to Square Inc. in order for Intuit, the creator of TurboTax, to proceed with its \$7.1 billion acquisition of Credit Karma. The department said that without this divestiture, the proposed transaction would substantially lessen competition for digital do-it-yourself (DDIY) tax preparation products, which are software programs used by American taxpayers to prepare and file their federal and state returns.

The Justice Department's Antitrust Division filed a civil antitrust lawsuit today in the U.S. District Court for the District of Columbia to block Intuit's acquisition of Credit Karma. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the competitive harm alleged in the department's complaint.

"Intuit's TurboTax has long led the market for digital do-it-yourself tax filing services, but disruptive competition from Credit Karma Tax has brought substantial benefits to American taxpayers," said Assistant Attorney General Makan Delrahim of the Justice Department's Antitrust Division. "Today's divestiture to Square, another highly successful and disruptive fintech company, ensures that taxpayers will continue to both benefit from this competition and benefit from new innovative financial service offerings from both Intuit and Square."

According to the complaint, Intuit's TurboTax has enjoyed a dominant position in the market for DDIY tax preparation products for more than a decade. Since entering four years ago, Credit Karma Tax has become a disruptive competitor with a significant competitive impact. Unlike other providers, including Intuit, Credit Karma Tax never charges for its products, regardless of the complexity of an individual's tax preparation needs. This always-free business model has enabled Credit Karma Tax to compete aggressively for filers who pay for TurboTax, which helps constrain TurboTax prices and push Intuit to improve TurboTax offerings. The combination of Intuit and Credit Karma would eliminate this competition, likely resulting in higher prices, lower quality, and less choice for consumers of DDIY tax preparation products.

Under the terms of the proposed settlement, Intuit and Credit Karma must divest the assets that comprise Credit Karma Tax to Square, Inc., including relevant software and intellectual property. Square is also expected to hire certain key Credit Karma employees that today support Credit Karma Tax. Intuit and Credit Karma have agreed to provide certain transition support services to Square while Square integrates Credit Karma Tax into its Cash App platform.

Intuit is a Delaware corporation based in Mountain View, California, that offers tax preparation, accounting, payroll, and personal finance solutions to individuals and small businesses. Intuit offers DDIY tax preparation products under the TurboTax brand. Approximately 41 million individuals filed individual federal tax returns in 2020 using

TurboTax. Intuit, through its TurboTax business, is the largest provider of DDIY tax preparation products for U.S. federal and state tax returns. In 2019, Intuit earned over \$6.5 billion in revenue, including over \$2.5 billion from sales of TurboTax products.

Credit Karma is a privately-held Delaware corporation based in San Francisco, California, that offers an online and mobile personal finance platform. Credit Karma's platform provides individuals with access to free credit scores, credit monitoring, and DDIY tax preparation, among other products and services. Credit Karma is home to more than 100 million customers and in any given month, over 35 million customers are actively engaged on the Credit Karma platform. Credit Karma Tax is Credit Karma's DDIY tax preparation business. It is the fifth-largest provider of DDIY tax preparation products for U.S. federal and state tax returns. Approximately two million individuals filed U.S. federal tax returns with Credit Karma Tax in 2020.

Square is a Delaware corporation based in San Francisco, California, that offers business and consumer financial services and tools. Square's consumer finance service platform, Cash App, provides its more than 30 million users peer-to-peer money transfer services, a debit card product, and equity and cryptocurrency investment services. Square earned over \$4.71 billion in revenue in 2019.

As required by the Tunney Act, the proposed consent decree, along with a competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to Robert Lepore, Chief, Transportation, Energy, and Agriculture Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street, N.W., Suite 8000, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may enter the final judgment upon a finding that it serves the public interest.

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