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### Intuit Sued Over TurboTax Security And Identity Theft, Class Action Status Sought

Intuit Inc. has been sued by several high profile plaintiffs' lawyers alleging that the company's lax security protections in TurboTax software helped enable fraudulent tax returns. This year's tax filing season got off to a bad start with huge security concerns that stopped TurboTax state filings for days and then spread to federal filings. The mess reportedly even triggered an FBI investigation.

The lawsuit was filed in federal court in San Francisco by two women claiming they were hurt by TurboTax. The complaint alleges that, "Rather than protecting customers' personal and financial information by implementing stricter security measures, TurboTax has instead knowingly facilitated identity theft tax refund fraud by allowing cybercriminals easy access to its customers' most private information."



The complaint says that Intuit has a duty to protect sensitive customer data, and that the TurboTax website promises that "all TurboTax platforms offer a secure, easy-to-use experience." Hardly, say the lawyers, who claim that security was poor until it was too late. The two plaintiffs are Christine Diaz and Michelle Fugatt, although it is clear the real prize the lawyers seek is class action status.

Ms. Diaz last used TurboTax in 2011, when she used the online version of the software to file her joint return. But in March 2015, before filing her tax return, she received a bill for \$242 from

TurboTax for supposedly filing a federal tax return through the software, along with state returns in Michigan, Missouri, Ohio and Oklahoma. Plaintiff Michelle Fugatt alleged that she received a similar bill in March despite having never used TurboTax. The complaint alleges that as a result, Ms. Fugatt now must file by paper and wait longer for her tax refund.

The lawyers for the plaintiffs include Richard McCune of McCuneWright in Redlands, California; Michael Sobol of Lieff, Cabraser, Heimann & Bernstein in San Francisco; and John Yanchunis of Morgan & Morgan in Florida. They hope to represent a nationwide class of TurboTax customers (like Ms. Diaz) who had personal data stolen. They are even aiming for a second nationwide class of non-customers (like Ms. Fugatt) who were victims of fraudulent tax returns filed in their name through TurboTax.

The complaint accuses Intuit of aiding and abetting fraud, breach of contract and violating California's Unfair Competition Law and Consumer Records Act. The plaintiffs also allege that Intuit failed to notify victims after their personal information was used to file fraudulent tax returns. The suit also alleges that Intuit insiders have accused the company of turning a blind eye to tax fraud.

The IRS is well aware that tax fraud has exploded, and e-filing is one of the enablers. The complaint includes some impressive IRS statistics, including the jump in suspected electronic tax fraud. Incidents jumped from 500,000 in 2010 to almost two million in 2013. The IRS says it prevented an estimated \$24.2 billion in fraudulent refunds in 2013, but it paid another \$5.8 billion in refunds that were later deemed fraudulent.

Intuit has denied the allegations. The company also advocates standards to clarify how much tax preparation software providers can do to prevent tax fraud. "We recognize that the industrywide problem of tax fraud has increased this tax season and our focus remains on playing our part in fighting it," the company said in a statement. "We intend to defend ourselves vigorously in the appropriate forum."

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