UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 2018

OR

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________ .

Commission File Number 0-21180

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0034661**
(State of incorporation)	*(IRS employer identification no.)*

2700 Coast Avenue, Mountain View, CA 94043
(Address of principal executive offices)

(650) 944-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	þ	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	o	Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 259,508,568 shares of Common Stock, $0.01 par value, were outstanding at November 14, 2018.

INTUIT INC.
FORM 10-Q
INDEX

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements in this report, other than statements that are purely historical, are forward-looking statements. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “forecast,” “estimate,” “seek,” and similar expressions also identify forward-looking statements. In this report, forward-looking statements include, without limitation, the following:

- our expectations and beliefs regarding future conduct and growth of the business;
- our beliefs and expectations regarding seasonality, competition and other trends that affect our business;
- our expectation that we will continue to invest significant resources in our product development, marketing and sales capabilities;
- our expectation regarding the impact of recent U.S. tax legislation on Intuit's business and its corporate tax rate;
- our expectation that we will continue to invest significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities;
- our expectation that we will work with the broader industry and government to protect our customers from fraud;
- our expectation that we will generate significant cash from operations;
- our expectation that total service and other revenue as a percentage of our total revenue will continue to grow;
- our expectations regarding the development of future products, services, business models and technology platforms and our research and development efforts;
- our assumptions underlying our critical accounting policies and estimates, including our judgments and estimates regarding revenue recognition; stock volatility and other assumptions used to estimate the fair value of share-based compensation; the fair value of goodwill; and expected future amortization of acquired intangible assets;
- our intention not to sell our investments and our belief that it is more likely than not that we will not be required to sell them before recovery at par;
- our belief that the investments we hold are not other-than-temporarily impaired;
- our belief that we take prudent measures to mitigate investment related risks;
- our belief that our exposure to currency exchange fluctuation risk will not be significant in the future;
- our assessments and estimates that determine our effective tax rate;
- our belief that it is not reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months;
- our belief that our cash and cash equivalents, investments and cash generated from operations will be sufficient to meet our seasonal working capital needs, capital expenditure requirements, contractual obligations, debt service requirements and other liquidity requirements associated with our operations for at least the next 12 months;
- our expectation that we will return excess cash generated by operations to our stockholders through repurchases of our common stock and the payment of cash dividends, after taking into account our operating and strategic cash needs;
- our judgments and assumptions relating to our loan portfolio;
- our belief that the credit facility will be available to us should we choose to borrow under it; and
- our assessments and beliefs regarding the future outcome of pending legal proceedings and inquiries by regulatory authorities, the liability, if any, that Intuit may incur as a result of those proceedings and inquiries, and the impact of any potential losses associated with such proceedings or inquiries on our financial statements.

We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this Quarterly Report and in our other filings with the Securities and Exchange Commission before deciding to invest in our stock or to maintain or change your investment. These forward-looking statements are based on information as of the filing date of this Quarterly Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

(In millions, except per share amounts)	Three Months Ended October 31, 2018	Three Months Ended October 31, 2017
Net revenue:		
Product	$ 347	$ 370
Service and other	669	540
Total net revenue	1,016	910
Costs and expenses:		
Cost of revenue:		
Cost of product revenue	15	18
Cost of service and other revenue	227	178
Amortization of acquired technology	5	2
Selling and marketing	346	308
Research and development	294	293
General and administrative	137	145
Amortization of other acquired intangible assets	2	1
Total costs and expenses	1,026	945
Operating loss	(10)	(35)
Interest expense	(4)	(5)
Interest and other income, net	—	3
Loss before income taxes	(14)	(37)
Income tax provision (benefit)	(48)	(35)
Net income (loss)	$ 34	$ (2)
Basic net income (loss) per share	$ 0.13	$ (0.01)
Shares used in basic per share calculations	260	256
Diluted net income (loss) per share	$ 0.13	$ (0.01)
Shares used in diluted per share calculations	264	256
Cash dividends declared per common share	$ 0.47	$ 0.39

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) *(unaudited)*

	Three Months Ended	
(In millions)	October 31, 2018	October 31, 2017
Net income (loss)	$ 34	$ (2)
Other comprehensive loss, net of income taxes:		
Foreign currency translation loss	(4)	(7)
Total other comprehensive loss, net	(4)	(7)
Comprehensive income (loss)	$ 30	$ (9)

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(In millions)	October 31, 2018	July 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,084	$ 1,464
Investments	248	252
Accounts receivable, net	77	98
Income taxes receivable	116	39
Prepaid expenses and other current assets	269	202
Current assets before funds held for customers	1,794	2,055
Funds held for customers	438	367
Total current assets	2,232	2,422
Long-term investments	13	13
Property and equipment, net	805	812
Goodwill	1,610	1,611
Acquired intangible assets, net	55	61
Other assets	213	215
Total assets	$ 4,928	$ 5,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 50	$ 50
Accounts payable	209	178
Accrued compensation and related liabilities	174	369
Deferred revenue	513	581
Other current liabilities	202	198
Current liabilities before customer fund deposits	1,148	1,376
Customer fund deposits	438	367
Total current liabilities	1,586	1,743
Long-term debt	375	388
Long-term deferred income tax liabilities	65	68
Other long-term obligations	120	119
Total liabilities	2,146	2,318
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	5,501	5,338
Treasury stock, at cost	(11,151)	(11,050)
Accumulated other comprehensive loss	(40)	(36)
Retained earnings	8,472	8,564
Total stockholders' equity	2,782	2,816
Total liabilities and stockholders' equity	$ 4,928	$ 5,134

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY *(unaudited)*

(In millions, except shares in thousands)	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2018	**258,616**	**$ 5,338**	**$ (11,050)**	**$ (36)**	**$ 8,564**	**$ 2,816**
Comprehensive income	—	—	—	(4)	34	30
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	1,422	57		—	—	57
Stock repurchases under stock repurchase programs	(467)	—	(101)	—	—	(101)
Dividends and dividend rights declared ($0.47 per share)	—	—	—	—	(126)	(126)
Share-based compensation expense	—	106	—	—	—	106
Balance at October 31, 2018	**259,571**	**$ 5,501**	**$ (11,151)**	**$ (40)**	**$ 8,472**	**$ 2,782**

(In millions, except shares in thousands)	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2017	**255,668**	**$ 4,857**	**$ (10,778)**	**$ (22)**	**$ 7,642**	**$ 1,699**
Comprehensive loss	—	—	—	(7)	(2)	(9)
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	1,224	44	—	—	—	44
Stock repurchases under stock repurchase programs	(1,225)	—	(170)	—	—	(170)
Dividends and dividend rights declared ($0.39 per share)	—	—	—	—	(100)	(100)
Share-based compensation expense	—	98	—	—	—	98
Balance at October 31, 2017	**255,667**	**$ 4,999**	**$ (10,948)**	**$ (29)**	**$ 7,540**	**$ 1,562**

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

	Three Months Ended	
(In millions)	October 31, 2018	October 31, 2017
Cash flows from operating activities:		
Net income (loss)	$ 34	$ (2)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	51	60
Amortization of acquired intangible assets	6	5
Share-based compensation expense	105	97
Deferred income taxes	(9)	(4)
Other	2	2
Total adjustments	155	160
Changes in operating assets and liabilities:		
Accounts receivable	21	(14)
Income taxes receivable	(47)	2
Prepaid expenses and other assets	(72)	(25)
Accounts payable	24	61
Accrued compensation and related liabilities	(191)	(147)
Deferred revenue	(69)	(120)
Other liabilities	2	7
Total changes in operating assets and liabilities	(332)	(236)
Net cash used in operating activities	**(143)**	**(78)**
Cash flows from investing activities:		
Purchases of corporate and customer fund investments	(70)	(86)
Sales of corporate and customer fund investments	33	38
Maturities of corporate and customer fund investments	41	46
Net change in customer fund deposits	71	(53)
Purchases of property and equipment	(35)	(50)
Originations of term loans to small businesses	(76)	(12)
Principal repayments of term loans from small businesses	52	4
Other	4	(15)
Net cash provided by (used in) investing activities	**20**	**(128)**
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit facility	—	400
Repayment of debt	(13)	(13)
Proceeds from issuance of stock under employee stock plans	120	83
Payments for employee taxes withheld upon vesting of restricted stock units	(63)	(39)
Cash paid for purchases of treasury stock	(95)	(168)
Dividends and dividend rights paid	(129)	(105)
Other	(2)	—
Net cash provided by (used in) financing activities	**(182)**	**158**
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(4)	(5)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	**(309)**	**(53)**
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	1,631	701
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 1,322**	**$ 648**
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the consolidated balance sheets to the total amounts reported on the consolidated statements of cash flows		
Cash and cash equivalents	**$ 1,084**	**$ 529**
Restricted cash and restricted cash equivalents included in funds held for customers	**238**	**119**
Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 1,322**	**$ 648**

See accompanying notes.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Intuit helps consumers, small businesses, and the self-employed prosper by delivering financial management and compliance products and services. We also provide specialized tax products to accounting professionals, who are key partners that help us reach small business customers.

Our flagship brands, QuickBooks and TurboTax, help customers run their small businesses, pay employees and send invoices, separate business and personal expenses, track their money, and file income taxes. ProSeries and Lacerte are our leading tax preparation offerings for professional accountants. Incorporated in 1984 and headquartered in Mountain View, California, we sell our products and services primarily in the United States.

Basis of Presentation

These condensed consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. We have included all adjustments, consisting only of normal recurring items, which we considered necessary for a fair presentation of our financial results for the interim periods presented.

We acquired TSheets.com LLC, Exactor, Inc., and Applatix, Inc. in the second quarter of fiscal 2018. We have included the results of operations for these companies in our consolidated statements of operations from the dates of acquisition.

Effective August 1, 2018, we adopted the requirements of Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" and ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*." All prior period amounts and disclosures set forth in this Quarterly Report on Form 10-Q have been restated to comply with these standards.

These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018. Results for the three months ended October 31, 2018 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2019 or any other future period.

Seasonality

Our Consumer and Strategic Partner offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively.

Significant Accounting Policies

We describe our significant accounting policies in Note 1 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018. See the discussion of changes to our revenue recognition policy for the adoption of Topic 606, the new revenue recognition standard, below. There have been no other changes to our significant accounting policies during the first three months of fiscal 2019.

Revenue Recognition

We derive revenue from the sale of packaged software products, software subscriptions, hosted services, payroll services, merchant payment processing services, financial supplies and hardware. We enter into contracts with customers that include promises to transfer various products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized when the promised goods or services are transferred to customers, in an amount that reflects the consideration allocated to the respective performance obligation.

Nature of Products and Services

Desktop Offerings

Our desktop offerings consist of our QuickBooks Desktop products, which include both packaged software products and software subscriptions, our consumer and professional tax desktop products, which include TurboTax, Lacerte and ProSeries, our desktop payroll products, and merchant payment processing services for small businesses who use our desktop offerings.

Our QuickBooks Desktop packaged software products include a perpetual software license as well as enhancements and connected services. We recognize revenue for our QuickBooks Desktop packaged software products at the time the software license is delivered. We have determined that the enhancements and connected services included in our QuickBooks Desktop packaged software products are immaterial within the context of the contract.

Our QuickBooks Desktop software subscriptions include a term software license, version protection, enhancements, support and various connected services. We recognize revenue for the software license and version protection at the time they are delivered and recognize revenue for support and connected services over the subscription term as the services are provided. We have determined that the enhancements included in our QuickBooks Desktop software subscriptions are immaterial within the context of the contract.

Our consumer and professional tax desktop products include an on-premise tax software license, related tax form updates, electronic filing service and connected services. We recognize revenue for the software license and related tax form updates, as one performance obligation, over the period the forms and updates are delivered. We recognize revenue for our electronic filings service and connected services as those services are provided.

We also sell some of our QuickBooks Desktop products and consumer tax desktop products in non-consignment and consignment arrangements to certain retailers. For non-consignment retailers, we begin recognizing revenue when control has transferred to the retailer. For consignment retailers, we begin recognizing revenue when control has transferred to the customer, at the time the end-user sale has occurred.

Our desktop payroll products are sold as software subscriptions and include a term software license with a stand-ready obligation to maintain compliance with current payroll tax laws, support and connected services. The term software license and stand-ready obligation to maintain compliance with current payroll tax laws is considered one performance obligation. Each of the performance obligations is considered distinct and control is transferred to the customer over the subscription term. As a result, revenue is recognized ratably over the subscription term as services are provided.

We offer merchant payment processing services as a separately paid connected service for our QuickBooks Desktop packaged software products and software subscriptions, and revenue is recognized as the services are provided to the customers.

Online Offerings

Our online offerings include our TurboTax Online products, ProConnect Tax Online products, QuickBooks Online products, online payroll products, and merchant payment processing services for small businesses who use our online offerings.

These online offerings provide customers with the right to use the hosted software over the contract period without taking possession of the software and are billed on either a subscription or consumption basis. Revenue related to our online offerings that are billed on a subscription basis is recognized ratably over the contract period. Revenue related to online offerings that are billed on a consumption basis, is recognized when the customer consumes the related service.

Other Solutions

Revenue from the sale of our financial supplies, such as printed check stock, and hardware, such as retail point-of-sale equipment and credit card readers for mobile phones, is recognized when control is transferred to the customer which is generally when the products are shipped.

We also have revenue-sharing and royalty arrangements with third-party partners and recognize this revenue as earned based upon reporting provided to us by our partners. In instances where we do not have reporting from our partners, we estimate revenue based on information available to us at the time.

Product Revenue and Service and Other Revenue

Product revenue includes revenue from: QuickBooks Desktop software licenses and version protection; consumer and professional tax desktop licenses and the related form updates; desktop payroll licenses and related updates; and financial supplies.

Service and other revenue includes revenue from: our online offerings discussed above; support, electronic filing services and connected services included with our desktop offerings; merchant payment processing services for our desktop offerings; and revenue-sharing and royalty arrangements.

We record revenue net of sales tax obligations. For payroll services, we generally require customers to remit payroll tax funds to us in advance of the payroll date via electronic funds transfer. We include in total net revenue the interest earned on these funds between the time that we collect them from customers and the time that we remit them to outside parties. Revenue for electronic payment processing services that we provide to merchants is recorded net of interchange fees charged by credit card associations.

Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates. These judgments and estimates include identifying performance obligations in the contract, determining whether the performance obligations are distinct, determining the standalone sales price (SSP) for each distinct performance obligation, determining the timing of revenue recognition for distinct performance obligations and estimating the amount of variable consideration to include in the transaction price.

The functionality of the software licenses included in our consumer and professional tax and payroll desktop offerings is dependent on the related enhancements and updates included in these offerings. Judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the related updates and recognized over time.

Our contracts with customers include promises to transfer various products and services, which are generally capable of being distinct performance obligations. In many cases SSPs for distinct performance obligations are based on directly observable pricing. In instances where the SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs.

Our consumer and professional tax desktop products include an on-premise tax software license and related tax form updates that are recognized as the forms and updates are delivered. We measure progress towards complete satisfaction of the software license and related tax form updates using an output method based on the timing of when the tax forms are delivered.

We generally provide refunds to customers for product returns and subscription cancellations. We also provide promotional discounts and incentive rebates on retail and distribution sales. These refunds, discounts and incentive rebates are accounted for as variable consideration when estimating the amount of revenue to recognize. Refunds are estimated based on historical experience and current business and economic indicators and updated at the end of each reporting period as additional information becomes available to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Discounts and incentive rebates are estimated based on distributors' and retailers' performance against the terms and conditions of the rebate programs.

Deferred Revenue

Generally, we receive payment at the time we enter into a contract with a customer. We record deferred revenue when we have entered into a contract with a customer and cash payments are received or due prior to transfer of control or satisfaction of the related performance obligation. During the three months ended October 31, 2018, we recognized revenue of $327 million that was included in deferred revenue at July 31, 2018. During the three months ended October 31, 2017, we recognized revenue of $339 million that was included in deferred revenue at July 31, 2017.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of October 31, 2018 and July 31, 2018, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was $2 million and $3 million, respectively, and is included in other long-term obligations on our consolidated balance sheets.

Assets Recognized from the Costs to Obtain a Contract with a Customer

Our internal sales commissions are considered incremental costs of obtaining the contract with a customer. Internal sales commissions for subscription offerings where we expect the benefit of those costs to continue longer than one year are capitalized and amortized ratably over the period of benefit, which ranges from three to four years. Total capitalized costs to obtain a contract are included in prepaid expenses and other current assets and other assets on our consolidated balance sheets.

We apply a practical expedient to expense costs incurred to obtain a contract with a customer when the period of benefit is less than one year. These costs primarily include internal and external sales commissions for our consumer and professional tax offerings.

Use of Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we make certain judgments, estimates, and assumptions that affect the amounts reported in our financial statements and the disclosures made in the accompanying notes. For example, we use judgments and estimates in determining how revenue should be recognized. These judgments and estimates include identifying performance obligations, determining if the performance obligations are distinct, determining the SSP and timing of revenue recognition for each distinct performance obligation, and estimating variable consideration to be included in the transaction price. We use estimates in determining the collectibility of accounts receivable and notes receivable, the appropriate levels of various accruals including accruals for litigation contingencies, the amount of our worldwide tax provision, and the realizability of deferred tax assets. We also use estimates in determining the remaining economic lives and fair values of acquired intangible assets, property and equipment, and other long-lived assets. In addition, we use assumptions to estimate the fair value of reporting units and share-based compensation. Despite our intention to establish accurate estimates and use reasonable assumptions, actual results may differ from our estimates.

Computation of Net Income (Loss) Per Share

We compute basic net income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the shares issuable upon the exercise of stock options and upon the vesting of restricted stock units (RSUs) under the treasury stock method.

We include stock options with combined exercise prices and unrecognized compensation expense that are less than the average market price for our common stock, and RSUs with unrecognized compensation expense that is less than the average market price for our common stock, in the calculation of diluted net income per share. We exclude stock options with combined exercise prices and unrecognized compensation expense that are greater than the average market price for our common stock, and RSUs with unrecognized compensation expense that is greater than the average market price for our common stock, from the calculation of diluted net income per share because their effect is anti-dilutive. Under the treasury stock method, the amount that must be paid to exercise stock options and the amount of compensation expense for future service that we have not yet recognized for stock options and RSUs are assumed to be used to repurchase shares.

All of the RSUs we grant have dividend rights. Dividend rights are accumulated and paid when the underlying RSUs vest. Since the dividend rights are subject to the same vesting requirements as the underlying equity awards they are considered a contingent transfer of value. Consequently, the RSUs are not considered participating securities and we do not present them separately in earnings per share.

In loss periods, basic net loss per share and diluted net loss per share are the same since the effect of potential common shares is anti-dilutive and therefore excluded.

The following table presents the composition of shares used in the computation of basic and diluted net income per share for the periods indicated.

	Three Months Ended	
(In millions, except per share amounts)	October 31, 2018	October 31, 2017
Numerator:		
Net income (loss)	$ 34	$ (2)
Denominator:		
Shares used in basic per share amounts:		
Weighted average common shares outstanding	260	256
Shares used in diluted per share amounts:		
Weighted average common shares outstanding	260	256
Dilutive common equivalent shares from stock options and restricted stock awards	4	—
Dilutive weighted average common shares outstanding	264	256
Basic and diluted net income (loss) per share:		
Basic net income (loss) per share	$ 0.13	$ (0.01)
Diluted net income (loss) per share	$ 0.13	$ (0.01)
Shares excluded from diluted net income (loss) per share:		
Weighted average stock options and restricted stock units that have been excluded from dilutive common equivalent shares outstanding due to their anti-dilutive effect	—	14

Notes Receivable and Allowances for Loan Losses

Notes receivable consist of term loans to small businesses and are included in prepaid expenses and other current assets on our consolidated balance sheets. As of October 31, 2018 and July 31, 2018, the notes receivable balance was $79 million and $55 million, respectively, and the allowance for loan losses were not significant. The term loans are not secured and are recorded at amortized cost, net of allowances for loan losses. We maintain an allowance for loan losses to reserve for potentially uncollectible notes receivable. We evaluate the creditworthiness of our loan portfolio on a pooled basis due to its composition of small, homogeneous loans with similar general credit risk and characteristics and apply a loss rate at the time of loan origination. The loss rate and underlying model are updated periodically to reflect actual loan performance and changes in assumptions. We make judgments about the known and inherent risks in the loan portfolio, adverse situations that may affect borrowers' ability to repay and current economic conditions. When we determine that amounts are uncollectible, we write them off against the allowance.

Concentration of Credit Risk and Significant Customers

No customer accounted for 10% or more of total net revenue in the three months ended October 31, 2018 or October 31, 2017. No customer accounted for 10% or more of gross accounts receivable at October 31, 2018 or July 31, 2018.

Accounting Standards Recently Adopted

Business Combinations - In January 2017 the FASB issued ASU 2017-01, "*Business Combinations (Topic 805): Clarifying the Definition of a Business*." This standard clarifies the definition of a business in order to allow for the evaluation of whether transactions should be accounted for as acquisitions or disposals of assets or businesses. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. The impact of the adoption of ASU 2017-01 on our consolidated financial statements is not material.

Statement of Cash Flows - In August 2016 the FASB issued ASU 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.*" This standard makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. The impact of the adoption of ASU 2016-15 on our consolidated financial statements is not material.

Income Taxes - In October 2016, the FASB issued ASU 2016-16, "*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.*" This standard requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs, as opposed to historical GAAP guidance which prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset had been sold to an outside party. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. The impact of the adoption of ASU 2016-16 on our consolidated financial statements is not material.

Statement of Cash Flows - In November 2016 the FASB issued ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*." This standard provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. We have modified our consolidated statements of cash flows to include restricted cash and restricted cash equivalents.

The adoption of ASU 2016-18 impacted our previously reported consolidated statement of cash flows as follows:

	Three Months Ended October 31, 2017		
(Dollars in millions)	**As Reported**	**ASU 2016-18 Adjustment**	**As Adjusted**
Net cash provided by (used in):			
Operating activities	$ (78)	$ —	$ (78)
Investing activities	(75)	(53)	(128)
Financing activities	158	—	158
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(5)	—	(5)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ —	$ (53)	$ (53)

Revenue from Contracts with Customers **-** In May 2014 the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606).*" This standard superseded nearly all existing revenue recognition guidance under U.S. GAAP. Under this standard, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018 using the full retrospective method, which requires us to restate each prior reporting period presented. We have implemented internal controls and processes to enable the preparation of financial information on adoption.

The most significant impact of the standard relates to the timing and amount of revenue recognized for our QuickBooks Desktop solutions and our consumer and professional tax desktop solutions. Our QuickBooks Desktop solutions include both packaged software products and software subscriptions.

Our QuickBooks Desktop packaged software products include a software license as well as enhancements and connected services. Under the new standard, we recognize revenue for the QuickBooks Desktop packaged software products at the time the software license is delivered rather than ratably over the period that enhancements and connected services are provided, which was approximately three years. We have determined that the enhancements and connected services included in our QuickBooks Desktop packaged software products are immaterial within the context of the contract.

Our QuickBooks Desktop software subscriptions include a software license, version protection, enhancements, support and various connected services. We recognize revenue for the software license and version protection at the time they are delivered and recognize revenue for support and connected services over the subscription term as the services are provided. Previously, we recognized revenue for our QuickBooks Desktop software subscriptions ratably over the subscription term, which is generally one year. We have determined that the enhancements included in our QuickBooks Desktop software subscriptions are immaterial within the context of the contract.

Our consumer and professional tax desktop solutions include a desktop tax preparation software license, tax form updates, electronic filing and connected services. We recognize revenue for the desktop tax preparation software license and related tax form updates as the forms and updates are delivered and recognize revenue for our electronic filing and connected services as those services are provided. Previously, we recognized all revenue related to tax desktop solutions as services were provided.

We capitalize the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year, which include internal sales commissions related to our subscription offerings.

The adoption of this standard resulted in a decrease in deferred revenue and long-term deferred income taxes, primarily due to the change in revenue recognition for our QuickBooks Desktop and professional tax desktop solutions. Additionally, the adoption of the standard resulted in the recognition of additional revenue and a decrease in the income tax benefit, primarily due to the net change in revenue recognition for our QuickBooks Desktop and professional tax desktop solutions. Our prepaid expenses and other current assets and other assets balances increased due to the capitalized costs to obtain a contract.

Adoption of ASU 2014-09 impacted our previously reported results as follows:

	July 31, 2018		
(In millions)	As Reported	Topic 606 Adjustment	As Adjusted
Prepaid expenses and other current assets	$ 184	$ 18	$ 202
Long-term deferred income taxes (1)	87	(85)	2
Other assets (1)	190	23	213
Deferred revenue	961	(380)	581
Other current liabilities	191	7	198
Long-term deferred revenue (2)	197	(194)	3
Other long-term obligations (2)	123	61	184
Stockholders' equity	2,354	462	2,816

(1) Long-term deferred income taxes is included in other assets on our consolidated balance sheets.

(2) Long-term deferred revenue is included in other long-term obligations on our consolidated balance sheets.

	Three Months Ended October 31, 2017		
(In millions, except per share amounts)	As Reported	Topic 606 Adjustment	As Adjusted
Net revenue	$ 886	$ 24	$ 910
Selling and marketing expense	308	—	308
Operating loss	(57)	22	(35)
Income tax benefit	(42)	7	(35)
Net loss	(17)	15	(2)
Diluted net loss per share	(0.07)	0.06	(0.01)

Adoption of Topic 606 had no impact to cash from or used in operating, financing, or investing on our consolidated statements of cash flows.

Accounting Standards Not Yet Adopted

Internal-Use Software - In August 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-15, "*Intangibles—Goodwill and Other (Topic 350): Internal-Use Software.*" This standard aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2019. Early adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2018-15 on our consolidated financial statements.

Goodwill Impairment - In January 2017 the FASB issued ASU 2017-04, "*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" This standard eliminates Step 2 from the goodwill impairment test. Instead, an entity should compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2020. Early adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2017-04 on our consolidated financial statements.

Financial Instruments - In June 2016 the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses (Topic 326).*" This standard requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2020. Earlier adoption is permitted in the first quarter of our fiscal year beginning August 1, 2019. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our consolidated financial statements.

Leases - In February 2016 the FASB issued ASU 2016-02, "*Leases (Topic 842).*" This standard amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2019. Early adoption is permitted. This standard is required to be adopted using a modified retrospective approach. We expect to elect certain available transitional practical expedients. In July 2018 the FASB issued ASU 2018-11, "*Leases (Topic 842) Targeted Improvements,"* which allows for the adoption of this standard to be applied at the beginning of the most recent fiscal year as opposed to at the beginning of the earliest year presented. We plan to adopt under the provisions allowed under ASU 2018-11. While we continue to evaluate the impact of our pending adoption of ASU 2016-02 on our consolidated financial statements, we expect that the real estate and equipment leases designated as operating leases as discussed in Note 9 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 will be recognized as right-of-use assets and corresponding lease liabilities on our consolidated balance sheets upon adoption. We do not expect the adoption of ASU 2016-02 to have a material impact on our consolidated statements of operations.

We do not expect that any other recently issued accounting pronouncements will have a significant effect on our financial statements.

2. Fair Value Measurements

Fair Value Hierarchy

The authoritative guidance defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, we consider the principal or most advantageous market for an asset or liability and assumptions that market participants would use when pricing the asset or liability. In addition, we consider and use all valuation methods that are appropriate in estimating the fair value of an asset or liability.

The authoritative guidance establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In general, the authoritative guidance requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by the authoritative guidance are as follows:

- **Level 1** uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- **Level 2** uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data for substantially the full term of the assets or liabilities.
- **Level 3** uses one or more unobservable inputs that are supported by little or no market activity and that are significant to the determination of fair value. Level 3 assets and liabilities include those whose fair values are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes financial assets and financial liabilities that we measured at fair value on a recurring basis at the dates indicated, classified in accordance with the fair value hierarchy described above.

	October 31, 2018				July 31, 2018			
(In millions)	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash equivalents, primarily money market funds and savings deposit accounts	$ 512	$ —	$ —	$ 512	$ 1,143	$ —	$ —	$ 1,143
Available-for-sale debt securities:								
Municipal bonds	—	13	—	13	—	31	—	31
Corporate notes	—	420	—	420	—	412	—	412
U.S. agency securities	—	15	—	15	—	9	—	9
Total available-for-sale securities	—	448	—	448	—	452	—	452
Total assets measured at fair value on a recurring basis	$ 512	$ 448	$ —	$ 960	$ 1,143	$ 452	$ —	$ 1,595

The following table summarizes our cash equivalents and available-for-sale debt securities by balance sheet classification and level in the fair value hierarchy at the dates indicated.

	October 31, 2018				July 31, 2018			
(In millions)	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:								
In cash and cash equivalents	$ 512	$ —	$ —	$ 512	$ 1,143	$ —	$ —	$ 1,143
Available-for-sale debt securities:								
In investments	$ —	$ 248	$ —	$ 248	$ —	$ 252	$ —	$ 252
In funds held for customers	—	200	—	200	—	200	—	200
Total available-for-sale debt securities	$ —	$ 448	$ —	$ 448	$ —	$ 452	$ —	$ 452

We value our Level 1 assets, consisting primarily of money market funds and savings deposit accounts, using quoted prices in active markets for identical instruments. Financial assets whose fair values we measure on a recurring basis using Level 2 inputs consist of municipal bonds, corporate notes, and U.S. agency securities. We measure the fair values of these assets with the help of a pricing service that either provides quoted market prices in active markets for identical or similar securities or uses observable inputs for their pricing without applying significant adjustments. Our fair value processes include controls that are designed to ensure that we record appropriate fair values for our Level 2 investments. These controls include comparison to pricing provided by a secondary pricing service or investment manager, validation of pricing sources and models, review of key model inputs, analysis of period-over-period price fluctuations, and independent recalculation of prices where appropriate.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the three months ended October 31, 2018.

3. Cash and Cash Equivalents, Investments, and Funds Held for Customers

We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. In all periods presented, cash equivalents consist primarily of money market funds and savings deposit accounts, investments consist primarily of investment-grade available-for-sale debt securities, and funds held for customers consist of cash and cash equivalents and investment-grade available-for-sale debt securities. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments in debt securities by limiting our holdings with any individual issuer.

The following table summarizes our cash and cash equivalents, investments, and funds held for customers by balance sheet classification at the dates indicated.

(In millions)	October 31, 2018 Amortized Cost	October 31, 2018 Fair Value	July 31, 2018 Amortized Cost	July 31, 2018 Fair Value
Classification on consolidated balance sheets:				
Cash and cash equivalents	$ 1,084	$ 1,084	$ 1,464	$ 1,464
Investments	250	248	253	252
Funds held for customers	438	438	368	367
Long-term investments	13	13	13	13
Total cash and cash equivalents, investments, and funds held for customers	$ 1,785	$ 1,783	$ 2,098	$ 2,096

The following table summarizes our cash and cash equivalents, investments, and funds held for customers by investment category at the dates indicated.

(In millions)	October 31, 2018 Amortized Cost	October 31, 2018 Fair Value	July 31, 2018 Amortized Cost	July 31, 2018 Fair Value
Type of issue:				
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 1,322	$ 1,322	$ 1,631	$ 1,631
Available-for-sale debt securities:				
Municipal bonds	13	13	31	31
Corporate notes	422	420	414	412
U.S. agency securities	15	15	9	9
Total available-for-sale debt securities	450	448	454	452
Other long-term investments	13	13	13	13
Total cash and cash equivalents, investments, and funds held for customers	$ 1,785	$ 1,783	$ 2,098	$ 2,096

We use the specific identification method to compute gains and losses on investments. We include realized gains and losses on our available-for-sale debt securities in interest and other income on our consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the three months ended October 31, 2018 and October 31, 2017 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive loss in the stockholders' equity section of our consolidated balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at October 31, 2018 and July 31, 2018 were not significant.

We periodically review our investment portfolios to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. We believe that the investments we held at October 31, 2018 were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at October 31, 2018 were not significant and were due to changes in interest rates, including market credit spreads, and not due to increased credit risks associated with specific securities. We do not intend to sell these investments. In addition, it is more likely than not that we will not be required to sell them before recovery at par, which may be at maturity.

The following table summarizes our available-for-sale debt securities, included in investments and funds held for customers, classified by the stated maturity date of the security at the dates indicated.

(In millions)	October 31, 2018 Amortized Cost	October 31, 2018 Fair Value	July 31, 2018 Amortized Cost	July 31, 2018 Fair Value
Due within one year	$ 262	$ 261	$ 250	$ 250
Due within two years	119	118	117	116
Due within three years	47	47	66	65
Due after three years	22	22	21	21
Total available-for-sale debt securities	$ 450	$ 448	$ 454	$ 452

Funds held for customers represent cash held on behalf of our customers that is invested in cash and cash equivalents and investment grade available-for-sale securities, restricted for use solely for the purpose of satisfying amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

The following table summarizes our funds held for customers by investment category at the dates indicated.

(In millions)	October 31, 2018	July 31, 2018
Restricted cash and restricted cash equivalents	$ 238	$ 167
Available-for-sale debt securities	200	200
Total funds held for customers	$ 438	$ 367

(In millions)	October 31, 2017	July 31, 2017
Restricted cash and restricted cash equivalents	$ 119	$ 172
Available-for-sale debt securities	200	200
Total funds held for customers	$ 319	$ 372

4. Current Liabilities

Short-Term Debt

On February 1, 2016 we entered into a master credit agreement with certain institutional lenders for a five-year credit facility in an aggregate principal amount of $1.5 billion. The master credit agreement includes a $500 million unsecured term loan and a $1 billion unsecured revolving credit facility. At October 31, 2018, $425 million was outstanding under the term loan, of which $50 million was classified as short-term debt. See Note 5, "*Long-Term Obligations and Commitments – Long-Term Debt,"* for more information regarding the term loan.

Unsecured Revolving Credit Facility

The master credit agreement we entered into on February 1, 2016 includes a $1 billion unsecured revolving credit facility that will expire on February 1, 2021. Under the master credit agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the revolving credit facility in an amount not to exceed $250 million in the aggregate and may extend the maturity date up to two times. Advances under the revolving credit facility accrue interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.5% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%. Actual margins under either election will be based on our senior debt credit ratings. The master credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 as of any date and a ratio of annual EBITDA to annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. We remained in compliance with these covenants at all times during the quarter ended October 31, 2018. At October 31, 2018 no amounts were outstanding under this revolving credit facility. We paid no amount for interest on the revolving credit facility during the three months ended October 31, 2018 and $1 million during the three months ended October 31, 2017.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In millions)	October 31, 2018	July 31, 2018
Executive deferred compensation plan liabilities	$ 103	$ 97
Reserve for promotional discounts and rebates	10	10
Reserve for product returns	16	17
Current portion of license fee payable	10	9
Current portion of deferred rent	5	6
Current portion of dividend payable	7	10
Other	51	49
Total other current liabilities	$ 202	$ 198

The balances of several of our other current liabilities, particularly our reserves for product returns and promotional discounts and rebates, are affected by the seasonality of our business. See Note 1, *"Description of Business and Summary of Significant Accounting Policies – Seasonality,"* for more information.

5. Long-Term Obligations and Commitments

Long-Term Debt

On February 1, 2016 we entered into a master credit agreement with certain institutional lenders for a five-year credit facility in an aggregate principal amount of $1.5 billion, which includes a $500 million unsecured term loan. Under the master credit agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the term loan in an amount not to exceed $500 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.125% to 0.875% or LIBOR plus a margin that ranges from 1.125% to 1.875%. Actual margins under either election will be based on our senior debt credit ratings. The master credit agreement includes customary affirmative and negative covenants. See Note 4, "*Current Liabilities – Unsecured Revolving Credit Facility,"* for more information. The term loan is subject to quarterly principal payments, which began in July

2017, of 2.5% of the original loan amount, with the balance payable on February 1, 2021. At October 31, 2018, $425 million was outstanding under the term loan, of which $50 million was classified as short-term debt. The carrying value of the term loan approximates its fair value. Interest on the term loan is payable monthly. We paid $4 million for interest on the term loan during the three months ended October 31, 2018 and $3 million during the three months ended October 31, 2017.

Other Long-Term Obligations

Other long-term obligations were as follows at the dates indicated:

(In millions)	October 31, 2018	July 31, 2018
Total deferred rent	$ 48	$ 47
Long-term income tax liabilities	61	61
Total license fee payable	10	9
Total dividend payable	10	14
Other	14	15
Total long-term obligations	143	146
Less current portion (included in other current liabilities)	(23)	(27)
Long-term obligations due after one year	$ 120	$ 119

Operating Lease Commitments and Unconditional Purchase Obligations

We describe our operating lease commitments and purchase obligations in Note 9 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018. There were no significant changes in our operating lease commitments or purchase obligations during the three months ended October 31, 2018.

6. Income Taxes

Effective Tax Rate

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period. Our effective tax rate for the three months ended October 31, 2017 has been restated to reflect the full retrospective application of ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606).*" See Note 1, *"Description of Business and Summary of Significant Accounting Policies – Accounting Standards Recently Adopted,"* for more information.

The Tax Cuts and Jobs Act (2017 Tax Act) was enacted on December 22, 2017 and reduced the U.S. statutory federal corporate tax rate from 35% to 21%. The effective date of the tax rate change was January 1, 2018. The change resulted in a blended lower U.S. statutory federal rate of 26.9% for fiscal 2018. Our first quarter of fiscal 2018 reflects tax effects at the pre-enactment U.S. statutory federal rate of 35%. In fiscal 2019, we fully benefit from the enacted lower tax rate of 21%.

On December 22, 2017 the SEC issued Staff Accounting Bulletin No. 118 (SAB 118), which provides guidance for companies that are not able to complete their accounting for the income tax effects of the Act in the period of enactment. The guidance allows us to record provisional amounts to the extent a reasonable estimate can be made and provides us with up to one year from enactment date to finalize accounting for the impacts of the 2017 Tax Act. Since the 2017 Tax Act was passed in our second quarter of fiscal 2018, the deferred tax re-measurements and other items are considered provisional due to the forthcoming guidance and ongoing analysis of the final year-end data and tax positions. As of October 31, 2018, we have not fully completed our accounting for the tax effects of enactment of the 2017 Tax Act. We did not record any significant adjustments to prior period estimates during the three months ended October 31, 2018. We expect to complete our analysis within the 12-month measurement period in accordance with SAB 118.

We recognized excess tax benefits on share-based compensation of $41 million and $25 million in our provision for income taxes for the three months ended October 31, 2018 and 2017, respectively.

We recorded a $48 million tax benefit on a pretax loss of $14 million for the three months ended October 31, 2018. Excluding discrete tax items primarily related to share-based compensation tax benefits, our effective tax rate for the period was 23% and did not differ significantly from the federal statutory rate of 21%. The tax expense related to state income taxes and nondeductible share-based compensation were partially offset by the tax benefit we received from the federal research and experimentation credit.

Our effective tax rate for the three months ended October 31, 2017 was approximately 95%. Excluding discrete tax items primarily related to share-based compensation tax benefits, our effective tax rate for the period was 33% and did not differ significantly from the federal statutory rate of 35%. The tax benefit we received from the domestic production activities deduction and the federal research and experimentation credit were partially offset by the tax expense related to state income taxes and nondeductible share-based compensation.

Unrecognized Tax Benefits and Other Considerations

The total amount of our unrecognized tax benefits at July 31, 2018 was $90 million. Net of related deferred tax assets, unrecognized tax benefits were $57 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $57 million. There were no material changes to these amounts during the three months ended October 31, 2018. We do not believe that it is reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months.

7. Stockholders' Equity

Stock Repurchase Programs and Treasury Shares

Intuit's Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. We repurchased 467,000 shares for $101 million under these programs during the three months ended October 31, 2018. Included in this amount were $6 million of repurchases which occurred in late October 2018 and were settled in early November 2018. At October 31, 2018, we had authorization from our Board of Directors to expend up to an additional $3.1 billion for stock repurchases. Future stock repurchases under the current programs are at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

Our treasury shares are repurchased at the market price on the trade date; accordingly, all amounts paid to reacquire these shares have been recorded as treasury stock on our consolidated balance sheets. Repurchased shares of our common stock are held as treasury shares until they are reissued or retired. When we reissue treasury stock, if the proceeds from the sale are more than the average price we paid to acquire the shares we record an increase in additional paid-in capital. Conversely, if the proceeds from the sale are less than the average price we paid to acquire the shares, we record a decrease in additional paid-in capital to the extent of increases previously recorded for similar transactions and a decrease in retained earnings for any remaining amount.

In the past we have satisfied option exercises and restricted stock unit vesting under our employee equity incentive plans by reissuing treasury shares, and we may do so again in the future. During the second quarter of fiscal 2014 we began issuing new shares of common stock to satisfy option exercises and RSU vesting under our 2005 Equity Incentive Plan. We have not yet determined the ultimate disposition of the shares that we have repurchased in the past, and consequently we continue to hold them as treasury shares.

Dividends on Common Stock

During the three months ended October 31, 2018 we declared and paid a quarterly cash dividend of $0.47 per share of outstanding common stock for a total of $129 million. In November 2018 our Board of Directors declared a quarterly cash dividend of $0.47 per share of outstanding common stock payable on January 18, 2019 to stockholders of record at the close of business on January 10, 2019. Future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Share-Based Compensation Expense

The following table summarizes the total share-based compensation expense that we recorded in operating loss for the periods shown.

(In millions)	Three Months Ended October 31, 2018	Three Months Ended October 31, 2017
Cost of revenue	$ 14	$ 3
Selling and marketing	30	25
Research and development	35	39
General and administrative	26	30
Total share-based compensation expense	$ 105	$ 97

We capitalized $1 million in share-based compensation related to internal use software projects during the three months ended October 31, 2018 and $1 million during the three months ended October 31, 2017.

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our 2005 Equity Incentive Plan for the three months ended October 31, 2018 was as follows:

(Shares in thousands)	Shares Available for Grant
Balance at July 31, 2018	22,791
Options granted	(64)
Restricted stock units granted (1)	(340)
Share-based awards canceled/forfeited/expired (1) (2)	1,441
Balance at October 31, 2018	23,828

(1) RSUs granted from the pool of shares available for grant under our 2005 Equity Incentive Plan reduce the pool by 2.3 shares for each share granted. RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited.

(2) Stock options and RSUs canceled, expired or forfeited under our 2005 Equity Incentive Plan are returned to the pool of shares available for grant. Shares withheld for income taxes upon vesting of RSUs that were granted on or after July 21, 2016 are also returned to the pool of shares available for grant. Stock options and RSUs canceled, expired or forfeited under older expired plans are not returned to the pool of shares available for grant.

Stock Option Activity and Related Share-Based Compensation Expense

A summary of stock option activity for the three months ended October 31, 2018 was as follows:

(Shares in thousands)	Options Outstanding: Number of Shares	Options Outstanding: Weighted Average Exercise Price Per Share
Balance at July 31, 2018	5,154	$ 120.26
Granted	64	225.47
Exercised	(890)	97.90
Canceled or expired	(169)	128.19
Balance at October 31, 2018	4,159	$ 126.33
Exercisable at October 31, 2018	2,331	$ 105.63

At October 31, 2018, there was approximately $54 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 2.4 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Restricted Stock Unit Activity and Related Share-Based Compensation Expense

A summary of restricted stock unit (RSU) activity for the three months ended October 31, 2018 was as follows:

	Restricted Stock Units	
(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2018	7,383	$ 131.50
Granted	148	214.57
Vested	(825)	94.49
Forfeited	(494)	74.75
Nonvested at October 31, 2018	6,212	$ 142.90

At October 31, 2018, there was approximately $712 million of unrecognized compensation cost related to non-vested RSUs with a weighted average vesting period of 2.6 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

8. Litigation

In fiscal 2015 Intuit was contacted by certain state and federal regulatory authorities in connection with inquiries regarding an increase during the 2015 tax season in attempts by criminals using stolen identity information to file fraudulent tax returns and claim refunds. Intuit provided information in response to those inquiries and now believes those inquiries are resolved.

A consolidated putative class action lawsuit was filed by individuals who claim to have suffered damages in connection with the 2015 events. On May 23, 2018, the parties reached a settlement in principle of this matter. The settlement has been preliminarily approved and remains subject to final approval by the court. The terms of the settlement are not material to our consolidated financial statements. In the event the settlement does not receive final approval by the court, the litigation may resume and we may not be able to predict the outcome of such lawsuit. We continue to believe that the allegations in this lawsuit are without merit.

Intuit is subject to certain routine legal proceedings, including class action lawsuits like the suit described above, as well as demands, claims, government inquiries and threatened litigation, that arise in the normal course of our business, including assertions that we may be infringing patents or other intellectual property rights of others. We currently believe that, in addition to any amounts accrued, the amount of potential losses, if any, for any pending claims of any type (either alone or combined) will not have a material impact on our consolidated financial statements. The ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business.

9. Segment Information

We have defined our three reportable segments, described below, based on factors such as how we manage our operations and how our chief operating decision maker views results. We define the chief operating decision maker as our Chief Executive Officer and our Chief Financial Officer. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings.

***Small Business & Self-Employed*:** This segment targets small businesses and the self-employed around the world, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, merchant payment processing solutions, and financing for small businesses.

***Consumer*:** This segment targets consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint and Turbo offerings target consumers and help them understand and improve their financial lives by offering a view of their financial health.

***Strategic Partner*:** This segment targets professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings include Lacerte, ProSeries, ProFile, and ProConnect Tax Online.

All of our segments operate primarily in the United States and sell primarily to customers in the United States. International total net revenue was less than 5% of consolidated total net revenue for all periods presented.

We include expenses such as corporate selling and marketing, product development, general and administrative, and share-based compensation, which are not allocated to specific segments, in unallocated corporate items. Unallocated corporate items also include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges.

The accounting policies of our reportable segments are the same as those described in the summary of significant accounting policies in Note 1 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 and in Note 1, *"Description of Business and Summary of Significant Accounting Policies – Significant Accounting Policies"* in this Quarterly Report on Form 10-Q. Except for goodwill and purchased intangible assets, we do not generally track assets by reportable segment and, consequently, we do not disclose total assets by reportable segment.

The following table shows our financial results by reportable segment for the periods indicated.

	Three Months Ended	
(In millions)	**October 31, 2018**	**October 31, 2017**
Net revenue:		
Small Business & Self-Employed	$ 908	$ 819
Consumer	90	74
Strategic Partner	18	17
Total net revenue	$ 1,016	$ 910
Operating income (loss):		
Small Business & Self-Employed	$ 460	$ 424
Consumer	(41)	(59)
Strategic Partner	(20)	(25)
Total segment operating income	399	340
Unallocated corporate items:		
Share-based compensation expense	(105)	(97)
Other common expenses	(297)	(275)
Amortization of acquired technology	(5)	(2)
Amortization of other acquired intangible assets	(2)	(1)
Total unallocated corporate items	(409)	(375)
Total operating loss	$ (10)	$ (35)

Revenue classified by significant product and service offerings was as follows:

	Three Months Ended	
(In millions)	**October 31, 2018**	**October 31, 2017**
Net revenue:		
QuickBooks Online Accounting	$ 217	$ 149
Online Services	154	113
Total Online Ecosystem	371	262
QuickBooks Desktop Accounting	228	249
Desktop Services and Supplies	309	308
Total Desktop Ecosystem	537	557
Small Business & Self-Employed	908	819
Consumer	90	74
Strategic Partner	18	17
Total net revenue	$ 1,016	$ 910

Revenue from our QuickBooks Desktop packaged software products was $29 million and $30 million during the three months ended October 31, 2018 and 2017, respectively, and is included in the QuickBooks Desktop Accounting revenue presented in the table above.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide readers of our consolidated financial statements with the perspectives of management. This should allow the readers of this report to obtain a comprehensive understanding of our businesses, strategies, current trends, and future prospects. Our MD&A includes the following sections:

- ***Executive Overview:*** High level discussion of our operating results and some of the trends that affect our business.
- ***Critical Accounting Policies and Estimates:*** Significant changes since our most recent Annual Report on Form 10-K that we believe are important to understanding the assumptions and judgments underlying our financial statements.
- ***Results of Operations:*** A more detailed discussion of our revenue and expenses.
- ***Liquidity and Capital Resources:*** Discussion of key aspects of our consolidated statements of cash flows, changes in our consolidated balance sheets, and our financial commitments.

You should note that this MD&A contains forward-looking statements that involve risks and uncertainties. Please see the section entitled "Forward-Looking Statements" immediately preceding Part 1 for important information to consider when evaluating such statements.

You should read this MD&A in conjunction with the financial statements and related notes in Part I, Item 1 of this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended July 31, 2018.

We adopted the new accounting standards for revenue recognition effective August 1, 2018. Beginning with the first quarter of our fiscal 2019, our financial results reflect the adoption of the standards with the prior periods restated accordingly. See Note 1 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

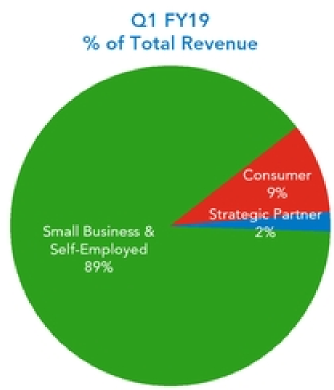
In fiscal 2018 we acquired TSheets.com LLC, Exactor, Inc., and Applatix, Inc. We have included their results of operations in our consolidated results of operations from the dates of acquisitions.

EXECUTIVE OVERVIEW

This overview provides a high-level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important in order to understand our financial results as well as our future prospects. This summary is not intended to be exhaustive, nor is it a substitute for the detailed discussion and analysis provided elsewhere in this Quarterly Report on Form 10-Q.

About Intuit

Intuit helps consumers, small businesses, and the self-employed prosper by delivering financial management and compliance products and services. We also provide specialized tax products to accounting professionals, who are key partners that help us reach small business customers. We organize our businesses into three reportable segments – Small Business & Self-Employed, Consumer, and Strategic Partner.



***Small Business & Self-Employed*:** This segment targets small businesses and the self-employed around the world, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, merchant payment processing solutions, and financing for small businesses.

***Consumer*:** This segment targets consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint and Turbo offerings target consumers and help them understand and improve their financial lives by offering a view of their financial health.

***Strategic Partner*:** This segment targets professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings include Lacerte, ProSeries, ProFile, and ProConnect Tax Online.

Our Growth Strategy

At Intuit, our strategy starts with a focus on our customers. We listen to our customers, understand their challenges, and then use technology to develop innovative solutions designed to solve their problems and help them prosper. For more than three decades, we have reinvented and disrupted ourselves to better serve our customers, as we continue to transform to a global platform and product company. Our assessment of external trends – the emergence and influence of the digital generation, and the growth in the self-employed workforce – reveals significant opportunities to drive future growth. The result is a global market that is shifting from traditional services that are manual in nature to more automated, interconnected services that work on platforms and increasingly rely on artificial intelligence and machine learning.

Our strategy is built on the strength of our One Intuit Ecosystem, designed to unlock the power of many for the prosperity of each and every participant. Our evolving strategy focuses on three elements:

- **Personalized experiences:** With customer provided data and the use of artificial intelligence and machine learning, we can create increasingly valuable personalized and easy to use experiences that delight and serve our customers. For example, our TurboTax solutions use machine learning to create a customized interview, asking questions uniquely tailored to each individual situation. By delivering an amazing end-to-end experience, we offer customers the value they expect from our offerings as quickly and easily as possible.

- **Trusted open platform:** Our open platform allows our customers to use and share their financial data with us and third party partners to help improve their financial lives. One example of this is our QuickBooks open platform, where small businesses and accountants can install apps created by third-party developers to enhance the functionality and personalization of the QuickBooks experience.

- **Indispensable connections:** Within our One Intuit Ecosystem, we strive to build connections between customers, partners, and products on our platform. For example, our TurboTax Live offering connects our TurboTax customers with tax experts. Additionally, QuickBooks offers a match-making service that connects small businesses with accountants, helping small businesses succeed and accountants grow their practices.

As part of our strategy, we also develop relationships with strategic partners that enable us to serve consumers, the self-employed and small businesses globally. Strategic partners include financial institutions, enterprise platforms, educational institutions and accountants, and our strategy allows us to co-create indispensable connections by sharing expertise, product integrations, and new solutions to solve more customer problems.

Industry Trends and Seasonality

Industry Trends

The rapid expansion of cloud-based services is creating a more dynamic and highly competitive software industry. High availability and speed of service are reshaping customer expectations around the world. These shifts are accelerating product introductions and enhancements. Among cloud-based service companies, free business models and micro-job solutions are also becoming more prevalent within the industry. Personalization and data-driven insights, augmented by artificial intelligence and machine learning, are transforming the way that people manage their financial lives.

Seasonality

Our Consumer and Strategic Partner offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively.

Key Challenges and Risks

Our growth strategy depends upon our ability to initiate and embrace disruptive technology trends, to enter new markets, and to drive broad adoption of the products and services we develop and market. Our future growth also increasingly depends on the strength of our third-party business relationships and our ability to continue to develop, maintain and strengthen new and existing relationships. To remain competitive and continue to grow, we are investing significant resources in our product development, marketing, and sales capabilities, and we expect to continue to do so in the future.

As we offer more online services, the ongoing operation and availability of our platforms and systems and those of our external service providers is becoming increasingly important. Because we help customers manage their financial lives, we face risks associated with the hosting, collection, use, and retention of personal customer information and data. We are investing significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities, and we expect to continue to do so in the future.

For our consumer and professional tax offerings, we have implemented additional security measures and are continuing to work with state and federal governments to share information regarding suspicious filings. We continue to invest in security measures and to work with the broader industry and government to protect our customers against this type of fraud.

For a complete discussion of the most significant risks and uncertainties affecting our business, please see *"Forward-Looking Statements"* immediately preceding Part 1 and *"Risk Factors"* in Item 1A of Part II of this Quarterly Report.

Overview of Financial Results

The most important financial indicators that we use to assess our business are revenue growth for the company as a whole, for each reportable segment, and for product lines within each reportable segment; operating income growth and operating income margins for the company as a whole and for each reportable segment; earnings per share; and cash flow from operations. We also track certain non-financial drivers of revenue growth and, when material, identify them in the applicable discussions of segment results below. These non-financial drivers include, for example, customer growth and retention for all of our businesses. Online service offerings are a significant part of our business. Our total service and other revenue was $4.4 billion or 73% of our total revenue in fiscal 2018 and we expect our total service and other revenue to continue to grow in the future.

Key highlights for the first three months of fiscal 2019 include the following:

Revenue of	Small Business & Self-Employed revenue of	Cash, cash equivalents, and investments of
$1.0 B	**$908 M**	**$1.3 B**
up 12% from same period of fiscal 2018	up 11% from same period of fiscal 2018	

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income or loss, and net income or loss, as well as on the value of certain assets and liabilities on our consolidated balance sheets. We believe that the estimates, assumptions and judgments involved in the accounting policies described in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. Below, we have updated our revenue recognition critical accounting policy for the adoption of the new revenue recognition standard. Other than the changes to our revenue recognition critical accounting policy, we believe that there were no other significant changes in the critical accounting policies and estimates included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2018, during the first three months of fiscal 2019. Senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Quarterly Report on Form 10-Q with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive revenue from the sale of packaged software products, software subscriptions, hosted services, payroll services, merchant payment processing services, financial supplies and hardware. Our contracts with customers often include promises to transfer multiple products and services to a customer. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. These judgments and estimates include (1) identifying performance obligations in the contract; (2) determining whether the performance obligations are distinct; (3) determining the standalone sales price (SSP) for each distinct performance obligation; (4) determining the timing of revenue recognition for distinct performance obligations; and (5) estimating the amount of variable consideration to include in the transaction price. If we were to change any of these judgments or estimates, it could cause a material increase or decrease in the amount of revenue we report in a particular period. For additional information, see "Revenue Recognition" in Note 1 to the financial statements in Part 1, Item 1 of this Quarterly Report.

RESULTS OF OPERATIONS

Financial Overview

(Dollars in millions, except per share amounts)	Q1 FY19	Q1 FY18	$ Change	% Change
Total net revenue	$ 1,016	$ 910	$ 106	12 %
Operating loss	(10)	(35)	25	(71)%
Net income (loss)	34	(2)	36	NM
Diluted net income (loss) per share	$ 0.13	$ (0.01)	$ 0.14	NM

NM = Not Meaningful

Total net revenue for the first quarter of fiscal 2019 increased $106 million or 12% compared with the same quarter of fiscal 2018. The increase was primarily attributable to an increase in our Small Business & Self-Employed segment revenue due to growth in the Online Ecosystem. Revenue in our Consumer and Strategic Partner segments was seasonally light. See "*Segment Results*" later in this Item 2 for more information about the results for all of our reportable segments.

Operating loss for the first quarter of fiscal 2019 was $10 million compared with an operating loss of $35 million in the same quarter of fiscal 2018. The decrease was due to the increase in revenue described above partially offset by higher costs and expenses for staffing and advertising and marketing programs. See "*Operating Expenses*" later in this Item 2 for more information.

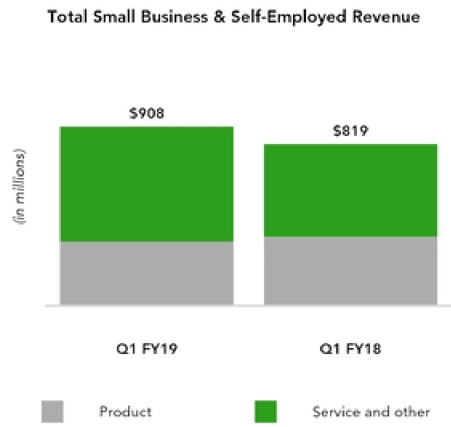
We recorded net income for the first quarter of fiscal 2019 of $34 million compared with a net loss of $2 million in the same quarter of fiscal 2018. During the three months ended October 31, 2018 and 2017, we recognized excess tax benefits on share-based compensation of $41 million and $25 million, respectively, in our provision for income taxes. The increase in excess tax benefits on share-based compensation was primarily due to an increase in stock option exercises during the period and resulted in net income for the first quarter of fiscal 2019 as compared to a net loss for the first quarter of fiscal 2018. Diluted net income per share for the first quarter of fiscal 2019 was $0.13, compared to a diluted net loss per share of $0.01 in the same quarter of fiscal 2018.

Segment Results

The information below is organized in accordance with our three reportable segments. See *"Executive Overview – About Intuit"* earlier in this Item 2 and Note 9 to the financial statements in Part I, Item 1 of this Quarterly Report for more information. All of our segments operate and sell to customers primarily in the United States. International total net revenue was less than 5% of consolidated total net revenue for all periods presented.

Segment operating income or loss is segment net revenue less segment cost of revenue and operating expenses. See *"Executive Overview – Industry Trends and Seasonality"* earlier in this Item 2 for a description of the seasonality of our business. Segment expenses do not include certain costs, such as corporate selling and marketing, product development, general and administrative expenses, and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled $402 million in the first three months of fiscal 2019 and $372 million in the first three months of fiscal 2018. Unallocated costs increased in the fiscal 2019 period due to increased corporate product development, selling and marketing, and general and administrative expenses in support of the growth of our businesses and higher share-based compensation expenses. Segment expenses also do not include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. See Note 9 to the financial statements in Part I, Item 1 of this Quarterly Report for reconciliations of total segment operating income or loss to consolidated operating income or loss for each fiscal period presented.

Small Business & Self-Employed



Small Business & Self-Employed segment includes both Online Ecosystem and Desktop Ecosystem revenue.

Our Online Ecosystem includes revenue from QuickBooks Online and QuickBooks Self-Employed financial and business management offerings; small business payroll services, including QuickBooks Online Payroll, Intuit Online Payroll, Intuit Full Service Payroll; merchant payment processing services for small businesses who use online offerings; and financing for small businesses.

Our Desktop Ecosystem includes revenue from our QuickBooks Desktop packaged software products (Desktop Pro, Desktop for Mac, Desktop Premier, and QuickBooks Point of Sale); QuickBooks Desktop software subscriptions (QuickBooks Desktop Pro Plus, QuickBooks Desktop Premier Plus, and QuickBooks Enterprise, and ProAdvisor Program memberships for the accounting professionals who serve small businesses); desktop payroll products (QuickBooks Basic Payroll, QuickBooks Assisted Payroll and QuickBooks Enhanced Payroll); merchant payment processing services for small businesses who use desktop offerings; and financial supplies.

Segment product revenue is derived from revenue related to software license and version protection for our QuickBooks Desktop products and subscriptions, license and related updates for our desktop payroll products and financial supplies, which are all part of our Desktop Ecosystem. Segment service and other revenue is derived from our Online Ecosystem revenue; and Desktop Ecosystem revenue related to support and connected services for our QuickBooks Desktop and desktop payroll products and subscriptions and merchant payment processing services.

(Dollars in millions)	Q1 FY19	Q1 FY18	% Change
Product revenue	$ 329	$ 354	(7)%
Service and other revenue	579	465	25 %
Total segment revenue	$ 908	$ 819	11 %
% of total revenue	89%	90%	
Segment operating income	$ 460	$ 424	8 %
% of related revenue	51%	52%	

Revenue for our Small Business & Self-Employed segment increased $89 million or 11% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018 due to growth in Online Ecosystem revenue.

Online Ecosystem

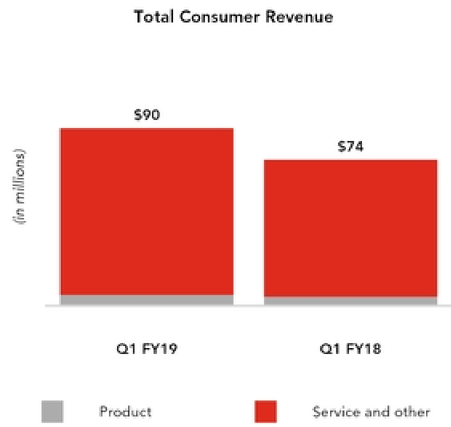
Online Ecosystem revenue increased 42% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018. QuickBooks Online revenue increased 46% in the first quarter of fiscal 2019 due to an increase in QuickBooks Online subscribers and average revenue per customer. At October 31, 2018 QuickBooks Online subscribers were 3.6 million, up 41% compared with the same point in time a year ago. Online Services revenue increased 36% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018 primarily due to customer growth in online payroll and payments and an increase in revenue from other online services.

Desktop Ecosystem

Desktop Ecosystem revenue decreased 4% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018 primarily due to a decrease in revenue related to the delivery of version protection for our QuickBooks Enterprise customers, which was partially offset by an increase in license revenue related to customer acquisition for our QuickBooks Enterprise offering. QuickBooks Desktop subscribers were up 8% as compared with the same point in time a year ago.

Small Business & Self-Employed segment operating income increased 8% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018. This increase was primarily due to the higher Online Ecosystem revenue described above partially offset by higher expenses for staffing and advertising and marketing programs.

Consumer



Consumer segment product revenue is derived primarily from TurboTax desktop tax return preparation software and related form updates.

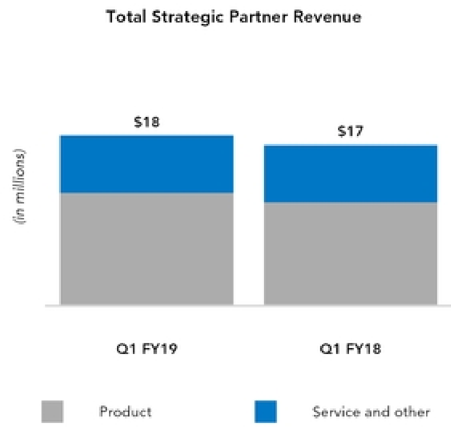
Consumer segment service and other revenue is derived primarily from TurboTax Online products, electronic tax filing services and connected services, and also from our Mint and Turbo offerings.

(Dollars in millions)	Q1 FY19	Q1 FY18	% Change
Product revenue	$ 6	$ 5	20 %
Service and other revenue	84	69	22 %
Total segment revenue	$ 90	$ 74	22 %
% of total revenue	9 %	8 %	
Segment operating loss	$ (41)	$ (59)	(31)%
% of related revenue	(46)%	(80)%	

Total Consumer segment revenue increased $16 million or 22% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018. Due to the seasonal nature of our Consumer offerings, we typically generate nominal revenue from Consumer products and services in our first fiscal quarter compared with our second and third fiscal quarters. The majority of revenue for the first quarter of each fiscal year is for the filing of extended returns for the previous tax year. Because of the seasonality of our Consumer revenue, we do not believe that first quarter revenue in this segment is indicative of revenue trends for the current fiscal year. We will not have substantially complete results for the 2018 tax season until the third quarter of fiscal 2019.

In our first fiscal quarter, Consumer segment typically generates operating losses because Consumer revenue is nominal while operating expenses for functions such as research and development and general and administrative expenses continue at relatively consistent levels. We do not believe that Consumer segment operating results for the first quarter of fiscal 2019 compared with the same quarter of fiscal 2018 are indicative of trends for the full fiscal year.

Strategic Partner



Strategic Partner segment product revenue is derived primarily from Lacerte, ProSeries, and ProFile desktop tax preparation software products and related form updates.

Strategic Partner segment service and other revenue is derived primarily from ProConnect Tax Online tax products, electronic tax filing service, connected services and, bank products.

(Dollars in millions)	Q1 FY19	Q1 FY18	% Change
Product revenue	$ 12	$ 11	9 %
Service and other revenue	6	6	— %
Total segment revenue	$ 18	$ 17	6 %
% of total revenue	2 %	2 %	
Segment operating loss	$ (20)	$ (25)	(20)%
% of related revenue	(111)%	(147)%	

Total Strategic Partner segment revenue increased $1 million or 6% in the first quarter of fiscal 2019 compared with the same period of fiscal 2018. Due to the seasonal nature of our Strategic Partner offerings, we typically generate nominal revenue from professional tax products and services in our first fiscal quarter compared with our second and third fiscal quarters. The majority of revenue for the first quarter of each fiscal year is for the filing of extended returns for the previous tax year. Because of the seasonality of our Strategic Partner revenue, we do not believe that first quarter revenue in this segment is indicative of revenue trends for the current fiscal year. We will not have substantially complete results for the 2018 tax season until the third quarter of fiscal 2019.

In our first fiscal quarter, Strategic Partner segment typically generates operating losses because revenue is nominal while operating expenses for functions such as research and development and general and administrative expenses continue at relatively consistent levels. We do not believe that Strategic Partner segment operating results for the first quarter of fiscal 2019 compared with the same quarter of fiscal 2018 are indicative of trends for the full fiscal year.

Cost of Revenue

(Dollars in millions)	Q1 FY19	% of Related Revenue	Q1 FY18	% of Related Revenue
Cost of product revenue	$ 15	4%	$ 18	5%
Cost of service and other revenue	227	34%	178	33%
Amortization of acquired technology	5	n/a	2	n/a
Total cost of revenue	$ 247	24%	$ 198	22%

Cost of product revenue as a percentage of product revenue was consistent in the first quarter of fiscal 2019 compared with the same period of fiscal 2018. We expense costs of product revenue as they are incurred for delivered software and we do not defer any of these costs when product revenue is deferred. Cost of service and other revenue as a percentage of service and other revenue was consistent in the first quarter of fiscal 2019 compared with the same period of fiscal 2018.

Operating Expenses

(Dollars in millions)	Q1 FY19	% of Total Net Revenue	Q1 FY18	% of Total Net Revenue
Selling and marketing	$ 346	34%	$ 308	34%
Research and development	294	29%	293	32%
General and administrative	137	14%	145	16%
Amortization of other acquired intangible assets	2	—%	1	—%
Total operating expenses	$ 779	77%	$ 747	82%

Total operating expenses as a percentage of total net revenue decreased in the first quarter of fiscal 2019 compared to the same period of fiscal 2018. Total net revenue for the first quarter of fiscal 2019 increased $106 million or 12% while total operating expenses for the quarter increased $32 million or 4%. Total operating expenses increased about $14 million for higher staffing expenses due to higher headcount and about $14 million for higher advertising and marketing programs.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $4 million for the first three months of fiscal 2019 consisted primarily of interest on our unsecured term loan. Interest expense of $5 million for the first three months of fiscal 2018 consisted primarily of interest on our unsecured term loan and unsecured revolving credit facility.

Interest and Other Income, Net

(In millions)	Q1 FY19	Q1 FY18
Interest income	$ 7	$ 2
Net gain (loss) on executive deferred compensation plan assets (1)	(5)	2
Other	(2)	(1)
Total interest and other income, net	$ —	$ 3

(1)In accordance with authoritative guidance, we record gains and losses associated with executive deferred compensation plan assets in interest and other income and gains and losses associated with the related liabilities in operating expenses. The total amounts recorded in operating expenses for each period are approximately equal to the total amounts recorded in interest and other income in those periods.

Income Taxes

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period. Our effective tax rate for the first quarter of fiscal 2018 has been restated to reflect the full retrospective application of ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606).*" See Note 1 and Note 6 to the financial statements in Part I, Item I of this Quarterly Report for more information.

The Tax Cuts and Jobs Act (2017 Tax Act) was enacted on December 22, 2017 and reduced the U.S. statutory federal corporate tax rate from 35% to 21%. The effective date of the tax rate change was January 1, 2018. The change resulted in a blended lower U.S. statutory federal rate of 26.9% for fiscal 2018. Our first quarter of fiscal 2018 reflects tax effects at the pre-enactment U.S. statutory federal rate of 35%. In fiscal 2019, we fully benefit from the enacted lower tax rate of 21%.

We recognized excess tax benefits on share-based compensation of $41 million and $25 million in our provision for income taxes in the first quarter of fiscal 2019 and 2018, respectively. The increase in excess tax benefits on share-based compensation was primarily due to an increase in stock option exercises during the first quarter of fiscal 2019.

We recorded a $48 million tax benefit on a pretax loss of $14 million for the three months ended October 31, 2018. Excluding discrete tax items primarily related to share-based compensation tax benefits, our effective tax rate for the period was 23% and did not differ significantly from the federal statutory rate of 21%.

Our effective tax rate for the first quarter of fiscal 2018 was approximately 95%. Excluding discrete tax items primarily related to share-based compensation tax benefits, our effective tax rate for the period was 33% and did not differ significantly from the federal statutory rate of 35%.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At October 31, 2018, our cash, cash equivalents and investments totaled $1.3 billion, a decrease of $384 million from July 31, 2018 due to the factors discussed under *"Statements of Cash Flows"* below. Our primary sources of liquidity have been cash from operations, which entails the collection of accounts receivable for products and services, and borrowings under our credit facility. In fiscal 2019 our U.S. statutory tax rate decreased to 21% as a result of the 2017 Tax Act, which increased our cash from operations. Our primary uses of cash have been for research and development programs, selling and marketing activities, capital projects, acquisitions of businesses, debt service costs and debt repayment, repurchases of our common stock under our stock repurchase programs, and the payment of cash dividends. As discussed in *"Executive Overview – Industry Trends and Seasonality"* earlier in this Item 2, our business is subject to significant seasonality. The balance of our cash, cash equivalents, and investments generally fluctuates with that seasonal pattern. We believe the seasonality of our business is likely to continue in the future.

The following table summarizes selected measures of our liquidity and capital resources at the dates indicated:

(Dollars in millions)	October 31, 2018	July 31, 2018	$ Change	% Change
Cash, cash equivalents, and investments	$ 1,332	$ 1,716	$ (384)	(22)%
Long-term investments	13	13	—	— %
Short-term debt	50	50	—	— %
Long-term debt	375	388	(13)	(3)%
Working capital	646	679	(33)	(5)%
Ratio of current assets to current liabilities	1.4 : 1	1.4 : 1		

We have historically generated significant cash from operations and we expect to continue to do so in the future. Our cash, cash equivalents, and investments totaled $1.3 billion at October 31, 2018. None of those funds were restricted and approximately 82% of those funds were located in the U.S. Our unsecured revolving credit facility is available to us for general corporate purposes, including future acquisitions and stock repurchases. At October 31, 2018, no amounts were outstanding under the revolving credit facility.

We evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. Our strong liquidity profile enables us to respond nimbly to these types of opportunities.

Based on past performance and current expectations, we believe that our cash and cash equivalents, investments, and cash generated from operations will be sufficient to meet anticipated seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments, debt service requirements, and other liquidity requirements associated with our operations for at least the next 12 months. We expect to return excess cash generated by operations to our stockholders through repurchases of our common stock and payment of cash dividends, after taking into account our operating and strategic cash needs.

Statements of Cash Flows

The following table summarizes selected items from our consolidated statements of cash flows for the first three months of fiscal 2019 and fiscal 2018. Effective August 1, 2018, we adopted the requirements of Accounting Standards Update (ASU) 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*." The amounts below have been restated to comply with this new standard. See the financial statements in Part I, Item 1 of this Quarterly Report for complete consolidated statements of cash flows for those periods.

	Three Months Ended		
(Dollars in millions)	October 31, 2018	October 31, 2017	$ Change
Net cash provided by (used in):			
Operating activities	$ (143)	$ (78)	$ (65)
Investing activities	20	(128)	148
Financing activities	(182)	158	(340)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(4)	(5)	1
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ (309)	$ (53)	$ (256)

Our primary sources and uses of cash were as follows:

Three Months Ended	
October 31, 2018	October 31, 2017
Sources of cash: • Issuance of common stock under employee stock plans *Uses of cash:* • Operations • Payment of accrued bonuses for fiscal 2018 • Repurchases of shares of our common stock • Payment of cash dividends and dividend rights • Capital expenditures • Repayment of debt	*Sources of cash:* • Borrowings under revolving credit facility • Issuance of common stock under employee stock plans *Uses of cash:* • Operations • Payment of accrued bonuses for fiscal 2017 • Repurchases of shares of our common stock • Payment of cash dividends and dividend rights • Capital expenditures • Repayment of debt

Stock Repurchase Programs, Treasury Shares, and Dividends on Common Stock

As described in Note 7 to the financial statements in Part I, Item 1 of this Quarterly Report, during the first three months of fiscal 2019 we continued to repurchase shares of our common stock under repurchase programs that our Board of Directors has authorized. At October 31, 2018, we had authorization from our Board of Directors to expend up to an additional $3.1 billion for stock repurchases. We currently expect to continue repurchasing our common stock on a quarterly basis; however, future stock repurchases under the current program are at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

We have continued to pay quarterly cash dividends on shares of our outstanding common stock. During the three months ended October 31, 2018 we declared and paid a quarterly cash dividend of $0.47 per share of outstanding common stock for a total of $129 million. In November 2018 our Board of Directors declared a quarterly cash dividend of $0.47 per share of outstanding common stock payable on January 18, 2019 to stockholders of record at the close of business on January 10, 2019. We currently expect to continue paying comparable cash dividends on a quarterly basis; however, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Credit Facility

On February 1, 2016 we entered into a master credit agreement with certain institutional lenders for a five-year credit facility in an aggregate principal amount of $1.5 billion. The master credit agreement includes a $500 million unsecured term loan and a $1 billion unsecured revolving credit facility that will expire on February 1, 2021. Under the master credit agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the revolving credit facility in an amount not to exceed $250 million in the aggregate and may extend the maturity date up to two times. Advances under the revolving credit facility accrue interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.5% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%. Actual margins under either election will be based on our senior debt credit ratings. At October 31, 2018, no amounts were outstanding under the revolving credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility. We currently believe that the credit facility will be available to us should we choose to borrow under it.

Under the master credit agreement, we borrowed $500 million in the form of an unsecured term loan on February 1, 2016. We may, subject to certain customary conditions, on one or more occasions increase commitments under the term loan in an amount not to exceed $500 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.125% to 0.875% or LIBOR plus a margin that ranges from 1.125% to 1.875%. Actual margins under either election will be based on our senior debt credit ratings. The term loan is subject to quarterly principal payments, which began in July 2017, of 2.5% of the original loan amount, with the balance payable on February 1, 2021. At October 31, 2018, $425 million was outstanding under the term loan.

The master credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 as of any date and a ratio of annual EBITDA to annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. We remained in compliance with these covenants at all times during the quarter ended October 31, 2018.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents, and investments totaled $1.3 billion at October 31, 2018. Approximately 18% of those funds were held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in Canada and India. As a result of the 2017 Tax Act we do not expect to pay incremental U.S. taxes on repatriation. We have recorded income tax expense for Canada and India withholding and distribution taxes on earnings that are not permanently reinvested. In the event that funds from foreign operations are repatriated to the United States, we would pay withholding or distribution taxes at that time.

Off-Balance Sheet Arrangements

At October 31, 2018, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

We presented our contractual obligations at July 31, 2018 in our Annual Report on Form 10-K for the fiscal year then ended. There were no significant changes to our contractual obligations during the first three months of fiscal 2019.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, if any, and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Part I, Item 1 of this Quarterly Report.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investment Portfolio and Interest Rate Risk

We actively monitor market conditions and developments specific to the securities in which we invest. We believe that we take a conservative approach to investing our funds in that we invest only in highly-rated securities and diversify our portfolio of investments. While we believe we take prudent measures to mitigate investment-related risks, such risks cannot be fully eliminated because of market circumstances that are outside our control.

Our investments consist of instruments that meet quality standards that are consistent with our investment policy. This policy specifies that, except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments by limiting our holdings with any individual issuer. We do not hold derivative financial instruments or European sovereign debt in our portfolio of investments. See Note 2 and Note 3 to the financial statements in Part I, Item 1 of this Quarterly Report for a summary of the amortized cost and fair value of our investments by type of issue.

Our cash equivalents and investments are subject to market risk due to changes in interest rates. Interest rate movements affect the interest income we earn on cash equivalents and investments and the fair value of those investments. If the Federal Reserve Target Rate had increased by 25 basis points from the level of October 31, 2018, the value of our investments at that date would have decreased by approximately $1 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of October 31, 2018, the value of our investments at that date would have decreased by approximately $4.0 million.

We are also exposed to the impact of changes in interest rates as they affect our $1 billion unsecured revolving credit facility and $500 million unsecured term loan. Advances under the revolving credit facility accrue interest at rates that are equal to Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.5% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%. The term loan accrues interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.125% to 0.875% or LIBOR plus a margin that ranges from 1.125% to 1.875%. Actual margins under all of these elections are based on our senior debt credit ratings. Consequently, our interest expense fluctuates with changes in the general level of these interest rates. At October 31, 2018, no amounts were outstanding under the revolving credit facility and $425 million was outstanding under the term loan. See Note 4 and Note 5 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

Impact of Foreign Currency Rate Changes

The functional currencies of our international operating subsidiaries are generally the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their revenue, costs and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our consolidated balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our consolidated statements of operations.

Since we translate foreign currencies (primarily Canadian dollars, Indian rupees, and British pounds) into U.S. dollars for financial reporting purposes, currency fluctuations can have an impact on our financial results. The historical impact of currency fluctuations on our financial results has generally been immaterial. We believe that our exposure to currency exchange fluctuation risk is not significant because our global subsidiaries invoice customers and satisfy their financial obligations almost exclusively in their local currencies. We believe the impact of currency fluctuations will continue to not be significant in the future due to the reasons cited above. However, the impact of currency fluctuations could be material in the future. As of October 31, 2018, we did not engage in foreign currency hedging activities.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based upon an evaluation of the effectiveness of disclosure controls and procedures, Intuit's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures as defined under Exchange Act Rules 13a-15(e) and 15d-15(e) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and that they are effective at the reasonable assurance level. However, no matter how well conceived and executed, a control system can provide only reasonable and not absolute assurance that the objectives of the control system are met. The design of any control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. There are also limitations that are inherent in any control system. These limitations include the realities that breakdowns can occur because of errors in judgment or mistakes, and that controls can be circumvented by individual persons, by collusion of two or more people, or by management override of the controls. Because of these inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

See Note 8 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings.

ITEM 1A - RISK FACTORS

Our businesses routinely encounter and address risks, many of which could cause our future results to be materially different than we presently anticipate. Below, we describe certain important risks, categorized solely for ease of reference as strategic, operational, legal and compliance, and financial risks. The manner in which we respond to future developments as well as our competitors' reactions to those developments may affect our future operating results.

STRATEGIC RISKS

Strategic risks relate to our current and future operating model, business plans and growth strategy, including the risks associated with the following: competitive pressures on our product offerings and business models; our ability to adapt to technological changes and global trends; our reliance on third-party intellectual property and our ability to protect our own intellectual property rights; the value of our brand; and mergers, acquisitions and divestiture activity that may have unanticipated costs and expenses.

We face intense competitive pressures that may harm our operating results.

We face intense competition in all of our businesses, and we expect competition to remain intense in the future. Our competitors and potential competitors range from large and established entities to emerging start-ups. Our competitors may introduce superior products and services, reduce prices, have greater technical, marketing and other resources, have greater name recognition, have larger installed bases of customers, have well-established relationships with our current and potential customers, advertise aggressively or beat us to market with new products and services. In addition, we may face competition from existing companies, with large established consumer user-bases and broad-based platforms, who may change or expand the focus of their business strategies and marketing to target our customers, including small businesses and tax customers.

We also face competition from companies with a variety of business models and monetization strategies, including increased competition from providers of free offerings, particularly in our tax, accounting, and payments businesses. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers as effectively as competitors with different business models. In addition, we may not be able to monetize our free offerings if other providers of free offerings provide features that we do not offer and customers who have formerly paid for Intuit's products and services may elect to use our competitors' free offerings instead. These competitive factors may diminish our revenue and profitability, and harm our ability to acquire and retain customers.

Our consumer tax business also faces significant competition from the public sector, where we face the risk of federal and state taxing authorities proposing revenue raising strategies that involve developing and providing government tax software or other government return preparation systems at public expense. These or similar programs may be introduced or expanded in the future, which may change the voluntary compliance tax system in ways that could cause us to lose customers and revenue. The IRS Free File Program is currently the sole means by which the IRS offers tax software to taxpayers, and as part of the program the IRS has agreed it will not offer a duplicative or competing service. Under this program, the IRS has worked with private industry to provide more than 50 million free returns since 2003, utilizing donated private sector tax software and e-filing services for low and middle income taxpayers at no cost to the government or individual users. However, its continuation depends on a number of factors, including increasing public awareness of and access to the free program, as well as continued government support. The current agreement is scheduled to expire in October 2021. If the Free File Program were to be terminated and the IRS were to enter the software development and return preparation space, the federal government would become a publicly funded direct competitor of the U.S. tax services industry and of Intuit. Government funded services that curtail or eliminate the role of taxpayers in preparing their own taxes could potentially have material and adverse revenue implications.

Future revenue growth depends upon our ability to adapt to technological change as well as global trends in the way customers access software offerings and successfully introduce new and enhanced products, services and business models.

Online offerings, desktop software and mobile technology industries are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. We must continue to innovate and develop new products and features to meet changing customer needs and attract and retain talented software developers. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which require us to devote significant resources.

Our consumer and professional tax businesses depend significantly on revenue from customers who return each year to use our updated tax preparation and filing software and services. As our existing products mature, encouraging customers to purchase product upgrades becomes more challenging unless new product releases provide features and functionality that have meaningful incremental value. We also provide additional customer benefits by utilizing customer data available to us through our existing offerings. If we are not able to develop and clearly demonstrate the value of new or upgraded products or services to our customers, or effectively utilize our customers' data, our revenues may be harmed. In addition, as we continue to introduce and expand our new business models, including offerings that are free to end users, we may be unsuccessful in monetizing or increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

The number of people who access products and services through devices other than personal computers, including mobile phones, smartphones, and handheld computers such as tablets, continues to increase. We have devoted significant resources to develop products and services for users of these alternative devices, but the versions of our products and services developed for these devices may not be compelling to users. Even if we are able to attract new users through these mobile offerings, the amount of revenue that we derive per user from mobile offerings may be less than the revenue that we have historically derived from users of personal computers. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such offerings. If we are slow to develop products and technologies that are compatible with these alternative devices, or if our competitors are able to achieve those results more quickly than us, we will fail to capture a significant share of an increasingly important portion of the market for online services, which could adversely affect our business. Further, legislation or regulatory changes may mandate changes in our products that make them less attractive to users.

In some cases, we may expend a significant amount of resources and management attention on offerings that do not ultimately succeed in their markets. We have encountered difficulty in launching new products and services in the past. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. We have also invested, and in the future, expect to invest in new business models, geographies, strategies and initiatives. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, expenses associated with the initiatives and inadequate return on investments. Because these new initiatives are inherently risky, they may not be successful and may harm our financial condition and operating results.

We rely on third-party intellectual property in our products and services.

Many of our products and services include intellectual property of third parties, which we license under agreements that may need to be renewed or renegotiated from time to time. We may not be able to obtain licenses to these third-party technologies or content on reasonable terms, or at all. If we are unable to obtain the rights necessary to use this intellectual property in our products and services, we may not be able to sell the affected offerings, and customers who are currently using the affected product may be disrupted, which may in turn harm our future financial results, damage our brand, and result in customer loss. Also, we and our customers have been and may continue to be subject to infringement claims as a result of the third-party intellectual property incorporated in our offerings. Although we try to mitigate this risk and we may not be ultimately liable for any potential infringement, pending claims require us to use significant resources, require management attention and could result in loss of customers.

Some of our offerings include third-party software that is licensed under so-called "open source" licenses, some of which may include a requirement that, under certain circumstances, we make available, or grant licenses to, any modifications or derivative works we create based upon the open source software. Although we have established internal review and approval processes to mitigate these risks, we may not be sure that all open source software is submitted for approval prior to use in our products. Many of the risks associated with usage of open source may not be eliminated, and may, if not properly addressed, harm our business.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brand.

Our patents, trademarks, trade secrets, copyrights, domain names and other intellectual property rights are important assets for us. We aggressively protect our intellectual property rights by relying on federal, state and common law rights in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights in products and services. The efforts that we take to protect our proprietary rights may not always be sufficient or effective. Protecting our intellectual property rights is costly and time consuming and may not be successful in every location. Any significant impairment of our intellectual property rights could harm our business, our brand and our ability to compete.

Policing unauthorized use and copying of our products is difficult, expensive, and time consuming. Current U.S. laws that prohibit copying give us only limited practical protection from software piracy and the laws of many other countries provide very little protection. We frequently encounter unauthorized copies of our software being sold through online marketplaces. Although we continue to evaluate and put in place technology solutions to attempt to lessen the impact of piracy and engage in efforts to educate consumers and public policy leaders on these issues and cooperate with industry groups in their efforts to combat piracy, we expect piracy to be a persistent problem that results in lost revenues and increased expenses.

Our business depends on our strong reputation and the value of our brands.

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future products and services and is an important element in attracting new customers. Adverse publicity (whether or not justified) relating to events or activities attributed to us, our employees, agents, third parties we rely on, or our users, may tarnish our reputation and reduce the value of our brands. Our brand value also depends on our ability to provide secure and trustworthy products and services as well as our ability to protect and use our customers' data in a manner that meets their expectations. In addition, a security incident which results in unauthorized disclosure of our customers' sensitive data could cause material reputational harm. Damage to our reputation and loss of brand equity may reduce demand for our products and services and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of the brands and could also reduce our stock price.

Our acquisition and divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have acquired and may continue to acquire companies, products, technologies and talent that complement our strategic direction, both in and outside the United States. Acquisitions involve significant risks and uncertainties, including:

- inability to successfully integrate the acquired technology, data assets and operations into our business and maintain uniform standards, controls, policies, and procedures;
- inability to realize synergies expected to result from an acquisition;
- disruption of our ongoing business and distraction of management;
- challenges retaining the key employees, customers, resellers and other business partners of the acquired operation;
- the internal control environment of an acquired entity may not be consistent with our standards or with regulatory requirements, and may require significant time and resources to align or rectify;
- unidentified issues not discovered in our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies;
- failure to successfully further develop an acquired business or technology and any resulting impairment of amounts currently capitalized as intangible assets;
- risks associated with businesses we acquire or invest in, which may differ from or be more significant than the risks our other businesses face; and
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries.

We have divested and may in the future divest certain assets or businesses that no longer fit with our strategic direction or growth targets. Divestitures involve significant risks and uncertainties, including:

- inability to find potential buyers on favorable terms;
- failure to effectively transfer liabilities, contracts, facilities and employees to buyers;
- requirements that we retain or indemnify buyers against certain liabilities and obligations;
- the possibility that we will become subject to third-party claims arising out of such divestiture;
- challenges in identifying and separating the intellectual property and data to be divested from the intellectual property and data that we wish to retain;
- inability to reduce fixed costs previously associated with the divested assets or business;
- challenges in collecting the proceeds from any divestiture;
- disruption of our ongoing business and distraction of management;
- loss of key employees who leave the Company as a result of a divestiture; and

- if customers or partners of the divested business do not receive the same level of service from the new owners, our other businesses may be adversely affected, to the extent that these customers or partners also purchase other products offered by us or otherwise conduct business with our retained business.

Because acquisitions and divestitures are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. Although we typically fund our acquisitions through cash available from operations, if we were to use debt to fund acquisitions or for other purposes, our interest expense and leverage would increase significantly, and if we were to issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share would be diluted.

OPERATIONAL RISKS

Operational risks arise from internal and external events relating to systems, processes and people. Risks that affect the operation of our businesses include the following: potential security incidents; privacy and cybersecurity concerns relating to online offerings; fraudulent activities by third parties; relationships with third parties; competition for and retention of key talent; issues with our product launches; problems with our information technology infrastructure; and risks associated with operating internationally.

Security incidents, improper access to, or disclosure of our data or customers' data, or other cyberattacks on our systems, could harm our reputation and adversely affect our business.

We host, collect, use and retain large amounts of sensitive and personal customer and employee data, including credit card information, tax return information, bank account numbers, login credentials and passwords, personal and business financial data and transactions data, social security numbers and payroll information, as well as our confidential, nonpublic business information. We use commercially available security technologies and security and business controls to limit access to and use of such sensitive data. Although we expend significant resources to create security protections designed to shield this data against potential theft and security breaches, such measures cannot provide absolute security.

Our technologies, systems, and networks have been subject to, and are likely to continue to be the target of, cyberattacks, computer viruses, worms, phishing attacks, malicious software programs, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of our customers' or employees' sensitive and personal data, or Intuit's sensitive business data or cause temporary or sustained unavailability of our software and systems. These types of attacks can be made by individuals, groups of hackers, and sophisticated organizations including state-sponsored organizations or nation-states themselves. Customers who fail to update their systems, continue to run software that we no longer support or that fail to install security patches on a timely basis create vulnerabilities and make it more difficult for us to detect and prevent these kinds of attacks. We are increasingly incorporating open source software into our products. There may be vulnerabilities in open source software that make it susceptible to cyberattacks. In addition, because the techniques used to obtain unauthorized access to sensitive information change frequently, and are becoming more sophisticated and are often not able to be detected until after a successful attack, we may be unable to anticipate these techniques or implement adequate preventive measures. Although this is an industry-wide problem that affects software and hardware across platforms, it may increasingly affect our offerings because cyber-criminals tend to focus their efforts on well-known offerings that are popular among customers and hold sensitive information and we expect them to continue to do so.

Further, the security measures that we implement may not be able to prevent unauthorized access to our products and our customers' account data. Third parties may fraudulently induce employees, customers, or users by means such as email phishing, to disclose sensitive information in order to gain access to our systems. It is also possible that unauthorized access to or disclosure of customer data may occur due to inadequate use of security controls by our customers or our employees. Accounts created with weak or recycled passwords could allow cyberattackers to gain access to customer data. Unauthorized persons could gain access to customer accounts if customers do not maintain effective access controls of their systems and software.

Criminals may also use stolen identity information obtained outside of our systems, to gain unauthorized access to our customers' data. We have experienced such instances in the past and as the accessibility of stolen identity information increases, generally, we may experience further instances of unauthorized access to our systems using our customers' or employees' stolen identity information in the future. Further, our customers may choose to use the same user ID and password across multiple products and services unrelated to our products. Such customers' login credentials may be stolen from products offered by third party service providers unrelated to us and the stolen identity information may be used by a malicious third party to access our products, which could result in disclosure of confidential information.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), break-ins, employee error or other threats that evolve.

Further, because we have created an ecosystem where customers can have one identity across multiple Intuit products, a security incident may give access to increased amounts of customer data. This may result in disclosure of confidential information, loss of customer confidence in our products, possible litigation, material harm to our reputation and financial condition, disruption of our or our customers' business operations and decline in our stock price. From time to time, we detect, or receive notices from customers or public or private agencies that they have detected, actual or perceived vulnerabilities in our servers, our software or third-party software components that are distributed with our products or fraudulent activity by unauthorized persons utilizing our products with stolen customer identity information. The existence of such vulnerabilities or fraudulent activity, even if they do not result in a security breach, may undermine customer confidence as well as the confidence of government agencies that regulate our offerings. Such perceived vulnerabilities could also seriously harm our business by tarnishing our reputation and brand and/or limiting the adoption of our products and services and could cause our stock price to decline.

A cybersecurity incident affecting the third parties we rely on, could expose us or our customers to a risk of loss or misuse of confidential information and significantly damage our reputation.

We depend on a number of third parties, including vendors, developers and partners who are critical to our business. We or our customers may grant access to customer data to these third parties to help deliver customer benefits, or to host certain of our and our customers' sensitive and personal data. In addition, we share sensitive, nonpublic business information (including, for example, materials relating to financial, business and legal strategies) with other vendors in the ordinary course of business.

While we conduct background checks of our workforce, conduct reviews of partners, developers and vendors and use commercially available technologies to limit access to systems and data, it is possible that one or more of these individuals or third parties may misrepresent their intended use of data or may circumvent our controls, resulting in accidental or intentional disclosure or misuse of our customers' or employees' data. Further, while we conduct due diligence on these third parties with respect to their security and business controls, we may not have the ability to effectively monitor or oversee the implementation of these control measures. Individuals or third parties may be able to circumvent these security and business controls and/or exploit vulnerabilities that may exist in these controls, resulting in the disclosure or misuse of sensitive business and personal customer or employee information and data.

A security incident involving third parties whom we rely on may have serious negative consequences for our businesses, including disclosure of sensitive customer or employee data, or confidential or competitively sensitive information regarding our business, including intellectual property and other proprietary data; make our products more vulnerable to fraudulent activity; cause temporary or sustained unavailability of our software and systems; result in possible litigation, fines, penalties and damages; result in loss of customer confidence; cause material harm to our reputation and brands; lead to further regulation and oversight by federal or state agencies; cause adverse financial condition; and result in a reduced stock price.

Concerns about the current privacy and cybersecurity environment, generally, could deter current and potential customers from adopting our products and services and damage our reputation.

The continued occurrence of cyberattacks and data breaches on governments, businesses and consumers in general, indicates that we operate in an external environment where cyberattacks and data breaches are becoming increasingly common. If the global cybersecurity environment worsens, and there are increased instances of security breaches of third-party offerings where consumers' data and sensitive information is compromised, consumers may be less willing to use online offerings, particularly offerings like ours in which customers often share sensitive financial data. In addition, the increased availability of data obtained as a result of breaches of third-party offerings could make our own products more vulnerable to fraudulent activity. Even if our products are not affected directly by such incidents, they could damage our reputation and deter current and potential customers from adopting our products and services or lead customers to cease using online and connected software products to transact financial business altogether.

If we are unable to effectively combat the increasing amount and sophistication of fraudulent activities by third parties using our offerings, we may suffer losses, which may be substantial, and lose the confidence of our customers and government agencies and our revenues and earnings may be harmed.

The online tax preparation, payroll administration and online payments industries have been experiencing an increasing amount of fraudulent activities by third parties, and those fraudulent activities are becoming increasingly sophisticated. Although we do not believe that any of this activity is uniquely targeted at our products or business, this type of fraudulent activity may adversely impact our tax, payroll, and payments businesses. In addition to any losses that may result from such fraud, which may be substantial, a loss of confidence by our customers or by governmental agencies in our ability to prevent fraudulent activity that is perpetrated through our offerings may seriously harm our business and damage our brand. If we cannot adequately combat such fraudulent activity that is perpetrated through our tax offerings, governmental authorities may refuse to allow us to continue to offer such services, which could include federal or state tax authorities refusing to allow us to process our customers' tax returns electronically, resulting in a significant adverse impact on our earnings and revenue. As fraudulent activities become more pervasive and increasingly sophisticated, and fraud detection and prevention measures must become correspondingly more complex to combat them across the various industries in which we operate, we may implement risk control mechanisms that could make it more difficult for legitimate customers to obtain and use our products, which could result in lost revenue and negatively impact our earnings.

If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our business may be harmed.

Our operations process a significant volume and dollar value of transactions on a daily basis, especially in our payroll and payments businesses. Despite our efforts to ensure that effective processing systems and controls are in place to handle transactions appropriately, it is possible that we may make errors or that funds may be misappropriated due to fraud. The systems supporting our business are comprised of multiple technology platforms that are sometimes difficult to scale. If we are unable to effectively manage our systems and processes, or if there is an error in our products, we may be unable to process customer data in an accurate, reliable and timely manner, which may harm our reputation, the willingness of customers to use our products, and our financial results. In our payments processing service business, if merchants for whom we process payment transactions are unable to pay refunds due to their customers in connection with disputed or fraudulent merchant transactions, we may be required to pay those amounts and our payments may exceed the amount of the customer reserves we have established to make such payments.

Business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our future financial results.

Our reputation and ability to attract, retain and serve our customers is dependent upon the reliable performance of our products and our underlying technical infrastructure. As we continue to grow our online services, we become more dependent on the continuing operation and availability of our information technology and communications systems and those of our external service providers, including, for example, third-party Internet-based or cloud computing services. We do not have redundancy for all of our systems, and our disaster recovery planning may not account for all eventualities. We have designed a significant portion of our software and computer systems to utilize data processing and storage capabilities provided by Amazon Web Services (AWS). If AWS is unavailable to us for any reason, our customers may not be able to access certain of our cloud products or features, which could significantly impact our operations, business, and financial results.

Failure of our systems or those of our third-party service providers, may result in interruptions in our service and loss of data or processing capabilities, all of which may cause a loss in customers, refunds of product fees, material harm to our reputation and operating results.

Our tax businesses must effectively handle extremely heavy customer demand during critical peak periods from January until April of each year. We face significant risks in maintaining adequate service levels during these peak periods when we derive a substantial portion of our overall revenue from the tax businesses. Any interruptions in our online tax preparation or electronic filing service at any time during the tax season, particularly during a peak period, could result in significantly decreased revenue, lost customers, unexpected refunds of customer charges, negative publicity and increased operating costs, any of which could significantly harm our business, financial condition and results of operations.

We rely on internal systems and external systems maintained by manufacturers, distributors and other service providers to take and fulfill customer orders, handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems may prevent us or our service providers from accepting and fulfilling customer orders or cause company and customer data to be unintentionally disclosed. Our continuing efforts to upgrade and expand our network security and other information systems as well as our high-availability capabilities may be costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

Our business operations, data centers, information technology and communications systems are vulnerable to damage or interruption from natural disasters, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses, computer denial of service attacks, terrorist attacks and other events beyond our control. In addition, our corporate headquarters and other critical business operations are located near major seismic faults. In the event of a major natural or man-made disaster, our insurance coverage may not completely compensate us for our losses and our future financial results may be materially harmed.

We regularly invest resources to update and improve our internal information technology systems and software platforms. Should our investments not succeed, or if delays or other issues with new or existing internal technology systems and software platforms disrupt our operations, our business could be harmed.

We rely on our network and data center infrastructure and internal technology systems for many of our development, marketing, operational, support, sales, accounting and financial reporting activities. We are continually investing resources to update and improve these systems and environments in order to meet existing needs, as well as the growing and changing requirements of our business and customers. If we experience prolonged delays or unforeseen difficulties in updating and upgrading our systems and architecture, we may experience outages and may not be able to deliver certain offerings and develop new offerings and enhancements that we need to remain competitive. Such improvements and upgrades are often complex, costly and time consuming. In addition, such improvements can be challenging to integrate with our existing technology systems, or may uncover problems with our existing technology systems. Unsuccessful implementation of hardware or software updates and improvements could result in outages, disruption in our business operations, loss of revenue or damage to our reputation.

If we are unable to develop, manage and maintain critical third-party business relationships, our business may be adversely affected.

Our growth is increasingly dependent on the strength of our business relationships and our ability to continue to develop, manage and maintain new and existing relationships with third party partners. We rely on various third-party partners, including software and service providers, suppliers, vendors, manufacturers, distributors, accountants, contractors, financial institutions, core processors, licensing partners and development partners, among others, in many areas of our business in order to deliver our offerings and operate our business. We also rely on third parties to support the operation of our business by maintaining our physical facilities, equipment, power systems and infrastructure. In certain instances, these third-party relationships are sole source or limited source relationships and can be difficult to replace or substitute depending on the level of integration of the third party's products or services into, or with, our offerings and/or the general availability of such third party's products and services. In addition, there may be few or no alternative third-party providers or vendors in the market. Further, there can be no assurance that we will be able to adequately retain third-party contractors engaged to help us operate our business. The failure of third parties to provide acceptable and high quality products, services and technologies or to update their products, services and technologies may result in a disruption to our business operations and our customers, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Alternative arrangements and services may not be available to us on commercially reasonable terms or at all, or we may experience business interruptions upon a transition to an alternative partner.

Although we have strict standards for our suppliers and business partners to comply with the law and company policies regarding workplace and employment practices, data use and security, environmental compliance, intellectual property licensing and other applicable regulatory and compliance requirements, we cannot control their day-to-day practices. If any of them violate laws or implement practices regarded as unethical, we could experience supply chain disruptions, canceled orders, terminations of or damage to key relationships, and damage to our reputation.

In particular, we have relationships with banks, credit unions and other financial institutions that support certain critical services we offer to our customers. If macroeconomic conditions or other factors cause any of these institutions to fail, consolidate, stop providing certain services or institute cost-cutting efforts, our business and financial results may suffer and we may be unable to offer those services to our customers.

We increasingly utilize the distribution platforms of third parties like Apple's App Store and Google's Play Store for the distribution of certain of our product offerings. Although we benefit from the strong brand recognition and large user base of these distribution platforms to attract new customers, the platform owners have wide discretion to change the pricing structure, terms of service and other policies with respect to us and other developers. Any adverse changes by these third parties could adversely affect our financial results.

Because competition for our key employees is intense, we may not be able to attract, retain and develop the highly skilled employees we need to support our planned growth.

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, and those in technical and other key positions. Experienced personnel in the software, mobile technologies, data science, data security, and software as a service industries are in high demand and competition for their talents is intense, especially in California and India, where the majority of our employees are located. Also, as we strive to continue to adapt to technological change and introduce new and enhanced products and business models, we must be able to secure, maintain and develop the right quality and quantity of engaged and committed talent. The incentives we have available to attract, retain, and motivate employees provided by our equity awards may become less effective, and if we were to issue significant equity to attract additional employees, the ownership of our existing stockholders would be diluted. Although we strive to be an employer of choice, we may not be able to continue to successfully attract, retain and develop key personnel, which may cause our business to suffer.

The nature of our products and services necessitates timely product launches, and if we experience significant product accuracy or quality problems or delays, it may harm our revenue, earnings and reputation.

All of our tax products and many of our non-tax products have rigid development timetables that increase the risk of errors in our products and the risk of launch delays. Our tax preparation software product development cycle is particularly challenging due to the need to incorporate unpredictable and potentially late tax law and tax form changes each year and because our customers expect high levels of accuracy and a timely launch of these products to prepare and file their taxes by the tax filing deadline. Due to the complexity of our products and the condensed development cycles under which we operate, our products may contain errors that could unexpectedly interfere with the operation of the software or result in incorrect calculations. The complexity of the tax laws on which our products are based may also make it difficult for us to consistently deliver offerings that contain the features, functionality and level of accuracy that our customers expect. When we encounter problems we may be required to modify our code, work with state tax administrators to communicate with affected customers, assist customers with amendments, distribute patches to customers who have already purchased the product and recall or repackage existing product inventory in our distribution channels. If we encounter development challenges or discover errors in our products either late in our development cycle or after release it may cause us to delay our product launch date or suspend product availability until such issues can be fixed. Any major defects, launch delays or product suspensions may lead to loss of customers and revenue, negative publicity, customer and employee dissatisfaction, reduced retailer shelf space and promotions, and increased operating expenses, such as inventory replacement costs, legal fees or other payments, including those resulting from our accuracy guarantee in our tax preparation products. For example, an error in our tax products could cause a compliance error for taxpayers, including the over or underpayment of their federal or state tax liability. While our accuracy guarantee commits us to reimburse penalties and interest paid by customers due solely to calculation errors in our tax preparation products, such errors may result in additional burdens on third parties that we may need to address or that may cause us to suspend the availability of our products until such errors are addressed. This could also affect our reputation, the willingness of customers to use our products, and our financial results.

Our international operations are subject to increased risks which may harm our business, operating results, and financial condition.

In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- different or more restrictive privacy, data protection, data localization, and other laws that could require us to make changes to our products, services and operations, such as mandating that certain types of data collected in a particular country be stored and/or processed within that country;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- geopolitical events, including natural disasters, acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;
- antitrust and competition regulations;
- potentially adverse tax developments;
- economic uncertainties relating to European sovereign and other debt;
- trade barriers and changes in trade regulations;
- political or social unrest, economic instability, repression, or human rights issues; and
- risks related to other government regulation or required compliance with local laws.

Violations of the rapidly evolving and complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions or sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and may result in harm to our business, operating results, and financial condition.

LEGAL AND COMPLIANCE RISKS

Legal and compliance risks arise from change in the government and regulatory environment, including complex and evolving regulations relating privacy and data security; potential litigation; regulatory inquiries and intellectual property infringement claims.

Increased government regulation of our businesses, or changes to existing regulations, may harm our operating results.

The Company is subject to federal, state and local laws and regulations that affect the Company’s activities, including, without limitation, areas of labor, advertising, tax, financial services, data privacy and security, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, intellectual property ownership and infringement, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, anti-competition, environmental, health and safety. There have been significant new regulations and heightened focus by the government on many of these areas, as well as in areas such as insurance and privacy. As we expand our products and services and revise our business models, both domestically and internationally, we may become subject to additional government regulation or increased regulatory scrutiny. Further, regulators (both in the U.S. and in other jurisdictions in which we operate) may adopt new laws or regulations, change existing regulations, or their interpretation of existing laws or regulations may differ from ours.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, changes in the cybersecurity environment, litigation by the government or private entities, changes to or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our tax businesses or offer our tax products and services. We may not be able to respond quickly to such regulatory, legislative and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply. We are also required to comply with a variety of state revenue agency standards in order to successfully operate our tax preparation and electronic filing services.

Changes in state-imposed requirements by one or more of the states, including the required use of specific technologies or technology standards, may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner.

We are also subject to certain laws and regulations in the U.S. and other jurisdictions relating to electronic funds transfer, money transmission, lending and other regulated activities. In the event laws governing regulated activities change or expand, we may be subject to additional compliance costs.

Complex and evolving U.S. and international laws and regulation regarding privacy and data protection could result in claims, changes to our business practices, penalties, increased cost of operations or otherwise harm our business.

Regulations related to the provision of online services is evolving as federal, state and foreign governments continue to adopt new, or modify existing laws and regulations addressing data privacy and the collection, processing, storage, transfer and use of data. This includes, for example, the EU's new regulation, the General Data Protection Regulation (GDPR) and the new California Consumer Protection Act (CCPA), which will become effective on January 1, 2020. In our efforts to meet the GDPR, CCPA and other data privacy regulations, we have made and continue to make certain operational changes to our products and business practices. If we are unable to engineer products that meet these evolving requirements or help our customers meet their obligations under these or other new data regulations, we might experience reduced demand for our offerings. Further, penalties for non-compliance with these laws may be significant.

In addition, there are global privacy treaties and frameworks that have created compliance uncertainty and increased complexity. For example, the European Commission and the Swiss Government approved the EU-U.S. and Swiss-U.S. Privacy Shield frameworks, respectively, that provide a mechanism for companies to legally transfer personal data from the EU and Switzerland to the U.S. However, these frameworks as well as other personal data transfer mechanisms face a number of legal challenges, both by regulators and private parties. A change in these transfer mechanisms could cause us to incur costs or require us to change our business practices in a manner adverse to our business.

Other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. Each of these privacy, security and data protection laws and regulations could impose significant limitations, require changes to our business, require notification to customers or workers of a security breach, restrict our use or storage of personal information, or cause changes in customer purchasing behavior which may make our business more costly, less efficient or impossible to conduct, and may require us to modify our current or future products or services, which may make customers less likely to purchase our products and may harm our future financial results. Additionally, any actual or alleged noncompliance with these laws and regulations could result in negative publicity and subject us to investigations, claims or other remedies, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties and other damages. We have incurred, and may continue to incur, significant expenses to comply with existing privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

We are frequently a party to litigation and regulatory inquiries which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to various legal proceedings (including class action lawsuits), claims and regulatory inquiries that have arisen out of the ordinary conduct of our business and are not yet resolved and additional claims and inquiries may arise in the future. The number and significance of these claims and inquiries may increase as our businesses evolve. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; require significant amounts of management time; result in diversion of significant operations resources; or otherwise harm our business and future financial results. For further information about specific litigation, see Item 1, “Legal Proceedings”.

Third parties claiming that we infringe their proprietary rights may cause us to incur significant legal expenses and prevent us from selling our products.

We may become increasingly subject to infringement claims, including patent, copyright, trade secret, and trademark infringement claims. Litigation may be necessary to determine the validity and scope of the intellectual property rights of others. We have received a number of allegations of intellectual property infringement claims in the past and expect to receive more claims in the future based on allegations that our offerings infringe upon the intellectual property held by third parties. Some of these claims are the subject of pending litigation against us and against some of our customers. These claims may involve patent holding companies or other adverse intellectual property owners who have no relevant product revenues of their own, and against whom our own intellectual property may provide little or no deterrence. The ultimate outcome of any allegation is uncertain and, regardless of outcome, any such claim, with or without merit, may be time consuming to defend, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay shipping or redesign our products, or require us to pay monetary damages for royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims may harm our business.

We are subject to risks associated with information disseminated through our services.

The laws relating to the liability of online services companies for information such as online content disseminated through their services are subject to frequent challenges. In spite of settled law in the U.S., claims are made against online services companies by parties who disagree with the content. Where our online content is accessed on the internet outside of the U.S., challenges may be brought under foreign laws which do not provide the same protections for online services companies as in the U.S. These challenges in either U.S. or foreign jurisdictions may give rise to legal claims alleging defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services. Certain of our services include content generated by users of our online services. Although this content is not generated by us, claims of defamation or other injury may be made against us for that content. Any costs incurred as a result of this potential liability may harm our business.

FINANCIAL RISKS

Financial risks relate to our ability to meet financial obligations and mitigate exposure to financial impacts to our businesses or our offerings. Financial risks arise from the following: seasonality; excessive product returns; unanticipated changes in income tax rates; adverse global macro-economic conditions; credit risks; fluctuations in our net income; indebtedness; and the fluctuation of our stock price.

Our tax business is highly seasonal and our quarterly results could fluctuate significantly.

Our tax offerings have significant seasonal patterns. Revenue from income tax preparation products and services is heavily concentrated during November through April. This seasonality has caused significant fluctuations in our quarterly financial results. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of factors, including factors that may affect the timing of revenue recognition. These include changes to our offerings that result in the inclusion or exclusion of ongoing services; changes in product pricing strategies or product sales mix; the timing of the availability of federal and state tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions; changes in customer behavior; and the timing of our discontinuation of support for older product offerings. Other factors that may affect our quarterly or annual financial results include the timing of acquisitions, divestitures, and goodwill and acquired intangible asset impairment charges. Any fluctuations in our operating results may adversely affect our stock price.

If actual customer refunds for our offerings exceed the amount we have reserved our future financial results may be harmed.

Like many software companies we refund customers for product returns and subscription cancellations. We establish reserves against revenue in our financial statements based on estimated customer refunds. We closely monitor this refund activity in an effort to maintain adequate reserves. In the past, customer refunds have not differed significantly from these reserves. However, if we experience actual customer refunds that significantly exceed the amount we have reserved, it may result in lower net revenue.

Unanticipated changes in our income tax rates or other indirect tax may affect our future financial results.

Our future effective income tax rates may be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, by changes in our stock price, or by changes in tax laws or their interpretation, including the recently passed the 2017 Tax Act. The 2017 Tax Act introduces significant changes to U.S. income tax law. Accounting for the income tax effects of the 2017 Tax Act requires significant judgments and estimates as well as accumulation of information not previously provided for in U.S. tax law. As additional regulatory guidance is issued by the applicable taxing authorities, our analysis may change, which could materially affect our tax obligations and effective tax rate. Further, foreign governments may enact tax laws in response to the 2017 Tax Act that could result in further changes to global taxation and materially affect our financial position and results of operations. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. These continuous examinations may result in unforeseen tax-related liabilities, which may harm our future financial results.

An increasing number of states and foreign jurisdictions have adopted laws or administrative practices, that impose new taxes on all or a portion of gross revenue or other similar amounts or impose additional obligations to collect transaction taxes such as sales, consumption, value added, or similar taxes. We may not have sufficient lead time to build systems and processes to collect these taxes properly, or at all. Failure to comply with such laws or administrative practices, or a successful assertion by such states or foreign jurisdictions requiring us to collect taxes where we do not, could result in tax liabilities, including for past sales, as well as penalties and interest.

Adverse global economic conditions could harm our business and financial condition.

Adverse macroeconomic developments could negatively affect our business and financial condition. Adverse global economic events have caused, and could, in the future, cause disruptions and volatility in global financial markets and increased rates of default and bankruptcy, and could impact consumer and small business spending. While we have historically performed well in economic downturns, there is no guarantee that we would continue to perform well in future adverse macroeconomic conditions. In particular, because the majority of our revenue is derived from sales within the U.S., economic conditions in the U.S. have an even greater impact on us than companies with a more diverse international presence. Challenging economic times could cause potential new customers not to purchase or to delay purchasing our products and services, and could cause our existing customers to discontinue purchasing or delay upgrades of our existing products and services, thereby negatively impacting our revenues and future financial results. Decreased consumer spending levels could also reduce credit and debit card transaction processing volumes causing reductions in our payments revenue. Poor economic conditions and high unemployment have caused, and could in the future cause, a significant decrease in the number of tax returns filed, which may have a significant effect on the number of tax returns we prepare and file. In addition, weakness in the end-user consumer and small business markets could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which could increase our credit risk exposure and cause delays in our recognition of revenue or future sales to these customers. Any of these events could harm our business and our future financial results.

We provide capital to small businesses, which exposes us to credit risk, and may cause us material financial or reputational harm.

We provide capital to qualified small businesses, which exposes us to the risk of our borrowers' inability to repay such loans. Further, our credit decisioning, pricing, loss forecasting and scoring models used to evaluate loan applications may contain errors or may not adequately assess creditworthiness of our borrowers, or may be otherwise ineffective, resulting in incorrect approvals or denials of loans. It is also possible that loan applicants could provide false or incorrect information. While we have not incurred any material losses to date, if any of the foregoing events were to occur, our reputation and relationships with borrowers, and our financial results, could be harmed.

Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.

Our acquisitions have resulted in significant expenses, including amortization and impairment of acquired technology and other acquired intangible assets, and impairment of goodwill. Total costs and expenses in these categories were $21 million in fiscal 2018; $14 million in fiscal 2017; and $34 million in fiscal 2016. Although under current accounting rules goodwill is not amortized, we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. We test the impairment of goodwill annually in our fourth fiscal quarter or more frequently if indicators of impairment arise. The timing of the formal annual test may result in charges to our consolidated statements of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At October 31, 2018, we had $1.6 billion in goodwill and $55 million in net acquired intangible assets on our consolidated balance sheet, both of which may be subject to impairment charges in the future. New acquisitions, and any impairment of the value of acquired intangible assets, may have a significant negative impact on our future financial results.

We have $425 million in debt outstanding under the term loan and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

On February 1, 2016, we entered into a master credit agreement with certain institutional lenders for a new five-year credit facility in an aggregate principal amount of $1.5 billion. The master credit agreement includes a $500 million unsecured term loan and a $1 billion unsecured revolving credit facility that will expire on February 1, 2021. As of October 31, 2018, $425 million was outstanding on the term loan and no amounts were outstanding under the revolving credit facility. We may use the proceeds of any advances against the credit facility for general corporate purposes, including future acquisitions and share repurchases.

This debt may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

Our current unsecured revolving credit facility imposes restrictions on us, including restrictions on our ability to create liens on our assets and the ability of our subsidiaries to incur indebtedness, and require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, our short- and long-term debt includes covenants that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. If we breach any of the covenants under our short- and long-term debt or our unsecured revolving credit facility and do not obtain a waiver from the lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities. If our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our unsecured revolving credit facility may increase. In addition, any downgrades in our credit ratings may affect our ability to obtain additional financing in the future and may affect the terms of any such financing.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value.

We have a stock repurchase program under which we are authorized to repurchase our common stock. The repurchase programs do not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Our repurchase programs may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value. Also, the amount, timing, and execution of our stock repurchase programs may fluctuate based on our priorities for the use of cash for other purposes and because of changes in cash flows, tax laws, and the market price of our common stock.

Our stock price may be volatile and your investment could lose value.

Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and market trends unrelated to our performance. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. These factors, as well as general economic and political conditions and the timing of announcements in the public market regarding new products, product enhancements or technological advances by our competitors or us, and any announcements by us of acquisitions, major transactions, or management changes may adversely affect our stock price. Further, any changes in the amounts or frequency of share repurchases or dividends may also adversely affect our stock price. A significant drop in our stock price could expose us to the risk of securities class actions lawsuits, which may result in substantial costs and divert management's attention and resources, which may adversely affect our business.

Table of Contents

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities By The Issuer And Affiliated Purchasers

Stock repurchase activity during the three months ended October 31, 2018 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans
August 1, 2018 through August 31, 2018	44,500	$ 216.16	44,500	$ 3,239,571,066
September 1, 2018 through September 30, 2018	169,100	$ 223.17	169,100	$ 3,201,833,439
October 1, 2018 through October 31, 2018	253,882	$ 211.48	253,882	$ 3,148,143,404
Total	467,482	$ 216.15	467,482	

Note: All of the shares purchased during the three months ended October 31, 2018 were purchased under a plan we announced on August 19, 2016 under which we are authorized to repurchase up to $2 billion of our common stock. On August 21, 2018 our Board approved a new stock repurchase program under which we are authorized to repurchase up to an additional $2 billion of our common stock. At October 31, 2018, authorization from our Board of Directors to expend up to $3.1 billion remained available under these plans.

ITEM 6 - EXHIBITS

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTUIT INC.
(Registrant)

Date:	November 20, 2018	By:	/s/ MICHELLE M. CLATTERBUCK
			Michelle M. Clatterbuck
			Executive Vice President and Chief Financial Officer (Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
10.01	Letter Regarding Terms of Employment by and between Intuit Inc. and Sasan Goodarzi, dated November 15, 2018	X	
10.02	Description of Non-Employee Director Compensation, approved October 31, 2018 and effective January 17, 2019	X	
10.03	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 31, 2018, between the Internal Revenue Service and Free File Inc.	X	
10.04	Eighth Memorandum of Understanding on Service Standards and Disputes between the Internal Revenue Service and Free File Inc.	X	
31.01	Certification of Chief Executive Officer	X	
31.02	Certification of Chief Financial Officer	X	
32.01*	Section 1350 Certification (Chief Executive Officer)	X	
32.02*	Section 1350 Certification (Chief Financial Officer)	X	
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X	
101.SCH	XBRL Taxonomy Extension Schema	X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB	XBRL Taxonomy Extension Label Linkbase	X	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X	

* This exhibit is intended to be furnished and shall not be deemed “filed” for purposes of the Securities Exchange Act of 1934, as amended.

2550 Garcia Avenue
Mountain View, CA 94043

650-944-3840
intuit.com

November 15, 2018

Sasan Goodarzi

Dear Sasan,

Congratulations on your promotion to **President and Chief Executive Officer** at Intuit (also referred to as the "Company"). We look forward to your continued leadership.

The terms of your employment as a result of your promotion are as follows.

Promotion Date
You will become Intuit's President and Chief Executive Officer, effective **January 1, 2019** (the "Promotion Date") and continuing thereafter until termination pursuant to the Severance provisions set forth below. During your term as President and Chief Executive Officer you will be appointed to Intuit's Board of Directors, subject to the rights of Intuit's stockholders to elect directors at each annual meeting. You will report to the Board of Directors of Intuit (the "Board"). You will be expected to devote your full working time and attention to the business of Intuit, and you will not render services to any other business (other than your existing service on the Board of Directors of Atlassian) without the prior approval of the Board of Directors or, directly or indirectly, engage or participate in any business that is competitive in any manner with the business of Intuit. You will also be expected to comply with and be bound by the Company's operating policies, procedures and practices that are from time to time in effect during the term of your employment.

Salary
Effective as of your Promotion Date, your annual salary will be increased to **US $1,000,000.00** (less applicable withholdings), pending continued employment.

Bonus
Your annual performance bonus for the Company's 2019 fiscal year will be determined pursuant to Intuit's Senior Executive Incentive Plan ("SEIP"), a cash incentive compensation program. Your incentive will be prorated based on your Promotion Date. Payouts under the SEIP are tied to the achievements of Intuit and individual performance and are made to individuals who are employed on the last day of the fiscal year. The actual amount of your award, if any, will be determined in accordance with the terms and conditions outlined in the SEIP plan document.

Your new target percentage under the SEIP will be **150%** of your annual salary.

Severance

Upon termination of your employment with Intuit for any reason, you will receive payment for all unpaid salary to the date of your termination of employment; and your benefits will be continued under Intuit's then existing benefit plans and policies for so long as provided under the terms of such plans and policies and as required by applicable law. Pursuant to Intuit's executive vacation policy, you will not accrue any vacation during your employment and therefore you will not be eligible for payout of unused vacation upon your termination.

Under certain circumstances, you will also be entitled to receive severance benefits as set forth below, but you will not be entitled to any other compensation, award or damages with respect to your termination of employment. All severance benefits shall be paid in a manner consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations and other Treasury Department guidance thereunder as then in effect. If Intuit determines that any severance benefits to be provided to you are or may become subject to the additional tax under Section 409(a)(1)(B) of the Code ("Section 409A Taxes") if provided at the time otherwise set forth below, then such payments will be delayed until the date that is six months after the date of your "separation from service" (as such term is defined under Section 409A of the Code) with the Company, or such shorter period that, as determined by Intuit, is sufficient to avoid the imposition of Section 409A Taxes.

1. In the event of your Voluntary Termination or Termination for Cause, you will not be entitled to any severance benefits.
2. In the event of your Involuntary Termination, Termination without Cause or Termination Following a Change in Control, conditioned upon your execution of a general release and waiver of claims (using Intuit's standard form of release in connection with a termination of employment) against Intuit, its officers and directors and your satisfying all conditions to make the release effective and irrevocable within 21 days after the date of such termination of employment, you will also be entitled to a single lump sum severance payment equal to twelve (12) months of your then current annual base salary and 100% of your target bonus for the then current fiscal year (less applicable deductions and withholdings), payable on the 30th day following such termination of employment.

If your severance and other benefits provided for in this Section or otherwise constitute "parachute payments" within the meaning of Section 280G of the Code and, but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then such severance and other benefits will be payable, either in full or in such lesser amount as would result, after taking into account any applicable federal, state and local taxes and the excise tax imposed by Section 4999 of the Code, in your receipt on an after-tax basis of the greater amount of severance and other benefits.

Nothing in this section changes the at-will nature of your employment as described further below.

Definitions

"Cause" means: (i) gross negligence or willful misconduct in the performance of your duties to Intuit (other than as a result of a disability) that has resulted or is likely to result in substantial and material damage to Intuit, after a written demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which you have not substantially performed your duties and you have been provided with an opportunity of not less than 30 days to cure any alleged gross negligence or willful misconduct; (ii) commission of any act of fraud with respect to Intuit; or (iii) conviction of a felony or a crime involving moral turpitude causing material harm to the business and affairs of Intuit. No act or failure to act by you shall be considered "willful" if done or omitted by you in good faith with reasonable belief that your action or omission was in the best interests of Intuit.

"Change in Control" means the effective date upon which (i) any person or entity becomes the beneficial owner, directly or indirectly, of securities of Intuit representing fifty percent (50%) of the total voting power of all its then outstanding voting securities, (ii) a merger or consolidation of Intuit in which its outstanding voting securities immediately prior to the merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all outstanding voting securities of the surviving entity immediately after the merger or consolidation, (iii) a sale of substantially all of the assets of Intuit or a liquidation or dissolution of Intuit, or (iv) individuals who, as of the Promotion Date, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board;

provided that any individual who becomes a director of Intuit subsequent to the Promotion Date, whose election, or nomination for election by Intuit stockholders, was approved by the vote of at least a majority of the directors then in office shall be deemed a member of the Incumbent Board.

"Good Reason" means (i) a reduction in your title or a material reduction in your duties or responsibilities that is inconsistent with your position as President and Chief Executive Officer such that you no longer report directly to the Board of Directors, without your written consent; (ii) any reduction in your base annual salary or target bonus opportunity (other than in connection with a general decrease in the salary or target bonuses for all officers of Intuit) without your written consent; (iii) a material breach by Intuit of its obligations hereunder; (iv) failure of any successor to assume this agreement; or (v) a requirement by Intuit, without your prior written consent, that you relocate your principal office to a facility more than 50 miles from Intuit's current Mountain View offices; provided that (A) you notify Intuit in writing of any alleged act or omission that you believe provides you with the ability to resign for "Good Reason" and Intuit fails to substantially cure such violation within thirty (30) days of the date that you deliver notice, and (B) if Intuit fails to substantially cure such violation, you resign for Good Reason no later than thirty (30) days following the expiration of such cure period.

"Involuntary Termination" is your termination of your employment upon written notice to the Company at any time for Good Reason.

"Termination following a Change in Control" is the termination of your employment during the one year following a Change in Control because of an Involuntary Termination or a Termination Without Cause.

"Termination for Cause" means the Company's termination of your employment by written notice at any time after a finding of Cause.

"Termination Without Cause" means the Company's termination of your employment by written notice at any time without a finding of Cause.

"Voluntary Termination" is your termination of your employment upon written notice to the Company at any time without Good Reason.

Share Ownership
As President and CEO, you will continue to participate in Intuit's Share Ownership Program, as set forth in Intuit's Corporate Governance Principles. The current minimum stock ownership requirement applicable to the CEO role is equal to 10 times your base salary.

Other Benefits
You will continue to be eligible for the normal health insurance, 401(k), employee stock purchase plan, nonqualified deferred compensation plan, management stock purchase program and other benefits offered to all Intuit senior executives.

Please visit www.intuitbenefits.com for details that will apply to you.

Vacation
As an executive at Intuit, you will continue to be exempt from the normal limits on vacation as defined in Intuit's standard policy and you will not accrue paid vacation time or floating holidays. It is expected that you will take paid time off as needed and in your reasonable determination.

Terms and Conditions
Your employment with Intuit continues to be at-will in nature and can be terminated at any time for any reason or no reason by yourself or by Intuit. This at-will employment relationship can only be modified in a writing signed by the Chairman of Intuit's Board of Directors.

This agreement supersedes any prior offer letter or employment agreement between you and Intuit, provided that the terms of your employment remain subject to Intuit's standard policies and procedures, as well as the terms of any other agreement that you and Intuit have entered into, including but not limited to the Employee Intellectual Property Assignment and Confidentiality Agreement you are entering into simultaneously herewith. Please review these terms to make sure they are consistent with your understanding. If so, please sign and date this letter in the place indicated below and return the signed document to Laura Fennell.

If you have any questions about this offer, please contact me.

Sincerely,

/s/ BRAD SMITH

Brad D. Smith
Chairman and Chief Executive Officer

Accepted: /s/ SASAN GOODARZI

Date: 11/15/2018

Exhibit 10.02

Intuit Inc.
2019 Non-Management Director Compensation
as approved by the Board of Directors on October 31, 2018, with an effective date of January 17, 2019

Director Stock Grants

- Each year, following the annual meeting of Intuit's stockholders, each appointed or elected non-employee director shall automatically receive a grant (a "Annual Director Grant") of restricted stock units equal in number to $260,000 divided by the closing stock price on the grant date. The grant date for these awards shall be the first business day following the annual meeting of the Company's stockholders. If a director joins the board mid-year, the director will receive a pro-rated Annual Director Grant for that year. Each Annual Director Grant will generally vest in full on the first business day of the 12th month following the grant date except for those Annual Director Grants awarded mid-year, which will vest in full on the first business day of the 12th month following the annual meeting of the Company's stockholders. All of a director's Annual Director grant will become fully vested in the event of death or disability of the director or upon a Corporate Transaction. Payment of the Annual Director Grants shall be automatically deferred until the earliest of: (a) five years from the grant date; (b) termination (for any reason); or (c) a Corporate Transaction. Additional voluntary deferrals will also be permitted.

- Within the later of five years after the director joins the Board, each director is required to hold shares of Intuit common stock with an aggregate value of ten times the amount of the annual Board member cash retainer. Owned shares, outstanding restricted stock units, and any deferred cash retainers ultimately paid as restricted stock units (see below) count towards the ownership requirement.

Cash Retainers.

- Non-employee directors in good standing are paid their annual cash retainers in four equal installments.

- Non-employee directors serving on Committees (as chair or member) are paid annual retainers in addition to the annual cash compensation for service as a member of the Board, as set forth below.

- Non-employee directors may elect to defer cash retainers and instead receive restricted stock units, except for cash retainers to be paid in the first calendar year for a non-employee director joining the Board mid-year. Such election must be made prior to the start of the calendar year, and is irrevocable once made. Payment of any cash fees converted into restricted stock units shall be automatically deferred until the earliest of: (a) five years from the grant date; (b) termination (for any reason); or (c) a Corporate Transaction. Additional voluntary deferrals may also be permitted.

- Annual cash compensation for service as a non-employee director of the Board: $75,000.

- Annual cash retainer for Lead Independent Director: $40,000

- Annual cash compensation for non-employee director committee service:

  Audit & Risk Committee: Chair - $47,500; Member - $15,000

  Acquisitions Committee: Chair - $32,500; Member - $15,000

  Compensation & Organizational Development: Chair - $40,000; Member - $15,000

  Nominating & Governance Committee: Chair - $27,500; Member - $10,000

2018 Free On-Line Electronic Tax Filing Agreement Amendment

WHEREAS, the Alliance and the IRS entered into a three year agreement which was published in the Federal Register (Vol. 67, No. 153, page 51621) on August 8, 2002 and executed on October 30, 2002 (attached), that set forth parameters to which industry members of the Alliance would offer online tax preparation and filing services to taxpayers at no cost to taxpayers (“Services”); and

WHEREAS, Free File Inc. and the IRS entered into agreement to extend the term of the original agreement, as modified, for an additional period of four years, from October 30, 2005, until October 30, 2009; and

WHEREAS, Free File Inc. and the IRS entered into agreement to extend the term of the original agreement, as modified, for an additional period of four years, from October 30, 2009, until October 30, 2014; and

WHEREAS, Free File, Inc. and the IRS entered into an agreement to amend and extend the agreement for one year, from October 30, 2014 to October 30, 2015 with the intention to negotiate a multi-year amended agreement; and

WHEREAS, Free File, Inc. and the IRS entered into an agreement to extend the term of the original agreement, as modified, for an additional period of five years, from October 31, 2015, until October 31, 2020; and

NOW THEREFORE, the Alliance and the IRS, hereby mutually agree to amend and extend the agreement executed on October 30, 2002, subject to the following changes and additional conditions:

I. This agreement, which incorporates important changes and improvements, shall be complete and binding as of the date of the last signature on this document. This 2018 Agreement will extend the term of the original agreement and subsequent amendments for an additional one-year period from the effective date, which shall begin on October 31, 2018, and end on the expiration date on October 31, 2021. The superseding agreement now being signed is intended to provide notice and greater stability to the Free File program, and to require FFI Members and the IRS to comply with the 8th MOU provisions beginning now.

__/s/ Kenneth Corbin__ Date: 10/31/2018
Kenneth Corbin,
Commissioner, Wage and Investment Division
Internal Revenue Service

/s/ Timothy Hugo Date: 10/25/2018
Timothy Hugo, Executive Director
Free File Inc.

Exhibit 10.04

EIGHTH MEMORANDUM OF UNDERSTANDING ON SERVICE STANDARDS AND DISPUTES
Between the Internal Revenue Service and Free File, Incorporated

This Eighth Memorandum of Understanding ("MOU") is entered into as of the date of the last signature on this document between Free File, Inc. ("FFI") and the IRS.

This MOU is a 3-year follow-on agreement entered between the parties, and that has a termination date of October 31, 2021.

Preamble

WHEREAS, FFI (then Free File Alliance LLC) and the IRS entered into a 3-year agreement which was published in the Federal Register (Vol. 67, No. 153, page 51621) on August 8, 2002, and executed on October 30, 2002, (IRS Agreement) that set forth parameters to which industry members of the Alliance would offer online tax preparation and filing services to taxpayers least able to afford e-filing tax returns at no cost to such taxpayers (Services), and pursuant to which it was agreed that the Alliance will offer the Services and the IRS will provide taxpayers with links to the Services offered by the Alliance participants through a web page, which is hosted at irs.gov with links from www.usa.gov; and

WHEREAS, on October 29, 2005, the Alliance and the IRS agreed to amend and extend the IRS Agreement for an additional 4 years (2005 IRS Agreement); and

WHEREAS, the Alliance and the IRS agreed to amend and extend the IRS Agreement for an additional 5 years from October 30, 2009, through October 30, 2014 (2009 Free On-Line Electronic Tax Filing Agreement Amendment); and

WHEREAS, the Alliance applied for 501(C)(3) tax-exempt organization status, and the IRS granted the FFI such status in 2012; and

WHEREAS, FFI and the IRS agreed to amend and extend the Agreement for one year, from April 30, 2014 to December 1, 2015, with the intention to negotiate this multi-year agreement; and

WHEREAS, the IRS has hosted and maintained its website in accordance with the IRS Agreement; and

WHEREAS, the IRS publishes annually to all FFI Members its specifications, requirements, and restrictions for a fillable form program and FFI has agreed to permit one or more Members to provide the IRS an unbranded product that meets the IRS specifications for an unbranded fillable form utility; and

WHEREAS, FFI Members are innovators who have introduced innovations through their commercial products that make tax preparation easier, more efficient, and less prone to human error; and

WHEREAS, IRS believes Free File should be a place for testing and delivering innovation to taxpayers, and there is a desire to have these product innovations provided for free in the Free File

Members' software programs, FFI and IRS agree that specific, continuous, and ongoing efforts should be made to provide further innovations for the benefit of Free File taxpayers over the five-year term of this Memorandum of Understanding.

NOW THEREFORE, for good and valuable considerations, the parties, intending to be legally bound by this MOU, hereby agree as follows:

ARTICLE 1 DEFINITIONS

1. "Affiliate" of the Member, Executive Director, or other entity shall mean any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member, Executive Director, or other entity, as applicable. The term "control," as used in the immediately preceding sentence, shall mean with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than 50 percent of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity, or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

2. "FFI Filers" shall mean those taxpayers with an Adjusted Gross Income (AGI) equal to or less than 70 percent of all United States (U.S.) taxpayers or below for the prior year, including those least able to afford e-filing tax returns, based upon verifiable characteristics in their tax return and, as a result, who for free, online tax return preparation and filing services are offered by an individual Member.

3. "Bankruptcy" shall mean: (a) the filing of an application by the Member for, or its consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to the Member in proceedings under the U.S. Bankruptcy Code, as amended or superseded from time to time; (c) the making by the Member of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of the Member unless the proceedings and the Person appointed are dismissed within ninety (90) days; or (e) the failure by the Member generally to pay its debts as the debts become due within the meaning of Section 303(h)(l) of the U.S. Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of its inability to pay its debts as they become due.

4. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the provisions of succeeding law.

5. "Coverage" shall mean the lowest 70 percent of taxpayer population calculated using AGI. The IRS uses the prior year tax return information to compute the AGI amount that equates to 70 percent of the tax return population. The number of taxpayers covered each year will be adjusted for each filing season thereafter based on taxpayer population and income changes, but the agreed upon percentage of coverage will not change.

6. The "IRS" shall mean the Internal Revenue Service.

7. "Executive Director" shall mean the Executive Director of FFI.

8. "Member's Free File Website" shall mean Members' websites that offer free, online tax return preparation and filing services to FFI Filers.
9. "Member" shall mean each company in the electronic tax preparation and filing industry who is a member in good standing with FFI
10. "Member Free File Landing Page" shall mean the first page a taxpayer sees when leaving the IRS site to the Member company's site.
11. "New Market Entrant" shall mean a Person who is not yet a Member that intends to offer Services in the upcoming tax season but has not done so for past seasons.
12. "Person" shall mean an individual, partnership, limited partnership, limited liability company, corporation, association, or any other entity.
13. "Services" Shall mean free, online tax return preparation and Filing of Federal individual income tax returns.
14. "Software Programs" shall mean the software program a Member uses to provide online tax return preparation and filing services to taxpayers.
15. "Treasury Regulations" shall, unless the context clearly indicates otherwise, mean the regulations in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.
16. The "IRS Website" refers to www.irs.gov (or IRS.gov).
17. The "IRS Free File Website" shall mean the website hosted and maintained by the IRS through which the Services are offered to taxpayers.
18. The "IRS Free File Landing Page" shall mean the introductory IRS Free File splash screen or landing site within the IRS Website.
19. "Unbranded Fillable Form Utility" shall mean an unbranded software product that is forms based and provided by a FFI Member in compliance with the particular requirements, limitations, and standards applicable to that service as set forth in the IRS Free File Program Fillable Forms Utility Specifications dated December 9, 2008, and is chosen by the IRS for placement on the IRS Website.
20. "State Free File Program" shall mean those programs in states that offer free preparation and e-filing of individual tax returns based on criteria that are materially consistent with the federal Free File program, and which do not provide taxpayer- funded online software for tax preparation and e-filing. In 2014, there are 21 states and the District of Columbia participating in the State Free File Program (see

    Appendix A) but this definition applies to all states meeting the above criteria in a given year, and the list of eligible states may change from year to year..
21. "Non-Free File States" shall mean those states that have their own taxpayer-funded online software for tax preparation and e-filing.

22. "Active Duty Military" shall mean those individual taxpayers currently serving full time in the armed forces, including the United States Army, Navy, Marines, Air Force, Coast Guard, and National Guard, and whose income equates to the lowest 70% of the national AGI.

ARTICLE 2
FFI AND IRS OBJECTIVES

Members shall work in concert with the IRS to increase electronic filing of tax returns, which includes extending the benefits of online federal tax preparation and electronic filing to economically disadvantaged and underserved populations at no cost to either the individual user or to the public treasury. Further, the IRS and FFI (previously Free File Alliance or Alliance) agree that to serve the greater good and ensure the long-term stability of FFI, the scope of this program is focused on covering the taxpayers least able to afford e-filing their returns on their own. In recognition of this commitment, the federal government has pledged to not enter the tax preparation software and e-filing services marketplace. Members shall also:

1. Make tax return preparation and filing easier and reduce the burden on individual taxpayers, particularly the economically disadvantaged and underserved populations;

2. Support the IRS's statutory goals of increased electronic filing, pursuant to the IRS Restructuring and Reform Act of 1998;

3. Provide greater service and access to the Services to taxpayers; and

4. Implement one of the proposals in the President's Fiscal Year 2003 budget, specifically to encourage further growth in electronic filing by providing taxpayers the option to file their tax return online without charge using cooperation with, and encouraging competition within, the private sector.

ARTICLE 3 TRANSPARENCY IN MANAGEMENT

To manage the program in a transparent manner, the IRS will utilize the then current AGI number which equates to the lowest 70 percent of the taxpayers to manage the program, and will not accept or post any offer by a Member which exceeds this AGI amount. The IRS will describe this limitation on the IRS Free File website. FFI will not have a role in this IRS management process.

1. Level of Service.

ARTICLE 4 STANDARDS OF PRACTICE

1. Each Member and New Market Entrant shall:

   (i) Be engaged in the electronic tax preparation and filing industry;

   (ii) Have processed a cumulative total of 2,500 online returns during previous years, or has processed 25,000 e-file returns before becoming a Member;

   (iii) Meet a 75 percent acceptance rate for electronic returns for traditional Free File throughout the filing season, excluding business rules and any subsequent codes associated with prior year AGI and self-select pin mis- matches. The IRS will work with FFI to identify any business rule errors that are a result of new legislation and/or policy. Specific business rule errors may be excluded from the computation of a company's acceptance rate.

(iv) Meet any increased standard agreed to for subsequent years by the IRS and FFI

2. Any Member who does not meet the minimum acceptance rate set out in 4.1.1 (iii) and (iv) above may be removed from the IRS Free Website.

3. Each Member and New Market Entrant shall:

(i) Make its Services available to not less than 10 percent and not more than 50 percent of the individual taxpayer population, or approximately seventy million (70,000,000) taxpayers, within the Coverage, as annually adjusted through IRS analysis of the taxpayer database to determine the lower 70% of all U.S. taxpayers. Additionally, any free services offered under this MOU to Active Duty Military members who meet the requirement of earning no more than the lowest 70% of the national AGI shall be exempt from this service cap of 50% of the taxpayer population. Notwithstanding other terms in this MOU, this provision exempting eligible Active Duty Military members from the service cap shall become effective in January 2015;

(ii) Offer its Services on a non-discriminatory basis;

(iii) Be an authorized IRS e-File Provider in accordance with IRS Revenue Procedure 2005-60;

(iv) Be in compliance with applicable Department of Treasury/IRS rules, including, but not limited to, 31 C.F.R. Part 10, IRS Revenue Procedure 2005-60, current versions of IRS Publications 1345, 1345-A and 3112, 4164, Modernized e-File (MeF) Guide for Software Developers and Transmitters, 1436 Test Package for Electronic Filers of Individual Income Tax Returns for Tax Year 2014 and IRC Section 7216;

(v) Possess and provide appropriate documentation to the IRS and the Executive Director demonstrating they have acquired third party security and privacy certifications which are applicable for the period the company is actively listed on the IRS Free File Website;

(vi) Have appropriate logos or seals (for both privacy and security) from acceptable and recognized third party privacy and security certification providers placed in clearly visible locations on the Member's Free File Landing Page; and

(vii) New Market Entrants shall self-certify in writing to the Executive Director, and available upon request to the IRS, that the New Market Entrant has sufficient technical capacity to meet the Level of Service requirements as set forth in this MOU and then current FFI Operating Agreement and are commercial tax preparation software providers aside from their FFI offering.

4. Participation of Non-Profits. Non-Profit Organizations will be allowed to participate in the Free File program provided that they meet all of the requirements specified in the MOU, including, but not limited to, that their services and products cannot be paid for with Government funds.

2. OMITTED BY INTENTION:

3. Only one version of each Software Program permitted other than an unbranded fillable forms utility.

   1. Only one version of a Software Program is permitted per Member, except that any Member that chooses to offer an unbranded fillable form Software Program may offer that product in addition to the Software Program that is accessible from the Member's Free File Website. This provision does not preclude a Member from using the same Software Program for access both from the Member's Free File Website and as an unbranded fillable form accessible from the IRS's website. A Member may own the copyright in a Software Program or have a valid license to use a Software Program, but a Software Program may not be used by more than one Person to obtain FFI membership.
   2. Members and/or any New Market Entrant applying for membership with FFI will provide the Executive Director with information as requested by the Executive Director to permit a determination as to whether Software Programs are duplicative and/or substantially similar based upon features, functions, and/or general characteristics and would violate Section 4.3.1. The IRS or the Executive Director shall review the following list of characteristics (i) through (vii), and request any facts needed from the Member or possible New Market Entrant that will assist in this evaluation. No single characteristic below is dispositive of any determination as to whether software is identical or similar. The IRS or the Executive Director may weigh items (i), (ii) and (iii) most heavily, but can take into account any fact or factor:

      (i) The degree to which the underlying software programs are substantially identical or similar;

      (ii) Changes in the logo, color, and presentation do not transform similar software programs into different versions;

      (iii) The degree to which two software programs have a look or feel that is identical or similar;

      (iv) The relationship, if any, of the respective owners of companies; for example, the degree to which corporate officers are the same or dissimilar; whether locations of incorporation are the same or similar, whether the same Uniform Resource Locator is being used by more than one entity; the degree to which two member companies use the same third party developer, etc.;

      (v) The degree to which the company's revenue is related to FFI or principally through commercial sales of software, tax preparation services, and electronic filing to the general public;

      (vi) The degree to which each company has adequate financial resources;

(vii) The degree to which each company has the necessary organization, experience, operational controls, and technical skills to participate in the tax software preparation industry;

(viii) The degree to which each company has the necessary technical equipment and facilities; provided that companies are permitted to sell, license, or otherwise transfer software programs for services utilized in FFI offerings, but such sale, license, or other arrangement may be reviewed for its underlying purpose and must be consistent with this entire section; or

(ix) The degree to which the company has offered and sold tax preparation software and e-filing services competitively in substantial quantities to the general public in the commercial marketplace based on established

catalog prices. For these purposes, catalog prices shall be interpreted consistent with the current definition as described in FAR Part 2.101, or if repealed in entirety, the last version of such definition.

3. Members and/or New Market Entrants applying for membership in FFI will make the following disclosures with respect to any licensed Software Programs:

(i) Disclose whether another Person owns more than 25 percent of the code of the licensed Software Program. In the event another Person owns more than 25 percent of the code of the proposed Software Program, the Member and/or New Market Entrants applying for membership must additionally disclose the Person from whom the license has been obtained, as well as the business address and contact point to verify the scope of the license and the relationship between the parties.

(ii) Disclose whether another Person is providing the Member and/or New Market Entrant with servers or other back-end support other than telecommunications, and provide the business address and contact information for such Person.

4. All Members shall adhere to industry best practices to ensure the taxpayer return information entrusted to them is secure and the privacy of such information is maintained. In any instance where a Member company contracts with a service provider to obtain technology services, the service provider must adhere to the established industry best practices standard. To the extent multiple Members rely on a single service provider for front or back office services (not Internet Service Provider services), such Members must maintain such taxpayer security and privacy from others who share these service providers.

4. Functionality of Member’s Website and Software Program. Members and/or New Market Entrants will provide the Executive Director and the IRS with a link to the Member’s and/or New Market Entrant’s proposed Member’s Free File Website no less than 15 business days before the Website is expected to go live. Members’ Free File Websites will be functionally adequate in permitting a taxpayer to complete taxpayer’s return if the return is consistent with the Member’s free offer. Prior to launch, the IRS and the Executive Director will review each Member’s Free File Website usability. If the IRS and/or the Executive

Director determine that a Member's and/or New Entrant's Software Program is difficult to use, and has or will result in a significant and measurable reduction in the ability of taxpayers to complete their return, the Member will not be listed on the IRS Free File Website or may be delisted until both the IRS and the Executive Director are satisfied that the issue(s) which led to the concern regarding Members' and/or New Market Entrants' Free File Website usability have been addressed.

5. Disclosure of Forms and Schedules and Limitations.

1. Each Member will offer all of the same federal forms and schedules as offered in their basic commercial online consumer programs if they are outside of the minimum required core forms and schedules.

2. Each Member will offer as a minimum the Core Forms and Schedules as shown in Attachment 1. IRS reserves the right to negotiate with FFI to add new forms before the start of the filing season as necessitated by new legislation.

3. Each Member and/or New Market Entrant will disclose any limitations in the forms and schedules that are likely to be needed to support Members and/or New Market Entrant's free offerings. This disclosure shall take place on Members' and/or New Market Entrants' Free File Landing Pages (or such page must have a clear link to such disclosures directly from this page). Representative examples of limitations required to be disclosed include, but are not limited to, the inability to support more than one W-2 Form, and/or the lack of a form necessary to prepare a return that is likely to be based on the offer. Limitations in forms and schedules do not include any form that is not routinely required, e.g., the separate forms required for taxpayers with foreign income, unless a Member's offering is particularly orientated around such forms.

4. Each Member will clearly disclose the supported schedules and forms in addition to the required core forms supported on the Members' Free File Landing Pages or through links on such page.

6. Security.

1. Members will comply with the IRS e-file Security and Privacy Standards, http://www.irs.gov/uac/IRS-e-file-Security-Privacy-and-Business-Standards- Mandated-as-of-January-1-2010

2. Members will provide no later than December 15th, each year to the IRS the following information:

(i) The identity of the company's Approved Payment Card Industry (PCI) scanning vendor, https://www.pcisecuritystandards.org/approved_companies_providers/ap proved_scanning_vendors.php .

(ii) An Executive Summary of the Member's PCI Vulnerability Security Scan. The summary shall include the name of the certified PCI scanning vendor, the date the scan conducted, how many live hosts were scanned, and a discussion of the findings. Vulnerability severity levels should be used to categorize the vulnerabilities (i.e., critical problem or high risk, areas of concern, or medium risk or low risk but potential problems).

3. Members will possess and provide appropriate documentation to the IRS and the Executive Director demonstrating they have acquired third party security and privacy certifications.
4. Annually before filing season launch, FFI, or its Members, will conduct penetration and vulnerability assessment of individual Members prior to the start of the filing season. The annual assessments will be conducted prior to, or concurrent with, the annual Acceptance Testing System (ATS) testing. Services relating to this assessment must be obtained from a list of approved vendors jointly created by the IRS and FFI

5. If a Member is not listed, or is delisted by agreement of the IRS and Executive Director due to perceived security or privacy vulnerabilities, the IRS and FFI have the independent authority to require a penetration test be conducted by an approved third party vendor chosen by the Member if the Member is delisted for concerns which include, but are not limited to, such penetration.

6. Only the Executive Director, the IRS, and affected individual company will be apprised of a Member's deficiencies identified as a result of any assessment by the IRS or Free File Inc.

7. Implementation of Completely Automated Turning Test to Tell Computers and Humans Apart (CAPTCHA). Members must implement a CAPTCHA program on the Member's Free File Website as a condition for participation in the program. The CAPTCHA images of text should be distorted randomly and users must then manually enter the text identically as it appears on the screen. The CAPTCHA must be implemented such that a user must successfully complete the CAPTCHA test for proceeding to the next screen. For additional information on the CAPTCHA program, Members may refer to Carnegie Mellon University's CAPTCHA resource page: http://www.captcha.net

8. Each Member will ensure that visually impaired taxpayers may access and complete the CAPTCHA program.

7. Hacker Attacks and Attempts at Intrusion on Member Websites.

1. Any Member that learns of an inappropriate disclosure of a taxpayer's return information to an unauthorized Person, in the course Member's provision of Services, must immediately:

   (i) Report as soon as possible the unauthorized disclosure to the Executive Director and the IRS but not later than the next business day after confirmation of the incident. Members shall follow the Instructions on IRS.gov for submitting incident reports, http://www.irs.gov/Tax- Professionals/e-File-Providers-&-Partners/Instructions-for--Reporting- Web-site-Security-Incidents-(updated-10-02-08).

   (ii) Shut down Member's Free File Website at the time of detection.

2. The Executive Director and/or the IRS have complete emergency authority to shut down and/or remove the link to any Member's Free File Website if the Executive Director and/or the IRS believe, based upon objective information, that

unauthorized disclosure of taxpayer information has occurred and/or a threat of disclosure of taxpayer return information exists. Objective information includes, but is not limited to, copies of screens containing unauthorized taxpayer information. Objective information is not merely a complaint or allegation by a taxpayer or third party that an unauthorized disclosure has taken place. However, such a complaint or allegation, when supported by additional facts, can become the necessary objective information. Once a Member's Free File Website has been voluntarily or involuntarily shut down, the Executive Director, the IRS and the Member will conduct a prompt review to ensure that the decision to shut down a Member's Free File Website was well founded. Such a review should be completed by the second business day after a Member is delisted. Inability to substantively complete the review based on a failure by the Member to cooperate shall extend this review. A Member's Free File Website may be relisted once the issues which caused concerns are remedied, but the Executive Director and/or IRS may request or require a broader evaluation of a Member's Free File Website before any relisting is permitted.

8. One Time No Cost Refiling of Taxpayer Return. When the IRS has rejected a taxpayer's return, Members will permit the IRS rejected return to be refiled at least one time without cost to the taxpayer regardless of whether the IRS rejected the taxpayer's return solely as a result of the taxpayer's mistake, e.g., the taxpayer's entry of an incorrect SSN causes the IRS rejection of the taxpayer's return.

9. Self-Select Personal Identification Numbers (PINs). Members must permit self- select PINs as an option for taxpayers who qualify for electronic filing of free services.

10. Time Out Feature. All Members must include a feature in their tax preparation software that will "time out" the session after no changes are made for a period of time consistent with best practices approved by privacy seal certification program.

11. Guarantee of Calculations.

    1. Each Member shall guarantee the accuracy of calculations performed by its federal free file offering. State returns are not included in this guarantee. For the purposes of this section, the term "Calculations" is defined to mean the numerical addition, subtraction, or multiplication of numbers, and related automatic features that select numbers from tax tables. Calculations do not include any instance where a taxpayer can make a decision to substitute a number for the one automatically computed by the program, and Members are not responsible for changes in tax law made by the Congress during the tax season. All Members will pay any IRS penalties and/or interest resulting from an error in the Member's Software Program's Calculations, notwithstanding the lack of revenue from FFI Filers. The amount of this guarantee shall be limited to the amount accrued when the IRS provides notice to the taxpayer of an improper calculation.

12. Section 7216 Compliance. Members shall only use or disclose the tax return data Members collect in provision of Services to taxpayers in accordance with the provisions of Section 7216 of the Code.

    1. Members will validate that the servers and transmission of tax return data are located in the U.S. If the servers or transmitter are located outside the U.S. or any territory or possession of the U.S., the taxpayer must agree and sign a form consenting to the

disclosure. Refer to Revenue Procedure 2008-35, section 4.04(1)(e) and to Treasury Regulation §301.7216-3(a)(3) for complete information and for specific language.

13. Use of SSN. Whenever taxpayers are requested or required to provide their SSN, it must be part of a secure session.

14. Returning Free File Tax Filers. If a taxpayer used and completed his/her return with a Member's Free File products or services in the immediately preceding tax year, and in the subsequent tax year visits the Member's commercial website(s) for tax preparation and logs into an account registered with the Member, the taxpayer must be given a first option to return to the Member's Free File offer before receiving any other alternative choices for the Member's publicly available commercial tax preparation products or services. FFI, in consultation with the IRS, shall prescribe the requirements of this uniform communication to the taxpayer, including but not limited to the text, format and prominence of the messaging. Manipulation of the font size and other graphical elements in order to give prominence to the secondary non-Free File option is prohibited.

15. Disclosure of Taxpayer Service Options.

   1. Members must permit a taxpayer who qualifies for a free return to print their return for free on their personal computer system for both e-filed and paper filed returns. This capacity must be provided for the same period of time (e.g., 3 days, 3 weeks, or 3 months) that such services are provided for free to commercial customers.

   2. Members must permit a taxpayer who does not qualify for a free return to print their return after paying the applicable fee, if any, charged to Members' commercial customers.

   3. Members must permit taxpayers who have begun to complete a tax return to complete the return during the current tax year.

   4. Members must clearly list their free customer service options. This disclosure must be available on the Member's Free File Landing Page (or such page must have a clear and prominent link to such disclosures directly from this page). Members must provide taxpayers a free electronic method to obtain a copy and learn the status of their electronically filed tax return.

16. Availability of Free Services. If a Member's services have not been made available on or before March 15 of any tax season, the Member will not be listed after that

    date. If a Member's free services will not be available for the remainder of the tax season based on any unplanned outage, their listing will be removed. Each Member shall promptly notify FFI and the IRS of any planned or unplanned unavailability or scheduled maintenance (i.e., down time) of an offering that is anticipated to exceed 5 hours in duration. Members whose services are delisted will be restored to the IRS Free File Website consistent with IRS service capabilities, but not more than 5 business days after the IRS and the Executive Director agree the services can be relisted. IRS may display members whose Free File program remains active on IRS.gov up to the date that IRS closes processing through the MeF program.

17. <u>Blackouts</u>. Maintaining a consistent level of service is important.

1. No planned blackouts of service are permitted from January 15 through April 15.

2. Unplanned blackouts or scheduled maintenance in excess of 5 hours requires electronic notice of unavailability to the IRS, FFI, and, whenever possible, via Member's Free File Landing Page. Failure to provide this notice on more than one occasion is grounds for delisting.

3. During any unplanned blackout or scheduled maintenance, customers seeking to access the Free File option should not be directed to or have access to the fee- based services of the Member.

18. <u>Contact Person for Notification</u>. Each Member, in making its offer, shall provide a contact name and number of a person(s) who may be reached 24 hours per day/7 days a week for issues regarding unavailability of the services and security breach of taxpayer data. The IRS (as well as the Executive Director) is entitled to delist any Member if contacts with such person are not successful within a 12 hour period.

19. <u>Eligible Taxpayers/No Promotional Codes or Rebates/Links to Paid Sites</u>. In providing free services to qualified taxpayers, Member programs cannot utilize promotional codes or rebates as the methodology of providing free services.

1. Tagging of Returns. For taxpayers who enter a Member Free File Website from the IRS Free File Website and save any portion of their return, that return should be "tagged" so as to remain eligible for the Member's free offer. This paragraph does not apply to those services offered by Members in permitting extensions (4868) to be filed.

2. Ineligibility Notification. Free File Member programs must unequivocally inform taxpayers who are ineligible for the free offer at the earliest feasible point:

(i) That they are ineligible for the Free File offer, and
(ii) The reason that they are not eligible for the offer, and
(iii) The taxpayer shall be directed back to the IRS Free File Landing Page as the first and most prominent alternative action so that they may immediately consider other Free File offers available from the Free File Program, and
(iv) The disqualification practice of each Member must adhere to the standard messaging, language and formatting guidance to be provided by FFI in consultation with the IRS.
(v) The taxpayer next may be offered a free alternative for completion of their return, provided that the taxpayer is covered by the Program limit of being among the lowest 70 percent of taxpayers.
(vi) The taxpayer would next be offered the option to continue on the Free File Member's site and pay a fee - which is fully disclosed - to file their federal and/or state return.

3. Links to Paid Site. Providing an automatic link from the IRS Free File Website to a

Member’s paid website will result in delisting.

4. Solicitation for Payment. Members shall not post a billing screen requesting or collecting bank/financial information (e.g., debit/credit card information) from customers who qualify for a free return where no state tax return products have been purchased.

20. Date Changes. The IRS has the authority to change any date utilized in this MOU to conform to changes made in regulatory or statutory requirements, or to update the MOU each calendar year. Notice of such change will be tied to such specific regulatory or statutory requirements.

21. Disclosure of State Preparation and Filing Options. FFI shall offer free state tax preparation and e-filing in all states that participate in a State Free File Program. FFI is not required to provide free services for state returns in Non-Free File States. The IRS will not provide links to any Non-Free File State Department of Revenue websites from the IRS.gov Free File Website.

1. FFI members must disclose their state service offerings on each individual Member’s Free File Landing Page and make clear whether such returns are free or paid. Any offer for paid state return preparation and e-filing services shall state clearly all the details of the offer, including a single, consolidated fee for such service. Free or paid state offers shall be displayed on the Free File Landing Page prominently. Members must provide the list of states that they currently support. This list shall only include states that have completed state testing and whose software programs have been approved by the state and are ready for use. Members shall include a listing of each State Free File Program that the Member participates in and a hyperlink that will allow taxpayers to access the Members’ Department of Revenue State Free File offering.

2. The IRS may provide information for taxpayers on the IRS Free File Website. Such information may include, but is not limited to, the following:

(i) Federal Free File supports preparation of Federal tax returns. Many member companies also offer free or paid state tax preparation and e-filing services.
(ii) Some companies may not offer state tax preparation and e-file services for all states.

The IRS further agrees it will not provide links to the Websites of any Non-Free File States Department of Revenue Websites from the IRS.gov Free File website

22. Unilateral Changes by U.S. Government. Any unilateral changes imposed by the U.S. government on FFI whether by statute, regulation, or administrative action will result in an immediate re-evaluation of the decision to continue FFI, and could result in an immediate suspension of free services upon the decision of each Member. Any inclusion of links from the IRS Free File Website to Non-Free File State Department of Revenue websites is grounds for FFI to immediately dissolve its obligations in this MOU.

23. Compliance with Federal, State, and Local Laws. Each Member shall provide all Services in accordance with all applicable federal, state, and local laws, rules, and regulations. Each Member shall immediately notify the Executive Director upon its receipt of any

notification, oral or written, alleging that such Member is not providing the Services as set forth herein.

24. No Transfer or Assignment of Membership Permitted. No Member may transfer its membership interest in FFI to any Person, unless as a result of a merger or acquisition to a successor corporation to the Member reported in a timely fashion to FFI

25. Free File Indicator. Members will provide an electronic Free File indicator. If the Member is providing a Spanish version of their Free File product they will provide a Spanish Free File indicator.

    1. The IRS agrees it will not use the indicator to build a marketing database;

    2. The IRS agrees it will not use the indicator to compile company specific data or proprietary data; and

    3. The IRS agrees it will only use the database to create aggregate data profiles of all users.

26. Disclosure. The IRS will ensure its Freedom of Information Act office is aware of FFI concerns about disclosure of company specific data, and actively afford notice and opportunity to intervene by FFI and impacted company as is required by statute and regulation.

    1. The IRS will promptly notify the Executive Director in writing if a governmental agency or entity, including, but not limited to the Congress, any Inspector General, or Taxpayer Advocate, or a private party is requesting aggregate data concerning individual Members; and the IRS has concluded it cannot refuse to provide such data:

        (i) The Executive Director upon receipt of the IRS's written notification may immediately advise Members that they can cease providing the indicator;

        (ii) FFI cannot unilaterally suspend the indicator absent proof which it supplies the IRS that the aggregate data concerning an individual Member described above has been compiled or released;

        (iii) In the event any domestic law enforcement agency formally subpoenas or provides the IRS with appropriate process for data resulting from the indicator that is not aggregated, notification to the Executive Director can be delayed for a period not to exceed 90 days; and

        (iv) Any Member(s) which suspends the indicator in accordance with the terms described above shall be expected to provide the total number of accepted e-filed tax returns originating from their Free File service under procedures mutually agreed to by the IRS and the Executive Director.

27. Pop-ups, Spyware and other Marketing Tools. The IRS will work with FFI to develop further agreed upon guidance for Members to ensure that their web sites/Free File pages are in compliance with IRC §7216 with respect to pop-ups, pop-unders, adware, spyware, etc.

28. Customer Satisfaction Survey. The Members will provide the necessary support to

accomplish a customer satisfaction survey.

29. Annual Review. For any multi-year agreement between the IRS and the FFI on an annual basis, the parties will review the Free File Program and decide what, if any, improvements need to be made for the next filing season. Any improvements agree to by the parties shall be reflected in an MOU executed by the parties.

4.29.1 Review for Compliance. FFI and IRS conduct reviews of Members' Free File Landing Pages for compliance with the requirements and obligations contained in this MOU. The review process is under the control of the Executive Director and IRS leadership but will consist of a pre-filing season review for compliance that allows a Member to remediate any identified deficiencies, and a review to ensure that remediation has occurred. The IRS also conducts a random, unannounced review during the filing season to ensure continued compliance.

30. Annual Revision. The IRS and the Executive Director may annually revise the MOU between the parties that provides structure for the roles.

31. Modifications to Standards of Practice. The Executive Director and the IRS may unilaterally propose additional standards necessary for the Standards of Practice during the tax season. Any additional standards shall be provided to the Members by email. The Executive Director and/or the IRS shall determine whether the standards need to become effective immediately or can await a Member meeting. In any instance where the Executive Director and/or the IRS believe the standards need to be immediately effective, the immediacy of the effect of the new standard shall be noted in the email transmittal, and the additional standards will become effective 5 days later, or the first business day if the fifth day falls on a weekend or holiday.

32. Permitted Sales, Limits on Ancillary Sales, and Selling Activity

1. Sale of State Tax Returns Permitted But Not Required. Taxpayers who enter a Member's Free File Landing Page must be able to see a clearly-stated offer for state tax return preparation and e-filing. The free or paid state return offer must be

   clear and located on the top half of the landing page, and if different fonts are used, the fees and description of the state tax preparation and e-filing must be presented with a typeface and prominence no less than the majority of text on the page, and must include a single, consolidated fee charged for state return preparation and e-filing, as well as a link to a list of state forms offered and federal forms and schedules offered. This offer to provide a free or paid state return may be repeated one additional time in the Member's site. Member providers of unbranded fillable form utilities may not offer a state return.

2. Provision of Federal Return When Taxpayer Does Not Qualify for a Member Free File Offer Is Permitted. When a taxpayer enters a Member's Free File Landing Page and begins to complete a return but ultimately cannot qualify for the Member's free offer, the Member must provide, as a first option, a prominent hyperlink for the taxpayer to return to the IRS Free File Landing Page (consistent with Paragraph 4.19.2). A Member also may provide free returns to those who do not qualify for the Free File offer, provided they are covered within the terms of the Program. Finally, a Member may inform the taxpayer that he or she has the choice of preparing and filing a federal return using the

Member’s commercial product. The charge for such commercial product or service shall not exceed the usual commercial price for such products or services.

3. Reasonable and Customary Charges for Taxpayer Use of Credit Card or its Equivalent Are Permitted. A Member company may charge taxpayers who have a balance due reasonable and customary charges from credit card service providers or their equivalent related to payment services they provide. Refund Anticipation Loans, Refund Anticipation Checks, and other forms of payment are not permitted by this section.

4. Email Communication with Free File Taxpayers. Free File Members shall communicate not less than once annually via email with their taxpayer customers who used Free File services and completed their returns through Free File in the immediately preceding tax year prior to the opening of the following tax season. The content of this email(s) shall only remind the taxpayer about the availability of the Member’s Free File offer and invite them to return to the Member’s Free File Landing Page. Free File Members shall not use these communications to communicate with the taxpayer about any non-Free File commercial products or services. No marketing, soliciting, sale or selling activity, or electronic links to such activity, will be permitted in these email(s).

5. No Other Sales and Selling Activity. No marketing, soliciting, sales or selling activity, or electronic links to such activity, are permitted in the Free File Program, with the exception of the following: (i) the sale of a federal return where, as noted herein, the taxpayer is determined ineligible for the Member’s Free File offer and chooses to complete and file his or her return using the Member’s commercial offer, or (ii) disclosures or sales (as applicable) related to free or paid state tax preparation offers as specifically provided for in this MOU.

6. Prohibition on “Value-Added” Button. Members shall not include a “value-added” button (i.e., an icon, link or any functionality that provides a taxpayer with access to a Member’s commercial products or services) on the Member’s Free File Landing Page.

7. The Member shall have a prominent link permitting taxpayers on a Member’s Free File Landing Page to easily and clearly return to the IRS.gov Free File Landing Page.

33. Names Utilized by Member Companies. Members shall possess a clear association between the company or product name posted on IRS.gov and the Member’s company or product name. Where a company or product name has been used prior to 2007 by a Member company, the Executive Director and the IRS has the authority to accept or reject a proposed name change to company or product name, and if the Executive Director refuses to permit such change, it is subject to the Dispute Resolution Mechanism at Article 7. No change in name of company or product will be permitted once the Member submits its name to FFI and the IRS for the tax season, unless such a change is required by an adjudication regarding such name.

34. Use of the Free File Logo. The IRS and the Members agree to use the logo consistent

with the terms specified in Version 1 of the Trademark and Copyright Assignment and License Agreement, December 31, 2007.

35. Promotion of the Free File Program. The IRS will make consistent, good-faith efforts to promote the Free File Program in appropriate media activities, interactions with other federal agencies, social media and social networking activities, and in its appropriate technology applications.

36. Innovations. FFI and IRS agree that specific, continuous, and ongoing efforts should be made to provide further innovations for the benefit of Free File taxpayers.

1. Pre-Population of Returning Taxpayer's Prior Year Tax Information. IRS and FFI share the goal that Members should be encouraged to incorporate technology that pre-populates a taxpayer's prior year return data into the current year return whenever a Free File taxpayer uses a Member's Free File Website for any consecutive year(s).

2. Pre-Population of Taxpayer Data from W-2 and 1099 to Current Year Returns. IRS and FFI agree that Members should incorporate technology that permits taxpayers to upload forms, such as W-2 and 1099, in order to pre-populate individual, current-year tax returns with the data from these forms. FFI will make a good faith effort to offer Members the use of such technology for use in the Free File program, which may be patented, copyrighted, or trade secret protected. If successful in procuring such technology at no cost, FFI will offer the use of such technology for free to Members who choose to provide this service to taxpayers within the Free File program. Notwithstanding the foregoing, any member may use its own technology to provide the services described in this paragraph. IRS will investigate requirements or voluntary agreements it may reach with payroll companies to encourage them to cooperate with this pre-population.

3. IRS and FFI mutually agree to support and promote Free File as an "Innovation Lab" to test, pilot, and offer capabilities to simplify taxpayer compliance, such as data importation offered by industry as described herein, and such as IRS's Application Programming Interface (API) projects, consistent with all other terms and conditions in this MOU.

4. This agreement does not limit IRS from providing phone-based, web-based or electronic interaction between the IRS and a taxpayer (or taxpayer's representative) regarding issues in a previously filed return after such a return has been accepted by IRS. IRS will make an effort to communicate its activities in this respect to FFI and seek opportunities to work with FFI Members.

ARTICLE 5 TERM

This agreement [the 8th MOU] shall be complete and binding as of the date of the last signature on this document. Notwithstanding this, the 7th MOU continues in force and effect until its termination on October 30, 2018. The term of this 8th MOU is 3 years, from its effective date on October 31, 2018 to its termination date, which shall be October 31, 2021, and may only be terminated or amended according to the terms of this agreement.

The early completion of the 7th MOU is intended to enhance the Free File Program by providing additional taxpayer protections and choice.

ARTICLE 6
BREACH AND REMOVAL FROM THE IRS FREE FILE WEBSITE

1. Removal from the IRS Free File Website. A Member's listing may be removed from the IRS Free File Website, or a New Market Entrant may be refused permission to list its offering upon the IRS Free File Website, based upon the occurrence of any of the following:

    1. The IRS and/or the Executive Director's determination that a New Market Entrant does not meet the Level of Service and/or Standards of Practice of this MOU;

    2. The IRS and/or the Executive Director's determination that a Member has failed to provide Services in accordance with the Standards of Practice set forth in this MOU, and the Member has not taken necessary corrective actions, if any may be taken, in the timeframe allotted by the IRS's and/or Executive Director's written notice to the Member;
    3. The IRS and/or the Executive Director's determination that a Member has failed to comply with its obligations under this MOU per Section 4.29.1, and that the Member has failed to timely remediate identified deficiencies.

    4. The IRS and/or the Executive Director's receipt of notice that a Member has undergone an event of Bankruptcy; or

    5. The IRS and/or the Executive Director's receipt of written notice from a Member that the Member does not wish to be listed on the IRS Free File Website and/or continue in FFI

2. Determination Process. The Executive Director and/or the IRS may make the determinations described in 6.1.1 through 6.1.4 above (i) in coordination with each other; (ii) upon each party's own volition with written notice to the other party; or
(iii) upon the reasonable request of a Member and/or third party as determined by the IRS in coordination with the Executive Director.

ARTICLE 7 DISPUTES

1. Administrative Review. After a determination process pursuant to Article 6 of this MOU, a Member advised by the IRS of the denial or removal of its free offer from posting on the IRS Free File Website has the right to an administrative review. The Member may submit a detailed written explanation with supporting documentation requesting a final determination that the decision to deny or remove their offer from the IRS Free File Website should be withdrawn. Within 3 business days of receipt of the Member's written response, the IRS will reconsider and may either withdraw or affirm its action. During this administrative review process, the decision remains in effect.

2. Administrative Remedy. After a determination process pursuant to Article 6 of this MOU, any Member who has been refused the ability to list on the IRS Free File Website and/or has been removed from the IRS Free File Website by the IRS, or mutually by the IRS and

FFI, may challenge the determination to the Civilian Board of Contract Appeals (CBCA) in accordance with the CBCA' s Rule of Procedure.

The CBCA's review is authorized by the Alternative Dispute Resolution laws and regulations issued by the U.S. Government and are in lieu of any litigation in any court.

1. The CBCA will be the exclusive venue for resolving disputes concerning any action taken by the IRS or the IRS and FFI under the terms of this MOU as described in 7.2.

2. FFI shall be responsible for paying the CBCA for all costs incurred by the CBCA in any proceeding related to this provision. Each party to the adjudication shall initially pay its own costs and fees. For the purposes of this section, a party to adjudication may include any Member, FFI, and/or the IRS.

3. If the IRS, or mutually by the IRS and FFI, determines not to permit a New Market Entrant to list its offering on the IRS Free File Website, the IRS and FFI, by mutual agreement, may permit or refuse the New Market Entrant the right to use this provision to review the decision not to permit the New Market Entrant's listing on the IRS Free File Website. For the purposes of this Section, the payment provisions of Section 7.2.2 apply to any adjudication brought by a New Market Entrant.7.2.4 A Member or New Market Entrant who does not prevail in its appeal before the CBCA is required to pay 100 percent of the costs, fees, and expenses incurred by the CBCA and FFI. FFI will invoice the Member and/or New Market Entrant for such costs, fees and expenses, and the Member and/or New Market Entrant shall pay FFI within 10 days of presentation of an invoice for such amount. If the Member or New Market Entrant does not pay these costs, they are no longer in good standing and cannot participate in FFI meetings or be posted on the IRS website.

3. The following rules apply to all CBCA proceedings: the Member and/or New Market Entrant who challenges an IRS determination or a joint determination of the IRS and FFI under Section 6 or 7 of this MOU shall not be entitled to any monetary remedies, and the Member's and/or New Market Entrant's sole and only remedy shall be an order directing the IRS to act in accordance with the CBCA's decision. The CBCA's decision with respect to the termination or reinstatement of the Member on the IRS Free File Website or any other order shall be final and binding and shall not be subject to review. The CBCA shall have the authority to grant motions, including motions to dismiss and motions for summary judgment, in appropriate circumstances. The CBCA shall have no authority to add to or to modify this MOU, except as permitted by joint agreement of the CBCA, IRS and FFI.

ARTICLE 8
NO RELATIONSHIP TO FFI OPERATING AGREEMENT

FFI can continue to change and amend the FFI Operating Agreement without regard to this MOU. Notwithstanding the prior sentence, the terms of the FFI Operating Agreement and/or any change in the FFI Operating Agreement have no impact on this MOU unless and until the MOU is amended in writing by agreement between the IRS and FFI, which agreement can be withheld by the IRS.

ARTICLE 9 INTEGRATED AGREEMENTS

The terms of this MOU are final and binding unless and until it is superseded by a signed agreement between the parties. The IRS and FFI agree that this document and all prior original and supplemental signed agreements other than only the current and latest MOU between the IRS and FFI remain in full force and effect unless the language of this MOU is inconsistent with such prior written terms, in which case the terms and language of this MOU shall control.

ARTICLE 10 TERMINATION

1. Either party may terminate this MOU for cause if the other Party fails to comply with this MOU, and such failure is not cured within thirty days of written notice of such failure from the other party.

2. The IRS may terminate this MOU without cause, such termination to be effective 12 months after the date of notice of such termination.

3. Should the IRS commit funding to offer Services for free to taxpayers the IRS shall notify FFI immediately. If the IRS gives such notice during the tax season (between January 1 and April 15, or the last day of the filing deadline if that date is changed from April 15) of any year, FFI may, by written notice to IRS, terminate this MOU, effective on April 16 (or, if the filing deadline is changed from April 15, on the day following such new deadline) of that year. If the IRS gives such notice between April 16 (or, if the filing deadline is changed from April 15, on the day following such new deadline) and October 15 of any year, then FFI may, by written notice to IRS other than during a tax season, terminate this Agreement, such termination to be effective no fewer than 30 days after the date of FFI's notice of such termination. If IRS gives such notice between October 15 and December 31, FFI may by written notice immediately terminate this Agreement at any time on or before December 31.

/s/ Kenneth Corbin

Kenneth Corbin
Commissioner, Wage and Investment Division Internal Revenue Service
Date: 10/31/2018

/s/ Timothy Hugo

Timothy Hugo
Executive Director,
Free File, Inc.
Date: 10/25/2018

Exhibit 31.01

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)

I, Brad D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2018

By: /s/ Brad D. Smith
Brad D. Smith
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.02

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)

I, Michelle M. Clatterbuck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2018

By: /s/ MICHELLE M. CLATTERBUCK
Michelle M. Clatterbuck
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.01

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Intuit Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Brad D. Smith, Chairman and Chief Executive Officer of the Company, certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BRAD D. SMITH
Brad D. Smith
Chairman and Chief Executive Officer

Date: November 20, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.02

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Intuit Inc. (the “Company”) on Form 10-Q for the quarter ended October 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michelle M. Clatterbuck, Executive Vice President and Chief Financial Officer of the Company, certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michelle M. Clatterbuck
Michelle M. Clatterbuck
Executive Vice President and Chief Financial Officer

Date: November 20, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.