



Department of Justice

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JUSTICE DEPARTMENT FILES ANTITRUST LAWSUIT TO STOP H&R BLOCK INC. FROM BUYING TAXACT

Deal Would Substantially Reduce Competition in Sale of Digital Do-It-Yourself Tax Preparation Products and Result in Higher Prices and a Reduction in Innovation and Quality

WASHINGTON — The Department of Justice filed a civil antitrust lawsuit today to block the proposed acquisition by H&R Block Inc. of TaxACT, a digital do-it-yourself tax preparation software provider. The department said that the proposed deal would substantially lessen competition in the growing U.S. digital do-it-yourself tax preparation software market, resulting in higher prices and reduced innovation and quality for products that are used annually by millions of American taxpayers.

The Department of Justice's Antitrust Division filed its lawsuit in U.S. District Court in Washington, D.C., to prevent H&R Block from acquiring 2SS Holdings Inc., an entity within TA IX L.P. and the maker of TaxACT.

Between 35 and 40 million taxpayers use digital software products, either on the provider's website or uploaded onto the taxpayers' computers, to prepare and file their federal and state income taxes. Currently, three companies account for 90 percent of all sales of digital do-it-yourself tax preparation products, and the acquisition would combine H&R Block and TaxACT, respectively the second- and third-largest providers of digital do-it-yourself tax preparation products, the department said.

"The combination of H&R Block and TaxACT would likely lead to millions of American taxpayers paying higher prices for digital do-it-yourself tax preparation products," said Christine Varney, Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "In addition, TaxACT has aggressively competed in the digital do-it-yourself tax preparation market with innovations such as free federal filing. If this merger is allowed to proceed, that type of innovation will be lost."

On Oct. 13, 2010, H&R Block agreed to purchase 2SS Holdings in a transaction valued at \$287.5 million.

According to the department's complaint, H&R Block's acquisition of 2SS Holdings would eliminate a company that has aggressively competed with H&R Block and disrupted the

U.S. digital do-it-yourself tax preparation market through low pricing and product innovation. By ending the head-to-head competition between TaxACT and H&R Block, American taxpayers would be left with only two major digital do-it-yourself tax preparation providers. This would lead to higher prices, lower quality, and reduced innovation. In addition, by taking control of the TaxACT business, which has been a maverick in the market, it would be easier for H&R Block to coordinate on prices, quality, and other business decisions with the other remaining industry leader – Mountain View, Calif.-based Intuit, which makes personal finance programs such as Quicken and TurboTax – the department said.

The complaint includes statements from H&R Block presentations and emails, such as:

- A primary benefit for H&R Block in acquiring TaxACT is: “Elimination of competitor.”
- In discussing the potential acquisition of TaxAct, one of the “[s]trategic [o]pportunities” of the acquisition is: “Acquire TaxACT and eliminate the brand to regain control of industry pricing and further price erosion.”
- The rationale for launching the H&R Block’s free online product was “[t]o match competitor offerings and stem online share loss to Intuit and TaxACT.”
- “Retail volume at Staples [is] at risk due to introduction of TaxACT [r]etail software on combined display.”

The department also alleges that by eliminating TaxACT, a significant, disruptive and aggressive competitor, the acquisition would likely substantially lessen competition between H&R Block and Intuit by facilitating coordination between them. H&R Block would likely degrade TaxACT’s free product and H&R Block and Intuit would increase the prices for their paid products. An internal H&R Block email said, “The other possible strategic consideration is that Intuit and HRB together would have 84% of the digital market and we both obviously have great incentive to keep this channel profitable.”

H&R Block is a Missouri corporation headquartered in Kansas City, Mo. H&R Block is one of the world’s largest tax service providers, utilizing more than 100,000 trained tax professionals. The company, with its H&R Block At Home products, is the second largest provider of digital do-it-yourself tax preparation products. In its fiscal year 2010, ending April 30, 2010, H&R Block prepared more than 23 million tax returns worldwide and earned revenues of more than \$3.8 billion. Its digital do-it-yourself tax preparation product was used in 2010 by more than 5.9 million customers to prepare and file their federal and state income tax returns.

2SS Holdings, the maker of the TaxACT digital do-it-yourself tax preparation products, is a Delaware corporation headquartered in Cedar Rapids, Iowa. 2SS Holdings is the third-largest digital do-it-yourself tax preparation product provider in the United States, and the second-largest provider of such products online through the Internet. TaxACT products were used in 2010 by more than 5 million customers to prepare and file their federal and state income tax returns.

TA IX L.P. is a limited partnership organized and existing under the laws of Delaware and headquartered in Boston. TA IX L.P. is the majority shareholder of 2SS Holdings.

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