

**Ethical screening of: Intuit**  
**For: Third Sector Accountants**  
**Date: 26<sup>th</sup> September 2019**

**Company overview:**

Intuit is a US business and financial software company, established in 1983 in California. Its most popular software product, TurboTax, is a tax filing system used by millions of Americans. The company also sells products such as QuickBooks, a tax system used by 80% of small businesses in the US, and an online financial management system, Mint.<sup>1</sup>

According to the corporate information database D&B Hoovers, Intuit has 8,900 employees globally and in 2018 it had an annual turnover of £5.2 billion.<sup>2</sup>

Intuit was listed on the NASDAQ stock exchange in 1993 and after rapid growth agreed to a buy-out by Microsoft in 1994.<sup>3</sup> Microsoft which was mainly interested in its Quicken package, at the time the most used personal finance management system in the world. In 1995, the United States' Department of Justice filed an anti-trust complaint to prevent Microsoft from creating a monopoly to control on-line home financial services. Microsoft withdraw its buying offer.<sup>3</sup> In 2018 Intuit remains a public company without a majority shareholder.

In 2019 Intuit has been in the news for what financial reporters call "The TurboTax trap". Together with other for-profit tax preparation companies, Intuit has come close to succeeding in its years' long lobbying effort to block the US Internal Revenue Service (IRS) from developing its own free tax-filing service.<sup>4</sup> Currently, under an agreement with the IRS, Intuit is one of twelve companies that offers a free version of its tax filing computer program to people who earn \$66,000 or less a year.<sup>4</sup> In May 2019, the Los Angeles city attorney filed a consumer fraud lawsuit that accused the company of misleading users of its TurboTax accounting software by upselling pricier versions to people who were eligible for the free version and making it difficult to find it on the internet.<sup>5</sup>

**Ownership:**

Intuit Inc. is a public company listed on the NASDAQ. Shareholders with stakes of 5% or larger are T. Rowe Price Associates, Inc. (8.60%), The Vanguard Group Inc. (7.55%) and BlackRock Fund Advisors (4.97%).<sup>6</sup>

**Ethical Consumer rating (including what EC identifies as the main ethical issues with this company):**

Intuit receives an Ethiscore of **11 out of a possible 15** on Ethical Consumer's database.

It loses a whole mark under the following Ethical Consumer ratings categories: Political Activities and Anti-Social Finance.

It loses half a mark under the following Ethical Consumer ratings categories: Environmental Reporting, and Human Rights.

The company did not gain any additional positive marks for providing an environmental or social alternative.

It was not rated for Supply Chain Management as it did not produce physical goods.

<sup>1</sup> [www.techtimes.com/articles/225789/20180427/11-amazing-facts-about-how-intuit-grew-into-a-respectable-tech-company.htm](http://www.techtimes.com/articles/225789/20180427/11-amazing-facts-about-how-intuit-grew-into-a-respectable-tech-company.htm)

<sup>2</sup> [app.avenation.com/company/722c9fc0-994f-367b-bcaf-949587f16f28#report/company\\_summary](http://app.avenation.com/company/722c9fc0-994f-367b-bcaf-949587f16f28#report/company_summary)

<sup>3</sup> [cs.stanford.edu/people/eroberts/cs181/projects/corporate-monopolies/dangers\\_quicken.html](http://cs.stanford.edu/people/eroberts/cs181/projects/corporate-monopolies/dangers_quicken.html)

<sup>4</sup> [www.propublica.org/article/bill-to-limit-irs-ability-to-offer-free-tax-filing-service-is-getting-new-scrutiny](http://www.propublica.org/article/bill-to-limit-irs-ability-to-offer-free-tax-filing-service-is-getting-new-scrutiny)

<sup>5</sup> [www.courthousenews.com/judge-tentatively-denies-turbotax-makers-request-to-stay-consumer-fraud-claims/](http://www.courthousenews.com/judge-tentatively-denies-turbotax-makers-request-to-stay-consumer-fraud-claims/)

<sup>6</sup> [money.cnn.com/quote/shareholders/shareholders.html?symb=INTU&subView=institutional](http://money.cnn.com/quote/shareholders/shareholders.html?symb=INTU&subView=institutional)

## Address:

2700 Coast Ave, Mountain View, CA 94043, United States

## Website:

[www.intuit.com](http://www.intuit.com)

## Email:

NA

## Telephone:

+01-650-944-6000

## Ethical Consumer database records:

### Environment

#### Environmental Reporting

##### **Middle Ethical Consumer rating for Environmental Reporting (September 2019)**

In September 2019 Ethical Consumer searched the Intuit website for the organisation's environmental policy or report. An environmental policy was deemed necessary to report on a company's environmental performance and set targets for reducing its impacts in the future. The company's 2018 CSR Report was found.

In a section titled Planet, the company reported on its environmental targets and achievements. It stated that Intuit focused its efforts on reducing the carbon footprint of all its impact areas, which were listed as "buildings, physical supply chain, business travel, partner data centres and employee commute". No further discussion or reporting on these impact areas were found.

The company's environmental efforts included a focus on energy efficiency; following green building standards; on-site solar installations; buying wind-generated energy; waste reduction; and off-setting emissions by supporting projects that prevent the release of greenhouse gases. The company had the following targets:

- Reduce carbon footprint throughout all operations by 50 percent by 2025, as compared to 2012.
- Reduce building carbon footprint by 80 percent by 2025, as compared to 2012.
- Use 100 percent renewable electricity by 2030.
- Divert 90 percent of waste from landfills by 2020 through recycling and composting.

The CSR report was not externally verified, although the company had worked with external experts to define which issues to cover in its CSR reporting and strategy, and used Global Reporting Initiative (GRI) Standards.

A strong policy would include two future, quantified environmental targets, demonstration by the company that it had a reasonable understanding of its main environmental impacts, be dated within the two years and have its environmental data independently verified. Intuit met the first and the third of these criteria and therefore received Ethical Consumer's middle rating for Environmental Reporting. (ref: 1)

## People

### Human Rights

#### Operations in oppressive regimes (September 2019)

In September 2019 Ethical Consumer viewed the Intuit website, which stated that the company had operations in the following countries: India and Israel. At the time of writing Ethical Consumer considered each country listed to be governed by an oppressive regime. The company therefore lost half a mark in the Human Rights category. (ref: 2)

## Politics

### Political Activities

#### Lobbying, donations and revolving doors (September 2019)

In 2019, Ethical Consumer viewed the entry for Intuit on the Opensecrets.org website, which was published in the USA by the Centre for Responsive Politics. This stated that in 2018 the company had spent \$2,600,000 on lobbying and made \$537,896 in political donations. Of this, \$141,206 was donated to Republican candidates and \$322,717 to Democrats.

In 2019, 35 out of 42 lobbyists were said to have previously held government jobs. Intuit lost a whole mark under Political Activities. (ref: 3)

#### Lobbied against free online tax filing (April 2019)

In September 2019 Ethical Consumer viewed an article on the ProPublica website titled 'Bill to Limit IRS' Ability to Offer Free Tax Filing Service Is Getting New Scrutiny' and dated to 10th April 2019.

The article was part of a series called The TurboTax trap, which reported on a provision in the Taxpayer First bill, a bill supported by Republicans and Democrats US congress representatives, that would effectively make it illegal for the country's federal Internal Revenue Service to create its own online system of tax filing. Intuit was one of the for-profit tax preparation companies that had lobbied for years to block the creation of such a system. Despite last-minute reservations of several congress representatives, who had not been aware of the implications of the provision, the bill passed Congress on 10th April 2019 and was awaiting debate in the Senate at the time of writing. Intuit half a whole mark under Political Activities. (ref: 4)

## Anti-Social Finance

#### Worst Ethical Consumer rating for likely use of tax avoidance (September 2019)

In September 2019 Ethical Consumer viewed Intuit's 2018 Form 10-K filing with the Securities and Exchange Commission. This showed that the company was registered in Delaware, a state considered by Ethical Consumer to be a tax haven at the time of writing, while its chief executive offices were based in California.

Its 2019 list of subsidiaries filed with the SEC showed that the company also had 22 subsidiaries in jurisdictions considered by Ethical Consumer to be tax havens at the time of writing. Of these, five were internal finance companies, which was a high risk company type for likely use of tax avoidance:

1. Intuit Financing Inc. in Delaware
2. Intuit Payments Inc. in Delaware
3. Intuit Payroll Holding, LLC in Delaware

4. Intuit Payroll Services, LLC in Delaware

5. Intuit Sales Tax LLC in Delaware

Given that Intuit's UHC was registered in a jurisdiction on Ethical Consumer's tax haven list, it had more than two high risk subsidiaries in jurisdictions on Ethical Consumer's tax haven list and it published no country-by-country financial information, the company received Ethical Consumer's worst rating for likely use of tax avoidance strategies. (ref: 5)

### **Accused of consumer fraud (September 2019)**

In September 2019, Ethical Consumer viewed an article on the Courthouse News website titled 'Judge Tentatively Denies TurboTax Maker's Request to Stay Consumer Fraud Claims' and dated to 17th September 2019.

In May 2019, the Los Angeles city attorney filed a consumer fraud lawsuit against Intuit. It accused the company of misleading users of its TurboTax accounting software by up-selling pricier versions to people who were eligible for a free version of TurboTax under an agreement with the US Internal Revenue Service (IRS) and making it difficult to find the free version of the software on the internet. Intuit was one of twelve companies that as part of an agreement with the IRS offered free tax filing computer programs to people earning \$66,000 or less a year.

Ethical Consumer considered Intuit to have engaged in the mis-selling of its Turbo Tax product and the company therefore lost half a mark under the Anti-Social Finance category. (ref: 6)

### **Excessive directors' pay (September 2019)**

In September 2019, Ethical Consumer viewed Intuit's latest annual report and proxy statement (2018). It stated that the company's five Executive Directors received over £1 million in total compensation in 2019. The highest paid received £21 million.

Ethical Consumer deemed any annual amount over £1 million to be excessive. The company therefore lost half a mark under Anti-Social Finance. (ref: 7)

### **References**

- 1 - Intuit Inc Corporate Communications:2018 Corporate Responsibility Report (2018)
- 2 - Intuit Inc Corporate Communications:[www.intuit.com](http://www.intuit.com) (17 September 2019)
- 3 - Open secrets website:Open Secrets generic ref 2019 (2 January 2019)
- 4 - ProPublica:Bill to Limit IRS' Ability to Offer Free Tax Filing Service Is Getting New Scrutiny (10 April 2019)
- 5 - Intuit Inc Corporate Communications:Form 10-K (24 September 2019)
- 6 - Courthouse News Service:Judge Tentatively Denies TurboTax Maker's Request to Stay Consumer Fraud Claims (17 September 2019)
- 7 - Intuit Inc Corporate Communications:2018 Proxy Statement (17 January 2019)