

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA,
U.S. Department of Justice
Antitrust Division
450 Fifth Street, N.W., Suite 8000
Washington, DC 20530

Plaintiff,

v.

INTUIT INC.
2700 Coast Avenue
Mountain View, CA 94043

and

CREDIT KARMA, INC.,
760 Market Street, Floor 2
San Francisco, CA 94102

Defendants.

COMPLAINT

The United States of America, acting under the direction of the Attorney General of the United States, brings this civil antitrust action to prevent Intuit Inc. from acquiring Credit Karma, Inc. The United States alleges as follows:

I. INTRODUCTION

1. Each year, nearly 140 million individuals, families, and households around the country file U.S. federal and state income taxes. The tens of millions of filers who choose a digital do-it-yourself (“DDIY”) tax preparation product have some choice, but one product dominates this market: TurboTax. Intuit, the maker of TurboTax, is by far the largest provider of

DDIY tax preparation products, with a 66% market share. For more than a decade, Intuit's dominance has been nearly as certain as taxes themselves.

2. Since 2008, Credit Karma has operated a popular personal finance platform that offers consumers a variety of free services, including credit monitoring and financial management. When Credit Karma launched its own DDIY tax preparation product in 2017, it was the first meaningful DDIY tax preparation product entry in at least a decade. Credit Karma's goal was clear: "Just like it did with credit scores in 2008, Credit Karma plans to change the tax preparation industry so people won't ever have to pay to do their taxes again."¹ Credit Karma quickly became a significant competitor to Intuit, despite its recent entry and relatively small market share, because Credit Karma has always offered its DDIY tax preparation product to consumers entirely for free. This business model remains unique among DDIY tax preparation product providers.

3. Through Credit Karma's personal finance platform, Credit Karma offers its more than 100 million members free personal finance tools, such as free credit scores and monitoring, and tailored, third-party financial offers, including credit card, personal loan, and refinancing opportunities. Credit Karma is paid only by the third parties, and only when consumers take advantage of these customized offers. Credit Karma can take the data gathered from tax filings, with the filers' consent, to improve Credit Karma's offerings to its members. This, in turn, improves the likelihood that a consumer will take advantage of the offer. This process enables Credit Karma to provide a DDIY tax preparation product for free regardless of the U.S. federal or state tax forms used and complexity of the tax return.

¹ <https://www.creditkarma.com/ourstory>.

4. Thanks to its always-free strategy and enormous member base, Credit Karma became the fifth-largest DDIY tax provider after its first tax season and has grown significantly each year since, with over two million filers in 2020. Credit Karma has projected additional growth in the future as its product continues to get traction, and as it continues to add features and expand the scope of its DDIY tax preparation product.

5. Although as the new player in the market Credit Karma serves only 3% of customers, Intuit has recognized that Credit Karma represents its most disruptive competitor for DDIY tax preparation. Credit Karma's always-free model poses a unique threat to Intuit because Intuit (and all other DDIY tax preparation providers) charges consumers for DDIY tax preparation products for anything beyond the most basic filings as well as often for state filings. Intuit relies on these fees for revenue. For example, Intuit charges individual filers substantial fees to use TurboTax to claim itemized deductions, report investment income, or claim self-employed business expenses, among other complex tax filings. The majority of TurboTax customers pay Intuit to use one of its DDIY tax preparation products. By contrast, Credit Karma offers these same services for federal and state tax returns to individuals for free, and there is no up-charging for additional complexity.

6. Over the last four tax seasons, Credit Karma has begun to erode Intuit's dominance in the market for the development, provision, operation, and support for DDIY tax preparation products. Credit Karma has constrained Intuit's pricing, and has also limited Intuit's ability to degrade the quality and reduce the scope of the free version of TurboTax in order to drive customers to the paid versions. Customer losses to Credit Karma have also represented lost revenue to Intuit because many switchers were purchasing TurboTax paid products, not using TurboTax free offerings. Faced with stiff competition from Credit Karma and mounting losses of

paying customers to Credit Karma's always-free product, Intuit responded aggressively. Intuit lowered the prices and increased the quality of some of its products. This head-to-head competition with Credit Karma has benefitted many of the millions of Americans who use TurboTax each year, constraining Intuit's ability to charge higher prices and leading Intuit to increase the quality of its products.

7. Intuit's proposed acquisition of Credit Karma will eliminate the growing threat posed by Credit Karma and further cement TurboTax's dominance. If the proposed transaction proceeds in its current form, consumers are likely to pay higher prices, receive lower quality products and services, and have less choice for DDIY tax preparation products. To prevent those harms, the Court should enjoin this unlawful transaction.

II. JURISDICTION AND VENUE

8. The United States brings this action pursuant to Section 15 of the Clayton Act, 15 U.S.C. § 25, to prevent and restrain Defendants from violating Section 7 of the Clayton Act, 15 U.S.C. § 18.

9. Defendants are engaged in, and their activities substantially affect, interstate commerce. Intuit and Credit Karma both provide DDIY tax preparation products that serve federal and state tax filers throughout the United States. The Court has subject matter jurisdiction over this action pursuant to Section 15 of the Clayton Act, 15 U.S.C. § 25, and 28 U.S.C. §§ 1331, 1337(a), and 1345.

10. Venue is proper under Section 12 of the Clayton Act, 15 U.S.C. § 22, and under 28 U.S.C. §§ 1391(b) and (c).

11. This Court has personal jurisdiction over each Defendant. Intuit and Credit Karma both transact business and are found within the District of Columbia.

12. Intuit and Credit Karma have each consented to personal jurisdiction and venue in this jurisdiction for purposes of this action.

III. DEFENDANTS AND THE PROPOSED TRANSACTION

13. This case arises from Intuit's proposed acquisition of Credit Karma for approximately \$7.1 billion, pursuant to an Agreement and Plan of Merger entered on February 24, 2020.

14. Intuit is a large, public software company 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.

15. Credit Karma is a privately-held technology company 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 one hundred million customers, and in any given month, over thirty-five million customers are actively engaged on the Credit Karma platform. Credit Karma's DDIY tax preparation business, known as Credit Karma Tax, 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.

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