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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 2022

OR

☐ 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

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INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

(IRS

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	INTU	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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 definition 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 ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2022, the last business day of our most recently completed second fiscal quarter, based on the closing price of $555.23 reported by the Nasdaq Global Select Market on that date, was $152.8 billion.

There were 281,869,879 shares of Intuit voting common stock outstanding as of August 26, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for its Annual Meeting of Stockholders to be held on January 19, 2023 are incorporated by reference in Part III of this Annual Report on Form 10-K.

INTUIT INC.
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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Please also see the section entitled *"Risk Factors"* in Item 1A of Part I of this Annual Report for important information to consider when evaluating these 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;
- statements regarding the impact of the COVID-19 pandemic and macroeconomic conditions on our 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 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; 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 our income tax valuation allowance is sufficient;
- 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 facilities will be available to us should we choose to borrow under them;
- our expectations regarding acquisitions and their impact on business and strategic priorities; and
- our assessments and beliefs regarding the future developments and outcomes 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 or expenses 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 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 Annual Report and, except as required by law, we undertake no obligation to revise or update any forward-looking statement for any reason.

PART I

ITEM 1 - BUSINESS

BACKGROUND

Overview and Mission

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

Our mission is to power prosperity around the world. Across our platform, we use the power of technology to deliver three core benefits to our customers: helping put more money in their pockets, saving them time by eliminating work so they can focus on what matters to them, and ensuring that they have complete confidence in every financial decision they make.

All of our customers have a common set of needs. Our global technology platform, which includes TurboTax, Credit Karma, QuickBooks, and Mailchimp, is designed to help consumers and small businesses manage their finances, get and retain customers, save money, pay off debt and do their taxes with ease and confidence so they receive the maximum refund they deserve. For those customers who have made the bold decision to become entrepreneurs and go into business for themselves, we are focused on helping them find and keep customers, get paid faster, pay their employees, manage and get access to capital, and ensure their books are done right. We serve more than 100 million customers and generated revenue of $12.7 billion in our fiscal year which ended July 31, 2022.

The rise of artificial intelligence (AI) is fundamentally reshaping our world — and Intuit is taking advantage of this technological revolution to find new ways to improve the customer experience and deliver on our mission. We are focused on capitalizing on this opportunity to improve prosperity globally and inspire our workforce, while investing in our company’s reputation and durable growth in the future.

Intuit Inc. was incorporated in California in March 1984. We reincorporated in Delaware and completed our initial public offering in March 1993. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our main telephone number is 650-944-6000. When we refer to “we,” “our” or “Intuit” in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Our Business Portfolio

We organize our businesses into four reportable segments:

***Small Business & Self-Employed*:** This segment serves small businesses and the self-employed around the world, and the accounting professionals who assist and advise them. Our QuickBooks offerings include financial and business management online services and desktop software, payroll solutions, time tracking, merchant payment processing solutions, and financing for small businesses. Our Mailchimp offerings include e-commerce, marketing automation, and customer relationship management.

***Consumer*:** This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behaviors.

***Credit Karma*:** This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loan, and insurance products; online savings and checking accounts through an FDIC member bank partner; and access to their credit scores and reports, credit and identity monitoring, credit report dispute, and data-driven resources.

***ProConnect*:** This segment serves 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, and ProConnect Tax Online in the U.S., and ProFile and ProTax Online in Canada.

Our Business and Growth Strategy

At Intuit, our strategy starts with customer obsession. We listen to and observe our customers, understand their challenges, and then use advanced technology, including AI, to develop innovative solutions to help consumers and small businesses prosper. Our strategy for delivering on our bold goals is to be an AI-driven expert platform where we and others can solve our customers' most important problems. We plan to accelerate the development of the platform by applying AI in three key areas:

- An Open Platform: None of us can do it alone, including Intuit. The best way to deliver for customers is by creating an open, collaborative platform. It's the power of partnerships that accelerates the world's success. Our open technology platform integrates with partners so, together, we can deliver value and benefits that matter the most to our customers.
- Application of AI: AI helps our customers work smarter because we can automate, predict and personalize their experience. Using AI technologies, we are: leveraging machine learning to build decision engines and algorithms that learn from rich datasets to transform user experiences; applying knowledge engineering and turning compliance rules into code; and using natural language processing to revolutionize how customers interact with products and services.
- Incorporating Experts: One of the biggest problems our customers face is lack of confidence. Even with current advances in technology that deliver personalized tools and insights, many customers want to connect with a real person to help give them the confidence they are making the right decision. By bringing experts onto our platform we can solve this massive problem for customers. The power of our virtual expert platform allows us to scale the intelligence of our products, elevating experts to advisors and delivering big benefits for customers.

As we build our AI-driven expert platform, we prioritize our resources on five strategic priorities across the company. These priorities focus on solving the problems that matter most to customers and include:

- **Revolutionizing speed to benefit:** When customers use our products and services, we use the power of data-driven customer insights to deliver value instantly and aim to make interactions with our offerings frictionless, without the need for customers to manually enter data. We are accelerating the application of AI and investing in decentralized technologies such as blockchain and cryptocurrency, with a goal to revolutionize the customer experience and help customers put more money in their pockets faster. This priority is foundational across our business, and execution against it positions us to succeed with our other four strategic priorities.
- **Connecting people to experts:** The largest problem our customers face is lack of confidence to file their own taxes or to manage their books. To build their confidence, we connect our customers to experts. We offer customers access to experts to help them make important decisions – and experts, such as accountants, gain access to new customers so they can grow their businesses. We are also expanding how we think about virtual experiences by exploring metaverse technologies and broadening the segments we serve beyond tax and accounting, to play a more meaningful role in our customers' lives.
- **Unlocking smart money decisions:** Crippling high-cost debt and lack of savings are at unprecedented levels across the US. To address these challenges, we are creating an autonomous financial platform with Credit Karma that helps consumers find the right financial products, puts more money in their pockets and connects them to insights and education.
- **Be the center of small business growth:** We are focused on helping customers grow their businesses by offering a broad, seamless set of tools that are designed to help them get and retain customers, get paid faster, manage and get access to capital, pay employees with confidence, and use third-party apps to help run their businesses. At the same time, we want to position ourselves to better serve product-based businesses to benefit customers who sell products through multiple channels.
- **Disrupt the small business mid-market:** We aim to disrupt the mid-market with QuickBooks Online Advanced, our online offering designed to address the needs of small business customers with 10 to 100 employees. This offering enables us to increase retention of these larger customers, and attract new mid-market customers who are over-served by available offerings.

As the external environment evolves, we continue to innovate and adapt our strategy and anticipate our customers' needs. For nearly 40 years, we have been dedicated to developing innovative solutions that are designed to solve our customers' most important financial problems, are easy to use, and are available where and when customers need them. As a result, our customers actively recommend our products and solutions to others, which is one important way that we measure the success of our strategy.

PRODUCTS AND SERVICES

During fiscal 2022, we offered our products and services in the four segments described in *"Business Overview"* above. The following table shows the revenue for each of these segments over the last three fiscal years.

	Fiscal 2022	Fiscal 2021	Fiscal 2020
Small Business & Self-Employed	51 %	49 %	53 %
Consumer	31 %	37 %	41 %
Credit Karma (1)	14 %	9 %	— %
ProConnect	4 %	5 %	6 %

(1) Credit Karma revenue from December 3, 2020

Total international net revenue was approximately 8%, 5%, and 4% of consolidated total net revenue for the twelve months ended July 31, 2022, 2021 and 2020.

For financial information about our reportable segments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 and Note 15 to the consolidated financial statements in Item 8 of this Annual Report.

Small Business & Self-Employed

Our Small Business & Self-Employed segment serves small businesses and the self-employed around the world, and the accounting professionals who assist and advise them. Our goal is for QuickBooks to be the source of truth for each small business customer who uses our integrated platform. We work to make this a reality through our three-pillared growth strategy: Grow the Core by transforming financial management software and meeting customers where they are; Connect the Ecosystem, by meeting a wider range of customer needs with a single integrated platform; and Expand Globally, by serving small businesses around the world. With this strategy, we enable a powerful ecosystem, personalized using artificial intelligence, that scales across our customers' most pressing needs.

Small business owners are constantly faced with challenges and barriers in their journey to success. Universally, small businesses at every stage of growth struggle to get customers, get paid, get capital, pay workers, get access to advice, and stay compliant and organized. Our innovative, end-to-end customer growth platform provides actionable, AI-driven insights our customers need to grow and run their businesses with confidence.

Get Customers

Mailchimp. Mailchimp is an all-in-one marketing platform for growing businesses. Mailchimp's marketing platform enables small and mid-market businesses to digitally promote their businesses across email, social media, landing pages, ads, websites, and more, all from one place.

Get Paid

Payment Processing Solutions. Our full range of merchant services for small businesses includes credit card, debit card, Apple Pay, and ACH payment services for in-person and card-not-present payments. We offer instant deposit options for eligible customers. QuickBooks Payments is deeply integrated into QuickBooks through seamless onboarding and automated transaction reconciliation and is the default payment solution for QuickBooks invoicing.

QuickBooks Checking. The QuickBooks Checking business bank account comes with a physical and virtual debit card for powerful purchasing power, fast payments with no fee Instant Deposit, and powerful cash flow management with Envelopes for partitioning funds for future expenses, all with no fees.

Get Capital

Capital. We offer financing options for small businesses to help them get the capital they need to succeed. The financing process provides small businesses the ability to use their QuickBooks data to qualify to borrow capital, whether directly from Intuit or from a third-party partner.

Get Paid Upfront. Get Paid Upfront provides access to capital through qualifying QuickBooks invoices, allowing small businesses to take control of their cash flow and put earned money to work faster. Invoice proceeds are funded in advance, while the small business' customer sees nothing different and pays their invoice as they usually would.

Pay Workers

Employer Solutions (Payroll and Time Tracking). Our payroll solutions, available as online or desktop solutions, are sold on a subscription basis and integrate with our QuickBooks Online and Desktop offerings or may be purchased standalone. Our

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QuickBooks Online payroll offerings include automated tax payments and filings, as well as access to employee benefits offerings like health insurance and 401(k) plans. We also offer QuickBooks Time which seamlessly integrates with QuickBooks Payroll and third-party payroll products to help businesses easily and accurately track time across a mobile workforce, including tools for project planning, job costing, and tracking per-client billable hours.

Access Advice

QuickBooks Live. QuickBooks Live Full-Service Bookkeeping gives small businesses one-on-one support from our team of expert bookkeepers to manage and maintain books with guaranteed accuracy. Our QuickBooks Live bookkeepers have an average of 10 years of experience working with small businesses across a wide array of industries. They're certified QuickBooks ProAdvisors, and many are Certified Public Accountants.

QuickBooks ProAdvisor. Accounting professionals can assist with bookkeeping, taxes, payroll, and more. Our free Find a ProAdvisor service helps customers find a QuickBooks Certified accountant or bookkeeper who knows their niche, speaks their language, or is close by—whatever works best. To enable our network of hundreds of thousands of accountants, we offer memberships to the QuickBooks ProAdvisor program, which provides accountants access to QuickBooks Online Accountant, technical support, training, product certification, marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Stay Compliant & Organized

QuickBooks Self-Employed. Designed specifically for self-employed customers like independent contractors and freelancers, QuickBooks Self-Employed helps customers stay tax-time ready, all year long. Features include categorizing business and personal transactions, identifying and classifying tax deductible expenses, tracking mileage, calculating estimated quarterly taxes and sending invoices. In the United States, QuickBooks Self-Employed can be combined with TurboTax to export and pay year-end taxes.

QuickBooks Online. Designed for all kinds of small businesses, QuickBooks Online helps simplify accounting and tax compliance. Users can track income and expenses, create and send invoices and estimates, manage and pay bills, and review a variety of financial reports. QuickBooks Online also has powerful industry-specific capabilities such as features for product-based businesses. QuickBooks Online is an open platform, enabling third-party developers to create online and mobile applications that integrate with our offering.

QuickBooks Online Advanced. Designed for small businesses with 10 to 100 employees that have more complex needs, QuickBooks Online Advanced has features specifically designed for high-growth, mid-market small businesses and leverages AI, automation and data insights to deliver more ways for them to grow and scale. QuickBooks Online Advanced integrates across the QuickBooks ecosystem and with best-in-class apps, and also has powerful industry-specific features that deliver automation, deeper insights, and enhanced tracking for what matters most to a users' unique industry.

QuickBooks Desktop Software. Our QuickBooks financial management solutions are also available as desktop versions for small businesses. QuickBooks Enterprise, designed for small businesses with 10 to 100 employees, is available for download and can also be provided as a hosted solution. This offering provides industry-specific reports and features for a range of industries, including Contractor, Manufacturing and Wholesale, Nonprofit, and Retail.

Financial Supplies. We offer a range of financial supplies designed for individuals and small businesses that use our QuickBooks offerings. These include standard paper checks and Secure Plus checks with CheckLock fraud protection features, a variety of stationery, tax forms and related supplies.

Consumer

Our Consumer segment includes our TurboTax products and services that are designed to enable customers to prepare and file their federal and state income tax returns quickly and accurately. These offerings are available either online or as desktop versions. They are designed to be easy to use, yet sophisticated enough for complex tax returns. For customers using our online offerings and looking for additional advice or guidance along the way, we have experts standing by to offer tax review and advice all year round. We also have experts available to prepare, sign and file tax returns for customers who prefer to have their taxes prepared for them. We also offer Mint, which is an online personal finance offering aimed at helping customers track their finances and daily financial behaviors and was a part of this segment through July 31, 2022. On August 1, 2022, our Mint offering moved from our Consumer segment to our Credit Karma segment.

Tax Return Preparation Offerings. For the 2021 tax season, we offered a variety of commercial software products and tax filing services to meet the different needs of our customers, including those filing simple returns, those who itemize deductions, own investments or rental property, and small business owners. Customers can electronically file their federal and state income tax returns through our electronic filing service. We also offered TurboTax Live for customers seeking to obtain tax advice from professionals, TurboTax Live Full Service for customers seeking to have their tax returns prepared for them, as well as audit defense and audit support services. Our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online. Our TurboTax U.S. and Canada offerings consist of desktop and online offerings.

Credit Karma

Our Credit Karma segment provides consumers with a financial platform that helps them find the right financial products and put more money in their pockets. The platform offers a number of free services to its members: access to their credit scores and reports, credit and identity monitoring, credit report dispute, data-driven resources, personalized recommendations of credit card, loan, and insurance products and online savings and checking accounts through our bank partner, MVB Bank, Inc., Member FDIC. To provide these services to its members, Credit Karma works with a variety of partners, including credit bureaus, banks, credit card issuers, insurance carriers, and other financial institutions and lending partners. Additionally, Credit Karma leverages Lightbox, a first-of-its-kind enterprise platform which allows lenders to leverage thousands of de-identified data points from Credit Karma members to help provide its members with greater certainty that they will be approved if they apply for a financial product.

ProConnect

Our ProConnect segment includes our professional tax offerings and serves 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 consist of Lacerte, ProSeries, and ProConnect Tax Online in the U.S., and ProFile and ProTax Online in Canada. These offerings enable accountants to accurately and efficiently complete and electronically file a full range of consumer, small business, and commercial federal and state tax returns. Lacerte is designed for full-service year-round accounting firms who handle more complex returns. ProSeries is designed for year-round tax practices handling moderately complex tax returns. ProConnect Tax Online is our cloud-based solution, which is designed for full-service year-round practices who prepare all forms of consumer and small business returns and integrates with our QuickBooks Online offerings. ProFile is our Canadian desktop tax offering, which serves year-round full-service accounting firms for both consumer and business tax returns. ProTax Online is our Canadian cloud based tax solution, which is designed for full-service year-round practices who prepare all forms of consumer and business tax returns, and is fully integrated into QuickBooks Online Accountant to provide seamless integration of data across books and tax through our Workpapers solution. We also offer a variety of tax-related services that complement the tax return preparation process including year-round document storage, collaboration services, e-signature, and bank products, and additional capabilities such as fixed asset management, desktop hosting, and third party solutions for practice management for some of our U.S. tax offerings.

PRODUCT DEVELOPMENT

The markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements. Continuous investment is required to innovate and develop new products and services as well as enhance existing offerings to be successful in these markets. Our product development efforts are more important than ever as we pursue our growth strategy.

We develop many of our products and services internally, and we have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We also supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships that enable us to enhance or expand our offerings more rapidly. We expect to expand our third-party technology relationships as we continue to pursue our growth strategy.

Our online offerings have rapid development cycles, while our traditional desktop software products tend to have predictable annual development and product release cycles. In addition, developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate federal and state tax law and tax form changes within a rigid timetable. The development timing for our small business payroll and merchant payment processing services offerings varies with business needs and regulatory requirements, and the length of the development cycle depends on the scope and complexity of each project.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services with financial recommendations, personalization, and ease of use enabled by AI and other advanced technologies. We continue to focus on developing new products and services, including global offerings, and significant research and development efforts for ongoing projects to update the technology platforms for several of our offerings.

SEASONALITY

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

In fiscal 2022, the IRS began accepting returns on January 24, 2022, and the tax filing deadline was April 18, 2022. However, in fiscal 2021, the IRS began accepting returns on February 12, 2021, and the tax filing deadline was May 17, 2021. In fiscal 2020, the IRS began accepting returns on January 27, 2020, and the tax filing deadline was July 15, 2020. As a result of the extensions of the tax filing deadlines in 2021 and 2020, a significant amount of our fiscal 2021 and 2020 Consumer segment and ProConnect segment revenues were recognized in the fourth quarter as compared to the third quarter of fiscal 2022.

We expect the seasonality of our Consumer and ProConnect businesses to continue to have a significant impact on our quarterly financial results in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary customers are consumers and small businesses. We also provide specialized tax and accounting products to professional accountants, who are key partners to help us reach small business customers. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past several years, the widespread usage of mobile devices and social media have accelerated the pace of change and revolutionized the way that customers learn about, evaluate, and purchase products and services.

Real-time, personalized online shopping experiences are the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This has created a need for integrated, multi-channel, shop-and-buy experiences. Market and industry changes quickly make existing products and services obsolete. Our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods, and other changes in the way we do business.

Marketing Programs

We use a variety of marketing programs to generate direct sales, develop leads, increase general awareness of the Intuit brand and our product portfolio, and drive sales in retail. These programs include offline marketing such as TV, radio, billboard, magazine and newspaper advertising; digital marketing such as display and pay-per-click advertising, search engine optimization, and social and affiliate marketing; mobile marketing through online app stores; email marketing; retail marketing; public relations; sponsorships, and in product marketing to drive awareness of related products and services. Our campaigns are designed to attract new users, retain existing users, and cross sell additional offerings.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our customers primarily research products and services online. Some customers buy and use our products and services entirely online. Others research online but make their purchase at a retail location. Because many customers shop across multiple channels, we continue to coordinate our online, offline, and retail presence and promotions to support an integrated, multi-channel shop-and-buy model. We also focus on cross-selling complementary Intuit and third-party offerings online and in-product.

Direct Sales Channel. We offer many of our products and services directly through our websites, apps, and call centers. Direct, online sales are an effective channel for customers who can make purchase decisions based on content provided on our websites, via other online content or word of mouth recommendations. Assisted sales continues to be an effective channel for serving customers that want live help to select the products and services that are right for their needs. We also have a direct sales force that calls on U.S. and international accounting firms and seeks to increase their awareness, usage, and recommendation of our small business and professional tax solutions. For mid-market businesses, we have implemented and expanded on our omnichannel go to market strategy by diversifying and growing our technology partner channel and industry focused direct sales teams.

Mobile Application Stores. We distribute many of our offerings for mobile devices through proprietary online stores that provide applications for specific devices. These include the Apple App Store and Google’s Play Store.

Partner and Other Channels. We offer many of our products and services through partners including value-added resellers, system integrators (including accountants and marketing professionals), and managed service providers who help us reach new customers at the point of need and drive growth and market share by extending our online reach. These partners combine our products and services with marketing, sales, and technical expertise to deliver a complete solution at the local level. We also sell our QuickBooks and TurboTax desktop software as well as payroll services at retail locations across the United States and Canada and on retailer websites. In Canada, we also rely on distributors who sell products into the retail channel.

COMPETITION

We face intense competition in all of our businesses in all aspects across all markets for our products and services, which are rapidly evolving, fragmented, and have complex interdependencies with many businesses. Competitive pressures in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. The competitive landscape is also constantly evolving as we expand into new market segments and new companies emerge and existing companies expand their capabilities (either directly or through acquisitions or partnerships) to include the markets in which we compete. Given the breadth of the products and services that we offer as a global technology company and the customer problems that we aim to serve, we compete with the offerings from a variety of companies across a range of industries, including large global companies, smaller geographically focused companies, startups and professional services. Our current global competitors include Blucora (TaxAct), Block, H&R Block, The Sage Group, Microsoft (Dynamics), Oracle (NetSuite) and Xero. Additional companies that may have offerings that we may compete with to solve some of our customer's problems include:

- business software providers, such as those that provide accounting and financial software, website building, email marketing, inventory management, payroll and employee management;
- tax preparation services providers;
- accounting, consulting and tax firms;
- government entities that offer publicly funded electronic tax preparation and filing services with no fees to individual taxpayers;
- software companies and banks that provide payments services, including merchant processing, checking, savings, loans, point of sale devices and lending;
- software companies that provide personal finance management products and tools, including credit-score monitoring and personal financial services and content;
- companies that provide a marketplace of consumer financial offerings;
- financial institutions;
- credit bureaus; and
- large platform companies, such as Meta, Amazon and Alphabet, that could develop competing technology solutions to any of the problems that our customers may face.

We believe our most important competitive factors are functionality, ease of use, high availability, security, the integration of these products with related software, brand name recognition, effective distribution, quality of support, and cost. We believe that we compete favorably based on these factors and our ability to remain competitive will largely depend on our ongoing performance.

CUSTOMER SUCCESS

For many of our offerings, we provide product support and technical support through channels including telephone, e-mail, online and video chat, text messaging, our customer support websites, self-help assets embedded in our products, and online communities where consumers can share knowledge and product advice with each other.

We also provide access to experts, through our TurboTax and QuickBooks Live offerings, who provide tax advice, tax preparation and bookkeeping services.

Our customer success staff predominantly consists of Intuit-employed and outsourced experts. We supplement with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced small business customer success personnel are currently located in the Philippines.

We also source staff through our Prosperity Hub program, which is designed to spark economic prosperity in underserved communities. One part of this program is our socially responsible sourcing model, where we both directly and through customer success partner-employers, hire, train, and retain workers who deliver support and services for our customers.

Self-help information is offered for free in-product and on our support websites for many of our offerings. Support alternatives and fees vary by product. For example, some product subscriptions receive 24x7 support and additional contact channel options.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Our online offerings include QuickBooks Online, online payroll services, merchant payment processing services, Mailchimp’s e-commerce, marketing automation, and customer relationship management offerings, TurboTax Online, ProConnect Tax Online, consumer and professional electronic tax filing services, Credit Karma offerings, and Mint. We completed the transition of our systems, networks and databases used to operate these online offerings to public cloud providers, such as Amazon Web Services and Google Cloud Platform.

Desktop Software and Supplies

Although an increasing proportion of our desktop software customers choose to electronically download software, many customers continue to choose to purchase these products in the form of physical media. The key processes in manufacturing desktop software are manufacturing compact discs (CDs) and digital video discs (DVDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing and distribution, we have agreements with Arvato Digital Services, Inc. (Arvato), a division of Bertelsmann AG, under which Arvato provides a majority of the manufacturing volume for our launches of QuickBooks and TurboTax and day-to-day replenishment after product launches, as well as our retail distribution logistics. Arvato also provides most of the manufacturing volume and distribution services for our direct desktop software orders.

Customers typically receive desktop software electronically. However, when physical product is ordered, we typically ship the physical product within a few days of receiving an order and backlog is minimal.

PRIVACY AND SECURITY OF CUSTOMER AND WORKFORCE INFORMATION AND TRANSACTIONS

We are stewards of our customers’ data and have designed data stewardship principles to align our organization in collecting, using and protecting such information. As we believe strongly in being good stewards of our customers’ data, we operate our program to comply with laws and regulations that govern our use, sharing and protection of customers’ personal information, including, for example, laws with respect to financial services and the handling of tax data. We have established guidelines and practices to help ensure that customers and members of our workforce are aware of, and can control, how we use information about them. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or shape industry best practices, and to inform public policy for privacy and security.

We use security safeguards to help protect the systems and the information that customers and members of our workforce give to us from loss, misuse and unauthorized alteration. We use technical, logical and procedural measures, such as multi-factor authentication, which are designed to help detect and prevent fraud and misuse of customer information. Whenever customers transmit sensitive information to us, such as credit card information or tax return data through one of our websites or products, we follow current industry standards to encrypt the data as it is transmitted to us, and when we store it at rest. We routinely patch our systems with security updates and we work to protect our systems from unauthorized internal or external access using numerous commercially available computer security products as well as internally developed security procedures and practices.

GOVERNMENT REGULATION

Our Consumer and ProConnect segments are subject to federal, state and international government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. Our Small Business & Self-Employed segment offers products and services to small businesses and consumers, such as payroll, payments, and financing, which are also subject to certain regulatory requirements. Our Credit Karma segment offers personal finance products and services to consumers, such as recommendations of credit card, loan and insurance products and access to credit scores and reports, which are also subject to certain regulatory requirements.

INTELLECTUAL PROPERTY

Our success depends on the proprietary technology embodied in our offerings. We protect this proprietary technology by relying on a variety of intellectual property mechanisms, including copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. For example, we regularly file applications for patents, copyrights and trademarks and service marks in order to protect intellectual property that we believe is important to our business. We hold a growing patent portfolio that we believe is important to Intuit's overall competitive advantage, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. We also have a number of registered trademarks that include Intuit, QuickBooks, Lacerte, TurboTax, QB, ProSeries, ProConnect, Mint, Credit Karma, and Mailchimp. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also license intellectual property from third parties for use in our products.

Although our portfolio of patents is growing, the patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. In addition, third parties have asserted and may, in the future, assert infringement claims against us and our customers. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third-party licenses may not continue to be available to us on commercially acceptable terms, or at all.

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HUMAN CAPITAL

We consider our employees one of our four True North key stakeholders because they help us deliver for our customers, our shareholders, and the communities we serve. As of July 31, 2022, we had approximately 17,300 employees in 10 countries. During fiscal 2022, we employed on average approximately 9,100 seasonal employees from January to April primarily to support our Consumer segment customers during the peak of tax season. We believe our future success and growth will depend on our ability to attract and retain a qualified workforce in all areas of our business.

Intuit's overall workforce development strategies are developed and managed by our Chief People & Places Officer, who reports to the CEO. The Compensation and Organizational Development Committee of the Board of Directors has oversight with respect to company-wide organization and talent assessment, employee recruitment, engagement and retention, leadership development, management depth and strength assessment, workplace environment and culture, employee health and safety, and pay equity. Of the total number of employees, approximately 1,600 are employed by Credit Karma, which has certain unique compensation and workforce development programs. We regularly collect, measure and share the sentiment of our workforce through multiple channels, including engagement surveys and other touch points, which help to guide the work we do to support our workforce.

Culture and Values

In order to deliver on our mission to power prosperity around the world, we are guided by our company values as we strive to create a culture where employees can do the best work of their lives. Our values and culture are woven into our hiring and retention practices and are foundational to our ability to attract, retain, and advance top, diverse talent.

- Our value of Integrity Without Compromise means valuing trust above all else, speaking the truth, and doing the right thing even when no one is looking.
- Our value of Courage means being bold and fearless in how we think and act, holding a high bar for performance and valuing speed, with a bias for learning and action.
- Our value of Customer Obsession means falling in love with our customers' problems and delivering solutions that delight our customers.
- Our value of Stronger Together means championing diversity, inclusion and a respectful environment, thriving on diverse voices to challenge and inform decisions and delivering exceptional work so others can count on us.
- Our value of We Care and Give Back means we strive to be stewards of the future, strengthen the communities around us and give everyone the opportunity to prosper. We provide eligible full-time employees paid time off that can be used to do volunteer work during normal work hours for vetted non-profits and donation matching up to an annual limit.

Diversity, Equity and Inclusion

At the foundation of our culture is a commitment to diversity, equity and inclusion (DEI). We believe that diversity is a fact, but treating people equitably and inclusively are choices we make. To deliver for our customers, we seek to foster a workforce that is as diverse as the communities we serve. When we do this, we believe we develop deeper empathy, accelerating innovation to solve the biggest problems our customers face. We have had a designated role dedicated to diversity and inclusion since 2015 and our Chief Diversity, Equity & Inclusion Officer (CDEIO) leads a dedicated and specialized team in our DEI efforts. Our Compensation and Organizational Development Committee oversees Intuit's DEI initiatives in support of organizational development. Intuit's strategy is operationalized through the following elements:

- Goals and transparency: Intuit has set short- and long-term goals for increasing the representation in our workforce of women and employees from underrepresented racial groups (which we define as Black/African-American, Latinx/Hispanic, Native American, Native Alaskan and Native Hawaiian). Our diversity data is shared with all employees, and progress on our goals is reviewed monthly with all executives. We also publicly disclose our progress on our goals and the breakdowns of the diversity of gender and underrepresented racial groups in our workforce both in the aggregate and among our leadership and technology roles;

- Center of Excellence: The CDEIO leads a cross-functional team with expertise in enterprise leadership, strategy, human resources and communications all focused on driving a more diverse and inclusive workplace;
- Employee Resource Groups: Intuit's employee resource groups aid in creating community, recruiting, on-boarding and providing safe spaces for our diverse workforce;
- Engagement: Intuit conducts a dedicated DEI survey focused on the experiences of our workforce;
- REAL Team: Intuit has a Racial Equity Leadership Team that is focused on helping us drive durable change as we strive to continue advancing racial equity and equality;
- Education: All senior leaders have attended multiple DEI workshops, including C-suite training on racial equity. We have manager and employee training on leading inclusively and a guide for managers on how to have conversations about difficult and polarizing external events;

- Talent acquisition: Intuit has established a dedicated team to drive diversity, equity and inclusion across our hiring practices, programs and strategies. We have also invested in new, external partnerships to better engage with diverse talent and communities; and
- Accountability: The Compensation and Organizational Development Committee reviews our progress towards our goals and workforce diversity initiatives at least annually.

We strive to reward employees with compensation that is market competitive, fair and equitable across gender, race and ethnicity. We invest in this commitment by performing pay equity analyses twice a year using independent, third-party vendors. We are transparent about our pay equity results and have multiple avenues for employees to use for any questions about their pay.

Developing Talent and Training

We are committed to creating a high-performing culture that consistently delivers for our customers, shareholders and communities while providing an experience for our workforce that values leadership, innovation, and collaboration. We promote the development of all of our employees and provide employees with access to learning plans based on their needs and interests and the resources they need to grow, thrive and reinvent themselves over time.

In addition, we are invested in growing our current and future leaders. Our teams design programs and resources to develop the leadership skills of our employees and measure their progress.

All full-time employees have access to opportunities to develop and learn through company-sponsored learning paths and online courses on topics ranging from artificial intelligence to manager essentials in support of an employee’s ability to adapt to any work environment.

Employees set goals and measure progress through our goal setting tool and have opportunities to focus on growth both during performance assessment conversations and ongoing regular check-ins.

Employee Listening & Engagement

Listening and responding to our employees is at the core of our work. We value employee feedback and we leverage it to continuously improve the employee experience. We regularly collect, measure and share the sentiment of our workforce through multiple channels, including engagement surveys, and other touch points, which help to guide the work we do to support our workforce.

Total Rewards

Our compensation philosophy aims to attract and retain top talent for today and the future. Intuit’s total target compensation includes base hourly pay or salary at market-competitive rates, a range of incentive plans that vary based on role, and equity grants. Incentive compensation plans are part of our pay for performance philosophy and closely align with company performance and reward top performance. Most year-round employees are eligible for equity, which allows the majority of our employees to share in the company’s success.

Additional benefits and rewards include healthcare, retirement benefits, and paid time off including annual paid recharge days and family and parental leave.

The health and well-being of our employees and their families continues to be a top priority. We offer our employees access to programs to support their physical, emotional and financial well-being. Employees also have access to other resources to help with their well-being, including resilience, mindfulness and counseling programs, wellness reimbursement programs, back-up childcare, financial education programs and access to an employee assistance program.

Hybrid Way of Working

After shifting to working virtually during the pandemic to keep our workforce safe, we are now embracing and transitioning to hybrid work at Intuit. Our hybrid work model brings the best of in-person collaboration and connections together with the flexibility of virtual work. Self-directed teams are empowered to decide where/when in-person work is accretive to their work. Across the company, we expect teams to spend a portion of their time working on campus. This hybrid way of working invests in and amplifies Intuit’s culture. In doing so, we seek to realize a sense of connectedness and belonging; to spark creativity and innovation; to solve for speed, agility, and productivity; and to attract and retain top, diverse talent to the company.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table shows Intuit's executive officers and their areas of responsibility as of July 31, 2022. Their biographies follow the table.

Name	Age	Position
Sasan K. Goodarzi	54	President, Chief Executive Officer and Director
Scott D. Cook	70	Chairman of the Executive Committee
Michelle M. Clatterbuck	54	Executive Vice President and Chief Financial Officer
J. Alexander Chriss	45	Executive Vice President and General Manager, Small Business & Self-Employed Group
Laura A. Fennell	61	Executive Vice President, Chief People & Places Officer
Varun Krishna	40	Executive Vice President and General Manager, Consumer Group
Marianna Tessel	55	Executive Vice President and Chief Technology Officer
Kerry J. McLean	58	Executive Vice President, General Counsel and Corporate Secretary
Lauren D. Hotz	47	Senior Vice President and Chief Accounting Officer

Mr. Goodarzi has been President and Chief Executive Officer and a member of the Board of Directors since January 2019 and previously served as Executive Vice President and General Manager of Intuit's Small Business Group since May 2016. He previously was Executive Vice President and General Manager of Intuit's Consumer Tax Group from August 2015 through April 2016 and from August 2013 to July 2015 served as Senior Vice President and General Manager of the Consumer Tax Group. He served as Intuit's Senior Vice President and Chief Information Officer from August 2011 to July 2013, having rejoined Intuit after serving as CEO of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, beginning in November 2010. During his previous tenure at Intuit from 2004 to 2010, Mr. Goodarzi led several business units including Intuit Financial Services and the professional tax division. Prior to joining Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as global president of the products group. He also held a number of senior leadership roles in the automation control division at Honeywell Inc. He serves on the board of Atlassian Corporation Plc and chairs the Compensation and Leadership Development Committee. Mr. Goodarzi holds a Bachelor's degree in Electrical Engineering from the University of Central Florida and a Master's degree in Business Administration from the Kellogg School of Management at Northwestern University.

Mr. Cook, a founder of Intuit, has been an Intuit director since March 1984 and is currently Chairman of the Executive Committee. He served as Intuit's Chairman of the Board from February 1993 to July 1998. From April 1984 to April 1994, he served as Intuit's President and Chief Executive Officer. Mr. Cook served on the board of directors of The Procter & Gamble Company from 2000 to 2020. Mr. Cook was also a director of eBay Inc. from 1998 to 2015. Mr. Cook holds a Bachelor of Arts degree in Economics and Mathematics from the University of Southern California and a Master's degree in Business Administration from Harvard Business School.

Ms. Clatterbuck has been Executive Vice President and Chief Financial Officer since February 2018. She manages the financial strategy and operations across the company, including Treasury, Procurement, Investor Relations and Finance Operations. Ms. Clatterbuck served as acting finance leader for Intuit's Small Business Group from June 2017 through January 2018, led finance for the Consumer Tax Group beginning in September 2012 and was promoted to Senior Vice President for that group in August 2016. Her earlier roles at Intuit include Vice President of finance for the Professional Tax business in 2006 and finance director in October 2004. Ms. Clatterbuck joined Intuit in March 2003 as a senior finance manager. Prior to Intuit, Ms. Clatterbuck held various financial management roles at General Electric. Before that, she was a financial litigation consultant at The Barrington Consulting Group. Ms. Clatterbuck holds a Bachelor's degree in commerce with a concentration in finance from the University of Virginia.

Mr. Chriss has been Executive Vice President and General Manager of Intuit's Small Business & Self-Employed Group since January 2019. He previously was Senior Vice President and Chief Product Officer of Intuit’s Small Business Group from January 2017 through December 2018 and Vice President of Intuit’s Self-Employed business from August 2013 through December 2016. Prior to that, Mr. Chriss held various other roles at Intuit since he joined in July 2004. He has served on the board of directors of Houzz Inc. since December 2020. Mr. Chriss holds a Bachelor’s degree in Economics from Tufts University.

Ms. Fennell has been Executive Vice President, Chief People & Places Officer since August 2018 and previously served as Executive Vice President, General Counsel and Corporate Secretary. Prior to that, she served as Senior Vice President, General Counsel and Corporate Secretary since February 2007. Ms. Fennell joined Intuit as Vice President, General Counsel and Corporate Secretary in April 2004. She leads the team responsible for acquiring, developing, mobilizing and rewarding the company's global workforce. Prior to joining Intuit, Ms. Fennell spent nearly eleven years at Sun Microsystems, Inc., most recently as Vice President of Corporate Legal Resources, as well as Acting General Counsel. Prior to joining Sun, she was an associate attorney at Wilson Sonsini, Goodrich & Rosati PC. Ms. Fennell sits on the board of directors of the Children’s Discovery Museum of San Jose. Ms. Fennell holds a Bachelor of Science degree in Business Administration from California State University, Chico and a Juris Doctor from Santa Clara University.

Mr. Krishna has been Executive Vice President and General Manager of Intuit's Consumer Group since May 2022, previously holding the positions of Senior Vice President and General Manager of Growth Products and Senior Vice President and General Manager of Mint, from February 2022 and January 2020, respectively. He joined Intuit in September 2015 as Vice President of Product for the Company's TurboTax business unit and became Senior Vice President of Product for TurboTax and Mint in August 2019. Prior to Intuit, Mr. Krishna held executive positions at PayPal, Groupon, and BetterWorks after spending some of his early career at Microsoft overseeing a variety of product lines and features. Mr. Krishna holds a Bachelor's degree in Computer Engineering from the University of Waterloo in Canada.

Ms. Tessel has been Executive Vice President and Chief Technology Officer of Intuit since January 2019 and previously served as Chief Product Development Officer of Intuit's Small Business & Self-Employed Group from June 2017 to December 2018. Prior to joining Intuit, Ms.Tessel worked for Docker Inc., a software containerization platform, serving as Senior Vice President of Engineering and Executive Vice President of Strategic Development from November 2014 to June 2017, and VMware, which provides cloud computing and related services, from June 2008 through November 2014, most recently serving as Vice President of Engineering. She has served on the board of directors of Cisco Systems, Inc. since March 2021. Ms.Tessel holds a Bachelor's of Science degree in Computing from Technion – Israel Institute of Technology.

Ms. McLean has been Executive Vice President, General Counsel and Corporate Secretary since August 2020. Prior to that, she served as Senior Vice President, General Counsel and Corporate Secretary from August 2018 to July 2020 and Vice President, Deputy General Counsel from August 2010 to July 2018. She joined Intuit in 2006 as Director, Deputy General Counsel. Ms. McLean leads Intuit's legal, privacy, compliance, and global corporate affairs teams. Prior to joining Intuit, Ms. McLean spent over six years at Wind River Systems, Inc., most recently as the Director of Legal. Prior to joining Wind River, she was an associate at Howard, Rice, Nemerovski, Canady, Falk & Rabkin PC (now Arnold & Porter Kaye Scholer LLP). Ms. McLean serves on the board of directors of the California Minority Counsel Program. Ms. McLean holds a Bachelor of Arts degree in International Relations from University of California, Davis and a Juris Doctor from University of California, Hastings College of Law.

Ms. Hotz has been Senior Vice President and Chief Accounting Officer since August 2022, and previously held roles as Vice President and Chief Accounting Officer from February 2022 to July 2022 and Vice President and Corporate Controller from August 2020 to January 2022. She previously served as the Director, Corporate Accounting from January 2014 to July 2020. Since joining Intuit in 2004, Ms. Hotz has held a variety of accounting leadership roles at the Company. From 2001 to 2004, Ms. Hotz served in corporate controller and finance functions at other public companies. She began her career in public accounting at Coopers & Lybrand LLP (now PricewaterhouseCoopers LLP), from 1996 to 1998, and RSM McGladrey & Pullen LLP (now RSM US LLP), from 1998 to 2001. Ms. Hotz is a California Certified Public Accountant (inactive) and holds a Bachelor of Science degree in accounting from Washington University in St. Louis.

AVAILABLE INFORMATION

Our corporate website, *www.intuit.com*, provides materials for investors and information relating to Intuit's corporate governance. The content on any website referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise.

We file reports required of public companies with the Securities and Exchange Commission (SEC). These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with or furnish to the SEC as soon as reasonably practicable after the reports are filed or furnished. Copies of this Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000 or by emailing investor_relations@intuit.com.

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 significant factors, events and uncertainties that make an investment in our securities risky, categorized solely for ease of reference as strategic, operational, legal and compliance, and financial risks. The following events and consequences could have a material adverse effect on our business, growth, prospects, financial condition, results of operations, cash flows, liquidity, reputation and credit rating, and the trading price of our common stock could decline. These risks are not the only ones we face. We could also be affected by other events, factors or uncertainties that are presently unknown to us or that we do not currently consider to present significant risks to our business. These risks may be amplified by the effects of global developments, conditions or events like inflationary pressures, the Russia-Ukraine war and the COVID-19 pandemic, which have caused significant global economic instability and uncertainty.

The COVID-19 pandemic has caused significant economic instability and uncertainty and the extent to which it will impact our business, results of operations and financial condition is uncertain and difficult to predict.

The COVID-19 pandemic has caused economic instability and uncertainty globally and, in fiscal 2020, had a temporary negative impact on our business. The severity and duration of the pandemic's impact on our business and financial performance will depend on many factors beyond our control, including the emergence and virulence of new variants of the COVID-19 virus, the related responses of governments and businesses, and the availability, effectiveness and adoption of vaccines and treatments. Potential and current negative impacts of the pandemic include, but are not limited to, the following:

- There are new and more frequent attempts by malicious third parties seeking to take advantage of our employees while working remotely to fraudulently gain access to our systems, which could cause us to expend significant resources to remediate and could damage our reputation.
- The complexity of resuming operations in our offices under a hybrid workplace model may adversely impact the productivity, health and well-being of our workforce and exacerbate security and execution risks that could cause us to lose the confidence of our customers and government agencies and harm our revenues and earnings.
- Potential disruption of services on which we rely to deliver our services to our customers, such as our third-party customer success partners and financial institutions, could prevent us or our service providers from delivering critical services to our customers or accepting and fulfilling customer orders, any of which could materially and adversely affect our business or reputation.
- Failure to realize some or all of the anticipated benefits of our mergers and acquisitions activities for reasons related to the pandemic may cause us to experience losses that result in significant harm to our operating results or financial condition.
- There could be increased volatility in our stock price related to the pandemic, which could result in the loss of some or all of the value of an investment in Intuit.

These and other potential negative impacts relating to the COVID-19 pandemic are described further in the risk factors that follow.

STRATEGIC RISKS

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 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, tax and personal financial management customers.

We also face competition from companies with a variety of business models, including increased competition from providers of free offerings, particularly in our tax, accounting, payments and personal finance platform 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, other providers of free offerings may provide features that we do not offer and customers who have formerly paid for our 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 potential 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 directly to taxpayers and its continuation depends on a number of factors, including continued broad public awareness of and access to the free program and continued private industry donations, as well as continued government support. The Free File Program operates under an agreement that is scheduled to expire in October 2023. If the Free File Program were to be terminated or the IRS were to enter the software development and return preparation space, the federal government could 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 on us.

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.

We operate in industries that are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To meet the changing needs of our customers and partners and attract and retain top technical talent, we must continue to innovate, develop new products and features, and enhance our ability to solve customer problems with emerging technologies, such as artificial intelligence and blockchain. We have and will continue to devote significant resources to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies.

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. As we continue to introduce and expand our new business models, including offerings that are free to end users, our customers may not perceive value in the additional benefits and services we offer beyond our free offering and may choose not to pay for those additional benefits or we may be unsuccessful in increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

We also provide additional customer benefits by utilizing customer data available to us through our existing offerings, and the growth of our business depends, in part, on our existing customers expanding their use of our products and services. If we are not able to effectively utilize our customers' data to provide them with value or develop and clearly demonstrate the value of new or upgraded products or services to our customers, our revenues may be harmed.

While we offer our products on a variety of hardware platforms, if we cannot continue adapting our products to tablet and mobile devices, or if our competitors can adapt their products more quickly than us, our business could be harmed. 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 mobile devices and we may need to devote significant resources to the creation, support, and maintenance of such offerings. 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 provide 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 cannot 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, if not properly addressed, may 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, members of our workforce, 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 that results in unauthorized disclosure of our customers' sensitive data could cause material reputational harm.

We have public environmental, social and governance (ESG) commitments, including our goals to increase the diversity of our workforce, create and prepare individuals for jobs and have a positive impact on the climate. Our ability to achieve these goals is subject to numerous risks that may be outside of our control. Our failure or perceived failure to achieve our ESG goals or maintain ESG practices that meet evolving stakeholder expectations could harm our reputation, adversely impact our ability to attract and retain employees or customers and expose us to increased scrutiny from the investment community and enforcement authorities. Our reputation also may be harmed by the perceptions that our customers, employees and other stakeholders have about our action or inaction on social, ethical, or political issues. 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, such as our acquisition of Mailchimp, 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 or anticipated benefits expected to result from an acquisition within the expected time fame or at all;
- 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;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries; and

- to the extent we use debt to fund acquisitions or for other purposes, our interest expense and leverage will increase significantly, and to the extent we issue equity securities as consideration in an acquisition, current shareholders’ percentage ownership and earnings per share will be diluted.

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, systems and data to be divested from the intellectual property, systems 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 us 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.

In addition, any acquisition or divestiture that we announce may not be completed if closing conditions are not satisfied. 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. In particular, if we are unable to successfully operate together with Credit Karma, Mailchimp or any other company that we acquire to achieve shared growth opportunities or combine reporting or other processes within the expected time frame or at all, there may be a material and adverse effect on the benefits that we expect to achieve as a result of the acquisition, and we could experience additional costs or loss of revenue. Moreover, adverse changes in market conditions and other factors,including those listed above, may cause an acquisition to be dilutive to Intuit’s operating earnings per share for a period of time. Any dilution of our non-GAAP diluted earnings per share could cause the price of shares of Intuit Common Stock to decline or grow at a reduced rate.

OPERATIONAL RISKS

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 workforce data, including credit card information, tax return information, bank account numbers, credit report information, 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 increasingly likely to continue to be the target of, cyberattacks, computer viruses, ransomware or other malware, worms, social engineering, malicious software programs, insider threats, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of sensitive and personal data of our customers and our workforce, or Intuit's sensitive business data or cause temporary or sustained unavailability of our software and systems. While we maintain cybersecurity insurance, our insurance may not be sufficient to cover all liabilities described herein. These types of incidents can be caused by malicious third parties, acting alone or in groups, or more sophisticated organizations including nation-states or state-sponsored organizations, and the risks could be elevated in connection with the Russia-Ukraine war. Customers who fail to update their systems, continue to run software that we no longer support, fail to install security patches on a timely basis or inadequately use security controls 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, and 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 personal or financial information, like our digital money offerings, 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. While we require annual security training for our workforce, malicious third parties have in the past may in the future be able to fraudulently induce members of our workforce, customers or users by social engineering 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 workforce. 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. In addition, we have and will continue to experience new and more frequent attempts by malicious third parties to fraudulently gain access to our systems, such as through increased email phishing of our workforce.

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 through the use of stolen identity information of our customers or our workforce in the future. Further, our customers may choose to use the same login credentials 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. In addition, our shift to a hybrid workplace model, where our workforce will spend a portion of their time working in our offices and a portion of their time working from home, introduces operational complexity that exacerbates our security-related risks.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), break-ins, workforce 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 a 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 infrastructure, 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 limiting the adoption of our products and services and could cause our stock price to decline.

Additionally, Credit Karma is subject to an order issued in 2014 by the Federal Trade Commission (FTC) that, among other things, requires maintenance of a comprehensive security program relating to the development and management of new and existing products and services and biannual independent security assessments for 20 years from the date of the order. To the extent Credit Karma shares data covered by the order with Intuit, the order may apply to Intuit with respect to such data. Credit Karma's failure to fulfill the requirements of the FTC's order could result in fines, penalties, regulatory inquiries, investigations and claims, and negatively impact our business and reputation.

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 malicious third parties may misrepresent their intended use of data or may circumvent our controls, resulting in accidental or intentional disclosure or misuse of our customer or workforce data. Further, while we conduct due diligence on the security and business controls of our third-party partners, we may not have the ability to effectively monitor or oversee the implementation of these control measures. Malicious third parties may be able to circumvent these security and business controls or exploit vulnerabilities that may exist in these controls, resulting in the disclosure or misuse of sensitive business and personal customer or workforce information and data. In addition, malicious actors may attempt to use the information technology supply chain to compromise our systems by, for example, introducing malware through software updates.

A security incident involving third parties we rely on may have serious negative consequences for our businesses, including disclosure of sensitive customer or workforce 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, any such incident 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 malicious third parties, 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, payments, lending and personal financial management industries have been experiencing an increasing amount of fraudulent activities by malicious 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 businesses, this type of fraudulent activity may adversely impact our tax, payroll, payments, lending and personal financial management businesses, and the risk is heightened when our workforce is working from home. 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 may seriously harm our business and damage our brand. If we cannot adequately combat such fraudulent activity, governmental authorities may refuse to allow us to continue to offer the affected services, or these services may otherwise be adversely impacted, 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, payments and personal financial management 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 likelihood of any such error or misappropriation is magnified as we increase the volume and speed of the transactions we process. 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 a disputed transaction between a merchant and its customer is not resolved in favor of the merchant, we may be required to pay those amounts to the payment or credit card network and these payments may exceed the amount of the customer reserves 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 public cloud providers, such as Amazon Web Services. If any public cloud service that we use 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, which typically occur from January until April of each year. We face significant risks in maintaining adequate service levels during these peak periods when we have historically derived 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 are costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

Our business operations, information technology and communications systems are vulnerable to damage or interruption from natural disasters, climate change, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses and malware, computer denial of service attacks, terrorist attacks, public health emergencies and other events beyond our control. For example, we shifted to operations under a hybrid workplace model where our workforce spends a portion of their time working in our offices and a portion of their time working from home. This model has introduced new execution risks and we may experience longer-term disruptions to our operations as we evolve our workplace model, any of which may impair our ability to perform critical functions or could make it considerably more difficult to develop, enhance and support our products and services.

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 infrastructure, data hosting, public cloud and software-as-a-service providers, 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, credit reporting bureaus, 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. Credit Karma generates revenue from its relationships with financial institution partners, which are subject to particular risks that affect their willingness to offer their products on Credit Karma's platform, such as adverse economic conditions and an increasing complexity in the regulatory environment. 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.

Additionally, the business operations of our third-party partners have been and could continue to be disrupted by global events like the Russia-Ukraine War and the COVID-19 pandemic, including the effects on their third-party partners. If our third-party partners are unable to help us operate our business, our business and financial results may be negatively impacted. 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. Any violation of laws or implementation of practices regarded as unethical could result in 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.

Competition for our key employees is intense and we may not be able to attract, retain and develop the highly skilled employees we need to support our strategic objectives.

Much of our future success depends on the continued service and availability of skilled employees, including members of our executive team, and those in technical and other key positions. Experienced individuals with skill sets in software as a service, mobile technologies, data science, artificial intelligence and data security are in high demand and we have faced and will continue to face intense competition globally to attract and retain a diverse workforce with these and other skills that are critical to our success. This is especially the case in California and India where a significant number of our employees are located. The compensation and incentives we have available to attract, retain and motivate employees may not meet the expectations of current and prospective employees as the competition for talent intensifies. For example, our equity awards may become less effective if our stock price decreases or increases at a slower rate than our talent competitors'. In addition, if we were to issue significant additional equity to attract or retain employees, the ownership of our existing stockholders would be diluted and our related expenses would increase. Other factors may make it more challenging for us to continue to successfully attract, retain and develop key employees. For example, current and prospective employees may seek new or different opportunities based on mobility, location flexibility or any challenges we face in achieving our publicly stated workforce diversity goals.

If we experience significant product accuracy or quality problems or delays in product launches, it may harm our revenue, earnings and reputation.

Our customers rely on the accuracy of our offerings. 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. Further, as we develop our platform to connect people to experts, such as connecting TurboTax customers with tax experts through our TurboTax Live offering, or connecting QuickBooks customers with bookkeepers through our QuickBooks Live offering, we face the risk that these experts may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these experts may cause harm to our customers, a loss of customer confidence in our offerings or harm to our reputation or financial results. Moreover, as we continue to incorporate emerging technologies, like AI and blockchain, into our offerings, they may not function as designed or have unintended consequences, any of which could subject us to competitive harm, legal liability or reputational harm.

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 or severe weather events (including those caused or exacerbated by climate change), acts of war and terrorism (including the Russia-Ukraine war and any related political or economic responses), and public health emergencies, including divergent governmental responses thereto across the jurisdictions in which we operate;
- compliance with sanctions and import or export regulations, including those arising from the Russia-Ukraine war;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and laws and regulations of other jurisdictions prohibiting corrupt payments to government officials and other third parties;
- 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 broader workforce, 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, we cannot be sure that our workforce, contractors and agents are in compliance with 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.

Climate change may have an impact on our business.

While we seek to mitigate our business risks associated with climate change by establishing robust environmental programs and partnering with organizations that are also focused on mitigating their own climate-related risks, we recognize that there are inherent climate-related risks wherever business is conducted. Any of our primary workplace locations may be vulnerable to the adverse effects of climate change. For example, our offices globally have historically experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, water scarcity, heat waves, cold waves, wildfires and resultant air quality impacts and power shutoffs associated with wildfire prevention. Furthermore, it is more difficult to mitigate the impact of these events on our employees to the extent they work from home. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. Additionally, failure to uphold, meet or make timely forward progress against our public commitments and goals related to climate action could adversely affect our reputation with suppliers and customers, financial performance or ability to recruit and retain talent.

LEGAL AND COMPLIANCE RISKS

Increasing and changing government regulation of our businesses may harm our operating results.

We are subject to federal, state, local and international laws and regulations that affect our and our customers' activities, including, without limitation, labor, advertising and marketing, tax, financial services, data privacy and security, electronic funds transfer, money transmission, lending, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, intellectual property ownership and infringement, import and export requirements, anti-bribery and anti-corruption, insurance, foreign exchange controls and cash repatriation restrictions, anti-competition, environmental, health and safety, and other regulated activities. There have been significant new regulations and heightened focus by the government on many of these areas. As we expand our products and services and evolve our business models, both domestically and internationally, we may become subject to additional government regulation or increased regulatory scrutiny. For example, the regulation of emerging technologies that we may incorporate into our offerings, such as artificial intelligence and blockchain, is still an evolving area, and it is possible that we could become subject to new regulations that negatively impact our operations and results. 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. We are and may continue to be subject to pandemic-related protocols and restrictions that impact our workforce and workplaces. Such restrictions have disrupted and may continue to disrupt our business operations and limit our ability to perform critical functions.

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.

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

Regulations related to the provision of online services are continually evolving as federal, state and foreign governments adopt new or modify existing laws and regulations addressing data privacy, cybersecurity, the collection, processing, storage, transfer and use of data, and the use of AI. These include, for example, the EU's General Data Protection Regulation (GDPR), the California Consumer Protection Act (CCPA), the California Privacy Rights Act that will amend the CCPA in January 2023 and the Virginia Consumer Data Protection Act that will become effective in January 2023. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. In our efforts to meet the various data privacy regulations that apply to us, 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, the evolution of global privacy treaties and frameworks has created compliance uncertainty and increased complexity. For example, the judicial invalidation of the EU-U.S. and Swiss-U.S. Privacy Shield frameworks that we relied on to transfer data has created additional compliance challenges for the transfer of EU personal data to the U.S. While we rely on alternative methods for the transfer of this data, ongoing legal challenges to these and other transfer mechanisms could cause us to incur costs or 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 that 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 proceedings, claims and inquiries may arise in the future. The number and significance of these proceedings, 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 3, "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

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

Our tax offerings have significant seasonal patterns. Revenue from income tax preparation products and services has historically been heavily concentrated from November through April, as the tax filing deadline for the IRS and many states is traditionally in April. This seasonality has caused significant fluctuations in our quarterly financial results. In addition, the effects of these fluctuations have been and may in the future be further exacerbated by changes to the traditional opening and closing dates of the tax season. For example, the IRS and many states extended their tax filing deadlines to May 17, 2021 for the 2020 tax year and to July 15, 2020 for the 2019 tax year due to conditions created by the pandemic. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of other factors, including factors that may affect the timing of revenue recognition. These include 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 to our offerings that result in the inclusion or exclusion of ongoing services; changes in product pricing strategies or product sales mix; 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 or an increase in risks of collecting customer payments 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. In August 2022, the Inflation Reduction Act of 2022 was signed into law. This law, among other things, provides for a corporate alternative minimum tax on adjusted financial statement income (effective for us beginning in fiscal 2024), and an excise tax on corporate stock repurchases (effective for our share repurchases after December 31, 2022), and we are continuing to evaluate the impact it may have on our financial position and results of operations. There are several proposed changes to U.S. and non-U.S. tax legislation and the ultimate enactment of any of them could have a negative impact on our effective tax rate. Foreign governments may enact tax laws 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 material 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, including without limitation inflation, slowing growth, rising interest rates or recession, could negatively affect our business and financial condition. These developments or other global events, including those related to the Russia-Ukraine war, 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 and have other unforeseen consequences. For example, in response to increasing inflation, the U.S. Federal Reserve began to raise interest rates in March 2022 for the first time in over three years, and signaled it expects additional rate increases. It is difficult to predict the impact of such events on our partners, customers, members, or economic markets more broadly, which have been and will continue to be highly dependent upon the actions of governments and businesses in response to macroeconomic events, and the effectiveness of those actions. 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. In addition, financial institution partners may again decrease or suspend their activity on Credit Karma’s platform, increased interest rates may make offers from Credit Karma’s financial institution partners less attractive to Credit Karma’s members, members may decrease their engagement on the platform or their creditworthiness could be negatively impacted, reducing members' ability to qualify for credit cards and loans. Any of the foregoing may negatively impact 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. Adverse economic conditions, including inflation, may also increase the costs of operating our business, including vendor, supplier and workforce expenses. Any of these events could harm our business and our future financial results.

We provide capital to small businesses, which exposes us to certain 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. We have also entered into credit arrangements with financial institutions to obtain the capital we provide under this offering. Any termination or interruption in the financial institutions’ ability to lend to us could interrupt our ability to provide capital to qualified small businesses. Further, our credit decisioning, pricing, loss forecasting, scoring and other 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. Moreover, adverse macroeconomic conditions may have a significant impact on small businesses and may increase the likelihood that our borrowers are unable to repay their loans. If any of the foregoing events were to occur, our reputation, relationships with borrowers, collections of loans receivable and 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 $556 million in fiscal 2022; $196 million in fiscal 2021; and $28 million in fiscal 2020. 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 statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At July 31, 2022, we had $13.7 billion in goodwill and

$7.1 billion 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 incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of July 31, 2022, we had an aggregate of $6.9 billion of indebtedness outstanding under our credit facilities and our senior unsecured notes. Under the agreements governing our indebtedness, we are permitted to incur additional debt. This debt, and any debt that we may incur in the future, 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, share repurchases and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned capital, operating or investment expenditures. Such measures may not be sufficient to enable us to service our debt.

Additionally, the agreements governing our indebtedness impose restrictions on us and require us to comply with certain covenants. For example, our credit facilities restrict 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 credit facilities and the indenture governing our senior unsecured notes limit our ability to create liens our and subsidiaries' assets and engage in sale and leaseback transactions. If we breach any of these covenants and do not obtain a waiver from the lenders or the noteholders, as applicable, then, subject to applicable cure periods, any or all of our outstanding indebtedness may be declared immediately due and payable. There can be no assurance that any refinancing or additional financing would be available on terms that are favorable or acceptable to us, if at all.

Under the terms of our outstanding senior unsecured notes, we may be required to repurchase the notes for cash prior to their maturity in connection with the occurrence of certain changes of control that are accompanied by certain downgrades in the credit ratings of the notes. The repayment obligations under the notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the notes prior to their scheduled maturity, it could have a negative impact on our cash position and liquidity and impair our ability to invest financial resources in other strategic initiatives.

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, adverse economic conditions or any downgrades in our credit ratings may affect our ability to obtain additional financing in the future and may negatively impact 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 program does not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Our repurchase program may be suspended or terminated at any time. Even if our stock repurchase program is fully implemented, it 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, security of our products, or legal proceedings can cause changes in our stock price. These factors, as well as general economic and political conditions, including the effects of a general slowdown in the global economy, the COVID-19 pandemic, the Russia-Ukraine war and inflationary pressures, 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. Moreover, the COVID-19 pandemic, the Russia-Ukraine war and inflationary pressures have caused significant volatility in the global financial markets, which has resulted in significant volatility in our stock price recently. 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.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal locations, their purposes, and the expiration dates for the leases on facilities at those locations as of July 31, 2022, are shown in the table below. We have renewal options on many of our leases.

Location	Purpose	Approximate Square Feet	Principal Lease Expiration Dates
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	487,000	2024 - 2026
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	185,000	Owned
Bangalore, India	Principal offices for Intuit India	478,000	2022 - 2025
San Diego, California	Principal offices for Consumer segment	466,000	Owned
Oakland, California	Principal offices for Credit Karma segment	167,000	2031
Plano, Texas	Principal offices for ProConnect segment	166,000	2026

We also lease or own facilities in a number of domestic locations and lease facilities internationally in Canada, the United Kingdom, Australia, Israel, and several other locations. We believe our facilities are suitable and adequate for our current and near-term needs, and that we will be able to locate additional facilities as needed. See Note 10 to the consolidated financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3 - LEGAL PROCEEDINGS

See Note 14 to the consolidated financial statements in Item 8 of this Annual Report for a description of legal proceedings.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Intuit's common stock is quoted on the Nasdaq Global Select Market under the symbol "INTU."

Stockholders

As of August 26, 2022, we had approximately 640 record holders and approximately 1,292,000 beneficial holders of our common stock.

Dividends

We declared cash dividends that totaled $2.72 per share of outstanding common stock or $781 million during fiscal 2022 and $2.36 per share of outstanding common stock or $651 million during fiscal 2021. In August 2022, our Board of Directors declared a quarterly cash dividend of $0.78 per share of outstanding common stock payable on October 18, 2022 to stockholders of record at the close of business on October 10, 2022. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; 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.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 31, 2022 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
May 1, 2022 through May 31, 2022	767,157	$382.20	767,157	$1,728,290,486
June 1, 2022 through June 30, 2022	292,225	$390.10	292,225	$1,614,292,658
July 1, 2022 through July 31, 2022	248,506	$407.52	248,506	$1,513,022,373
Total	1,307,888	$388.78	1,307,888	

Note: On August 20, 2021, our Board approved an increased authorization under our existing stock repurchase program to purchase up to an additional $2 billion of our common stock. All of the shares repurchased during the three months ended July 31, 2022 were purchased under this plan. At July 31, 2022, authorization from our Board of Directors to expend up to $1.5 billion remained available under that plan. On August 19, 2022, our Board approved an increase in the authorization under the existing stock repurchase program under which we are authorized to repurchase up to an additional $2 billion of our common stock.

Company Stock Price Performance

The graph below compares the cumulative total stockholder return on Intuit common stock for the last five full fiscal years with the cumulative total returns on the S&P 500 Index and the Morgan Stanley Technology Index for the same period. The graph assumes that $100 was invested in Intuit common stock and in each of the other indices on July 31, 2017, and that all dividends were reinvested. The comparisons in the graph below are based on historical data – with Intuit common stock prices based on the closing price on the dates indicated – and are not intended to forecast the possible future performance of Intuit's common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Intuit Inc., the S&P 500 Index,
and Morgan Stanley Technology Index

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	July 31, 2017	July 31, 2018	July 31, 2019	July 31, 2020	July 31, 2021	July 31, 2022
Intuit Inc.	**$100.00**	**$150.23**	**$205.62**	**$228.93**	**$398.37**	**$344.80**
S&P 500	**$100.00**	**$116.24**	**$125.52**	**$140.53**	**$191.75**	**$182.85**
Morgan Stanley Technology Index	**$100.00**	**$125.17**	**$144.31**	**$204.78**	**$285.30**	**$264.57**

ITEM 6 - [RESERVED]

ITEM 7 - 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:*** Policies and estimates 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 I for important information to consider when evaluating such statements.

You should read this MD&A in conjunction with the consolidated financial statements and related notes in Item 8 of this Annual Report.

Due to the ongoing COVID-19, pandemic we continue to conduct business with modifications to employee work locations. Nearly all of our sites are now fully open. We are transitioning to a hybrid model where our workforce will spend a portion of their time working in our offices and a portion of their time working from home. We continue to evaluate and refine our return to workplace strategy.

The Russia-Ukraine war and related sanctions imposed as a result of this conflict have increased global economic and political uncertainty. Intuit does not have offices or material business in Russia or Ukraine.

While we have not experienced significant disruptions to our operations from the COVID-19 pandemic or the Russia-Ukraine war, we are unable to predict the full impact that these events will have on our operations and future financial performance, including demand for our offerings, impact to our customers and partners, actions that may be taken by governmental authorities, impact to the overall macroeconomic environment, and other factors identified in “Risk Factors” in Item 1A of Part I of this Annual Report.

In April 2020, Intuit was approved as a non-bank Small Business Administration lender for the Paycheck Protection Program (PPP). The PPP was authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide small businesses loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt which is designed to provide assistance to small businesses during the COVID-19 pandemic.

On December 3, 2020, we acquired Credit Karma in a business combination, which operates as a separate reportable segment. We have included their results of operations in our consolidated results of operations from the date of acquisition. Segment operating income for Credit Karma includes all direct expenses related to selling and marketing, product development, and general and administrative, which is different from our other reportable segments where we do not fully allocate corporate expenses. Therefore, Credit Karma segment operating income is not comparable to the segment operating income of our other reportable segments. See Note 7 to the consolidated financial statements in Item 8 of this Annual Report for more information.

On November 1, 2021, we acquired all of the outstanding equity of The Rocket Science Group LLC (Mailchimp). Mailchimp is part of our Small Business & Self-Employed segment. We have included the results of Mailchimp in our consolidated results of operations from the date of acquisition. See Note 7 to the consolidated financial statements in Item 8 of this Annual Report for more information.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. We have included the results of Mint in the Consumer segment in the segment results below. Revenue and operating results for Mint are not significant and the previously reported segment results have not been reclassified. Effective August 1, 2022, the operating results for Mint will be included in the Credit Karma segment.

On August 1, 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants.

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 for fiscal 2022 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 Annual Report on Form 10-K.

Industry Trends and Seasonality

Industry Trends

Artificial intelligence (AI) is transforming multiple industries, including financial technology. Disruptive start-ups, emerging ecosystems and mega-platforms are harnessing new technology to create personalized experiences, deliver data-driven insights and increase speed of service. These shifts are creating a more dynamic and highly competitive environment where customer expectations are shifting around the world as more services become digitized and the array of choices continues to increase.

Seasonality

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

In fiscal 2022, the IRS began accepting returns on January 24, 2022, and the tax filing deadline was April 18, 2022. However, in fiscal 2021, the IRS began accepting returns on February 12, 2021, and the tax filing deadline was May 17, 2021. In fiscal 2020, the IRS began accepting returns on January 27, 2020, and the tax filing deadline was July 15, 2020. As a result of the extensions of the tax filing deadlines in 2021 and 2020, a significant amount of our fiscal 2021 and 2020 Consumer segment and ProConnect segment revenues were recognized in the fourth quarter as compared to the third quarter of fiscal 2022.

We expect the seasonality of our Consumer and ProConnect businesses to continue to have a significant impact on our quarterly financial results in the future.

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 implement industry-wide security and anti-fraud measures, including sharing information regarding suspicious filings. We received ISO 27001 certification for a portion of our systems, and 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. Additionally, Credit Karma’s security measures are regularly reviewed and updated.

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

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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 and for each reportable segment; operating income growth for the company as a whole; 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. Service offerings are a significant part of our business. Our total service and other revenue was $11.0 billion or 86% of our total revenue in fiscal 2022, and we expect our total service and other revenue to continue to grow in the future.

Key highlights for fiscal 2022 include the following:

Revenue of **$12.7 B** up 32% from fiscal 2021	Small Business & Self-Employed revenue of **$6.5 B** up 38% from fiscal 2021	Consumer revenue of **$3.9 B** up 10% from fiscal 2021
Credit Karma revenue of **$1.8 B** up 109% from fiscal 2021[1]	ProConnect revenue of **$546 M** up 6% from fiscal 2021	Operating income of **$2.6 B** up 3% from fiscal 2021
Net income of **$2.1 B** flat compared to fiscal 2021	Diluted net income per share of **$7.28** down 4% from fiscal 2021	Cash flow from operations of **$3.9 B** up 20% from fiscal 2021

(1) Credit Karma revenue for fiscal 2021 includes the operations of Credit Karma from the acquisition date of December 3, 2020, while fiscal 2022 includes the full twelve months of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we are required to 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 following accounting policies have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies:

- Revenue Recognition
- Business Combinations
- Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets – Impairment Assessments
- Legal Contingencies

- Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

Our senior management has reviewed the development and selection of these critical accounting policies and their disclosure in this Annual Report on Form 10-K with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive our revenue primarily from the sale of online services such as tax, accounting, payroll, merchant payment processing, delivery of qualified links, e-commerce, marketing automation, customer relationship management, and packaged desktop software products and desktop software subscriptions. Our contracts with customers often include promises to transfer multiple products and services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The primary judgments include identifying the performance obligations in the contract and determining whether the performance obligations are distinct. If any of these judgments were to change 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 consolidated financial statements in Item 8 of this Annual Report.

Business Combinations

As described in *"Description of Business and Summary of Significant Accounting Policies – Business Combinations,"* in Note 1 to the consolidated financial statements in Item 8 of this Annual Report, under the acquisition method of accounting we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to exercise judgment and make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. This method allows us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could materially decrease our operating income and net income and result in lower asset values on our consolidated balance sheet.

Significant estimates and assumptions that we must make in estimating the fair value of acquired technology, customer lists, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets – Impairment Assessments

We estimate the fair value of acquired intangible assets and other long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of goodwill and other intangible assets that have indefinite useful lives annually in our fourth fiscal quarter or whenever indicators of impairment arise. The timing of the annual test may result in charges to our consolidated statement of operations in our fourth fiscal quarter that could not have been reasonably foreseen in prior periods.

As described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the consolidated financial statements in Item 8 of this Annual Report, in order to estimate the fair value of goodwill we use a weighted combination of a discounted cash flow model (known as the income approach) and comparisons to publicly traded companies engaged in similar businesses (known as the market approach). The income approach requires us to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. We evaluate cash flows at the reporting unit level. Although the assumptions we use in our discounted cash flow model are consistent with the assumptions we use to generate our internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from each reporting unit and the relative risk of achieving those cash flows. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, operating income, and earnings for these companies to reflect their relative similarity to our own businesses. See Note 6 to the consolidated financial statements in Item 8 of this Annual Report for a summary of goodwill by reportable segment.

We estimate the recoverability of acquired intangible assets and other long-lived assets that have finite useful lives by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. In order to estimate the fair value of those assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our discounted cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of acquired intangible assets and other long-lived assets that have finite lives. See Note 6 to the consolidated financial statements in

Item 8 of this Annual Report for a summary of cost, accumulated amortization and weighted average life in years for our acquired intangible assets.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units, we may be required to record future impairment charges for goodwill and acquired intangible assets. Impairment charges could materially decrease our future net income and result in lower asset values on our consolidated balance sheets.

During the fourth quarters of fiscal 2022, fiscal 2021, and fiscal 2020, we performed our annual goodwill impairment tests. Using the methodology described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the consolidated financial statements in Item 8 of this Annual Report, we determined that the estimated fair values of all of our reporting units substantially exceeded their carrying values and that they were not impaired.

Legal Contingencies

We are subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote as well as in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on our financial position and results of operations. See Note 14 to the consolidated financial statements in Item 8 of this Annual Report for more information.

Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the United States Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our consolidated statement of operations.

We record a valuation allowance to reflect uncertainties about whether we will be able to utilize our deferred tax assets before they expire. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income in the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance could have an adverse impact on our income tax provision and net income in the period in which we record the change.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results. See Note 11 to the consolidated financial statements in Item 8 of this Annual Report for more information.

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RESULTS OF OPERATIONS

A discussion regarding our financial condition and results of operations for fiscal 2022 compared to fiscal 2021 is presented below. A discussion regarding our financial condition and results of operations for fiscal 2021 compared to fiscal 2020 can be found under Item 7 of Part II in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, filed with the SEC on September 8, 2021, which is available free of charge on the SEC's website at *www.sec.gov* and on the Investor Relations section of our corporate website at *investors.intuit.com*.

Financial Overview

(Dollars in millions, except per share amounts)	Fiscal 2022	Fiscal 2021	Fiscal 2020	2022-2021 % Change	2021-2020 % Change
Total net revenue	$12,726	$9,633	$7,679	32 %	25 %
Operating income	2,571	2,500	2,176	3 %	15 %
Net income	2,066	2,062	1,826	— %	13 %
Diluted net income per share	$7.28	$7.56	$6.92	(4 %)	9 %

Total net revenue increased $3.1 billion or 32% in fiscal 2022 compared with fiscal 2021. Our Small Business & Self-Employed segment revenue increased 38% primarily due to growth in our Online Ecosystem revenue, which included $762 million of revenue from Mailchimp. Revenue for our Consumer segment increased 10% primarily due to a shift in mix to our higher priced offerings including TurboTax Live and our Premier offering. Revenue for our Credit Karma segment increased $940 million in fiscal 2022 compared to fiscal 2021. This increase was primarily due to the fact that our fiscal 2021 results of operations included Credit Karma from the date of acquisition, which was December 3, 2020, while our fiscal 2022 results of operations include Credit Karma for the full reporting period. Additionally, Credit Karma revenue increased year over year primarily driven by growth in our credit card and personal loan verticals. See *"Segment Results"* later in this Item 7 for more information.

Operating income increased $71 million or 3% in fiscal 2022 compared with fiscal 2021. The increase was due to the higher revenue described above partially offset by an increase in expenses primarily for staffing, share-based compensation, marketing, and amortization of other acquired intangible assets. We also incurred a $141 million one-time charge related to our settlement with the 50 state attorneys general and the District of Columbia, entered into on May 4, 2022. See *"Operating Expenses"* later in this Item 7 and Note 14 to the consolidated financial statements in Item 8 of this Annual Report for more information.

Net income increased $4 million in fiscal 2022 compared with fiscal 2021 due the increase in operating income described above and a slightly lower effective tax rate, which were partially offset by an increase in interest expense from borrowing $4.7 billion on a term loan in fiscal 2022. Additionally, we recorded a $30 million gain in fiscal 2021 from the sale of a note receivable that was previously written off. Diluted net income per share decreased 4% to $7.28 for fiscal 2022 due to the increase in the weighted average shares outstanding from the shares issued as part of the acquisition of Mailchimp in the second quarter of fiscal 2022, which was partially offset by the increase in net income.

Segment Results

The information below is organized in accordance with our four reportable segments. All of our segments operate primarily in the United States and sell primarily to customers in the United States. Total international net revenue was approximately 8%, 5%, and 4% of consolidated total net revenue for the twelve months ended July 31, 2022, 2021 and 2020.

On December 3, 2020, we acquired Credit Karma in a business combination and it operates as a separate reportable segment. We have included the results of operations of Credit Karma in our consolidated statements of operations from the date of acquisition. See Note 7 to the consolidated financial statements in Item 8 of this Annual Report for more information. Segment operating income for Credit Karma includes all direct expenses, which is different from our other reportable segments where we do not fully allocate corporate expenses.

On November 1, 2021, we acquired Mailchimp in a business combination. Mailchimp is part of our Small Business & Self-Employed segment. We have included the results of operations of Mailchimp in our consolidated results of operations from the date of acquisition.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. We have included the results of Mint in the Consumer segment in the segment results below. Revenue and operating results for Mint are not significant, and the previously reported segment results have not been reclassified. Effective August 1, 2022, the operating results for Mint will be included in the Credit Karma segment.

On August 1, 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants.

Segment operating income is segment net revenue less segment cost of revenue and operating expenses. We include expenses such as corporate selling and marketing, product development, general and administrative, and non-employment related legal and litigation settlement costs, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For Credit Karma, segment expenses include all direct expenses related to selling and marketing, product development, and general and administrative. Unallocated corporate items for all segments include share-based compensation, amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. These unallocated costs for all segments totaled $4.3 billion in fiscal 2022, $2.9 billion in fiscal 2021, and $2.3 billion in fiscal 2020. Unallocated costs increased in fiscal 2022 compared with fiscal 2021 due to increases in share-based compensation expense, general and administrative expense, amortization of other acquired intangible assets, amortization of acquired technology, product development, and selling and marketing expense. See Note 15 to the consolidated financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income for each fiscal year presented.

Small Business & Self-Employed

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

Our Online Ecosystem includes revenue from:
- QuickBooks Online, QuickBooks Live, QuickBooks Online Advanced 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;
- Mailchimp’s e-commerce, marketing automation, and customer relationship management offerings;
- QuickBooks Commerce, QuickBooks Checking, and financing for small businesses.

Our Desktop Ecosystem includes revenue from:
- 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);
- QuickBooks Desktop packaged software products (Desktop Pro, Desktop for Mac, Desktop Premier, and QuickBooks Point of Sale);
- Desktop payroll products (QuickBooks Basic Payroll, QuickBooks Assisted Payroll and QuickBooks Enhanced Payroll);
- Merchant payment processing services for small businesses who use desktop offerings;
- Financial supplies; and
- Financing for small businesses.

Segment product revenue is primarily derived from revenue related to delivery of software licenses and the related updates, including version protection, for our QuickBooks Desktop subscriptions and desktop payroll offerings which are part of our Desktop Ecosystem. Segment service and other revenue is primarily derived from our Online Ecosystem revenue and revenue from the services and support that are provided as part of our QuickBooks Desktop subscription and desktop payroll offerings as well as merchant payment processing services.

(Dollars in millions)	Fiscal 2022	Fiscal 2021	Fiscal 2020	2022-2021 % Change	2021-2020 % Change
Product revenue	$ 1,113	$ 1,085	$ 1,032		
Service and other revenue	5,347	3,603	3,018		
Total segment revenue	$ 6,460	$ 4,688	$ 4,050	38 %	16 %
% of total revenue	51 %	49 %	53 %		
Segment operating income	$ 3,499	$ 2,590	$ 2,091	35 %	24 %
% of related revenue	54 %	55 %	52 %		

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

(Dollars in millions)	Fiscal 2022	Fiscal 2021	Fiscal 2020	2022-2021 % Change	2021-2020 % Change
Net revenue:					
QuickBooks Online Accounting	$ 2,267	$ 1,699	$ 1,354	33 %	25 %
Online Services	2,171	1,051	828	107 %	27 %
Total Online Ecosystem	4,438	2,750	2,182	61 %	26 %
QuickBooks Desktop Accounting	851	789	755	8 %	5 %
Desktop Services and Supplies	1,171	1,149	1,113	2 %	3 %
Total Desktop Ecosystem	2,022	1,938	1,868	4 %	4 %
Total Small Business & Self-Employed	$ 6,460	$ 4,688	$ 4,050	38 %	16 %

Revenue for our Small Business & Self-Employed segment increased $1.8 billion or 38% in fiscal 2022 compared with fiscal 2021. The increase was primarily due to growth in Online Ecosystem revenue, which included $762 million of revenue from Mailchimp.

Online Ecosystem

Online Ecosystem revenue increased $1.7 billion or 61% in fiscal 2022 compared with fiscal 2021. QuickBooks Online Accounting revenue increased 33% in fiscal 2022 compared with fiscal 2021 primarily due to higher effective prices, an increase in customers, and a shift in mix to our higher priced offerings. Online Services revenue increased 107% in fiscal 2022 compared with fiscal 2021 primarily due to additional revenue from the Mailchimp offerings and an increase in revenue from our payroll and payments offerings. Online payroll revenue increased due to an increase in customers and a shift in mix to our full service offering. Online payments revenue increased due to an increase in charge volume per customer and an increase in customers.

Desktop Ecosystem

Desktop Ecosystem revenue increased $84 million or 4% in fiscal 2022 compared with fiscal 2021 primarily due to growth in our QuickBooks Desktop and Enterprise subscription offerings which was partially offset by a decrease in Desktop unit sales. In the first quarter of fiscal 2022, we discontinued our QuickBooks Desktop packaged software products and now sell predominantly on a subscription basis. Additionally, during fiscal 2022, there was an increase in revenue from our Desktop Payroll and Desktop Payments offerings.

Small Business & Self-Employed segment operating income increased $909 million or 35% in fiscal 2022 compared with fiscal 2021 primarily due to the increase in revenue described above, partially offset by higher expenses. We incurred higher expenses for staffing, marketing, and outside services.

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Consumer

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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 and TurboTax Live offerings, electronic tax filing services and connected services, and also from our Mint offering.

(Dollars in millions)	Fiscal 2022	Fiscal 2021	Fiscal 2020	2022-2021 % Change	2021-2020 % Change
Product revenue	$ 208	$ 201	$ 203		
Service and other revenue	3,707	3,362	2,933		
Total segment revenue	$ 3,915	$ 3,563	$ 3,136	10 %	14 %
% of total revenue	31 %	37 %	41 %		
Segment operating income	$ 2,483	$ 2,237	$ 2,063	11 %	8 %
% of related revenue	63 %	63 %	66 %		

Revenue for our Consumer segment increased $352 million or 10% in fiscal 2022 compared with fiscal 2021 primarily due to a shift in mix to our higher priced product offerings including TurboTax Live and our Premier offering.

Consumer segment operating income increased $246 million or 11% in fiscal 2022 compared with fiscal 2021 due to the higher revenue described above, which was partially offset by higher expenses for marketing and staffing.

Effective August 1, 2022, our Mint offering is part of our Credit Karma segment.

Credit Karma

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Credit Karma revenue is derived from cost-per-action transactions, which include the delivery of qualified links that result in completed actions such as credit card issuances and personal loan funding; and cost-per-click and cost-per-lead transactions, which include user clicks on advertisements or advertisements that allow for the generation of leads, and primarily relate to mortgage and insurance businesses.

(Dollars in millions)	Fiscal 2022	Fiscal 2021	Fiscal 2020	2022-2021 % Change	2021-2020 % Change
Product revenue	$ —	$ —	$ —		
Service and other revenue	1,805	865	—		
Total segment revenue	$ 1,805	$ 865	$ —	109 %	N/A
% of total revenue	14 %	9 %	— %		
Segment operating income	$ 531	$ 182	$ —	192 %	N/A
% of related revenue	29 %	21 %	N/A		

We acquired Credit Karma on December 3, 2020. Our results of operations include the operations of Credit Karma beginning on the date of acquisition.

Revenue for our Credit Karma segment increased $940 million in fiscal 2022 compared with fiscal 2021. Our fiscal 2021 results of operations include Credit Karma from the date of acquisition, which was December 3, 2020, and our fiscal 2022 results of operations include Credit Karma for the full fiscal year. Credit Karma revenue also increased in fiscal 2022 primarily driven by growth in our credit card and personal loan verticals.

Credit Karma segment operating income increased $349 million in fiscal 2022 compared with fiscal 2021, primarily due to the increase in revenue described above, which was partially offset by higher expenses for staffing and marketing.

Effective August 1, 2022, our Mint offering is part of our Credit Karma segment.

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ProConnect

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

ProConnect 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)	Fiscal 2022	Fiscal 2021	Fiscal 2020	2022-2021 % Change	2021-2020 % Change
Product revenue	$ 426	$ 412	$ 400		
Service and other revenue	120	105	93		
Total segment revenue	$ 546	$ 517	$ 493	6 %	5 %
% of total revenue	4 %	5 %	6 %		
Segment operating income	$ 383	$ 372	$ 346	3 %	8 %
% of related revenue	70 %	72 %	70 %		

Revenue for our ProConnect segment increased $29 million or 6% in fiscal 2022 compared with fiscal 2021 primarily due to a higher average revenue per customer and a shift in mix.

ProConnect segment operating income increased $11 million or 3% in fiscal 2022 compared with fiscal 2021 primarily due to the higher revenue described above, which was partially offset by higher expenses for staffing.

In August 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants.

Cost of Revenue

(Dollars in millions)	Fiscal 2022	% of Related Revenue	Fiscal 2021	% of Related Revenue	Fiscal 2020	% of Related Revenue
Cost of product revenue	$ 69	4 %	$ 69	4 %	$ 72	4 %
Cost of service and other revenue	2,197	20 %	1,564	20 %	1,284	21 %
Amortization of acquired technology	140	n/a	50	n/a	22	n/a
Total cost of revenue	$ 2,406	19 %	$ 1,683	17 %	$ 1,378	18 %

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which includes the direct costs associated with our online and service offerings, such as costs for data processing and storage capabilities from cloud providers, customer support costs, costs for the tax and bookkeeping experts that support our TurboTax Live and QuickBooks Live offerings, and costs related to credit score providers; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was relatively consistent in fiscal 2022 compared with fiscal 2021. 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 relatively consistent in fiscal 2022 compared with fiscal 2021.

Operating Expenses

(Dollars in millions)	Fiscal 2022	% of Total Net Revenue	Fiscal 2021	% of Total Net Revenue	Fiscal 2020	% of Total Net Revenue
Selling and marketing	$ 3,526	29 %	$ 2,644	28 %	$ 2,048	27 %
Research and development	2,347	18 %	1,678	17 %	1,392	18 %
General and administrative	1,460	11 %	982	10 %	679	9 %
Amortization of other acquired intangible assets	416	3 %	146	2 %	6	— %
Total operating expenses	$ 7,749	61 %	$ 5,450	57 %	$ 4,125	54 %

Total operating expenses as a percentage of total net revenue increased in fiscal 2022 compared to fiscal 2021. Total net revenue increased $3.1 billion or 32% and total operating expenses increased $2.3 billion or 42%. Total staffing increased $585 million; total share-based compensation expense increased $478 million; total marketing increased $434 million; and total amortization of other acquired intangible assets increased $270 million, which was primarily related to Mailchimp and Credit Karma. We also incurred a $141 million one-time charge related to the company’s settlement with the 50 state attorneys general and the District of Columbia, entered into on May 4, 2022.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $81 million in fiscal 2022 consisted primarily of interest on our unsecured term loan, senior unsecured notes, and secured revolving credit facility. Interest expense of $29 million in fiscal 2021 consisted primarily of interest on our senior unsecured notes, secured revolving credit facility, unsecured term loan, and unsecured revolving credit facility. See Note 8 to the consolidated financial statements in Item 8 of this Annual Report for more information.

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Interest and Other Income, Net

(In millions)	Fiscal 2022	Fiscal 2021	Fiscal 2020
Interest income [1]	$ 15	$ 11	$ 39
Net gain (loss) on executive deferred compensation plan assets [2]	(12)	28	5
Other [3]	49	46	(8)
Total interest and other income, net	$ 52	$ 85	$ 36

(1) Interest income increased in fiscal 2022 compared to fiscal 2021 due to higher average interest rates.

(2) 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.

(3) In fiscal 2022, we recorded $47 million of net gains on other long-term investments. In fiscal 2021, we recorded a $30 million gain from the sale of a note receivable that was previously written off and net gains on other long-term investments of $17 million.

Income Taxes

Our effective tax rates for fiscal 2022 and fiscal 2021 were approximately 19% for both periods. Excluding the tax benefits related to share-based compensation, our effective tax rates for fiscal 2022 and fiscal 2021 were approximately 24%. This rate differed from the federal statutory rate of 21% primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the benefit we received from the federal research and experimentation credit. See Note 11 to the consolidated financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

At July 31, 2022, we had net deferred tax liabilities of $608 million which included a valuation allowance for state research and experimentation tax credit carryforwards, foreign loss carryforwards, foreign intangible deferred tax assets and state operating loss carryforwards. See "Critical Accounting Policies and Estimates" earlier in this Item 7 and Note 11 to the consolidated financial statements in Item 8 of this Annual Report for more information.

A provision enacted as part of the 2017 Tax Cuts & Jobs Act requires companies to capitalize research and experimental expenditures for tax purposes in tax years beginning after December 31, 2021. This provision is applicable to us for our fiscal 2023. If this provision is not repealed or deferred, we expect our fiscal 2023 cash tax payments to increase significantly compared to our fiscal 2022.

The Inflation Reduction Act was enacted on August 16, 2022. This law, among other provisions, provides a corporate alternative minimum tax on adjusted financial statement income, which is effective for us beginning in fiscal 2024, and an excise tax on corporate stock repurchases, which is effective for our share repurchases after December 31, 2022. We are continuing to evaluate the impact it may have on our financial position and results of operations.

In the current global tax policy environment, the U.S. and other domestic and foreign governments continue to consider, and in some cases enact, changes in corporate tax laws. As changes occur, we account for finalized legislation in the period of enactment.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

At July 31, 2022, our cash, cash equivalents and investments totaled $3.3 billion, a decrease of $589 million from July 31, 2021, due to the factors described in *"Statements of Cash Flows"* below. Our primary sources of liquidity have been cash from operations, which includes the collection of accounts receivable for products and services, the issuance of senior unsecured notes, and borrowings under our credit facilities. Our primary uses of cash have been for research and development programs, selling and marketing activities, acquisitions of businesses, repurchases of our common stock under our stock repurchase programs, the payment of cash dividends, debt service costs and debt repayment, and capital projects. As discussed in *"Executive Overview – Industry Trends and Seasonality"* earlier in this Item 7, 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)	**July 31, 2022**	**July 31, 2021**	**$ Change**	**% Change**
Cash, cash equivalents and investments	$ 3,281	$ 3,870	$ (589)	(15)%
Long-term investments	98	43	55	128 %
Short-term debt	499	—	499	NM
Long-term debt	6,415	2,034	4,381	215 %
Working capital	1,417	2,502	(1,085)	(43)%
Ratio of current assets to current liabilities	1.4 : 1	1.9 : 1		

NM - Not meaningful

We have historically generated significant cash from operations, and we expect to continue to do so during fiscal 2023. Our cash, cash equivalents, and investments totaled $3.3 billion at July 31, 2022, none of those funds were restricted, and approximately 90% of those funds were located in the U.S.

On November 1, 2021, we terminated our amended and restated credit agreement dated May 2, 2019, and entered into a credit agreement with certain institutional lenders with an aggregate principal amount of $5.7 billion, which includes a $1 billion unsecured revolving credit facility that matures on November 1, 2026, and a $4.7 billion unsecured term loan that matures on November 1, 2024. On November 1, 2021, we borrowed the full $4.7 billion under the unsecured term loan to fund a portion of the cash consideration for the acquisition of Mailchimp. The $1 billion unsecured revolving credit facility is available to us for general corporate purposes and serves as a source of liquidity. See Note 8 to the consolidated financial statements in Item 8 of this Annual Report for more information.

Our secured revolving credit facility is available to fund a portion of our loans to qualified small businesses. At July 31, 2022, $230 million was outstanding under the secured revolving credit facility. See *"Credit Facilities"* later in this Item 7 for more information.

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 payment of cash dividends, after taking into account our operating and strategic cash needs.

On December 3, 2020, we acquired Credit Karma. The fair value of the purchase consideration totaled $7.2 billion and included $3.4 billion in cash, 10.6 million shares of Intuit common stock with a fair value of $3.8 billion and assumed equity awards for services rendered through the acquisition date of $47 million. See *"Business Combinations"* below for more information.

On November 1, 2021, we acquired all of the outstanding equity of Mailchimp for total consideration of $12.0 billion, which included $5.7 billion in cash and 10.1 million shares of Intuit common stock with a value of approximately $6.3 billion. See Note 7 to the consolidated financial statements in Item 8 of this Annual Report for more information.

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 quickly respond to these types of opportunities.

Statements of Cash Flows

The following table summarizes selected items from our consolidated statements of cash flows for fiscal 2022, fiscal 2021, and fiscal 2020. See the consolidated financial statements in Item 8 of this Annual Report for complete consolidated statements of cash flows for those periods.

(Dollars in millions)	Fiscal 2022	Fiscal 2021	Fiscal 2020
Net cash provided by (used in):			
Operating activities	$ 3,889	$ 3,250	$ 2,414
Investing activities	(5,421)	(3,965)	(97)
Financing activities	1,732	(3,176)	2,034
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(22)	13	(6)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 178	$ (3,878)	$ 4,345

During fiscal 2022, we generated $3.9 billion in cash from operations. We also received $4.7 billion from borrowings under our term loan, $928 million for the net sales and maturities of investments, and $162 million from the issuance of common stock under employee stock plans. During the same period, we used $5.7 billion for the acquisition of a business, $1.9 billion for the repurchase of shares of our common stock under our stock repurchase programs, $774 million for the payment of cash dividends, $611 million for payments for employee taxes withheld upon vesting of restricted stock units, $414 million for net originations of term loans, and $229 million for capital expenditures.

During fiscal 2021, we generated $3.3 billion in cash from operations and $196 million from the issuance of common stock under employee stock plans. During the same period, we used $3.1 billion for the acquisitions of businesses, $1.3 billion for the repayment of debt, $1.0 billion for the repurchase of shares of our common stock under our stock repurchase programs, $710 million for the net purchases of investments, $646 million for the payment of cash dividends, $383 million for payments for employee taxes withheld upon vesting of restricted stock units, $125 million for capital expenditures, and $96 million for net originations of term loans.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 12 to the financial statements in Item 8 of this Annual Report, during fiscal 2022 and fiscal 2021, we continued to repurchase shares of our common stock under a series of repurchase programs that our Board of Directors has authorized. At July 31, 2022, we had authorization from our Board of Directors to expend up to an additional $1.5 billion for stock repurchases. On August 19, 2022, our Board approved an increased authorization to purchase up to an additional $2 billion of our common stock under the existing stock repurchase program. 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 fiscal 2022, we declared cash dividends that totaled $2.72 per share of outstanding common stock or approximately $781 million. In August 2022, our Board of Directors declared a quarterly cash dividend of $0.78 per share of outstanding common stock payable on October 18, 2022 to stockholders of records at the close of business on October 10, 2022. 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.

Business Combinations

Mailchimp

On November 1, 2021, we acquired all of the outstanding equity of Mailchimp for total consideration of $12.0 billion, which included $5.7 billion in cash and 10.1 million shares of Intuit common stock with a value of approximately $6.3 billion. The fair value of the stock consideration is based on the October 29, 2021 closing price of Intuit common stock of $625.99.

Pursuant to the equity purchase agreement, we also issued approximately 583,000 restricted stock units (RSUs) in substitution of outstanding equity incentive awards. These RSUs have a grant date fair value of approximately $355 million and will be expensed over three years. Additionally, we issued approximately 325,000 RSUs with a total grant date fair value of approximately $211 million to Mailchimp employees, of which $151 million will be expensed over four years and $60 million was expensed during the first six months following the acquisition date.

Mailchimp is part of our Small Business & Self-Employed segment. We have included the financial results of Mailchimp in the consolidated financial statements from the date of acquisition.

Credit Karma

On December 3, 2020, we acquired Credit Karma for total consideration of $8.1 billion which included assumed equity awards and restricted shares subject to a revest provision.

The fair value of the purchase consideration totaled $7.2 billion and included $3.4 billion in cash, 10.6 million shares of Intuit common stock with a fair value of $3.8 billion and assumed equity awards for services rendered through the acquisition date of $47 million.

We also issued shares of common stock with a fair value of $275 million which are restricted due to a revest provision and will be expensed over a service period of three years. The share-based compensation expense related to these restricted shares is non-deductible for income tax purposes. Additionally, we assumed equity awards for future services with a fair value of $663 million that are being charged to expense over the remaining service periods, which average approximately three years.

The fair value of the stock consideration is based on the December 2, 2020 closing price of Intuit common stock of $355.49.

As part of the merger agreement, following the close of the transaction, we issued approximately $300 million of restricted stock units to the employees of Credit Karma, which will be charged to expense over a service period of four years.

Credit Karma operates as a separate reportable segment. We have included the financial results of Credit Karma in the consolidated financial statements from the date of acquisition. See Note 7 to the consolidated financial statements in Item 8 of this Annual Report for more information.

Commitments for Senior Unsecured Notes

In June 2020, we issued $2 billion of senior unsecured notes comprised of the following:

- $500 million of 0.650% notes due July 2023;
- $500 million of 0.950% notes due July 2025;
- $500 million of 1.350% notes due July 2027; and
- $500 million of 1.650% notes due July 2030 (together, the Notes).

Interest is payable semiannually on January 15 and July 15 of each year. At July 31, 2022, our maximum commitment for interest payments under the Notes was $117 million through the maturity dates.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of July 31, 2022, we were compliant with all covenants governing the Notes. See Note 8 to the consolidated financial statements in Item 8 of this Annual Report for more information.

Credit Facilities

Unsecured Revolving Credit Facility and Term Loan

On November 1, 2021, we terminated our amended and restated credit agreement dated May 2, 2019 (2019 Credit Facility), and entered into a credit agreement with certain institutional lenders with an aggregate principal amount of $5.7 billion, which includes a $4.7 billion unsecured term loan that matures on November 1, 2024, and a $1 billion unsecured revolving credit facility that matures on November 1, 2026 (2021 Credit Facility).

Under the 2021 Credit Facility we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured 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 unsecured revolving credit facility accrue interest at rates that are equal to, at our election, either (i) the alternate base rate plus a margin that ranges from 0.0% to 0.1%, or (ii) the Secured Overnight Finance Rate (SOFR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. At July 31, 2022, no amounts were outstanding under the unsecured revolving credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility.

On November 1, 2021, we borrowed the full $4.7 billion under the unsecured term loan to fund a portion of the cash consideration for the acquisition of Mailchimp. Under this 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 $400 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either (i) the alternate base rate plus a margin that ranges from 0.0% to 0.125% or SOFR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election are based on our senior debt credit ratings. At July 31, 2022, $4.7 billion was outstanding under the term loan.

The 2021 Credit Facility includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 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. As of July 31, 2022, we were compliant with all required covenants.

Secured Revolving Credit Facility

On February 19, 2019, a subsidiary of Intuit entered into a secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to the secured revolving credit facility, most recently on July 18, 2022, primarily to increase the facility limit, extend the commitment term and maturity date and update the benchmark interest rate. Under the amended agreement, the facility limit is $500 million, of which $300 million is committed and $200 million is uncommitted. Advances accrue interest at adjusted simple SOFR plus 1.5%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.25% to 0.75%, depending on the total unused committed balance. The commitment term is through July 18, 2025, and the final maturity date is July 20, 2026. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2022, we were compliant with all required covenants. At July 31, 2022, $230 million was outstanding under this facility and the weighted-average interest rate was 3.96%, which includes the interest on any unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling $615 million.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled $3.3 billion at July 31, 2022. Approximately 10% of those funds were held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in Canada, the United Kingdom, and India. We do not expect to pay incremental U.S. taxes on repatriation. We have recorded income tax expense for Canada, India, and Israel withholding 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 taxes at that time.

CONTRACTUAL OBLIGATIONS

The following table summarizes our known contractual obligations to make future payments at July 31, 2022:

	Payments Due by Period				
(In millions)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Amounts due under executive deferred compensation plan	$ 147	$ —	$ —	$ —	$ 147
Senior unsecured notes	500	500	500	500	2,000
Unsecured term loan	—	4,700	—	—	4,700
Secured revolving credit facility	—	—	230	—	230
Interest and fees due on debt	161	227	37	25	450
Operating leases (1)	64	198	143	323	728
Purchase obligations (2)	673	904	261	468	2,306
Total contractual obligations (3)	$ 1,545	$ 6,529	$ 1,171	$ 1,316	$ 10,561

(1) Includes operating leases for facilities and equipment. Amounts do not include $31 million of future sublease income. We had no significant finance leases at July 31, 2022. See Note 10 to the consolidated financial statements in Item 8 of this Annual Report for more information.

(2) Represents agreements to purchase products and services that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(3) Other long-term obligations on our consolidated balance sheet at July 31, 2022, included long-term income tax liabilities of $44 million which related primarily to unrecognized tax benefits. We have not included this amount in the table above because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A - 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 consolidated financial statements in Item 8 of this Annual 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 value of those investments. At July 31, 2022, our cash equivalents and investments totaled $2.5 billion and had a weighted average pre-tax yield of 1.976%. Total interest income for fiscal 2022 was $15 million. If the Federal Reserve Target Rate had increased by 25 basis points from the level of July 31, 2022, the value of our investments at that date would have decreased by approximately $2 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of July 31, 2022, the value of our investments at that date would have decreased by approximately $8 million.

We are also exposed to the impact of changes in interest rates as they affect our $5.7 billion unsecured credit facility, which includes a $1 billion unsecured revolving credit facility and a $4.7 billion unsecured term loan, and our $500 million secured revolving credit facility. Advances under the unsecured revolving credit facility accrue interest at rates that are equal to the alternate base rate plus a margin that ranges from 0.0% to 0.1% or the Secured Overnight Finance Rate (SOFR) plus a margin that ranges from 0.69% to 1.1%. The unsecured term loan accrues interest at rates that are equal to the alternate base rate plus a margin that ranges from 0.0% to 0.125% or SOFR plus a margin that ranges from 0.625% to 1.125%. Actual margins under the unsecured credit facility are based on our senior debt credit ratings. Advances under the secured revolving credit facility accrue interest at a rate of adjusted simple SOFR plus 1.5%. Consequently, our interest expense fluctuates with changes in the general level of these interest rates. At July 31, 2022, no amounts were outstanding under the unsecured revolving credit facility, $4.7 billion was outstanding under the unsecured term loan, and $230 million was outstanding under the secured revolving credit facility. See Note 8 to the consolidated financial statements in Item 8 of this Annual Report for more information.

In June 2020, we issued $2 billion of senior unsecured notes (together, the Notes) which was comprised of the following: $500 million of 0.650% notes due in July 2023, $500 million of 0.950% notes due in July 2025, $500 million of 1.350% notes due in July 2027, and $500 million of 1.650% notes due in July 2030. We carry these Notes at face value less unamortized discount and unamortized debt issuance costs on our consolidated balance sheet. Since these Notes bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these Notes fluctuates when interest rates change. See Note 2 and Note 8 to the consolidated financial statements in Item 8 of this Annual 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 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 foreseeable future due to the reasons cited above. As of July 31, 2022, we did not engage in foreign currency hedging activities.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this report:

2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as part of this report and should be read in conjunction with the Consolidated Financial Statements:

All other schedules not listed above have been omitted because they are inapplicable or are not required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intuit Inc. (the Company) as of July 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of July 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated September 2, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Determination of Distinct Performance Obligations in Revenue Contracts

Description of the Matter	As described in Note 1 to the consolidated financial statements, the Company enters into contracts with customers that often include promises to transfer multiple products and services. The Company has generally concluded that software licenses and services are separate performance obligations and revenues from software licenses and services are recognized as those products and services are provided. Given the nature of the Company's product and service offerings, there is complexity in determining whether software licenses and services are considered performance obligations that should be accounted for separately or together. Auditing the Company's determination of distinct performance obligations related to its various product and service offerings involved complex auditor judgment. In particular, significant judgment was required when assessing whether the promised products and services are separate performance obligations or inputs to a combined performance obligation due to the evaluation of the interdependency or interrelation of the promised products and services within each contract.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Company’s processes, as they relate to the determination of distinct performance obligations. We also obtained an understanding of the Company’s product and service offerings and tested the application of the revenue recognition accounting model to determine distinct performance obligations. Among other audit procedures, we evaluated whether the performance obligations identified by the Company were capable of being distinct and distinct in the context of the contract through review of contracts, discussions with management, observing product demonstrations and review of the Company’s website and other marketing materials. More specifically, we evaluated the Company’s determination of whether the contract was to deliver (1) multiple promised products or services that constitute separate performance obligations or (2) a single performance obligation that is comprised of the combined products or services. That is, considering the utility, integration, interrelation or interdependence of the products and services, we evaluated whether the multiple promised products and services that were delivered to the customer were outputs or inputs to a combined item.

Accounting for Acquisition of Mailchimp

Description of the Matter	As described in Note 7 to the consolidated financial statements, during the year ended July 31, 2022, the Company completed its acquisition of Mailchimp for a total purchase price of $12.0 billion, which was accounted for as a business combination. Auditing the Company's accounting for its acquisition of Mailchimp was complex due to the significant estimation uncertainty in determining the fair value of customer lists, purchased technology, and trade names/trademarks intangible assets, and judgment involved in applying the acquisition method of accounting to specific facts and circumstances of the acquisition. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about the future performance of the acquired business. The significant assumptions used to estimate the fair values of the intangible assets based on forecasted results included revenue growth rates and operating margins. Each of these assumptions was subjective and involved significant judgment as they are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company’s controls over its accounting for acquisitions, such as controls over the application of acquisition accounting, and the measurement of customer lists, purchased technology, and trade names/trademarks intangible assets, including the underlying assumptions used to develop such estimates, and application of the acquisition method of accounting to specific facts and circumstances of the acquisition. To test the estimated fair value of the customer lists, purchased technology, and trade names/trademarks intangible assets, we performed substantive audit procedures that included, among others, evaluating the Company’s selection of valuation methodologies with the assistance of our valuation specialists and application of acquisition accounting, and evaluating the significant assumptions used by the Company to develop the forecasted revenue growth rates and projected operating margins. For example, we compared the significant assumptions to current industry, market and economic trends, and to the historical results of the acquired business and tested the completeness and accuracy of the underlying data used by management in the valuation.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 1990.

San Jose, California
September 2, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intuit Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Mailchimp, which is included in the July 31, 2022 consolidated financial statements of the Company and constituted less than one percent of both total and net assets, as of July 31, 2022 and six percent of revenues, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Mailchimp.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of July 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a) and our report dated September 2, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
September 2, 2022

INTUIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Twelve Months Ended July 31, 2022	2021	2020
Net revenue:			
Product	$ 1,747	$ 1,698	$ 1,635
Service and other	10,979	7,935	6,044
Total net revenue	12,726	9,633	7,679
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	69	69	72
Cost of service and other revenue	2,197	1,564	1,284
Amortization of acquired technology	140	50	22
Selling and marketing	3,526	2,644	2,048
Research and development	2,347	1,678	1,392
General and administrative	1,460	982	679
Amortization of other acquired intangible assets	416	146	6
Total costs and expenses	10,155	7,133	5,503
Operating income	2,571	2,500	2,176
Interest expense	(81)	(29)	(14)
Interest and other income, net	52	85	36
Income before income taxes	2,542	2,556	2,198
Income tax provision	476	494	372
Net income	$ 2,066	$ 2,062	$ 1,826
Basic net income per share	$ 7.38	$ 7.65	$ 6.99
Shares used in basic per share calculations	280	270	261
Diluted net income per share	$ 7.28	$ 7.56	$ 6.92
Shares used in diluted per share calculations	284	273	264
Cash dividends declared per common share	$ 2.72	$ 2.36	$ 2.12

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve Months Ended July 31,		
(In millions)	2022	2021	2020
Net income	$ 2,066	$ 2,062	$ 1,826
Other comprehensive income (loss), net of income taxes:			
Unrealized gain (loss) on available-for-sale debt securities	(10)	(3)	5
Foreign currency translation gain (loss)	(26)	11	(1)
Total other comprehensive income (loss), net	(36)	8	4
Comprehensive income	$ 2,030	$ 2,070	$ 1,830

See accompanying notes.

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INTUIT INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value; shares in thousands)	July 31, 2022	July 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,796	$ 2,562
Investments	485	1,308
Accounts receivable, net of allowance for doubtful accounts of $31 and $96	446	391
Notes receivable	509	132
Income taxes receivable	93	123
Prepaid expenses and other current assets	287	184
Current assets before funds receivable and amounts held for customers	4,616	4,700
Funds receivable and amounts held for customers	431	457
Total current assets	5,047	5,157
Long-term investments	98	43
Property and equipment, net	888	780
Operating lease right-of-use assets	549	380
Goodwill	13,736	5,613
Acquired intangible assets, net	7,061	3,252
Long-term deferred income tax assets	11	8
Other assets	344	283
Total assets	$ 27,734	$ 15,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 499	$ —
Accounts payable	737	623
Accrued compensation and related liabilities	576	530
Deferred revenue	808	684
Other current liabilities	579	361
Current liabilities before funds payable and amounts due to customers	3,199	2,198
Funds payable and amounts due to customers	431	457
Total current liabilities	3,630	2,655
Long-term debt	6,415	2,034
Long-term deferred income tax liabilities	619	525
Operating lease liabilities	542	380
Other long-term obligations	87	53
Total liabilities	11,293	5,647
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value Authorized - 1,345 shares total; 145 shares designated Series A; 250 shares designated Series B Junior Participating Issued and outstanding - None	—	—
Common stock, $0.01 par value Authorized - 750,000 shares Outstanding - 281,932 shares at July 31, 2022 and 273,235 shares at July 31, 2021	3	3
Additional paid-in capital	17,722	10,545
Treasury stock, at cost	(14,805)	(12,951)
Accumulated other comprehensive loss	(60)	(24)
Retained earnings	13,581	12,296
Total stockholders' equity	16,441	9,869
Total liabilities and stockholders' equity	$ 27,734	$ 15,516

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in millions, shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2019	**260,180**	**$ 3**	**$ 5,772**	**$ (11,611)**	**$ (36)**	**$ 9,621**	**$ 3,749**
Comprehensive income	—	—	—	—	4	1,826	1,830
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	2,736	—	(31)	—	—	—	(31)
Stock repurchases under stock repurchase programs	(1,176)	—	—	(318)	—	—	(318)
Dividends and dividend rights declared ($2.12 per share)	—	—	—	—	—	(562)	(562)
Share-based compensation expense	—	—	438	—	—	—	438
Balance at July 31, 2020	**261,740**	**3**	**6,179**	**(11,929)**	**(32)**	**10,885**	**5,106**
Comprehensive income	—	—	—	—	8	2,062	2,070
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	2,593	—	(187)	—	—	—	(187)
Stock repurchases under stock repurchase programs	(2,422)	—	—	(1,022)	—	—	(1,022)
Dividends and dividend rights declared ($2.36 per share)	—	—	—	—	—	(651)	(651)
Share-based compensation expense	—	—	755	—	—	—	755
Issuance of stock in business combination	11,324	—	3,798	—	—	—	3,798
Balance at July 31, 2021	**273,235**	**3**	**10,545**	**(12,951)**	**(24)**	**12,296**	**9,869**
Comprehensive income	—	—	—	—	(36)	2,066	2,030
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	2,361	—	(448)	—	—	—	(448)
Stock repurchases under stock repurchase programs	(3,754)	—	—	(1,854)	—	—	(1,854)
Dividends and dividend rights declared ($2.72 per share)	—	—	—	—	—	(781)	(781)
Share-based compensation expense	—	—	1,309	—	—	—	1,309
Issuance of stock in business combination	10,090	—	6,316	—	—	—	6,316
Balance at July 31, 2022	**281,932**	**$ 3**	**$ 17,722**	**$ (14,805)**	**$ (60)**	**$ 13,581**	**$ 16,441**

See accompanying notes.

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INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended July 31,		
(In millions)	2022	2021	2020
Cash flows from operating activities:			
Net income	$ 2,066	$ 2,062	$ 1,826
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	187	166	189
Amortization of acquired intangible assets	559	197	29
Non-cash operating lease cost	83	62	60
Share-based compensation expense	1,308	753	435
Deferred income taxes	120	(42)	(179)
Other	2	(39)	6
Total adjustments	2,259	1,097	540
Originations of loans held for sale	—	(41)	(566)
Sale and principal payments of loans held for sale	—	143	482
Changes in operating assets and liabilities:			
Accounts receivable	(31)	(104)	(59)
Income taxes receivable	29	(51)	53
Prepaid expenses and other assets	(121)	30	(31)
Accounts payable	(95)	206	33
Accrued compensation and related liabilities	(357)	(70)	100
Deferred revenue	71	22	38
Operating lease liabilities	(83)	(66)	(61)
Other liabilities	151	22	59
Total changes in operating assets and liabilities	(436)	(11)	132
Net cash provided by operating activities	**3,889**	**3,250**	**2,414**
Cash flows from investing activities:			
Purchases of corporate and customer fund investments	(830)	(1,489)	(701)
Sales of corporate and customer fund investments	1,524	229	130
Maturities of corporate and customer fund investments	234	550	596
Purchases of property and equipment	(157)	(53)	(59)
Capitalization of internal use software	(72)	(72)	(78)
Acquisitions of businesses, net of cash acquired	(5,682)	(3,064)	—
Originations of term loans to small businesses	(933)	(232)	(243)
Principal repayments of term loans from small businesses	519	136	287
Other	(24)	30	(29)
Net cash used in investing activities	**(5,421)**	**(3,965)**	**(97)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	4,700	—	1,983
Proceeds from borrowings under unsecured revolving credit facility	—	—	1,000
Repayments on borrowings under unsecured revolving credit facility	—	(1,000)	—
Proceeds from borrowings under secured revolving credit facility	182	—	—
Repayment of debt	—	(338)	(50)
Proceeds from issuance of stock under employee stock plans	162	196	211
Payments for employee taxes withheld upon vesting of restricted stock units	(611)	(383)	(244)
Cash paid for purchases of treasury stock	(1,861)	(1,005)	(323)
Dividends and dividend rights paid	(774)	(646)	(561)

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in funds receivable and funds payable and amounts due to customers	(56)	2	19
Other	(10)	(2)	(1)
Net cash provided by (used in) financing activities	**1,732**	**(3,176)**	**2,034**
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(22)	13	(6)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	**178**	**(3,878)**	**4,345**
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	2,819	6,697	2,352
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 2,997**	**$ 2,819**	**$ 6,697**
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	$ 2,796	$ 2,562	$ 6,442
Restricted cash and restricted cash equivalents included in funds receivable and amounts held for customers	201	257	255
Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 2,997**	**$ 2,819**	**$ 6,697**
Supplemental disclosure of cash flow information:			
Interest paid	$ 67	$ 30	$ 14
Income taxes paid	$ 303	$ 578	$ 493
Supplemental schedule of non-cash investing activities:			
Issuance of common stock in business combinations	$ 6,316	$ 3,798	$ —

See accompanying notes.

INTUIT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Intuit helps consumers and small businesses 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 serve small business customers.

Our global technology platform, which includes TurboTax, Credit Karma, QuickBooks, and Mailchimp, is designed to help consumers and small businesses manage their finances, save money, pay off debt and do their taxes. For those customers who run small businesses, we are focused on helping them find and keep customers, get paid faster, pay their employees, manage and get access to capital, and ensure that their books are done right. 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 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 reclassified certain immaterial amounts previously reported in our financial statements to conform to the current presentation.

We acquired Credit Karma on December 3, 2020. We have included the results of operations for Credit Karma in our consolidated statements of operations from the date of acquisition. Credit Karma operates as a separate reportable segment. See Note 15, *"Segment Information,"* for more information.

We acquired Mailchimp on November 1, 2021. We have included the results of operations for Mailchimp in our consolidated statements of operations from the date of acquisition. Mailchimp is part of our Small Business & Self-Employed segment. See Note 7, "*Business Combinations,"* for more information.

On August 1 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants. See Note 15, *"Segment Information,"* for more information.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. See Note 15, *"Segment Information,"* for more information.

Seasonality

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

In fiscal 2022, the IRS began accepting returns on January 24, 2022, and the tax filing deadline was April 18, 2022. However, in fiscal 2021, the IRS began accepting returns on February 12, 2021, and the tax filing deadline was May 17, 2021. In fiscal 2020, the IRS began accepting returns on January 27, 2020, and the tax filing deadline was July 15, 2020. As a result of the extensions of the tax filing deadlines in 2021 and 2020, a significant amount of our fiscal 2021 and 2020 Consumer segment and

ProConnect segment revenues were recognized in the fourth quarter as compared to the third quarter of fiscal 2022.

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 standalone sales price (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 discount rate used to calculate lease liabilities, the amount of our worldwide tax provision, the realizability of deferred tax assets, the credit losses of available-for-sale debt securities, reserves for losses, and the fair value of assets acquired and liabilities assumed for business combinations. 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. Additionally, in the context of the ongoing global COVID-19 pandemic, while there has been no material impact on our estimates to date, in future periods, facts and circumstances could change and impact our estimates.

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, payroll services, merchant payment processing services, packaged software products, live expert advice, financing for small businesses, delivery of qualified links, 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

Online Offerings

Our online offerings include TurboTax Online and TurboTax Live, ProConnect Tax Online, QuickBooks Online, online payroll, and merchant payment processing services for small businesses who use our online offerings. Our Mailchimp offerings include e-commerce, marketing automation, and customer relationship management.

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.

Desktop Offerings

Our desktop offerings consist of our QuickBooks Desktop products, which include both software subscriptions and packaged software products, 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 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. In the first quarter of fiscal 2022, we discontinued our QuickBooks Desktop packaged software products and now sell predominantly on a subscription basis.

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 consumer and professional tax packaged desktop software 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 packaged software products and consumer tax packaged desktop software products in non-consignment and consignment arrangements to certain retailers. For these retailers, we begin recognizing revenue at the later of when control has transferred to the retailer or customer, or upon activation of the software subscriptions by the customer.

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.

Other Solutions

Revenue from our Credit Karma segment is primarily comprised of revenue from the delivery of qualified links that result in completed actions, or cost-per-action transactions. Credit Karma also generates revenue from cost-per-click and cost-per-lead transactions. All revenue from our Credit Karma segment is included in service and other revenue on our consolidated statement of operations.

Cost-per-action revenue is earned based on a pre-determined fee for approved actions such as when credit cards are issued or when personal loans and other loans to businesses are funded. Revenue is recognized when a lead is generated that results in one of these approved actions.

Cost-per-click and cost-per-lead revenue is primarily related to mortgage and insurance businesses. Cost-per-click revenue is earned as users click on our customers' advertisements and is recognized based on the number of clicks recorded each month. Cost-per-lead revenue is earned via customer advertisements that allow the generation of leads from consumers interested in the advertised products and is recognized at the time a consumer request or lead is delivered to the customer.

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; our Credit Karma offerings; 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.

Judgments and Estimates

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 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

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 twelve months ended July 31, 2022, we recognized revenue of $684 million, that was included in deferred revenue at July 31, 2021. During the twelve months ended July 31, 2021, we recognized revenue of $652 million, that was included in deferred revenue at July 31, 2020.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of July 31, 2022 and 2021, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was $6 million and $8 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 not significant and 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.

Shipping and Handling

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of product revenue in our consolidated statements of operations.

Customer Service and Technical Support

We include the costs of customer service and technical support associated with our online or hosted offerings in cost of service and other revenue line in our consolidated statements of operations. We also include the costs of providing technical support for our desktop offerings in cost of service and other revenue. We include the costs of customer service related to desktop offerings in selling and marketing expense in our consolidated statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing technical support assistance to customers. We expense the cost of providing this support as incurred.

Software Development Costs

We expense software development costs as we incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, our software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, we have not capitalized any development costs. Costs we incur to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development expense in our consolidated statements of operations.

Internal Use Software

We capitalize costs related to development of hosted services that we provide to our customers and internal use of enterprise-level business and finance software in support of our operational needs. Costs incurred in the application development phase are capitalized and amortized on a straight-line basis over their useful lives, which are generally three to six years. Costs related to planning and other preliminary project activities and to post-implementation activities are expensed as incurred. We test these assets for impairment whenever events or changes in circumstances occur that could impact their recoverability.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our consolidated statements of operations. We recorded advertising expense of approximately $1.6 billion for the twelve months ended July 31, 2022, $1.1 billion for the twelve months ended July 31, 2021, and $778 million for the twelve months ended July 31, 2020.

Leases

Our leases are primarily operating leases for office facilities. We do not have significant finance leases. We determine if an arrangement is a lease and classify it as either a finance or operating lease at lease inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on our consolidated balance sheets.

Operating lease liabilities are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. Our leases generally do not have a readily determinable implicit rate, therefore we use our incremental borrowing rate at the commencement date in determining the present value of future payments. Our incremental borrowing rate is determined based on a yield curve derived from publicly traded bond offerings for companies with similar credit ratings to us. Our lease terms may include options to purchase, extend or terminate the lease when it is reasonably certain that we will exercise that option. We account for the lease and non-lease components as a single lease component.

We measure ROU assets based on the corresponding lease liabilities adjusted for any initial direct costs and prepaid lease payments made to the lessor before or at the commencement date, net of lease incentives. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are not included in the calculation of the ROU asset and lease liability and are recognized as lease expense is incurred. Our variable lease payments generally relate to amounts paid to lessors for common area maintenance under our real estate leases.

Our subleases generally do not relieve us of our primary obligations under the corresponding head lease. As a result, we account for the head lease based on the original assessment at inception. We determine if the sublease arrangement is either a sales-type, direct financing, or operating lease at inception. If the total remaining lease cost on the head lease for the term of the sublease is greater than the anticipated sublease income, the ROU asset is assessed for impairment. Our subleases are generally operating leases and we recognize sublease income on a straight-line basis over the sublease term.

Capitalization of Interest Expense

We capitalize interest on capital projects, including facilities build-out projects and internal use computer software projects. Capitalization commences with the first expenditure for the project and continues until the project is substantially complete and ready for its intended use. We amortize capitalized interest to depreciation expense using the straight-line method over the same lives as the related assets. Capitalized interest was not significant for any period presented.

Foreign Currency

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. Translation gains and losses and transaction gains and losses were not significant for any period presented.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding income tax expense in our consolidated statement of operations.

We review the need for a valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. The valuation allowance analysis is based on our estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could be required to record a valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we record the increase.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

A description of our accounting policies associated with tax-related contingencies and valuation allowances assumed as part of a business combination is provided under *"Business Combinations"* below.

Computation of Net Income Per Share

We compute basic net income 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.

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

(In millions, except per share amounts)	Twelve Months Ended July 31, 2022	2021	2020
Numerator:			
Net income	$ 2,066	$ 2,062	$ 1,826
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	280	270	261
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	280	270	261
Dilutive common equivalent shares from stock options and restricted stock awards	4	3	3
Dilutive weighted average common shares outstanding	284	273	264
Basic and diluted net income per share:			
Basic net income per share	$ 7.38	$ 7.65	$ 6.99
Diluted net income per share	$ 7.28	$ 7.56	$ 6.92
Shares excluded from diluted net income 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	1	—	—

Cash Equivalents and Investments

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 time deposits. Investments consist primarily of 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 by limiting our holdings with any individual issuer.

We use the specific identification method to compute gains and losses on investments. We record unrealized gains and losses on investments, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our consolidated balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our consolidated statement of comprehensive income. We generally classify available-for-sale debt securities as current assets based upon our ability and intent to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal nature of our businesses. Because of our significant business seasonality, stock repurchase programs, and acquisition opportunities, cash flow requirements may fluctuate dramatically from quarter to quarter and require us to use a significant amount of the investments we hold as available-for-sale.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for credit losses. In determining the amount of the allowance, we consider our historical level of credit losses, current economic trends that might impact the level of future credit losses, customer-specific information, and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. We make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. When we determine that amounts are uncollectible we write them off against the allowance.

Funds Receivable and Amounts Held for Customers and Funds Payable and Amounts Due to Customers

Funds receivable and amounts held for customers represents funds receivable from third-party payment processors for customer transactions and cash held on behalf of our customers that is invested in cash and cash equivalents and investment-grade available-for-sale debt securities, restricted for use solely for the purpose of satisfying amounts we owe on behalf of our customers. Funds payable and amounts due to customers consist of amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

Property and Equipment

Property and equipment is stated at the lower of cost or realizable value, net of accumulated depreciation. We calculate depreciation using the straight-line method over the estimated useful lives of the assets, which range from two to 30 years. We amortize leasehold improvements using the straight-line method over the lesser of their estimated useful lives or remaining lease terms. We include the amortization of assets that are recorded under finance leases in depreciation expense. We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record any significant property or equipment impairment charges during the twelve months ended July 31, 2022, 2021, or 2020.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination).

Under the acquisition method of accounting we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and we charge them to general and administrative expense as they are incurred. Under the acquisition method we also account for acquired company restructuring activities that we initiate separately from the business combination.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We apply those measurement period adjustments that we determine to be significant retrospectively to comparative information in our financial statements, including adjustments to depreciation and amortization expense.

Under the acquisition method of accounting for business combinations, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense. This accounting applies to all of our acquisitions regardless of acquisition date.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets

Goodwill

We record goodwill when the fair value of consideration transferred in a business combination exceeds the fair value of the identifiable assets acquired and liabilities assumed. Goodwill and other intangible assets that have indefinite useful lives are not amortized, but we test them for impairment annually during our fourth fiscal quarter and whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

In accordance with authoritative guidance, we define fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider and use all valuation methods that are appropriate in estimating the fair value of our reporting units and generally use a weighted combination of income and market approaches. Under the income approach, we estimate the fair value of each reporting unit based on the present value of future cash flows. We use a number of assumptions in our discounted cash flow model, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Under the market approach, we estimate the fair value of each reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of the unit, we would record an impairment loss equal to the difference. We recorded no goodwill impairment charges for the twelve months ended July 31, 2022, 2021 or 2020.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as purchased technology, in connection with business combinations. We amortize the cost of acquired intangible assets on a straight-line basis over their estimated useful lives, which range from two to fifteen years. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. We estimate the fair value of assets that have finite useful lives based on the present value of future cash flows for those assets. If the carrying value of an asset with a finite life exceeds its estimated fair value, we would record an impairment loss equal to the difference. Impairment charges for acquired intangible assets and other long-lived assets were not significant for the twelve months ended July 31, 2022, 2021 or 2020.

Share-Based Compensation Plans

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. We amortize the fair value of stock options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

RSUs granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria would be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly

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with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

See Note 12, *"Stockholders' Equity,"* for a description of our share-based compensation plans and more information on the assumptions we use to calculate the fair value of share-based compensation.

Concentration of Credit Risk and Significant Customers and Suppliers

We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the value of our significant balance of investments. Our portfolio of investments consists of investment-grade 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 by limiting our holdings with any individual issuer.

We sell a portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate, but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. No customer accounted for 10% or more of total net revenue for the twelve months ended July 31, 2022, 2021 or 2020, nor did any customer account for 10% or more of total accounts receivable at July 31, 2022 or July 31, 2021.

We rely primarily on one third-party vendor to perform the manufacturing and distribution functions for our retail desktop software products. We also have a key single-source vendor that prints and fulfills orders for most of our financial supplies business. While we believe that relying on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

Accounting Standards Recently Adopted

Business Combinations - In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-08, *"Business Combinations—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)."* This standard requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities from acquired contracts using the revenue recognition guidance under Accounting Standards Codification Topic 606 in order to align the recognition of a contract liability with the definition of a performance obligation. This approach differs from the current requirement to measure contract assets and contract liabilities acquired in a business combination at fair value. We elected to early adopt this standard in the second quarter of our fiscal year that began August 1, 2021. The adoption of ASU 2021-08 did not have a material impact on our consolidated financial statements.

Accounting Standards Not Yet Adopted

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.

	At July 31, 2022			At July 31, 2021		
(In millions)	Level 1	Level 2	Total Fair Value	Level 1	Level 2	Total Fair Value
Assets:						
Cash equivalents, primarily money market funds and time deposits	$ 1,835	$ —	$ 1,835	$ 1,660	$ —	$ 1,660
Available-for-sale debt securities:						
Municipal bonds	—	—	—	—	38	38
Corporate notes	—	589	589	—	1,400	1,400
U.S. agency securities	—	96	96	—	70	70
Total available-for-sale securities	—	685	685	—	1,508	1,508
Total assets measured at fair value on a recurring basis	$ 1,835	$ 685	$ 2,520	$ 1,660	$ 1,508	$ 3,168
Liabilities:						
Senior unsecured notes[1]	$ —	$ 1,838	$ 1,838	$ —	$ 1,986	$ 1,986

[1] Carrying value on our consolidated balance sheets were $1.99 billion at both July 31, 2022 and July 31, 2021. See Note 8, *"Debt"* for more information.

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 shown:

(In millions)	At July 31, 2022 Level 1	Level 2	Total Fair Value	At July 31, 2021 Level 1	Level 2	Total Fair Value
Cash equivalents:						
In cash and cash equivalents	$ 1,835	$ —	$ 1,835	$ 1,660	$ —	$ 1,660
Available-for-sale debt securities:						
In investments	$ —	$ 485	$ 485	$ —	$ 1,308	$ 1,308
In funds receivable and amounts held for customers	—	200	200	—	200	200
Total available-for-sale debt securities	$ —	$ 685	$ 685	$ —	$ 1,508	$ 1,508

We value our Level 1 assets, consisting primarily of money market funds and time deposits, 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 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.

Financial liabilities whose fair values we measure using Level 2 inputs consist of senior unsecured notes. See Note 8, *"Debt"* for more information. We measure the fair value of our senior unsecured notes based on their trading prices and the interest rates we could obtain for other borrowings with similar terms.

There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2022, 2021 or 2020.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include reporting units measured at fair value in a goodwill impairment test and our long-term investments.

Estimates of fair value for reporting units fall under Level 3 of the fair value hierarchy. During the fourth quarters of fiscal 2022, fiscal 2021, and fiscal 2020, we performed our annual goodwill impairment tests. Using the methodology described in Note 1, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired.

Long-term investments represent non-marketable equity securities in privately held companies that do not have a readily determinable fair value. They are accounted for at cost and adjusted based on observable price changes from orderly transactions for identical or similar investments of the same issuer or impairment. These investments are classified as Level 3 in the fair value hierarchy because we estimate the value of these investments using a valuation method based on observable transaction price changes at the transaction date. We recognized $54 million and $17 million of upward adjustments during the twelve months ended July 31, 2022 and July 31, 2021, respectively. There were no upward adjustments during the twelve months ended July 31, 2020. Impairments recognized during the twelve months ended July 31, 2022, July 31, 2021 and July 31, 2020 were immaterial. Cumulative upward adjustments were $71 million and cumulative impairments were immaterial through July 31, 2022 for measurement alternative investments held as of July 31, 2022. As of July 31, 2022 and July 31, 2021, the carrying value of long-term investments was $98 million and $43 million, respectively.

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

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

	July 31, 2022		July 31, 2021	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on consolidated balance sheets:				
Cash and cash equivalents	$ 2,796	$ 2,796	$ 2,562	$ 2,562
Investments	490	485	1,305	1,308
Funds receivable and amounts held for customers	435	431	456	457
Total cash and cash equivalents, investments, and funds receivable and amounts held for customers	$ 3,721	$ 3,712	$ 4,323	$ 4,327

The following table summarizes our cash and cash equivalents, investments and relevant portion of funds receivable and amounts held for customers by investment category at the dates indicated. As of July 31, 2022, this excludes $30 million of funds receivable included in funds receivable and amounts held for customers not measured and recorded at fair value.

	July 31, 2022		July 31, 2021	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type of issue:				
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 2,997	$ 2,997	$ 2,819	$ 2,819
Available-for-sale debt securities:				
Municipal bonds	—	—	37	38
Corporate notes	597	589	1,397	1,400
U.S. agency securities	97	96	70	70
Total available-for-sale debt securities	694	685	1,504	1,508
Total cash, cash equivalents, restricted cash, restricted cash equivalents, and investments	$ 3,691	$ 3,682	$ 4,323	$ 4,327

We include realized gains and losses on our available-for-sale debt securities in interest and other income or expense on our consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2022, 2021 and 2020 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders' equity section of our consolidated balance sheets, except for certain unrealized losses described below. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2022 and July 31, 2021 were not significant.

For available-for sale debt securities in an unrealized loss position, we determine whether a credit loss exists. The estimate of the credit loss is determined by considering available information relevant to the collectibility of the security and information about past events, current conditions, and reasonable and supportable forecasts. The allowance for credit loss is recorded to interest and other income on our consolidated statement of operations, not to exceed the amount of the unrealized loss. Any excess unrealized loss greater than the credit loss at a security level is recognized in accumulated other comprehensive income or loss in the stockholders' equity section of our consolidated balance sheets. We determined there were no credit losses related to available-for-sale securities as of July 31, 2022. Unrealized losses on available-for-sale debt securities at July 31, 2022 were not significant. 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 of the amortized cost basis, which may be at maturity.

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

	July 31, 2022		July 31, 2021	
(In millions)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within one year	$ 316	$ 313	$ 551	$ 553
Due within two years	298	293	550	551
Due within three years	79	78	398	398
Due after three years	1	1	5	6
Total available-for-sale debt securities	$ 694	$ 685	$ 1,504	$ 1,508

The following table summarizes our funds receivable and amounts held for customers by asset category at the dates indicated.

(In millions)	July 31, 2022	July 31, 2021	July 31, 2020	July 31, 2019
Restricted cash and restricted cash equivalents	$ 201	$ 257	$ 255	$ 236
Restricted available-for-sale debt securities and funds receivable	230	200	200	200
Total funds receivable and amounts held for customers	$ 431	$ 457	$ 455	$ 436

4. Notes Receivable and Allowances for Loan Losses

Notes receivable consist of term loans to small businesses. 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 term loan portfolio on an individual loan basis, based on a data analytics risk model that evaluates trends related to revenue, debt payments and negative events in the previous 12 months and applies a loss rate at the time of loan origination. The average is then applied against the outstanding portfolio. The loss rate and underlying model are updated periodically to reflect actual loan performance and changes to inherent risk 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 and future economic conditions. When we determine that amounts are uncollectible, we write them off against the allowance. As of July 31, 2022 and July 31, 2021, the net notes receivable balance was $540 million and $139 million, respectively. The current portion is included in notes receivable and the long term portion is included in other assets on our consolidated balance sheets. As of July 31, 2022 and July 31, 2021, the allowances for loan losses were not material.

We consider a loan to be delinquent when the payments are one day past due. We place delinquent loans on nonaccrual status and stop accruing interest revenue. Loans are returned to accrual status if they are brought current or have performed in accordance with the contractual terms for a reasonable period of time and, in our judgment, will continue to make periodic principal and interest payments as per contractual terms. Past due amounts are not material for all periods presented.

Interest revenue is earned on loans originated and held to maturity in accordance with the specified period of time and defined interest rate noted in the loan contract. Interest revenue is recorded net of amortized direct origination costs and is included in service and other revenue on our consolidated statements of operations. Interest revenue was not material for all periods presented.

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5. Property and Equipment

Property and equipment consisted of the following at the dates indicated:

(Dollars in millions)	Life in Years	July 31, 2022	July 31, 2021
Equipment	3-5	$ 208	$ 199
Computer software	2-6	911	899
Furniture and fixtures	5	101	96
Leasehold improvements	2-16	366	350
Land	NA	79	79
Buildings	5-30	378	375
Capital in progress	NA	283	122
		2,326	2,120
Less accumulated depreciation and amortization		(1,438)	(1,340)
Total property and equipment, net		$ 888	$ 780

NA = Not Applicable

Capital in progress at July 31, 2022 and 2021, consisted primarily of costs related to various buildings and site improvements that have not yet been placed into service.

As discussed in Note 1, *"Description of Business and Summary of Significant Accounting Policies – Internal Use Software,"* we capitalize costs related to the development of computer software for internal use. We capitalized internal use software costs totaling $72 million for the twelve months ended July 31, 2022; $72 million for the twelve months ended July 31, 2021; and $78 million for the twelve months ended July 31, 2020. These amounts included capitalized labor costs of $13 million, $30 million, and $40 million, respectively. Costs related to internal use software projects are included in the capital in progress category of property and equipment until project completion, at which time they are transferred to the computer software category.

6. Goodwill and Acquired Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2022 and July 31, 2021 were as shown in the following table. Our reportable segments are described in Note 15, *"Segment Information."*

(In millions)	Balance July 31, 2020	Goodwill Acquired	Foreign Currency Translation	Balance July 31, 2021	Goodwill Acquired	Foreign Currency Translation	Balance July 31, 2022
Small Business & Self-Employed	$ 1,518	$ 59	$ 1	$ 1,578	$ 8,115	$ (4)	$ 9,689
Consumer	42	—	—	42	10	(1)	51
Credit Karma	—	3,898	—	3,898	5	(4)	3,899
ProConnect	94	—	1	95	2	—	97
Totals	$ 1,654	$ 3,957	$ 2	$ 5,613	$ 8,132	$ (9)	$ 13,736

Goodwill is net of accumulated impairment losses of $114 million, which were recorded prior to July 31, 2020 and are included in our Consumer segment. The increase in goodwill during the twelve months ended July 31, 2022 was primarily due to the acquisition of Mailchimp. The increase in goodwill during the twelve months ended July 31, 2021 was primarily due to the acquisition of Credit Karma.

Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated. The increases in intangible assets during the twelve months ended July 31, 2022 were primarily related to the acquisition of Mailchimp. See Note 7, "*Business Combinations*." The weighted average lives are calculated for assets that are not fully amortized.

(Dollars in millions)	Customer Lists / User Relationships	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2022:					
Cost	$ 6,197	$ 1,612	$ 680	$ 42	$ 8,531
Accumulated amortization	(748)	(593)	(87)	(42)	(1,470)
Acquired intangible assets, net	$ 5,449	$ 1,019	$ 593	$ —	$ 7,061
Weighted average life in years	14	8	13	0	13
At July 31, 2021:					
Cost	$ 3,038	$ 686	$ 400	$ 42	$ 4,166
Accumulated amortization	(377)	(455)	(41)	(41)	(914)
Acquired intangible assets, net	$ 2,661	$ 231	$ 359	$ 1	$ 3,252
Weighted average life in years	15	5	15	3	14

The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2022. Amortization of purchased technology is charged to amortization of acquired technology in our consolidated statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)	Expected Future Amortization Expense
Twelve months ending July 31,	
2023	$ 646
2024	624
2025	622
2026	620
2027	594
Thereafter	3,955
Total expected future amortization expense	$ 7,061

7. Business Combinations

Mailchimp

On November 1, 2021, we acquired all of the outstanding equity of Mailchimp, a global customer engagement and marketing platform for growing small and mid-market businesses. We acquired Mailchimp to help deliver on the vision of an innovative, end-to-end customer growth platform for small and mid-market businesses. Mailchimp is part of our Small Business & Self-Employed segment. We have included the financial results of Mailchimp in the consolidated financial statements from the date of acquisition. Pro forma information related to this acquisition has not been presented, as the effect of the acquisition on our consolidated results of operations was not material. Our results of operations for the twelve months ended July 31, 2022 included $762 million of revenue attributable to Mailchimp. For the twelve months ended July 31, 2022, we recorded professional fees associated with the acquisition of $63 million in general and administrative expenses.

The fair value of the purchase consideration totaled $12.0 billion, which included $5.7 billion in cash and 10.1 million shares of Intuit common stock with a value of approximately $6.3 billion. The fair value of the stock consideration is based on the October 29, 2021 closing price of Intuit common stock of $625.99.

Pursuant to the equity purchase agreement we also issued approximately 583,000 RSUs in substitution of outstanding equity incentive awards. These RSUs have a grant date fair value of $355 million and will be expensed over three years. Additionally, we issued approximately 325,000 RSUs with a total grant date fair value of $211 million to Mailchimp employees, of which $151 million will be expensed over four years and $60 million was expensed during the first six months following the acquisition date.

The preliminary allocation of the Mailchimp purchase price is as follows:

(In millions)	Amount
Cash and cash equivalents	$ 42
Investments	126
Accounts receivable, net	25
Income taxes receivable	1
Prepaid expenses and other current assets	24
Long-term investments	1
Property and equipment, net	15
Operating lease right-of-use assets	31
Goodwill	8,101
Intangible assets	4,340
Long-term deferred income tax assets	6
Other assets	1
Accounts payable	(163)
Accrued compensation and related liabilities	(409)
Deferred revenue	(52)
Other current liabilities	(68)
Long-term portion of operating lease liabilities	(20)
Other long-term obligations	(5)
Total preliminary purchase price allocation	$ 11,996

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributed to the assembled workforce of Mailchimp and the synergies expected to be achieved. This goodwill is assigned to the Small Business & Self-Employed segment and substantially all is deductible for income tax purposes. The fair values assigned to tangible assets acquired and liabilities assumed are preliminary based on management's estimates and assumptions and may be subject to change as additional information is received and certain tax returns are finalized. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.

Intangible assets consist of customer lists, purchased technology, and trade names/trademarks. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is 12.0 years. The following table presents the details of identifiable intangible assets acquired.

(In millions, except years)	Estimated Useful Life	Amount
Customer lists	13 years	$ 3,160
Purchased technology	9 years	900
Trade names/trademarks	10 years	280
Total identifiable intangible assets		$ 4,340

Credit Karma

On December 3, 2020, we acquired all of the outstanding shares of Credit Karma, a consumer technology platform. We acquired Credit Karma to help consumers unlock smart money decisions and accelerate our mission of powering prosperity around the world, by creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial expertise and education. Credit Karma is a separate reportable segment. See Note 15, *"Segment Information,"* for more information. We have included the financial results of Credit Karma in the consolidated financial statements from the date of acquisition. For the twelve months ended July 31, 2021 and July 31, 2020, the transaction costs associated with the acquisition were approximately $31 million and $28 million, respectively, and were recorded in general and administrative expenses.

We acquired Credit Karma for total consideration of $8.1 billion, which included assumed equity awards and restricted shares subject to a revest provision.

The fair value of the purchase consideration totaled $7.2 billion and included $3.4 billion in cash, 10.6 million shares of Intuit common stock with a fair value of $3.8 billion and assumed equity awards for services rendered through the acquisition date of $47 million.

We also issued shares of common stock with a fair value of $275 million which are restricted due to a revest provision, and will be expensed over a service period of three years. The share-based compensation expense related to these restricted shares is non-deductible for income tax purposes. Additionally, we assumed equity awards for future services with a fair value of $663 million that are being charged to expense over the remaining service periods, which average approximately three years.

The fair value of the stock consideration is based on the December 2, 2020 closing price of Intuit common stock of $355.49.

As part of the merger agreement, following the close of the transaction, we issued approximately $300 million of restricted stock units to the employees of Credit Karma, which is being charged to expense over a service period of four years.

The allocation of the Credit Karma purchase price is as follows:

(In millions)	Amount
Cash and cash equivalents	$ 436
Accounts receivable, net	141
Income taxes receivable	59
Prepaid expenses and other current assets	7
Long-term investments	3
Property and equipment, net	63
Operating lease right-of-use assets	167
Goodwill	3,898
Intangible assets	3,372
Other assets	81
Accounts payable	(86)
Accrued compensation and related liabilities	(113)
Other current liabilities	(24)
Operating lease liabilities	(172)
Long-term deferred income tax liabilities	(627)
Other long-term obligations	(10)
Total purchase price allocation	$ 7,195

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributed to the assembled workforce of Credit Karma and the synergies expected to be achieved. This goodwill is assigned to the new Credit Karma segment and is non-deductible for income tax purposes. We completed the purchase price allocation for the Credit Karma acquisition during the second quarter of fiscal 2022 with no material adjustments from our preliminary purchase price allocation.

Intangible assets consist of user relationships, trade names/trademarks, purchased technology, and partner relationships. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is 14.4 years. The following table presents the details of identifiable intangible assets acquired.

(In millions, except years)	Estimated Useful Life	Amount
User relationships	15 years	$ 2,781
Trade names/Trademarks	15 years	375
Purchased technology	6 years	216
Total identifiable intangible assets		$ 3,372

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The following table summarizes the long-term deferred income tax assets and liabilities included in the purchase price allocation above:

(In millions)	Amount
Intangibles	$ (851)
Federal and state net operating loss carryforwards	138
Federal research and experimentation credit carryforwards	51
Other, net	35
Total net long-term deferred income tax liabilities	$ (627)

8. Debt

The carrying value of our debt was as follows at the dates indicated:

(In millions)	July 31, 2022	July 31, 2021	Effective Interest Rate
Senior unsecured notes issued June 2020:			
0.650% notes due July 2023	$ 500	$ 500	0.837%
0.950% notes due July 2025	500	500	1.127%
1.350% notes due July 2027	500	500	1.486%
1.650% notes due July 2030	500	500	1.767%
Term loan	4,700	—	
Secured revolving credit facility	230	48	
Total principal balance of long-term debt	6,930	2,048	
Unamortized discount and debt issuance costs	(16)	(14)	
Total carrying value of long-term debt	$ 6,914	$ 2,034	
Short-term debt	$ 499	$ —	
Long-term debt	$ 6,415	$ 2,034	

Senior Unsecured Notes

In June 2020, we issued four series of senior unsecured notes (together, the Notes) pursuant to a public debt offering. The proceeds from the issuance were $1.98 billion, net of debt discount of $2 million and debt issuance costs of $15 million.

Interest is payable semiannually on January 15 and July 15 of each year. The discount and debt issuance costs are amortized to interest expense over the term of the Notes under the effective interest method. We paid $23 million and $24 million of interest on the Notes during the twelve months ended July 31, 2022 and 2021, respectively.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of July 31, 2022, we were compliant with all covenants governing the Notes.

Unsecured Credit Facility

On November 1, 2021, we terminated our amended and restated credit agreement dated May 2, 2019 (2019 Credit Facility), and entered into a credit agreement with certain institutional lenders with an aggregate principal amount of $5.7 billion, which includes a $4.7 billion unsecured term loan that matures on November 1, 2024, and a $1 billion unsecured revolving credit facility that matures on November 1, 2026 (2021 Credit Facility).

The 2021 Credit Facility includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 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. As of July 31, 2022, we were compliant with all required covenants.

Term Loan. On November 1, 2021, we borrowed the full $4.7 billion under the unsecured term loan to fund a portion of the cash consideration for the acquisition of Mailchimp. Under this 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 $400 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either (i) the alternate base rate plus a margin that ranges from 0.0% to 0.125% or SOFR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. Interest on the term loan is payable monthly. At July 31, 2022, $4.7 billion was outstanding under the term loan. The carrying value of the term loan is net of debt issuance costs of $5 million as of July 31, 2022 and approximates its fair value. We paid $42 million of interest on the term loan during the twelve months ended July 31, 2022. We paid $2 million and $9 million of interest on our previous term loan under the 2019 Credit Facility during the twelve months ended July 31, 2021 and 2020, respectively.

Unsecured Revolving Credit Facility. The 2021 Credit Facility includes a $1 billion unsecured revolving credit facility that will expire on November 1, 2026. Under this agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured 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 unsecured revolving credit facility accrue interest at rates that are equal to, at our election, either (i) the alternate base rate plus a margin that ranges from 0.0% to 0.1%, or (ii) the Secured Overnight Finance Rate (SOFR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. At July 31, 2022, no amounts were outstanding under the unsecured revolving credit facility. We paid no interest on the unsecured revolving credit facility during the twelve months ended July 31, 2022. We paid $1 million and $2 million of interest on our previous unsecured revolving credit facility during the twelve months ended July 31, 2021 and 2020, respectively.

Secured Revolving Credit Facility

On February 19, 2019, a subsidiary of Intuit entered into a secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to the secured revolving credit facility, most recently on July 18, 2022, primarily to increase the facility limit, extend the commitment term and maturity date and update the benchmark interest rate. Under the amended agreement, the facility limit is $500 million, of which $300 million is committed and $200 million is uncommitted. Advances accrue interest at adjusted daily simple SOFR plus 1.5%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.25% to 0.75%, depending on the total unused committed balance. The commitment term is through July 18, 2025, and the final maturity date is July 20, 2026. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2022, we were compliant with all required covenants. At July 31, 2022, $230 million was outstanding under this facility and the weighted-average interest rate was 3.96%, which includes the interest on any unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling $615 million. Interest on the facility is payable monthly. We paid $2 million, $3 million, and $3 million of interest on the secured revolving credit facility during each of the twelve months ended July 31, 2022, 2021 and 2020, respectively.

Future principal payments for long-term debt at July 31, 2022 were as shown in the table below.

(In millions)

Fiscal year ending July 31,		
2023	$	500
2024		—
2025		5,200
2026		230
2027		500
Thereafter		500
Total future principal payments for long-term debt	$	6,930

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9. Other Liabilities and Commitments

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In millions)	July 31, 2022	July 31, 2021
Executive deferred compensation plan liabilities	$ 147	$ 153
Accrued settlement for state attorneys general	141	—
Sales, property, and other taxes	40	5
Current portion of operating lease liabilities	84	66
Reserve for returns and credits	25	21
Amounts due for share repurchases	10	17
Merchant and consumer payments processing reserves	21	10
Reserve for promotional discounts and rebates	6	10
Current portion of dividend payable	12	9
Interest payable	11	1
Income taxes payable	8	3
Other	74	66
Total other current liabilities	$ 579	$ 361

Other Long-Term Obligations

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

(In millions)	July 31, 2022	July 31, 2021
Income tax liabilities	$ 44	$ 24
Dividend payable	12	8
Deferred revenue	6	8
Other	25	13
Total other long-term obligations	$ 87	$ 53

Unconditional Purchase Obligations

In the ordinary course of business we enter into certain unconditional purchase obligations with our suppliers. These are agreements to purchase products and services that are enforceable, legally binding, and specify terms that include fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

Annual minimum commitments under purchase obligations at July 31, 2022 were as shown in the table below.

(In millions)	Purchase Obligations
Fiscal year ending July 31,	
2023	$ 673
2024	434
2025	470
2026	233
2027	28
Thereafter	468
Total commitments	$ 2,306

10. Leases

We lease office facilities under non-cancellable operating lease arrangements. Our facility leases generally provide for periodic rent increases and may contain escalation clauses and renewal options. Our leases have remaining lease terms of up to 20 years, which include options to extend that are reasonably certain of being exercised. Some of our leases include one or more options to extend the leases for up to 10 years per option which we are not reasonably certain to exercise. The options to extend are generally at rates to be determined in accordance with the agreements. Options to extend the lease are included in the lease liability if they are reasonably certain of being exercised. We do not have significant finance leases.

We sublease certain office facilities to third parties. These subleases have remaining lease terms of up to 8 years, some of which include one or more options to extend the subleases for up to 5 years per option.

In March 2020, we entered into an agreement to terminate an office facility lease and related sublease, which were due to expire in 2025 and 2022, respectively. As a result, we reduced our operating lease right-of-use assets and lease liabilities by $61 million during the twelve months ended July 31, 2020.

The components of lease expense were as follows:

	Twelve Months Ended July 31,		
(In millions)	**2022**	**2021**	**2020**
Operating lease cost [1]	$ 105	$ 75	$ 69
Variable lease cost	15	11	13
Sublease income	(17)	(16)	(22)
Total net lease cost	$ 103	$ 70	$ 60

[1] Includes short-term leases, which are not significant for the twelve months ended July 31, 2022, 2021 or 2020.

Supplemental cash flow information related to operating leases was as follows:

	Twelve Months Ended Ju		
(In millions)	**2022**	**2021**	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 104	$ 76	$
Right-of-use assets obtained in exchange for new operating lease liabilities [1]	$ 238	$ 60	$

[1] For the twelve months ended July 31, 2020, this includes $319 million for operating leases existing on August 1, 2019 and $27 million for operating leases that commenced during fiscal 2020.

Other information related to operating leases was as follows at the dates indicated:

	July 31,		
	2022	**2021**	**2020**
Weighted-average remaining lease term for operating leases	8.1 years	6.8 years	5.5 years
Weighted-average discount rate for operating leases	2.9 %	2.3 %	3.1 %

Future minimum lease payments under non-cancellable operating leases as of July 31, 2022 were as follows:

(In millions)	Operating Leases [1]
Fiscal year ending July 31,	
2023	$ 64
2024	105
2025	93
2026	76
2027	67
Thereafter	323
Total future minimum lease payments	728
Less imputed interest	(102)
Present value of lease liabilities	$ 626

(1) Non-cancellable sublease proceeds for the fiscal years ending July 31, 2023, 2024, 2025, 2026, 2027, and thereafter of $11 million, $10 million, $5 million, $1 million, $1 million, and $3 million, respectively, are not included in the table above.

Supplemental balance sheet information related to operating leases was as follows at the date indicated:

	July 31,	
(In millions)	2022	2021
Operating lease right-of-use assets	$ 549	$ 380
Other current liabilities	$ 84	$ 66
Operating lease liabilities	542	380
Total operating lease liabilities	$ 626	$ 446

11. Income Taxes

The provision for income taxes consisted of the following for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	2022	2021	2020
Current:			
Federal	$ 253	$ 399	$ 372
State	93	121	79
Foreign	31	17	21
Total current	377	537	472
Deferred:			
Federal	85	(33)	(47)
State	18	(11)	(47)
Foreign	(4)	1	(6)
Total deferred	99	(43)	(100)
Total provision for income taxes	$ 476	$ 494	$ 372

We recognized excess tax benefits on share-based compensation of $134 million, $126 million, and $90 million in the provision for income taxes for the twelve months ended July 31, 2022, 2021, and 2020, respectively.

The sources of income before the provision for income taxes consisted of the following for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	2022	2021	2020
United States	$ 2,433	$ 2,497	$ 2,206
Foreign	109	59	(8)
Total	$ 2,542	$ 2,556	$ 2,198

Differences between income taxes calculated using the federal statutory income tax rate and the provision for income taxes were as follows for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2022**	**2021**	**2020**
Income before income taxes	$ 2,542	$ 2,556	$ 2,198
Statutory federal income tax	$ 534	$ 537	$ 462
State income tax, net of federal benefit	87	87	25
Federal research and experimentation credits	(94)	(70)	(54)
Share-based compensation	54	38	22
Federal excess tax benefits related to share-based compensation	(112)	(105)	(79)
Effects of non-U.S. operations	4	4	13
Other, net	3	3	(17)
Total provision for income taxes	$ 476	$ 494	$ 372

The state income tax line in the table above includes excess tax benefits related to share-based compensation of $22 million, $21 million and $11 million for the twelve months ended July 31, 2022, 2021 and 2020, respectively.

In the current global tax policy environment, the U.S. and other domestic and foreign governments continue to consider, and in some cases enact, changes in corporate tax laws. As changes occur, we account for finalized legislation in the period of enactment.

Significant deferred tax assets and liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	**2022**	**2021**
Deferred tax assets:		
Accruals and reserves not currently deductible	$ 84	$ 48
Operating lease liabilities	168	113
Accrued and deferred compensation	84	132
Loss and tax credit carryforwards	224	282
Intangible assets	25	33
Share-based compensation	97	59
Other, net	23	16
Total gross deferred tax assets	705	683
Valuation allowance	(244)	(205)
Total deferred tax assets	461	478
Deferred tax liabilities:		
Operating lease right-of-use assets	149	96
Intangibles	868	844
Property and equipment	9	10
Other, net	43	45
Total deferred tax liabilities	1,069	995
Net deferred tax assets (liabilities)	$ (608)	$ (517)

The components of total net deferred tax assets (liabilities), net of valuation allowances, as shown on our consolidated balance sheets were as follows at the dates indicated:

(In millions)	July 31, 2022	2021
Long-term deferred income tax assets	$ 11	$ 8
Long-term deferred income tax liabilities	(619)	(525)
Net deferred tax assets (liabilities)	$ (608)	$ (517)

We have provided a valuation allowance related to state research and experimentation tax credit carryforwards, foreign loss carryforwards, foreign intangible deferred tax assets and state operating loss carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2022 and July 31, 2021 were primarily related to state research and experimentation tax credit carryforwards, foreign intangible deferred tax assets, foreign loss carryforwards and state operating loss carryforwards.

At July 31, 2022, we had total federal net operating loss carryforwards of approximately $22 million that will start to expire in fiscal 2032. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2022, we had total state net operating loss carryforwards of approximately $86 million for which we have recorded a deferred tax asset of $6 million and a valuation allowance of $3 million. The state net operating loss carryforwards will start to expire in fiscal 2028. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2022, we had Singapore operating loss carryforwards of approximately $78 million, Brazil operating loss carryforwards of approximately $69 million and United Kingdom operating loss carryforwards of approximately $36 million which have an indefinite carryforward period. We maintain a full valuation allowance with respect to operating losses in Singapore, Brazil and United Kingdom jurisdictions, as there is not sufficient evidence of future sources of taxable income required to utilize such carryforwards.

At July 31, 2022, we had federal research and experimentation credit carryforwards of approximately $3 million that will start to expire in fiscal 2039. Utilization of the Federal research and experimentation credit is subject to annual limitation. The annual limitation may result in the expiration of the Federal research and experimentation credit before utilization.

At July 31, 2022, we had California research and experimentation credit carryforwards of approximately $289 million. The California research and experimentation credit will carryforward indefinitely. We recorded a full valuation on the related deferred tax asset, as we believe it is more likely than not that these credits will not be utilized.

Unrecognized Tax Benefits

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2022**	**2021**	**2020**
Gross unrecognized tax benefits, beginning balance	$ 190	$ 101	$ 120
Increases related to tax positions from prior fiscal years, including acquisitions	9	69	2
Decreases related to tax positions from prior fiscal years	(13)	—	(35)
Increases related to tax positions taken during current fiscal year	31	31	21
Settlements with tax authorities	—	—	(1)
Lapse of statute of limitations	(1)	(11)	(6)
Gross unrecognized tax benefits, ending balance	$ 216	$ 190	$ 101

The total amount of our unrecognized tax benefits at July 31, 2022 was $216 million. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $123 million. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdictions are the U.S. federal jurisdiction and California. For U.S. federal tax returns, we are no longer subject to tax examinations for fiscal 2017 and for years prior to fiscal 2016. For California tax returns, we are no longer subject to tax examination for years prior to fiscal 2016.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2022 and July 31, 2021 for the payment of interest and penalties were not significant. The amounts of interest and penalties that we recognized during the twelve months ended July 31, 2022, 2021 and 2020 were also not significant.

We offset a $89 million and $75 million long-term liability for uncertain tax positions against our long-term income tax receivable at July 31, 2022 and July 31, 2021, respectively. The long-term income tax receivable at July 31, 2022 and July 31, 2021 was primarily related to the government's approval of a method of accounting change request for fiscal 2018 and a refund claim related to Credit Karma's alternative minimum tax credit that was recorded as part of the acquisition.

12. 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. Under these programs, we repurchased 3.8 million shares of our common stock for $1.9 billion during the twelve months ended July 31, 2022. Included in this amount were $10 million of repurchases which occurred in late July 2022 and settled in August 2022. At July 31, 2022, we had authorization from our Board of Directors to expend up to an additional $1.5 billion for stock repurchases. On August 19, 2022, 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. 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.

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 fiscal 2022, we declared cash dividends that totaled $2.72 per share of outstanding common stock or approximately $781 million. In August 2022, our Board of Directors declared a quarterly cash dividend of $0.78 per share of outstanding common stock payable on October 18, 2022 to stockholders of record at the close of business on October 10, 2022. 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.

Description of 2005 Equity Incentive Plan and Credit Karma, Inc. 2015 Equity Incentive Plan

Our stockholders initially approved our 2005 Equity Incentive Plan (2005 Plan) on December 9, 2004. On January 20, 2022, our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that expires on January 20, 2032. Under the Restated 2005 Plan, we are permitted to grant incentive and non-qualified stock options, restricted stock awards, RSUs, stock appreciation rights and stock bonus awards to our employees, non-employee directors, and consultants. The Compensation and Organizational Development Committee of our Board of Directors or its delegates determine who will receive grants, when those grants will be exercisable, their exercise price and other terms. We are permitted to issue up to 159.5 million shares under the Restated 2005 Plan, including 3,366,512 shares that were previously available for issuance prior to January 20, 2022 under the Credit Karma Plan, described below, adjusted for the fungible ratio of the Restated 2005 Plan. The plan provides a fungible share reserve. Each stock option granted on or after November 1, 2010 reduces the share reserve by one share and each restricted stock award or restricted stock unit granted reduces the share reserve by 2.3 shares. Stock options forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Restricted stock awards and RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited. 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 granted under the 2005 Plan and the Restated 2005 Plan typically vest over three to four years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three to four years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

In connection with our acquisition of Credit Karma on December 3, 2020, we assumed the Credit Karma, Inc. 2015 Equity Incentive Plan, as amended (Credit Karma Plan), under which the assumed equity awards were granted. See Note 7, *"Business Combinations,"* for more information on the Credit Karma acquisition and the related equity awards assumed. Under the Restated 2005 Plan, effective January 20, 2022, shares available under the Credit Karma Plan became available for grant under the Restated 2005 Plan and no shares may be granted out of the Credit Karma Plan.

Through January 20, 2022, the Credit Karma Plan provided a fungible share reserve. Each restricted stock unit granted reduced the share reserve by one share. RSUs forfeited and returned to the pool of shares available for grant increased the pool by one share for each share forfeited. Shares withheld for income taxes upon vesting of RSUs were also returned to the pool of shares available for grant. After January 20, 2022, shares forfeited and returned to the pool from grants issued out of the Credit Karma Plan will increase the pool by 2.3 shares for each share forfeited.

At July 31, 2022, there were approximately 26.3 million shares available for grant under the Restated 2005 Plan and no awards may be granted out of the Credit Karma Plan.

Description of Employee Stock Purchase Plan

On November 26, 1996, our stockholders initially adopted our Employee Stock Purchase Plan (ESPP) under Section 423 of the Internal Revenue Code. The ESPP permits our eligible employees to make payroll deductions to purchase our stock on regularly scheduled purchase dates at a discount. Our stockholders have approved amendments to the ESPP to permit the issuance of up to 23.8 million shares under the ESPP, which expires upon the earliest to occur of (a) termination of the ESPP by the Board, or (b) issuance of all the shares of Intuit's common stock reserved for issuance under the ESPP. Offering periods under the ESPP are six months in duration and composed of two consecutive three-month accrual periods. Shares are purchased at 85% of the lower of the closing price for Intuit common stock on the first day of the offering period or the last day of the accrual period.

Under the ESPP, employees purchased 326,961 shares of Intuit common stock during the twelve months ended July 31, 2022; 405,268 shares during the twelve months ended July 31, 2021; and 449,999 shares during the twelve months ended July 31, 2020. At July 31, 2022, there were 723,955 shares available for issuance under this plan.

Share-Based Compensation Expense

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

	Twelve Months Ended July 31,		
(In millions except per share amounts)	**2022**	**2021**	**2020**
Cost of product revenue	$ 2	$ 1	$ 1
Cost of service and other revenue	144	68	59
Selling and marketing	309	183	116
Research and development	521	281	151
General and administrative	332	220	108
Total share-based compensation expense	1,308	753	435
Income tax benefit	(396)	(269)	(173)
Decrease in net income	$ 912	$ 484	$ 262
Decrease in net income per share:			
Basic	$ 3.26	$ 1.79	$ 1.00
Diluted	$ 3.21	$ 1.77	$ 0.99

We capitalized $1 million, $2 million, and $3 million in share-based compensation related to internal use software projects during the twelve months ended July 31, 2022, 2021, and 2020.

Determining Fair Value

Valuation and Amortization Methods

RSUs granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. These time-based RSUs accounted for approximately 85% of our total share-based compensation expense during the twelve months ended July 31, 2022. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the market price of our stock on the date of grant for dividends.

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. Our stock options have various restrictions, including vesting provisions and restrictions on transfer, and are often exercised prior to their contractual maturity. We believe that lattice binomial models are more capable of incorporating the features of our stock options than closed-form models such as the Black Scholes model. The use of a lattice binomial model requires the use of extensive actual employee exercise behavior and a number of complex assumptions including the expected volatility of our stock price over the term of the options, risk-free interest rates and expected dividends. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Expected Term. The expected term of options granted represents the period of time that they are expected to be outstanding and is a derived output of the lattice binomial model. The expected term of stock options is impacted by all of the underlying assumptions and calibration of our model. The lattice binomial model assumes that option exercise behavior is a function of the option’s remaining vested life and the extent to which the market price of our common stock exceeds the option exercise price. The lattice binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and cancellations on all past option grants made by us.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on the implied volatility of one-year and two-year publicly traded options on our common stock. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Risk-Free Interest Rate. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms.

Dividends. We use an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during all years presented and currently expect to continue to pay cash dividends in the future.

Forfeitures. We adjust share-based compensation expense for actual forfeitures as they occur.

We used the following assumptions to estimate the fair value of stock options granted and shares purchased under our Employee Stock Purchase Plan for the periods indicated:

	Twelve Months Ended July 31,		
	2022	**2021**	**2020**
Assumptions for stock options:			
Expected volatility	35 %	29 %	32 %
Weighted average expected volatility	35 %	29 %	32 %
Risk-free interest rate	2.73 %	0.62 %	0.20 %
Expected dividend yield	0.61 %	0.45 %	0.70 %
Assumptions for ESPP:			
Expected volatility (range)	26% - 39%	31% - 36%	23% - 72%
Weighted average expected volatility	23 %	34 %	39 %
Risk-free interest rate (range)	0.04% - 0.44%	0.02% - 0.17%	0.24% - 2.23%
Expected dividend yield	0.47% - 0.59%	0.60% - 0.75%	0.74% - 0.95%

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our plans for the fiscal periods indicated was as follows:

(Shares in thousands)	Shares Available for Grant
Balance at July 31, 2019	**21,058**
Restricted stock units granted (1)	(6,111)
Options granted	(382)
Share-based awards canceled/forfeited/expired (1)(2)	3,482
Balance at July 31, 2020	**18,047**
Shares available for grant under the Credit Karma Plan	4,298
Restricted stock units granted (1)	(9,191)
Options granted	(323)
Share-based awards canceled/forfeited/expired (1)(2)	4,020
Balance at July 31, 2021	**16,851**
Additional shares authorized	19,903
Restricted stock units granted (1)	(14,868)
Options granted	(400)
Share-based awards canceled/forfeited/expired (1)(2)	4,774
Balance at July 31, 2022	**26,260**

(1) RSUs granted from the pool of shares available for grant under our Restated 2005 Plan reduce the pool by 2.3 shares for each share granted. RSUs forfeited and returned to the pool of shares available for grant under the Restated 2005 Plan increase the pool by 2.3 shares for each share forfeited. Through January 20, 2022, shares granted from the Credit Karma Plan reduce the pool by one share for each share granted and shares forfeited and returned to the pool from the Credit Karma Plan increase the pool by one share for each share forfeited. Beginning January 20, 2022, shares forfeited and returned to the pool from the Credit Karma Plan increase the pool by 2.3 shares for each share forfeited. No shares were granted from the Credit Karma Plan after January 20, 2022.

(2) Stock options and RSUs canceled, expired or forfeited under our Restated 2005 Plan and Credit Karma Plan are returned to the pool of shares available for grant. Under the Restated 2005 Plan, 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. Under the Credit Karma Plan, shares withheld for income taxes are also returned to the pool of shares available for grant.

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Restricted Stock Unit and Restricted Stock Activity

A summary of RSU and restricted stock activity for the periods indicated was as follows:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2019	**5,683**	**$186.22**
Granted	2,657	271.80
Vested	(2,039)	180.40
Forfeited	(637)	154.91
Nonvested at July 31, 2020	**5,664**	**231.97**
Assumed through acquisition	1,998	355.49
Granted[1]	3,877	431.82
Restricted stock subject to revest provisions issued in connection with acquisition	775	355.49
Vested	(2,242)	262.23
Forfeited	(1,034)	251.41
Nonvested at July 31, 2021	**9,038**	**345.86**
Granted[2]	6,634	466.12
Vested	(3,154)	351.80
Forfeited	(1,051)	351.15
Nonvested at July 31, 2022	**11,467**	**$413.32**

(1) This includes 809,000 RSUs granted to the employees of Credit Karma in connection with the acquisition with a grant date fair value of $300 million. See Note 7, "*Business Combinations*."

(2) This includes approximately 583,000 RSUs granted to the employees of Mailchimp in substitution of outstanding equity incentive awards with a grant date fair value of $355 million and approximately 325,000 RSUs granted to the employees of Mailchimp in connection with the acquisition with a grant date fair value of $211 million. See Note 7, "*Business Combinations.*"

Additional information regarding our RSUs is shown in the table below.

	Twelve Months Ended July 31,		
(In millions)	**2022**	**2021**	**2020**
Total fair market value of shares vested	$ 1,658	$ 942	$ 62
Share-based compensation for RSUs	$ 1,248	$ 708	$ 38
Total tax benefit related to RSU share-based compensation expense	$ 375	$ 225	$ 13
Cash tax benefits realized for tax deductions for RSUs	$ 334	$ 221	$ 13

At July 31, 2022, there was $4.3 billion of unrecognized compensation cost related to non-vested RSUs and restricted stock with a weighted average vesting period of 3.1 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

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Stock Option Activity

A summary of stock option activity for the periods indicated was as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2019	**3,374**	**$150.75**
Granted	382	303.94
Exercised	(993)	111.82
Canceled or expired	(82)	188.39
Balance at July 31, 2020	**2,681**	**185.83**
Granted	323	525.51
Exercised	(718)	128.39
Canceled or expired	(82)	264.53
Balance at July 31, 2021	**2,204**	**251.48**
Granted	400	448.59
Exercised	(242)	164.94
Canceled or expired	(70)	426.22
Balance at July 31, 2022	**2,292**	**$289.62**

Information regarding stock options outstanding as of July 31, 2022 is summarized below:

	Number of Shares (in thousands)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in millions)
Options outstanding	2,292	3.98	$289.62	$361
Options exercisable	1,440	2.74	$209.73	$328

The aggregate intrinsic values at July 31, 2022 are calculated as the difference between the exercise price of the underlying options and the market price of our common stock for shares that were in-the-money at that date. In-the-money options at July 31, 2022 were options that had exercise prices that were lower than the $456.17 market price of our common stock at that date.

Additional information regarding our stock options and ESPP shares is shown in the table below.

(In millions except per share amounts)	Twelve Months Ended July 31, 2022	2021	2020
Weighted average fair value of options granted (per share)	$ 136.76	$ 122.16	$ 74.85
Total grant date fair value of options vested	$ 25	$ 17	$ 23
Aggregate intrinsic value of options exercised	$ 78	$ 179	$ 159
Share-based compensation expense for stock options and ESPP	$ 60	$ 45	$ 53
Total tax benefit for stock option and ESPP share-based compensation	$ 21	$ 44	$ 39
Cash received from option exercises	$ 40	$ 92	$ 111
Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	$ 37	$ 48	$ 39

At July 31, 2022, there was $98 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 3.3 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Accumulated Other Comprehensive Loss

Comprehensive income consists of two elements, net income and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our consolidated balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt securities classified as available-for-sale and foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar.

The following table shows the components of accumulated other comprehensive loss, net of income taxes, in the stockholders' equity section of our consolidated balance sheets at the dates indicated.

	July 31,	
(In millions)	2022	2021
Unrealized gain (loss) on available-for-sale debt securities	$ (7)	$ 3
Foreign currency translation adjustments	(53)	(27)
Total accumulated other comprehensive loss	$ (60)	$ (24)

13. Benefit Plans

Non-Qualified Deferred Compensation Plan

Intuit's Executive Deferred Compensation Plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries and up to 75% of their bonuses. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We do not guarantee above-market interest on account balances. We may also make discretionary employer contributions to participant accounts in certain circumstances. The timing, amounts, and vesting schedules of employer contributions are at the sole discretion of the Compensation and Organizational Development Committee of our Board of Directors or its delegate. The benefits under this plan are unsecured and are general assets of Intuit. Participants are generally eligible to receive payment of their vested benefit at the end of their elected deferral period or after termination of their employment with Intuit for any reason or at a later date to comply with the restrictions of Section 409A of the Internal Revenue Code. Participants may elect to receive their payments in a lump sum or installments. Discretionary company contributions and the related earnings vest completely upon the participant's disability, death, or a change in control of Intuit. We made no employer contributions to the plan for any period presented.

We had liabilities related to this plan of $147 million at July 31, 2022 and $153 million at July 31, 2021. We have matched the plan liabilities with similar-performing assets, which are primarily investments in life insurance contracts. These assets are recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our consolidated balance sheets.

401(k) Plans

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 50% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of employee contributions, currently 125% up to six percent of salary, subject to Internal Revenue Service limitations.

Additionally, Credit Karma employees in the United States who participate in the Credit Karma 401(k) Plan may currently contribute up to 90% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of Credit Karma employee contributions, currently 100% up to six percent of salary, subject to Internal Revenue Service limitations.

Matching contributions for both plans were $118 million for the twelve months ended July 31, 2022; $80 million for the twelve months ended July 31, 2021; and $69 million for the twelve months ended July 31, 2020.

14. Legal Proceedings

Beginning in May 2019, various legal proceedings were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these legal proceedings are without merit and continue to defend our interests in them. These proceedings included, among others, multiple putative class actions that were consolidated into a single putative class action in the Northern District of California in September 2019 (the Intuit Free File Litigation). In August 2020, the Ninth Circuit Court of Appeals ordered that the putative class action claims be resolved through arbitration. In May 2021, the Intuit Free File Litigation was dismissed on a non-class basis after we entered into an agreement that resolved the matter on an individual non-class basis for an immaterial amount, without any admission of wrongdoing.

These proceedings also included individual demands for arbitration that were filed beginning in October 2019. On February 23, 2022 and May 23, 2022, we entered into settlement agreements that will resolve all of these pending arbitration claims, without any admission of wrongdoing. The ultimate amount that we are required to pay under these agreements will depend on the number of claimants that provide releases of claims thereunder. During the twelve months ended July 31, 2022, we accrued an immaterial amount based on our estimate of the probable payments we could make under these agreements. While we believe our accrual is adequate, the final payments required under these agreements could differ from our recorded estimate.

In June 2021, we received a demand and draft complaint from the Federal Trade Commission (FTC) and certain state attorneys general relating to the ongoing inquiries described above. On March 29, 2022, the FTC filed an action in federal court seeking a temporary restraining order and a preliminary injunction enjoining certain Intuit business practices pending resolution of the FTC’s administrative complaint seeking to permanently enjoin certain Intuit business practices (the FTC Actions). On April 22, 2022, the Northern District of California denied the FTC’s requests for a temporary restraining order and a preliminary injunction. On August 22, 2022, the FTC filed a motion for summary decision in the administrative action that, if granted, would decide that matter in favor of the FTC before a trial was held. On August 30, 2022, we filed our response to the FTC’s motion. While we continue to believe that the allegations contained in the FTC’s administrative complaint are without merit, the defense and resolution of this matter could involve significant costs to us. The state attorneys general did not join the FTC Actions and, on May 4, 2022, we entered into a settlement agreement with the attorneys general of the 50 states and the District of Columbia, admitting no wrongdoing, that resolved the states’ inquiry, as well as actions brought by the Los Angeles City Attorney and the Santa Clara County (California) Counsel. As part of this agreement, we agreed to pay $141 million and made certain commitments regarding our advertising and marketing practices. For the twelve months ended July 31, 2022, we recorded this payment as a one-time charge.

In view of the complexity and ongoing and uncertain nature of the outstanding proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss that we may incur to resolve or settle the remaining matters.

To date, the legal and other fees we have incurred related to these proceedings and inquiries have not been material. The ongoing defense and any resolution or settlement of these proceedings and inquiries could involve significant costs to us.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, 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. Our failure to obtain necessary licenses or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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 legal proceeding is uncertain and, regardless of outcome, legal proceedings can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors.

15. Segment Information

We have defined four 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.

On December 3, 2020, we acquired Credit Karma in a business combination and it operates as a separate reportable segment. We have included the results of operations of Credit Karma in our consolidated statements of operations from the date of acquisition. See Note 7, *"Business Combinations,"* for more information. Segment operating income for Credit Karma includes all direct expenses, which is different from our other reportable segments where we do not fully allocate corporate expenses.

On November 1, 2021, we acquired Mailchimp in a business combination. Mailchimp is part of our Small Business & Self-Employed segment and its revenue is primarily included within Online Services in the revenue disaggregation below. We have included the results of operations of Mailchimp in our consolidated statements of operations from the date of acquisition.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. We have included the results of Mint in the Consumer segment in the segment results below. Revenue and operating results for Mint are not significant, and the previously reported segment results have not been reclassified. Effective August 1, 2022, the operating results for Mint will be included in the Credit Karma segment.

On August 1 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants.

Small Business & Self-Employed**:** This segment serves small businesses and the self-employed around the world, and the accounting professionals who assist and advise them. Our QuickBooks offerings include financial and business management online services and desktop software, payroll solutions, time tracking, merchant payment processing solutions, and financing for small businesses. Our Mailchimp offerings include e-commerce, marketing automation, and customer relationship management.

Consumer**:** This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behaviors.

Credit Karma**:** This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loans, and insurance products; online savings and checking accounts through an FDIC member bank partner; and access to their credit scores and reports, credit and identity monitoring, credit report dispute, and data-driven resources.

ProConnect**:** This segment serves 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, and ProConnect Tax Online in the U.S., and ProFile and ProTax Online in Canada.

All of our segments operate primarily in the United States and sell primarily to customers in the United States. Total international net revenue was approximately 8%, 5%, and 4% of consolidated total net revenue for the twelve months ended July 31, 2022, 2021 and 2020.

For our Small Business & Self-Employed, Consumer, and ProConnect reportable segments, we include expenses such as corporate selling and marketing, product development, general and administrative, and non-employment related legal and litigation settlement costs, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For our Credit Karma reportable segment, segment expenses include all direct expenses related to selling and marketing, product development, and general and administrative. Unallocated corporate items for all segments include share-based compensation, 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. 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. See Note 6, *"Goodwill and Acquired Intangible Assets,"* for goodwill by reportable segment.

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

	Twelve Months Ended July 31,		
(In millions)	**2022**	**2021**	**2020**
Net revenue:			
Small Business & Self-Employed	$ 6,460	$ 4,688	$ 4,050
Consumer	3,915	3,563	3,136
Credit Karma	1,805	865	—
ProConnect	546	517	493
Total net revenue	$ 12,726	$ 9,633	$ 7,679
Operating income:			
Small Business & Self-Employed	$ 3,499	$ 2,590	$ 2,091
Consumer	2,483	2,237	2,063
Credit Karma	531	182	—
ProConnect	383	372	346
Total segment operating income	6,896	5,381	4,500
Unallocated corporate items:			
Share-based compensation expense	(1,308)	(753)	(435)
Other corporate expenses	(2,461)	(1,932)	(1,861)
Amortization of acquired technology	(140)	(50)	(22)
Amortization of other acquired intangible assets	(416)	(146)	(6)
Total unallocated corporate items	(4,325)	(2,881)	(2,324)
Total operating income	$ 2,571	$ 2,500	$ 2,176

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

	Twelve Months Ended July 31,		
(In millions)	**2022**	**2021**	**2020**
Net revenue:			
QuickBooks Online Accounting	$ 2,267	$ 1,699	$ 1,354
Online Services	2,171	1,051	828
Total Online Ecosystem	4,438	2,750	2,182
QuickBooks Desktop Accounting	851	789	755
Desktop Services and Supplies	1,171	1,149	1,113
Total Desktop Ecosystem	2,022	1,938	1,868
Small Business & Self-Employed	6,460	4,688	4,050
Consumer	3,915	3,563	3,136
Credit Karma	1,805	865	—
ProConnect	546	517	493
Total net revenue	$ 12,726	$ 9,633	$ 7,679

INTUIT INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Beginning Balance	Additions Charged to Expense/ Revenue	Deductions	Ending Balance
Year ended July 31, 2022				
Allowance for doubtful accounts	$ 96	$ 74	$ (139)	$ 31
Reserve for returns and credits	21	183	(179)	25
Reserve for promotional discounts and rebates	10	64	(68)	6
Year ended July 31, 2021				
Allowance for doubtful accounts	$ 12	$ 92	$ (8)	$ 96
Reserve for returns and credits	24	168	(171)	21
Reserve for promotional discounts and rebates	11	62	(63)	10
Year ended July 31, 2020				
Allowance for doubtful accounts	$ 3	$ 68	$ (59)	$ 12
Reserve for returns and credits	24	170	(170)	24
Reserve for promotional discounts and rebates	11	73	(73)	11

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - 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 Annual Report on Form 10-K 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of July 31, 2022 based on the guidelines established in *Internal Control – Integrated Frame*work issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In accordance with guidance issued by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. Our management's evaluation of internal control over financial reporting excluded the internal control activities of Mailchimp, which we acquired on November 1, 2021, as discussed in Note 7, "Business Combinations" of the Notes to the Consolidated Financial Statements. We have included the financial results of this acquisition in the consolidated financial statements from the date of acquisition. Total revenue subject to Mailchimp's internal control over financial reporting represented six percent of our consolidated total revenues for the fiscal year ended July 31, 2022. Total assets and net assets subject to Mailchimp's internal control over financial reporting represent less than one percent of both our consolidated total assets and net assets as of July 31, 2022.

Based on the results of our evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit and Risk Committee of Intuit's Board of Directors.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of July 31, 2022. Their report is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

Except as noted above, there was no change in our internal control over financial reporting during the period ended July 31, 2022 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.

ITEM 9B - OTHER INFORMATION

None.

ITEM 9C - DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We maintain a Code of Conduct and Ethics that applies to all employees, including all officers. We also maintain a Board of Directors Code of Ethics that applies to all members of our Board of Directors. Our Code of Conduct and Ethics and Board of Directors Code of Ethics incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. Our Code of Conduct and Ethics and Board of Directors Code of Ethics are published on our Investor Relations website at https://investors.intuit.com/corporate-governance/conduct-and-guidelines/default.aspx. We disclose amendments to certain provisions of our Code of Conduct and Ethics and Board of Directors Code of Ethics, or waivers of such provisions granted to executive officers and directors, on this website.

The other information required by this Item 10 regarding directors is incorporated by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission in connection with the solicitation of proxies for our 2023 Annual Meeting of Stockholders (the "2023 Proxy Statement") under the sections entitled "Proposal No. 1 - Election of Directors – Our Board Nominees," "Corporate Governance," and "Delinquent Section 16(a) Reports." Certain information required by this Item 10 regarding executive officers is set forth in Item 1 of Part I of this report under the heading "Information about our Executive Officers."

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2023 Proxy Statement under the sections entitled "Compensation and Organizational Development Committee Report," "Compensation Discussion and Analysis," "Director Compensation," "Equity Compensation Plan Information," and "Executive Compensation Tables."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference from the information contained in our 2023 Proxy Statement under the sections entitled "Stock Ownership Information" and "Executive Compensation Tables."

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference from the information contained in our 2023 Proxy Statement under the sections entitled "Corporate Governance – Director Independence" and "Transactions with Related Persons."

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICE

The information required by this Item 14 is incorporated by reference from the information contained in our 2023 Proxy Statement under the section entitled "Proposal No. 3 – Ratification of Selection of Independent Registered Public Accounting Firm."

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements – See Index to Consolidated Financial Statements in Part II, Item 8.
2. Financial Statement Schedules – See Index to Consolidated Financial Statements in Part II, Item 8.
3. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
2.01	Equity Purchase Agreement, dated September 13, 2021, by and among Intuit Inc., a Delaware corporation, The Rocket Science Group LLC, a Georgia limited liability company, VERP Holdings I, LLC, a Georgia limited liability company, VERP Holdings II, LLC, a Georgia limited liability company, DMK RSG, LLC, a Delaware limited liability company, DMK Life LLC, a Delaware limited liability company, DMK 10 LLC, a Delaware limited liability company, DMK 20 LLC, a Delaware limited liability company, DMK RSG Holdco LLC, a Delaware limited liability company, and Benjamin Chestnut, an individual resident of the State of Georgia, as the Sellers' Representative*		8-K	9/13/2021
3.01	Restated Intuit Certificate of Incorporation, dated as of January 19, 2000		10-Q	6/14/2000
3.02	Bylaws of Intuit, as amended and restated effective May 5, 2016		8-K	5/9/2016
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
4.02	Description of Common Stock		10-K	8/30/2019
4.03	Indenture, dated as of June 29, 2020, between Intuit and U.S. Bank National Association, as trustee		8-K	6/29/2020
4.04	Form of 0.650% Senior Note due 2023		8-K	6/29/2020
4.05	Form of 0.950% Senior Note due 2025		8-K	6/29/2020
4.06	Form of 1.350% Senior Note due 2027		8-K	6/29/2020
4.07	Form of 1.650% Senior Note due 2030		8-K	6/29/2020
10.01+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 20, 2022		10-Q	3/2/2022
10.02+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 19, 2017		S-8 333-215639	1/20/2017
10.03+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.04+	Forms of Equity Grant Agreements:CEO Performance-Based Restricted Stock Unit; Executive Performance-Based Restricted Stock Unit	X		

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.05+	Forms of Equity Grant Agreements: Executive Chairman Non-Qualified Stock Option; Executive Chairman Service-Based Restricted Stock Unit; Executive Chairman Performance-Based Restricted stock Unit; CEO Performance-Based Restricted Stock Unit; Executive Performance-Based Restricted Stock Unit; Service-Based Restricted Stock Unit (non-focal)		10-K	9/8/2021
10.06+	Forms of Equity Grant Agreements: Executive Chair and EVP Service-Based Restricted Stock Unit; Executive Chair and EVP TSR Performance-Based Restricted Stock Unit; CEO Service-Based Restricted Stock Unit; CEO TSR Performance-Based Restricted Stock Unit		10-K	8/31/2020
10.07+	Forms of Equity Grant Agreements: Executive Chair and EVP Restricted Stock Unit, and CEO Restricted Stock Unit		10-K	8/30/2019
10.08+	Form of Executive Chair Restricted Stock Unit Agreement - service-based vesting		10-Q	2/22/2019
10.09+	Forms of Equity Grant Agreements: EVP-SVP TSR Performance-Based Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, EVP Time-Based Restricted Stock Unit, CEO Restricted Stock Unit, Stock Option - 4 year vest, Time-Based RSU - 4 year vest (focal), New Hire Time-Based Restricted Stock Unit - 4 year vest		10-K	8/31/2018
10.10+	Forms of Equity Grant Agreements: Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, CEO Restricted Stock Unit, Executive TSR Performance-Based Restricted Stock Unit, EVP Restricted Stock Unit, Restricted Stock Unit - MSPP Purchased, Restricted Stock Unit- MSPP Matching, Stock Option		10-K	9/1/2017
10.11+	Forms of Equity Grant Agreements: CEO Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, Executive Restricted Stock Unit, EVP/SVP TSR Performance-Based Restricted Stock Unit, Restricted Stock Unit, and Stock Option Agreement		10-K	9/1/2016
10.12+	Form of Amended and Restated 2005 Equity Incentive Plan Non-Qualified Stock Option Grant Agreement: New Hire, Promotion, Retention or Focal Grant		10-K	9/13/2013
10.13+	Credit Karma, Inc. 2015 Equity Incentive Plan, as amended		S-8 333-251096	12/3/2020
10.14+	Form of Restricted Stock Unit Agreement under the Credit Karma, Inc. 2015 Equity Incentive Plan		S-8 333-251096	12/3/2020
10.15+	Form of Restricted Stock Unit Agreement under the Credit Karma, Inc. 2015 Equity Incentive Plan		S-8 333-251096	12/3/2020
10.16+	Form of Restricted Stock Unit Agreement under the Credit Karma, Inc. 2015 Equity Incentive Plan		S-8 333-251096	12/3/2020
10.17+	Intuit Inc. Employee Stock Purchase Plan, as amended through January 19, 2022		10-Q	3/2/2022
10.18+	Intuit Inc. Amended Non-Employee Director Compensation Program, effective January 20, 2022		8-K	1/24/2022
10.19+	Description of Non-Employee Director Compensation, approved		10-Q	11/20/2018

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.22+	Forms of Non-employee Director Restricted Stock Unit Agreements		10-Q	11/20/2017
10.23+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013
10.24+	Fourth Amended and Restated Management Stock Purchase Program		10-Q	2/22/2019
10.25+	Intuit Executive Relocation Policy		10-K	8/31/2018
10.26+	Intuit Inc. Non-qualified Deferred Compensation Plan, effective January 1, 2009		10-Q	11/20/2017
10.27+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.28+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.29+	Amended and Restated Intuit Inc. Performance Incentive Plan, adopted October 28, 2020		10-Q	11/19/2020
10.30+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers		10-Q	2/23/2017
10.31+	Letter regarding Terms of Employment by and between Intuit Inc. and Michelle Clatterbuck dated January 19, 2018		8-K	1/23/2018
10.32+	Letter Regarding Terms of Employment by and between Intuit Inc. and Sasan Goodarzi, dated November 15, 2018		10-Q	11/20/2018
10.33+	Employment memo dated November 7, 2018 to J. Alexander Chriss dated November 7, 2018 and effective January 1, 2019.		10-K	8/30/2019
10.34+	Employment memo dated November 7, 2018 to Marianna Tessel and effective January 1, 2019		10-K	8/31/2020
10.35	Credit Agreement, dated as of November 1, 2021, by and among Intuit Inc., the lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, BofA Securities Inc. and The Bank of Nova Scotia, as co-syndication agents, and JPMorgan Chase Bank, N.A., BofA Securities Inc. and The Bank of Nova Scotia, as joint lead arrangers and joint bookrunners		8-K	11/1/2021
10.36	Assurance of Voluntary Compliance, dated May 4, 2022, by and between Intuit Inc. and the Attorney General of the State of New York	X		
10.37	Schedule identifying agreements substantially identical to the Assurance of Voluntary Compliance filed as Exhibit 10.36 hereto	X		
10.38#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003		10-K	9/19/2003
10.39	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007		10-K	9/14/2007
10.40#	Amendment 3 to Master Services Agreement between Intuit and		10-Q	5/30/2008

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.42	Amended and Restated Amendment Seven to the Master Service Agreement by and between Intuit and Arvato Digital Services effective September 1, 2013		10-Q	11/22/2013
10.43	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014		10-K	9/12/2014
10.44	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2475, 2500, 2525, 2535 and 2550 Garcia Avenue, Mountain View, CA		10-K	9/19/2003
10.45	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2650, 2675, 2700 and 2750 Coast Avenue and 2600 Casey Avenue, Mountain View, California		10-K	9/19/2003
10.46	Second Amendment to Lease Agreement Phase 1, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
10.47	Third Amendment to Lease Agreement Phase 2, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
21.01	List of Intuit’s Subsidiaries	X		
23.01	Consent of Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	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		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X		

+ Indicates a management contract or compensatory plan or arrangement.

We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.

ITEM 16 - FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

INTUIT INC.

Dated: September 2, 2022	By: /s/ MICHELLE M. CLATTERBUCK
	Michelle M. Clatterbuck
	Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Sasan K. Goodarzi and Michelle M. Clatterbuck as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
Principal Executive Officer:		
/s/ SASAN K. GOODARZI Sasan K. Goodarzi	President, Chief Executive Officer and Director	September 2, 2022
Principal Financial Officer:		
/s/ MICHELLE M. CLATTERBUCK Michelle M. Clatterbuck	Executive Vice President and Chief Financial Officer	September 2, 2022
Principal Accounting Officer:		
/s/ LAUREN D. HOTZ Lauren D. Hotz	Senior Vice President and Chief Accounting Officer	September 2, 2022
Additional Directors:		
/s/ EVE BURTON Eve Burton	Director	September 2, 2022
/s/ SCOTT D. COOK Scott D. Cook	Director	September 2, 2022
/s/ RICHARD DALZELL Richard Dalzell	Director	September 2, 2022
/s/ TEKEDRA MAWAKANA Tekedra Mawakana	Director	September 2, 2022
/s/ DEBORAH LIU Deborah Liu	Director	September 2, 2022
/s/ SUZANNE NORA JOHNSON Suzanne Nora Johnson	Chair of the Board of Directors	September 2, 2022
/s/ DENNIS D. POWELL Dennis D. Powell	Director	September 2, 2022
/s/ BRAD D. SMITH Brad D. Smith	Director	September 2, 2022
/s/ THOMAS SZKUTAK Thomas Szkutak	Director	September 2, 2022
/s/ RAUL VAZQUEZ Raul Vazquez	Director	September 2, 2022
/s/ JEFF WEINER Jeff Weiner	Director	September 2, 2022

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 2021

OR

☐ 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

intu-20210731_g1.jpg

INTUIT INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization) *(IRS*

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	INTU	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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 definition 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 ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2021, the last business day of our most recently completed second fiscal quarter, based on the closing price of $361.23 reported by the Nasdaq Global Select Market on that date, was $96.2 billion.

There were 273,091,929 shares of Intuit voting common stock outstanding as of August 31, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for its Annual Meeting of Stockholders to be held on January 20, 2022 are incorporated by reference in Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. These risks and uncertainties may be amplified by the coronavirus ("COVID-19") pandemic, which has caused significant global economic instability and uncertainty. The extent to which the COVID-19 pandemic impacts Intuit's business, operations, financial results, and financial condition, including the duration and magnitude of such effects, will depend on numerous evolving factors, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or respond to its impact, and how quickly and to what extent normal economic and operating conditions can resume. Please also see the section entitled "*Risk Factors"* in Item 1A of Part I of this Annual Report for important information to consider when evaluating these 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;
- statements regarding the impact of the COVID-19 pandemic on our 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 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; 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 our income tax valuation allowance is sufficient;
- 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 plan to continue to provide ongoing enhancements and certain connected services for all future versions of our QuickBooks Desktop software products;
- our judgments and assumptions relating to our loan portfolio;
- our belief that the credit facilities will be available to us should we choose to borrow under them; and
- our assessments and beliefs regarding the future developments and outcomes 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 or expenses 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 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 Annual Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

PART I

ITEM 1 - BUSINESS

CORPORATE BACKGROUND

General

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 serve small business customers.

Our global products and platforms, including TurboTax, QuickBooks, Mint, and Credit Karma, are designed to help consumers and small businesses manage their finances, save money, pay off debt and do their taxes with ease and confidence so they are receiving the maximum refund they deserve. For those customers who run small businesses, we are focused on helping them get paid faster, pay their employees, access capital, ensure their books are done right and find and keep customers. We serve approximately 100 million customers across our product offerings and platforms. We had revenue of $9.6 billion in our fiscal year which ended July 31, 2021.

Intuit Inc. was incorporated in California in March 1984. We reincorporated in Delaware and completed our initial public offering in March 1993. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our main telephone number is 650-944-6000. When we refer to "we," "our" or "Intuit" in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Available Information

Our corporate website, *www.intuit.com*, provides materials for investors and information relating to Intuit's corporate governance. The content on any website referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise.

We file reports required of public companies with the Securities and Exchange Commission (SEC). These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with or furnish to the SEC as soon as reasonably practicable after the reports are filed or furnished. Copies of this Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000 or by emailing investor_relations@intuit.com.

BUSINESS OVERVIEW

Intuit's Mission

At Intuit, our mission is to power prosperity around the world. All of our customers have a common set of needs. They are trying to make ends meet, maximize their tax refund, save money and pay off debt.

Those who have made the bold decision to become entrepreneurs, and go into business for themselves, have an additional set of needs. They want to find and keep customers, get paid for their hard work, access capital to grow and ensure their books are right.

Across our platform, we use the power of technology to deliver three core benefits to our customers: helping put more money in their pockets, eliminating work and saving people time so they can focus on what matters to them, and ensuring that they have complete confidence in every financial decision they make.

The rise of Artificial Intelligence (AI) is fundamentally reshaping our world — and Intuit is taking advantage of this technological revolution to find new ways to deliver on our mission. We are focused on capitalizing on this opportunity to improve prosperity globally and inspire our workforce, while investing in our company’s reputation and durable growth in the future.

Our Business Portfolio

We organize our businesses into four reportable segments:

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

Consumer**:** This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behaviors.

Credit Karma**:** This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loan, and insurance products; online savings and checking accounts through our partner, MVB Bank, Inc., member FDIC; and access to their credit scores and reports, credit and identity monitoring, credit report dispute, and data-driven resources.

ProConnect**:** This segment serves 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, and ProConnect Tax Online in the U.S., and ProFile and ProTax Online in Canada.

Our Growth Strategy

At Intuit, our strategy starts with customer obsession. We listen to and observe our customers, understand their challenges, and then use advanced technology, including AI, to develop innovative solutions designed to solve their most important financial problems. For more than three decades, we have reinvented and disrupted ourselves in order to ensure our customers are armed with the technology they need to grow and prosper.

Our strategy for delivering on our bold goals is to become an AI-driven expert platform where we and others can solve our customers’ most important problems. We plan to accelerate the development of the platform by applying AI in three key areas:

- An Open Platform: None of us can do it alone, including Intuit. The best way to deliver for customers is by creating an open, collaborative platform. It’s the power of partnerships that accelerates the world’s success. Our open technology platform integrates with partners so together we can deliver value and benefits that matter the most to our customers.
- Application of AI: AI helps our customers work smarter because we can automate, predict and personalize their experience. Using AI technologies, we are: leveraging machine learning to build decision engines and algorithms that learn from rich datasets to transform user experiences; applying knowledge engineering and turning compliance rules into code; and using natural language processing to revolutionize how customers interact with products and services.
- Incorporating Experts: One of the biggest problems our customers face is confidence. Even with current advances in technology that deliver personalized tools and insights, many people want to connect with a real person to help give them the confidence they are making the right decision. By bringing experts onto our platform we can solve this massive problem for customers. The power of our virtual expert platform allows us to scale the intelligence of our products, elevating experts to advisors and delivering big benefits for customers.

As we build our AI-driven expert platform, we are prioritizing our resources on five strategic priorities across the company. These priorities focus on solving the problems that matter most to customers and include:

- **Revolutionizing speed to benefit:** When customers use our products and services, we aim to deliver value instantly by making the interactions with our offerings frictionless, without the need for customers to manually enter data. We are accelerating the application of AI with a goal to revolutionize the customer experience. This priority is foundational across our business, and execution against it positions us to succeed with our other four strategic priorities.

- **Connecting people to experts:** The largest problem our customers face is lack of confidence to file their own taxes or to manage their books. To build their confidence, we are connecting our customers to experts. We offer customers access to experts to help them make important decisions – and experts, such as accountants, gain access to new customers so they can grow their businesses.
- **Unlocking smart money decisions:** Crippling high-cost debt and lack of savings are at unprecedented levels across the U.S. To address these challenges, we are creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial expertise and advice. Our acquisition of Credit Karma accelerates our ability to achieve this vision, by combining two trusted brands, customer reach, data and platform capabilities to deliver breakthrough benefits that will power prosperity for customers around the world.
- **Be the center of small business growth:** We are focused on helping customers grow their businesses by offering a broad, seamless set of tools that are designed to help them get paid faster, manage and get access to capital, pay

employees with confidence, and use third-party apps to help run their businesses. At the same time, we want to position ourselves to better serve product-based businesses to benefit customers who sell products through multiple channels.

- **Disrupt the small business mid-market:** We aim to disrupt the mid-market with QuickBooks Online Advanced, our online offering designed to address the needs of small business customers with 10 to 100 employees. This offering enables us to increase retention of these larger customers, and attract new mid-market customers who are over-served by available offerings.

As the external environment evolves, we continue to innovate and adapt our strategy and anticipate our customers' needs. For more than 35 years, we have been dedicated to developing innovative financial and compliance products and services that are easy to use and are available where and when customers need them. As a result, our customers actively recommend our products and solutions to others, which is one important way that we measure the success of our strategy.

PRODUCTS AND SERVICES

During fiscal 2021 we offered our products and services in the four segments described in *"Business Overview"* above. The following table shows the revenue for each of these segments over the last three fiscal years.

	Fiscal 2021	Fiscal 2020	Fiscal 2019
Small Business & Self-Employed	49 %	53 %	52 %
Consumer	37 %	41 %	41 %
Credit Karma (1)	9 %	— %	— %
ProConnect	5 %	6 %	7 %

(1) Credit Karma revenue from December 3, 2020

Total international net revenue was less than 5% of consolidated total net revenue for the twelve months ended July 31, 2021, 2020 and 2019.

For financial information about our reportable segments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 and Note 14 to the financial statements in Item 8 of this Annual Report.

Small Business & Self-Employed

Our Small Business & Self-Employed segment serves small businesses and the self-employed around the world, and the accounting professionals who assist and advise them. Our goal is for QuickBooks to be the source of truth for each small business customer who uses our integrated platform. We work to make this a reality through our three-pillared growth strategy: Grow the Core by transforming financial management software and meeting customers where they are; Connect the Ecosystem, by meeting a wider range of customer needs with a single integrated platform; and expand our geographic footprint globally, by serving small businesses around the world. With this strategy we enable a powerful ecosystem, personalized using artificial intelligence, to deliver a suite of right-for-me solutions to a wide range of customers globally.

Our integrated platform includes:

QuickBooks Online. Our QuickBooks financial management solutions help small businesses, the self-employed, and accountants solve financial and compliance problems, make more money and reduce unnecessary work, while giving them complete confidence in their actions and decisions. Users can track income and expenses, create and send invoices and estimates, manage and pay bills, and review a variety of financial reports. QuickBooks Live enables our customers to obtain live bookkeeping advice from professionals. QuickBooks Online also comes with a powerful mobile app available on iOS and Android which enables customers to run their entire business from their phone. The app provides the customers instant access to their QuickBooks data and includes powerful features that take advantage of mobile technology such as automatically tracking business miles or the ability to upload a picture of a receipt.

QuickBooks Online is an open platform, enabling third-party developers to create online and mobile applications that integrate with our offering. A growing number of companies offer applications built for our QuickBooks platform, including PayPal, Shopify and Square.

QuickBooks Desktop Software. Our QuickBooks financial management solutions are also available as desktop versions for small businesses.

In addition to our core QuickBooks offering, we also offer specific solutions for the following customer segments:

- *Mid-Market Small Businesses*. Our QuickBooks Online Advanced and QuickBooks Enterprise offerings are designed for small businesses with 10 to 100 employees that have more complex needs. QuickBooks Online Advanced, Intuit's cloud-based offering, is specifically designed for high-growth, mid-market small businesses and leverages AI, automation and data insights to deliver more ways for them to grow and scale. QuickBooks Enterprise is available for download and can also be provided as a hosted solution. This offering provides industry-specific reports and features for a range of industries, including Contractor, Manufacturing and Wholesale, Nonprofit, and Retail.

- *Self-Employed*. QuickBooks Self-Employed is designed specifically for self-employed customers whose needs are different than small businesses that use QuickBooks. Features include categorizing business and personal transactions, identifying and classifying tax deductible expenses, tracking mileage, calculating estimated quarterly taxes and sending invoices. QuickBooks Self-Employed can be combined with TurboTax to export and pay year-end taxes. QuickBooks Self-Employed is available both online and via a mobile application.
- *Product-Based Businesses*. With QuickBooks Commerce, product-based businesses such as online sellers are able to access inventory and sales from multiple sales channels, manage orders and fulfillment, sync inventory across online and offline channels to avoid stockouts and gain profitability insights. QuickBooks Commerce also helps small businesses attract and sell to new customers across multiple channels and ultimately grow their business.
- *Accountants*. QuickBooks Online Accountant and QuickBooks Accountant Desktop Plus are available to accounting professionals who use QuickBooks offerings and recommend them to their small business clients. These offerings provide the tools and file-sharing capabilities that accounting professionals need to efficiently complete bookkeeping and financial reporting tasks as well as manage their practices. We also offer memberships to the QuickBooks ProAdvisor program, which provides accountants access to QuickBooks Online Accountant, QuickBooks Accountant Desktop Plus, QuickBooks Desktop Enterprise Accountant, QuickBooks Point of Sale Desktop, technical support, training, product certification, marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Ecosystem Services

Employer Solutions (Payroll and Time Tracking). Our payroll solutions are sold on a subscription basis and integrate with our QuickBooks Online and QuickBooks Desktop offerings. All of our payroll offerings allow customers to perform payroll processing, direct deposit of employee paychecks, payroll reports, electronic payment of federal and state payroll taxes, and electronic filing of federal and state payroll tax forms. Our QuickBooks Online payroll offerings include automated tax payments and filings, as well as access to employee benefits offerings like health insurance and 401ks. Certain online offerings also include same day direct deposit, access to human resource advice, and access to additional expert-powered services like Tax Penalty Protection. QuickBooks Desktop payroll is available in both a self-service and an assisted version, depending on whether customers want to do their own taxes or leverage automated tax payments and filings. We also offer QuickBooks Time which seamlessly integrates with QuickBooks Payroll and third-party payroll products to help businesses easily and accurately track time across a mobile workforce, including tools for project planning, job costing, and tracking per-client billable hours.

Payment Processing Solutions. Our full range of merchant services for small businesses includes credit card, debit card, Apple Pay, and ACH payment services for in person and card not present payments. We offer instant deposit options for eligible customers. QuickBooks Payments is deeply integrated into QuickBooks through seamless onboarding and automated transaction reconciliation, and is the default payment solution for QuickBooks invoicing. Our Payments offering is also connected with QuickBooks Cash, our small business banking solution, through integrated onboarding and instant funds availability. In addition to transaction processing services, our services include broad customer support, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening.

Capital for Small Businesses. We offer financing options for small businesses to help them get the capital they need to succeed. The financing process provides small businesses the ability to use their QuickBooks data to qualify to borrow capital.

QuickBooks Cash. The QuickBooks Cash business bank account with debit card adds banking capabilities to QuickBooks’ robust business offerings. QuickBooks Cash, when used with the QuickBooks suite of business services, takes the complexity and latency out of managing finances for small business owners. QuickBooks Cash has no account opening fees, maintenance fees, minimum balances, overdraft fees, or other recurring fees. QuickBooks Cash includes a machine-learning powered finance planner which helps small businesses plan for the future by making 90-day cash flow projections, including predictions on when invoices are likely to be paid, enabling small business customers to better manage their cash flow.

Financial Supplies. We offer a range of financial supplies designed for individuals and small businesses that use our QuickBooks offerings. These include standard paper checks and Secure Plus checks with CheckLock fraud protection features, a variety of stationery, tax forms and related supplies.

Consumer

Our Consumer segment includes our TurboTax products and services that are designed to enable customers to prepare and file their federal and state income tax returns quickly and accurately. These offerings are available either online or as desktop versions. They are designed to be easy to use, yet sophisticated enough for complex tax returns. For customers using our online offerings and looking for additional advice or guidance along the way, we have experts standing by to offer tax review and advice all year round. We also have experts available to prepare, sign and file tax returns for customers who prefer to have their taxes prepared for them. Within this segment, we also offer Mint, which is an online personal finance offering aimed at helping customers track their finances and daily financial behaviors. Our online offerings can be accessed on mobile devices.

Tax Return Preparation Offerings. For the 2020 tax season, we offered a variety of commercial software products and tax filing services to meet the different needs of our customers, including those filing simple returns, those who itemize deductions, own investments or rental property, and small business owners. Customers can electronically file their federal and state income tax returns through our electronic filing service. We also offered TurboTax Live for customers seeking to obtain tax advice from professionals, TurboTax Live Full Service for customers seeking to have their tax returns prepared for them, as well as audit defense and audit support services. Our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online. Our TurboTax U.S. and Canada offerings consist of desktop, online, and mobile offerings. In addition to our commercial product offerings, for the 2020 tax season we were a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government to donate free online federal tax preparation and filing services to the IRS, which the IRS then markets to eligible consumers on an IRS website. At the conclusion of this tax season in October, we will no longer participate in the Free File Alliance. See also "Competition – Consumer Segment" later in this Item 1 for more information on the Free File Alliance.

Credit Karma

Our Credit Karma segment provides consumers with a financial platform that helps them find the right financial products and put more money in their pockets. The platform offers a number of free services to its members: access to their credit scores and reports, credit and identity monitoring, credit report dispute, data-driven resources, personalized recommendations of credit card, loan, and insurance products and online savings and checking accounts through our bank partner, MVB Bank, Inc., Member FDIC. To provide these services to its members, Credit Karma works with a variety of partners, including credit bureaus, banks, credit card issuers, and other financial institutions and lending partners. Additionally, Credit Karma leverages Lightbox, a first-of-its-kind enterprise platform which allows lenders to leverage thousands of de-identified data points from Credit Karma members to help provide its members with greater certainty that they will be approved if they apply for a financial product.

ProConnect

Our ProConnect segment includes our professional tax offerings and serves 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 consist of Lacerte, ProSeries, and ProConnect Tax Online in the U.S., and ProFile and ProTax Online in Canada. These offerings enable accountants to accurately and efficiently complete and electronically file a full range of consumer, small business, and commercial federal and state tax returns. Lacerte is designed for full-service year-round accounting firms who handle more complex returns. ProSeries is designed for year-round tax practices handling moderately complex tax returns. ProConnect Tax Online is our cloud-based solution, which is designed for full-service year-round practices who prepare all forms of consumer and small business returns and integrates with our QuickBooks Online offerings. ProFile is our Canadian desktop tax offering, which serves year-round full-service accounting firms for both consumer and business tax returns. ProTax Online is our Canadian cloud based tax solution, which is designed for full-service year-round practices who prepare all forms of consumer and business tax returns, and is fully integrated into QuickBooks Online Accountant to provide seamless integration of data across books and tax through our Workpapers solution. We also offer a variety of tax-related services that complement the tax return preparation process including year-round document storage, collaboration services, e-signature, and bank products, and additional capabilities such as fixed asset management, desktop hosting, and third party solutions for practice management for some of our U.S. tax offerings.

PRODUCT DEVELOPMENT

The markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements. Continuous investment is required to innovate and develop new products and services as well as enhance existing offerings to be successful in these markets. Our product development efforts are more important than ever as we pursue our growth strategy.

We develop many of our products and services internally, and we have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We also supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships that enable us to enhance or expand our offerings more rapidly. We expect to expand our third-party technology relationships as we continue to pursue our growth strategy.

Our online offerings and mobile applications have rapid development cycles, while our traditional desktop software products tend to have predictable annual development and product release cycles. In addition, developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate federal and state tax law and tax form changes within a rigid timetable. The development timing for our small business payroll and merchant payment processing services offerings varies with business needs and regulatory requirements, and the length of the development cycle depends on the scope and complexity of each project.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services with financial recommendations, personalization, and ease of use enabled by AI and other advanced technologies. We continue to focus on developing new products and services, including new mobile and global offerings, and significant research and development efforts for ongoing projects to update the technology platforms for several of our offerings.

SEASONALITY

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

Due to the COVID-19 pandemic, the timing of tax filing seasons for fiscal 2021 and fiscal 2020 varied significantly. In fiscal 2019, the IRS began accepting returns on January 28, 2019 and the tax filing deadline was April 15, 2019. In fiscal 2020, the IRS began accepting returns on January 27, 2020 and the tax filing deadline was July 15, 2020. In fiscal 2021, the IRS began accepting returns on February 12, 2021 and the tax filing deadline was May 17, 2021. These changes to the tax filing seasons impacted our quarterly financial results during fiscal 2021 and fiscal 2020.

We expect the seasonality of our Consumer and ProConnect businesses to continue to have a significant impact on our quarterly financial results in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary customers are consumers, small businesses, and the self-employed. We also provide specialized tax and accounting products to professional accountants, who are key partners to help us reach small business customers. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past several years, the widespread usage of mobile devices and the explosion of social media have accelerated the pace of change and revolutionized the way that customers learn about, evaluate, and purchase products and services.

Real-time, personalized online and mobile shopping experiences are the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This has created a need for integrated, multi-channel, shop-and-buy experiences. Market and industry changes quickly make existing products and services obsolete. Our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods, and other changes in the way we do business.

Marketing Programs

We use a variety of marketing programs to generate direct sales, develop leads, increase general awareness of our product portfolio, and drive sales in retail. These programs include digital marketing such as display and pay-per-click advertising, search engine optimization, and social and affiliate marketing; mobile marketing through online app stores; email marketing; offline marketing such as TV, radio, billboard, magazine and newspaper advertising; retail marketing; public relations; and in product marketing to drive awareness of related products and services. Our campaigns are designed to attract new users, retain existing users, and cross sell additional offerings.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our customers use the web and mobile devices to research products and services. Some customers buy and use our products and services entirely online or through their mobile devices. Others research online but make their purchase at a retail location. Because many customers shop across multiple channels, we continue to coordinate our online, offline, and retail presence and promotions to support an integrated, multi-channel, shop-and-buy model. We also focus on cross-selling complementary Intuit and third-party offerings online and in-product.

Direct Sales Channel. We sell many of our products and services directly through our websites and call centers. Direct, online sales are an effective channel for customers who can make purchase decisions based on content provided on our websites, via other online content or word of mouth recommendations. Telesales continues to be an effective channel for serving customers that want live help to select the products and services that are right for their needs. We also have a direct sales force that calls on U.S. and international accounting firms and seeks to increase their awareness, usage, and recommendation of our small business and professional tax solutions. For mid-market businesses, we have implemented and expanded on our omni channel go to market strategy by diversifying and growing our technology partner channel and industry focused direct sales teams.

Mobile Application Stores. We distribute many of our offerings for mobile devices through proprietary online stores that provide applications for specific devices. These include the Apple App Store and Google's Play Store.

Partner and Other Channels. We sell our products and services through partners including value-added resellers, system integrators (including accountants), and managed service providers who help us reach new customers at the point of need and drive growth and market share by extending our online reach. These partners combine our products and services with marketing, sales, and technical expertise to deliver a complete solution at the local level. We also sell our QuickBooks and TurboTax desktop software as well as payroll services at retail locations across the United States and Canada and on retailer websites. In Canada, we also rely on distributors who sell products into the retail channel.

COMPETITION

Overview

We face intense competition in all of our businesses, both domestically and internationally. Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. Some of our existing competitors have significantly greater financial, technical and marketing resources than we do. In addition, the competitive landscape can shift rapidly as new companies enter and existing companies expand their businesses to include the markets in which we compete. This is particularly true for online and mobile products and services, where the barriers to entry are lower than they are for desktop software products and services. To attract customers, many online and mobile competitors are offering free or low-priced products which we must take into account in our pricing strategies.

Given the breadth of the products and services that we offer as a global technology company, we compete with the offerings from a variety of companies across a range of industries. Our most obvious competition comes from other companies that currently offer technology solutions similar to ours. In our Small Business & Self-Employed segment, we face competition from a variety of companies that provide products or services to address the problems that we help our customers to solve, including getting paid faster, paying their employees, accessing capital and ensuring their books are done right. Our Consumer segment competes with companies that offer products and services to help customers file their taxes, better manage their money and reduce their debt. We may also face competition from companies with platforms that could be developed to offer competing technology solutions to any of the problems that our customers may face, such as Facebook, Amazon and Google. In addition, for many of our products and services, other competitive alternatives for customers are third-party service providers such as professional accountants and seasonal tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives. In some cases, a competitor in one of our segments may be our partner in another one of our segments. In other cases, a company may compete with us in more than one of our segments.

Competition Specific to Segments

Small Business & Self-Employed Segment. QuickBooks is a leading small business financial management software in the U.S. Small businesses often look to several companies to address their problems. Therefore, our small business products and services face competitive challenges from a variety of companies that provide products or services that address one or more of their problems. We compete to help small businesses get their books right with Xero, The Sage Group plc, and FreshBooks, among others, which offer software and associated services as well as online accounting offerings that directly serve small business customers. For small businesses with more complex financial management needs, our competitors include The Sage Group plc's Intacct offering and Microsoft Dynamics. We also compete with free or low-cost online accounting offerings, and free online banking and bill payment services offered by financial institutions and others. In our payroll business we compete directly with Automatic Data Processing, Inc. (ADP), Paychex, Gusto, and many other companies that help small businesses to pay their employees. In our merchant services business we help our customers get paid faster and compete directly with large financial institutions such as Wells Fargo, JP Morgan Chase, and Bank of America and with many payment processors, including First Data Corporation, Elavon, Global Payments, Fidelity National Information Services, PayPal, and Square. Our QuickBooks Capital offering, which helps small businesses to access capital, competes with a range of lending enterprises, including large financial institutions, such as the ones listed above, fintech companies, such as Square and PayPal, and others.

Consumer Segment. In our Consumer segment, we compete to help our customers to file their taxes. Our future growth depends on our ability to attract new customers to the self-preparation tax category and to our assisted offering, TurboTax Live, from tax stores and other tax preparers. In the U.S. private sector we face intense competition from H&R Block, which provides tax preparation services in its stores and a competing software offering. We also face competition from several other large tax preparation service providers, from a myriad of small tax preparers, and from numerous online self-preparation offerings, including Blucora's TaxAct, Free Tax USA, TaxSlayer, and Square. Some of these competitors are offering electronic tax preparation and filing services at no cost to individual taxpayers. In Canada, our TurboTax Canada offerings face competition from H&R Block, SimpleTax, StudioTax, and UFile, among others. These competing offerings subject us to significant price pressure in both the U.S. and Canada. We also face competitive challenges from government entities that offer publicly funded electronic tax preparation and filing services with no fees to individual taxpayers. Our Mint offering competes with numerous personal financial management companies and large financial institutions to help our customers track their finances and better manage their money.

For the 2020 tax season, we were a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government. Under this agreement, the member companies donate online federal tax preparation and filing services to eligible users at no cost to the government or individual users separate and apart from the member companies' commercial free offerings, which the IRS then offers to eligible consumers on an IRS website. Approximately 22 states and the District of Columbia have also entered public-private partnerships with the Free File Alliance. Additionally, certain member companies, including Intuit, provided online state tax preparation and filing services at no cost if the taxpayer qualified for the free federal return under this program. We will no longer participate in the Free File Alliance after the conclusion of the 2020 tax season in October. We continue to actively work with others in the private and public sectors to support successful public-private partnerships that reinforce the voluntary compliance tax system, encourage electronic filing, and inform consumers of free filing options. However, future administrative, regulatory, or legislative activity in this area could seek to replace the voluntary compliance tax system with return preparation, or self preparation options, provided by government agencies which could harm our Consumer business.

Credit Karma Segment. Credit Karma faces significant competition for member growth and partnerships. Credit Karma competes against many companies to attract and engage members, including the credit bureaus as well as companies that provide personal finance management products and tools which offer a variety of credit-score monitoring and personal finance services and content. Credit Karma faces competition with some elements of businesses of LendingTree, Red Ventures, NerdWallet, Square, Chime, among others. However, the personal finance industry is evolving rapidly and is becoming increasingly competitive. An increasing number of companies are competing directly with Credit Karma.

ProConnect Segment. In the U.S., Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. These include CCH's ProSystem fx Office Suite and Thomson Reuters' CS Professional Suite and GoSystem Tax. Our ProSeries professional tax offerings face competition from CCH's ATX and TaxWise offerings, Drake, and other smaller providers. In Canada, our ProFile professional tax offerings face competition from CCH's Cantax and Taxprep offerings, TaxCycle, and Thomson Reuters' DTMax and UFile Pro offerings. We also face growing competition from online tax and accounting offerings in the U.S. and Canada, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Competitive Factors

We believe the most important competitive factors for our core offerings – QuickBooks, TurboTax, Lacerte, ProSeries, and Credit Karma – are ease of use, product features, size of the installed customer base, size of membership base, member engagement, brand name recognition, value proposition, cost, reliability, security, and product and support quality. Access to distribution channels is also important for our QuickBooks and TurboTax desktop software products. In addition, support from accounting professionals and the ability for customers to upgrade within product families as their businesses grow are significant competitive factors for our QuickBooks products. Productivity is an important competitive factor for the full-service accounting firms to which we market our Lacerte software products. We believe we compete effectively on these factors as our QuickBooks and TurboTax products are the leading products in the U.S. for their respective categories.

For our service offerings such as small business payroll and merchant payment processing, we believe the most important competitive factors are functionality, ease of use, high availability, security, the integration of these products with related software, brand name recognition, effective distribution, quality of support, and cost.

CUSTOMER SUCCESS

For our QuickBooks, TurboTax, ProConnect and Mint offerings, we provide product support and technical support through channels including telephone, e-mail, online and video chat, text messaging, our customer support websites, self-help assets embedded in our products, and online communities where consumers can share knowledge and product advice with each other.

We also provide access to experts, through our TurboTax and QuickBooks Live offerings, who provide tax advice, tax preparation and bookkeeping services.

Our customer success staff predominantly consists of Intuit-employed and outsourced experts. We supplement with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced small business customer success personnel are currently located in the Philippines.

We also source staff through our Prosperity Hub program, which is designed to spark economic prosperity for people and communities in need. One part of this program is our socially responsible sourcing model, where we both directly and through customer success partner-employers, hire, train, and retain workers who deliver support and services for our customers.

Self-help information is offered for free in-product and on our support websites for our QuickBooks, TurboTax, Mint and professional tax offerings. Support alternatives and fees vary by product. For example, some product subscriptions receive 24x7 support and additional contact channel options.

PARTNER SUCCESS

For our Credit Karma offerings we have a Partner Success team that is dedicated to ensuring that our financial institution partners operate efficiently and safely on our platform. This team consists of program management, operations, and compliance professionals, who interface directly with lending partners to facilitate new product launches; maintain product offers, including any updates to existing offers and compliance monitoring; manage and maintain data required for offers and partner invoicing; support audits and compliance reviews; and manage and resolve incidents to mitigate any potential negative impact on either Credit Karma's or the partner's platform.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Our online offerings include QuickBooks Online, online payroll services, merchant payment processing services, TurboTax Online, ProConnect Tax Online, consumer and professional electronic tax filing services, Mint, and Turbo. We recently completed the transition of our systems, networks and databases used to operate these online offerings to public cloud providers, such as Amazon Web Services (AWS). Currently, all of our online offerings are operating using AWS.

Desktop Software and Supplies

Although an increasing proportion of our desktop software customers choose to electronically download software, many customers continue to choose to purchase these products in the form of physical media. The key processes in manufacturing desktop software are manufacturing compact discs (CDs) and digital video discs (DVDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing and distribution, we have agreements with Arvato Digital Services, Inc. (Arvato), a division of Bertelsmann AG, under which Arvato provides a majority of the manufacturing volume for our launches of QuickBooks and TurboTax and day-to-day replenishment after product launches, as well as our retail distribution logistics. Arvato also provides most of the manufacturing volume and distribution services for our direct desktop software orders.

Customers typically receive desktop software electronically. However, when physical product is ordered, we typically ship the physical product within a few days of receiving an order and backlog is minimal.

PRIVACY AND SECURITY OF CUSTOMER AND WORKFORCE INFORMATION AND TRANSACTIONS

We are stewards of our customers' data and have designed data stewardship principles to align our organization in collecting, using and protecting such information. As we believe strongly in being good stewards of our customers' data, we operate our program to comply with laws and regulations that govern our use, sharing and protection of customers' personal information, including, for example, laws with respect to financial services and the handling of tax data. We have established guidelines and practices to help ensure that customers and members of our workforce are aware of, and can control, how we use information about them. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or shape industry best practices, and to inform public policy for privacy and security.

We use security safeguards to help protect the systems and the information that customers and members of our workforce give to us from loss, misuse and unauthorized alteration. We use technical, logical and procedural measures, such as multi-factor authentication, which are designed to help detect and prevent fraud and misuse of customer information. Whenever customers transmit sensitive information to us, such as credit card information or tax return data, through one of our websites or products, we follow current industry standards to encrypt the data as it is transmitted to us, and when we store it at rest. We routinely patch our systems with security updates and we work to protect our systems from unauthorized internal or external access using numerous commercially available computer security products as well as internally developed security procedures and practices.

GOVERNMENT REGULATION

Our Consumer and ProConnect segments are subject to federal, state and international government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. Our Small Business & Self-Employed segment offers products and services to small businesses and consumers, such as payroll, payments, and financing, which are also subject to certain regulatory requirements. Our Credit Karma segment offers personal finance products and services to consumers, such as recommendations of credit card, loan and insurance products and access to credit scores and reports, which are also subject to certain regulatory requirements.

INTELLECTUAL PROPERTY

Our success depends on the proprietary technology embodied in our offerings. We protect this proprietary technology by relying on a variety of intellectual property mechanisms, including copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. For example, we regularly file applications for patents, copyrights and trademarks and service marks in order to protect intellectual property that we believe is important to our business. We hold a growing patent portfolio that we believe is important to Intuit's overall competitive advantage, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. We also have a number of registered trademarks that include Intuit, QuickBooks, Lacerte, TurboTax, QB, ProSeries, ProConnect, Mint, and Credit Karma. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also license intellectual property from third parties for use in our products.

Although our portfolio of patents is growing, the patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. In addition, third parties have asserted and may, in the future, assert infringement claims against us and our customers. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third-party licenses may not continue to be available to us on commercially acceptable terms, or at all.

HUMAN CAPITAL

We consider our employees one of our four True North key stakeholders because they help us deliver for the customers, shareholders and the communities we serve. As of July 31, 2021, we had approximately 13,500 employees in 10 countries. During fiscal 2021, we employed on average approximately 7,700 seasonal employees from January to May primarily to support our Consumer segment customers during the peak of tax season. We believe our future success and growth will depend on our ability to attract and retain a qualified workforce in all areas of our business.

Intuit's workforce development strategies are developed and managed by our Chief People & Places Officer, who reports to the CEO. The Compensation and Organizational Development Committee of the Board of Directors has oversight with respect to company-wide organization and talent assessment, employee recruitment, engagement and retention, leadership development, management depth and strength assessment, workplace environment and culture, employee health and safety, and pay equity. Of the total number of employees, approximately 1,300 are employed by Credit Karma, which was acquired by Intuit in December 2020 and has certain unique compensation and workforce development programs. We regularly collect, measure and share the sentiment of our workforce through multiple channels, including engagement surveys, and other touch points, which help to guide the work we do to support our workforce.

Culture and Values

In order to deliver on our mission to power prosperity around the world, we are guided by our company values as we strive to create a culture where employees can do the best work of their lives. Our value of Courage means being bold and fearless in how we think and act, holding a high bar for performance and valuing speed, a bias for learning and action. Our value of Stronger Together means championing diversity, inclusion and a respectful environment, thriving on diverse voices to challenge and inform decisions and delivering exceptional work so others can count on us. Consistent with our value of We Care and Give Back, we provide eligible full-time employees five days of paid time off every year that can be used to do volunteer work during normal work hours for vetted non-profits. Our We Care and Give Back program also provides donation matching up to an annual limit.

Diversity, Equity and Inclusion[1]

At the foundation of our culture is a commitment to diversity, equity and inclusion (“DEI”). We believe that diversity is a fact, but treating people equitably and inclusively are choices we make. To deliver for our customers, we seek to foster a workforce that is as diverse as the communities we serve. When we do this, we believe we develop deeper empathy, accelerating innovation to solve the biggest problems our customers face. We have had a designated role dedicated to diversity and inclusion since 2015. In fiscal 2021, we invested additional resources into DEI and appointed our first Chief Diversity, Equity & Inclusion Officer (“CDEIO”) who leads a new dedicated and specialized team in our DEI efforts. Our Compensation and Organizational Development Committee oversees Intuit’s DEI initiatives in support of organizational development. Our strategy is operationalized through the following elements:

- Goals and transparency: We have set short- and long-term goals for increasing the representation of women and under-represented minorities (which we define as Black/African-American, Latino/Hispanic, Native American, Native Alaskan and Native Hawaiian) in our workforce. Our progress is reviewed monthly with all executives and we have shared our diversity externally since 2015;

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[1] Excludes Credit Karma, which we acquired in December 2020.

- Center of Excellence: We have a cross-functional team led by the CDEIO with expertise in enterprise leadership, strategy, human resources and communications all focused on driving a more diverse and inclusive workplace;
- Employee Resource Groups: 13 employee resource groups aid in creating community, recruiting, on-boarding and providing safe spaces for our diverse workforce;
- Engagement: A dedicated DEI survey focused on the experiences of our workforce;
- REAL Team: A Racial Equity Leadership Team focused on helping us drive durable change as we strive to continue advancing racial equity and equality;
- Education: All senior leaders have attended multiple DEI workshops, including C-suite training on racial equity. We have manager and employee training on leading inclusively and a guide for managers on how to have conversations about difficult and polarizing external events;
- Assessment: Biannual formal talent reviews, including succession plans and diversity assessments;
- Talent acquisition: We have developed a program team to drive diversity strategy and initiatives; and
- Accountability: The Compensation and Organizational Development Committee reviews our progress towards our goals and workforce diversity initiatives at least annually.

As of July 31, 2021:

- Women constituted 40% of our total employees, 35% of our leadership roles, and 30% of our technology roles; and
- Our under-represented minority employees represent 13% of our U.S. employees, 8% of our U.S. leadership roles, and 7% of our U.S. technology roles.

The company performs an ongoing pay equity analysis, conducted twice a year by an independent, third-party vendor. This analysis allows us to review each job code where there are enough employees that have the same or similar job duties and compensation mix. We compare base pay by gender and ethnicity, while factoring in location and time spent in the role, and make adjustments when there are unexplained statistical differences. We are transparent about our pay equity results and have multiple avenues for employees to use for any questions about their pay.

Developing Talent and Training

We are committed to creating a high-performing culture that consistently delivers for our customers, shareholders and communities while providing an experience for our workforce that values leadership, innovation, and collaboration. We promote the development of all of our employees through our One Intuit Learning Vision that every employee has a personalized learning plan based on their needs and interests, and are provided the resources they need to grow, thrive and reinvent themselves over time.

In addition, we are invested in growing our current and future leaders. Our Learning and Development teams design programs and resources to develop our employees and measure their progress.

All full-time employees have access to opportunities to develop and learn through over 1,400 Intuit-sponsored learning paths and online courses on topics ranging from artificial intelligence to manager essentials in support of an employee’s ability to adapt to any work environment. In fiscal 2021, our full-time employees completed over 170,000 pieces of learning content.

Employees set goals and measure progress through our goal setting tool and have opportunities to focus on growth both during year-end conversations and ongoing monthly check-ins.

Total Rewards

Our compensation philosophy aims to attract and retain top talent for today and the future. Intuit’s total target compensation includes base hourly pay or salary at market-competitive rates, equity and a range of incentive plans that vary based on role. Incentive compensation plans are part of our pay for performance philosophy and closely align with company performance and reward top performance. Most year-round employees are eligible for equity, which allows the majority of our employees to share in the company’s success.

Additional benefits and rewards include an employee stock purchase plan, healthcare and retirement benefits, paid time off, annual paid recharge days, family and parental leave.

COVID Response and Well-being

The health and well-being of our employees and their families has never been more important. We offer our employees (excluding experts) a reimbursement incentive to cover the costs of purchases made to support their physical, emotional and financial well-being. Employees also have access to other resources to help with their well-being, including a well-minds program for resilience, mindfulness and counseling, back-up childcare, financial education programs and access to an Employee Assistance Program.

Amid the unprecedented environment caused by the COVID-19 pandemic, management's top priority has been the health and safety of our employees. We shifted nearly all our workforce from office locations to work from home environments. We also increased leave benefits for all employees to allow them to take care of what matters most to them. We provided our employees with resources to have a complete and comfortable home workspace, to offset certain pandemic-related expenses and to promote physical and emotional health.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table shows Intuit's executive officers and their areas of responsibility as of July 31, 2021 . Their biographies follow the table.

Name	Age	Position
Sasan K. Goodarzi	53	President, Chief Executive Officer and Director
Brad D. Smith	57	Executive Chairman of the Board of Directors
Scott D. Cook	69	Chairman of the Executive Committee
Michelle M. Clatterbuck	53	Executive Vice President and Chief Financial Officer
J. Alexander Chriss	44	Executive Vice President and General Manager, Small Business & Self-Employed Group
Laura A. Fennell	60	Executive Vice President, Chief People & Places Officer
Gregory N. Johnson	53	Executive Vice President and General Manager, Consumer Group
Marianna Tessel	54	Executive Vice President and Chief Technology Officer
Kerry J. McLean	57	Executive Vice President, General Counsel and Corporate Secretary
Mark J. Flournoy	55	Senior Vice President and Chief Accounting Officer

Mr. Goodarzi has been President and Chief Executive Officer and a member of the Board of Directors since January 2019 and previously served as Executive Vice President and General Manager of Intuit's Small Business Group since May 2016. He previously was Executive Vice President and General Manager of Intuit's Consumer Tax Group from August 2015 through April 2016 and from August 2013 to July 2015 served as Senior Vice President and General Manager of the Consumer Tax Group. He served as Intuit's Senior Vice President and Chief Information Officer from August 2011 to July 2013, having rejoined Intuit after serving as CEO of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, beginning in November 2010. During his previous tenure at Intuit from 2004 to 2010, Mr. Goodarzi led several business units including Intuit Financial Services and the professional tax division. Prior to joining Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as global president of the products group. He also held a number of senior leadership roles in the automation control division at Honeywell Inc. He serves on the board of Atlassian Corporation Plc and chairs the Compensation and Leadership Development Committee. Mr. Goodarzi holds a Bachelor's degree in Electrical Engineering from the University of Central Florida and a Master's degree in Business Administration from the Kellogg School of Management at Northwestern University.

Mr. Smith has been an Intuit director since 2008, Chairman of the Board from January 2016 through December 2018, and Executive Chairman from January 2019. He served as President and CEO of the Company from January 2008 through December 2018. Mr. Smith joined Intuit in 2003 and has served as Senior Vice President and General Manager, Small Business Division from 2006 to 2007, Senior Vice President and General Manager, QuickBooks from 2005 to 2006, Senior Vice President and General Manager, Consumer Tax Group from 2004 to 2005 and as Vice President and General Manager of Intuit's Accountant Central and Developer Network from 2003 to 2004. Before joining Intuit, Mr. Smith held the position of Senior Vice President of Marketing and Business Development of ADP, where he held several executive positions from 1996 to 2003. Mr. Smith served on the board of directors of Yahoo! Inc. from 2010 until 2012. Mr. Smith was elected to the board of directors of Nordstrom, Inc. in June 2013, where he is a member of the Compensation Committee and Corporate Governance and Nominating Committee and has served as Chairman of the Board since November 2018. Mr. Smith was also elected to the board of directors of Momentive (formerly known as SurveyMonkey) in May 2017 and is chair of its Compensation Committee. Mr. Smith holds a Bachelor's degree in Business Administration from Marshall University and a Master's degree in Management from Aquinas College.

Mr. Cook, a founder of Intuit, has been an Intuit director since March 1984 and is currently Chairman of the Executive Committee. He served as Intuit's Chairman of the Board from February 1993 to

July 1998. From April 1984 to April 1994, he served as Intuit's President and Chief Executive Officer. Mr. Cook served on the board of directors of The Procter & Gamble Company from 2000 to 2020. Mr. Cook was also a director of eBay Inc. from 1998 to 2015. Mr. Cook holds a Bachelor of Arts degree in Economics and Mathematics from the University of Southern California and a Master's degree in Business Administration from Harvard Business School.

Ms. Clatterbuck has been Executive Vice President and Chief Financial Officer since February 2018. She manages the financial strategy and operations across the company, including Treasury, Procurement, Investor Relations and Finance Operations. Ms. Clatterbuck served as acting finance leader for Intuit's Small Business Group from June 2017 through January 2018, led finance for the Consumer Tax Group beginning in September 2012 and was promoted to Senior Vice President for that group in August 2016. Her earlier roles at Intuit include Vice President of finance for the Professional Tax business in 2006 and finance director in October 2004. Ms. Clatterbuck joined Intuit in March 2003 as a senior finance manager. Prior to Intuit, Ms.

Clatterbuck held various financial management roles at General Electric. Before that, she was a financial litigation consultant at The Barrington Consulting Group. Ms. Clatterbuck holds a Bachelor's degree in commerce with a concentration in finance from the University of Virginia.

Mr. Chriss has been Executive Vice President and General Manager of Intuit's Small Business & Self-Employed Group since January 2019. He previously was Senior Vice President and Chief Product Officer of Intuit's Small Business Group from January 2017 through December 2018 and Vice President of Intuit's Self-Employed business from August 2013 through December 2016. Prior to that, Mr. Chriss held various other roles at Intuit since he joined in July 2004. He has served on the board of directors of Houzz Inc. since December 2020. Mr. Chriss holds a Bachelor's degree in Economics from Tufts University.

Ms. Fennell has been Executive Vice President, Chief People & Places Officer since August 2018 and previously served as Executive Vice President, General Counsel and Corporate Secretary. Prior to that, she served as Senior Vice President, General Counsel and Corporate Secretary since February 2007. Ms. Fennell joined Intuit as Vice President, General Counsel and Corporate Secretary in April 2004. She leads the team responsible for acquiring, developing, mobilizing and rewarding the company's global workforce. Prior to joining Intuit, Ms. Fennell spent nearly eleven years at Sun Microsystems, Inc., most recently as Vice President of Corporate Legal Resources, as well as Acting General Counsel. Prior to joining Sun, she was an associate attorney at Wilson Sonsini, Goodrich & Rosati PC. Ms. Fennell sits on the board of directors of the Children's Discovery Museum of San Jose. Ms. Fennell holds a Bachelor of Science degree in Business Administration from California State University, Chico and a Juris Doctor from Santa Clara University.

Mr. Johnson has been Executive Vice President and General Manager of Intuit's Consumer Group since August 2018. He joined Intuit in 2012 as Senior Vice President of marketing. Mr. Johnson leads an organization that offers a suite of consumer tax and financial products and services in the U.S. and Canada. He has more than 20 years' experience in marketing, which spans across consumer packaged goods, retail, and international and emerging markets. Prior to joining Intuit, Mr. Johnson worked for various organizations, including Kraft Foods, SC Johnson, Kodak, Gillette, Best Buy, and the United States Air Force. He has served on the board of directors of QUALCOMM Incorporated since November 2020. Mr. Johnson holds a Bachelor of Science degree in Operations Research from the United States Air Force Academy.

Ms. Tessel has been Executive Vice President and Chief Technology Officer of Intuit since January 2019 and previously served as Chief Product Development Officer of Intuit's Small Business & Self-Employed Group from June 2017 to December 2018. Prior to joining Intuit, Ms.Tessel worked for Docker Inc., a software containerization platform, serving as Senior Vice President of Engineering and Executive Vice President of Strategic Development from November 2014 to June 2017, and VMware, which provides cloud computing and related services, from June 2008 through November 2014, most recently serving as Vice President of Engineering. She has served on the board of directors of Cisco Systems, Inc. since March 2021. Ms.Tessel holds a Bachelor's of Science degree in Computing from Technion – Israel Institute of Technology.

Ms. McLean has been Executive Vice President, General Counsel and Corporate Secretary since August 2020. Prior to that, she served as Senior Vice President, General Counsel and Corporate Secretary from August 2018 to July 2020 and Vice President, Deputy General Counsel from August 2010 to July 2018. She joined Intuit in 2006 as Director, Deputy General Counsel. Ms. McLean leads Intuit's legal, privacy, compliance, and global corporate affairs teams. Prior to joining Intuit, Ms. McLean spent over six years at Wind River Systems, Inc., most recently as the Director of Legal. Prior to joining Wind River, she was an associate at Howard, Rice, Nemerovski, Canady, Falk & Rabkin PC (now Arnold & Porter Kaye Scholer LLP). Ms. McLean holds a Bachelor of Arts degree in International Relations from University of California, Davis and a Juris Doctor from University of California, Hastings College of Law.

Mr. Flournoy has been Senior Vice President and Chief Accounting Officer since August 2020. Prior to that, he served as Vice President and Chief Accounting Officer since February 2014. He joined Intuit in 2003 as director of general accounting and internal controls and served as Corporate Controller from 2012 to August 2020. From 1996 to 2003, Mr. Flournoy served as a corporate controller for various private and public companies in California. He began his career in public accounting at Ernst & Young, where he served from 1992 to 1996. He is a California Certified Public Accountant (inactive) since 1997. Mr. Flournoy holds a Bachelor's degree in Business Administration – Finance from the University of Southern California and a secondary Bachelor’s degree in Accounting from San Diego State University.

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 significant factors, events and uncertainties that make an investment in our securities risky, categorized solely for ease of reference as strategic, operational, legal and compliance, and financial risks. The following events and consequences could have a material adverse effect on our business, growth, prospects, financial condition, results of operations, cash flows, liquidity, credit rating and reputation, and the trading price of our common stock could decline. These risks are not the only ones we face. We could also be affected by other events, factors or uncertainties that are presently unknown to us or that we do not currently consider to present significant risks to our business. These risks may be amplified by the COVID-19 pandemic, which has caused significant global economic instability and uncertainty. The manner in which we respond to future developments as well as our competitors' reactions to those developments may affect our future operating results.

The COVID-19 pandemic has caused significant economic instability and uncertainty and the extent to which it will impact our business, results of operations and financial condition is uncertain and difficult to predict.

The COVID-19 pandemic has caused economic instability and uncertainty globally and, during its initial phase, had a temporary negative impact on our business. The pandemic may, in the future, have a material adverse impact on our business and financial performance, the severity and duration of which will depend on many factors beyond our control, including the actions of governments, businesses and other enterprises in response to the pandemic, the effectiveness of those actions, and vaccine availability, distribution and adoption. Potential and current negative impacts of the pandemic include, but are not limited to, the following:

- The extension of federal and state tax filing deadlines for the 2019 and 2020 tax years changed the seasonality of our business, making our revenue and operating results more difficult to predict. Any future regulatory decisions could further increase the difficulty of forecasting our revenue and operating results, which could cause our business to materially suffer.
- There are new and more frequent attempts by malicious third parties seeking to take advantage of the pandemic to fraudulently gain access to our systems, which could cause us to expend significant resources to remediate and could damage our reputation.
- Changes to our business operations and the operations of our third-party partners, such as increased use of videoconferencing, the shift to working from home, and the complexity of resuming operations in our offices under a new workplace model, has introduced security and execution risks that could cause us to experience substantial financial losses, lose the confidence of our customers and government agencies and harm our revenues and earnings.
- Potential disruption of services on which we rely to deliver our services to our customers, including our third-party customer success partners and financial institutions, could prevent us or our service providers from delivering critical services to our customers or accepting and fulfilling customer orders, any of which could materially and adversely affect our business or reputation.
- Increased, divergent and changing governmental regulations, such as those relating to the re-opening of work facilities, schools, public buildings and businesses, could make it considerably more difficult to develop, enhance and support our products and services, which may cause our results of operations and financial condition to suffer.
- Failure to realize some or all of the anticipated benefits of our mergers and acquisitions activities for reasons related to the pandemic may cause us to experience losses that result in significant harm to our operating results or financial condition.
- There could be increased volatility in our stock price related to the pandemic, which could result in the loss of some or all of the value of an investment in Intuit.

These and other potential negative impacts relating to the COVID-19 pandemic are described further in the risk factors that follow.

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 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, tax and personal financial management customers.

We also face competition from companies with a variety of business models, including increased competition from providers of free offerings, particularly in our tax, accounting, payments and personal finance platform 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, other providers of free offerings may 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 potential 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 directly to taxpayers and, in December 2019, the agreement governing the program was amended to eliminate the pledge by the IRS that it would not offer a duplicative or competing service. Under this program, the IRS has worked with private industry to provide more than 60 million free returns since 2003, utilizing donated private sector tax software and e-filing services, including software that we donated to the Free File Program, for low and middle income taxpayers at no cost to the government or individual users. However, we will no longer be participating in the IRS Free File Program, and its continuation depends on a number of factors, including continued broad public awareness of and access to the free program and continued private industry donations, as well as continued government support. The current agreement is scheduled to expire in October 2022. Our departure from the Free File Program may increase the likelihood that such program is terminated or is not extended beyond October 2022. If the Free File Program were to be terminated or the IRS were to enter the software development and return preparation space, the federal government could 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.

We operate in industries that 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 the changing needs of our customers and partners 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 requires 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 to provide them with value, 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, our customers may not perceive value in the additional benefits and services we offer beyond our free offering and may choose not to pay for those additional benefits or we may be unsuccessful in increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

We have devoted significant resources to develop products and services for users of mobile 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 mobile 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 mobile 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 cannot 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, members of our workforce, 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 that 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, such as our acquisition of Credit Karma, 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;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries; and
- to the extent we use debt to fund acquisitions or for other purposes, our interest expense and leverage will increase significantly, and to the extent we issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share will be diluted.

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 us 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.

In addition, any acquisition or divestiture that we announce may not be completed if closing conditions are not satisfied. 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. In particular, if we are unable to successfully operate together with Credit Karma to achieve shared growth opportunities or combine reporting or other processes within the expected time frame, such delay may materially and adversely affect the benefits that we expect to achieve as a result of the Credit Karma acquisition and could result in additional costs or loss of revenue. Moreover, the impact of COVID-19, adverse changes in market conditions and other factors, such as the failure to realize some or all of the anticipated benefits of the Credit Karma acquisition, may cause the acquisition to be dilutive to Intuit's operating earnings per share beyond the first fiscal year after close. Any dilution of our non-GAAP diluted earnings per share could cause the price of shares of Intuit Common Stock to decline or grow at a reduced rate.

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 workforce data, including credit card information, tax return information, bank account numbers, credit report information, 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 increasingly likely to continue to be the target of, cyberattacks, computer viruses, ransomware or other malware, worms, social engineering, malicious software programs, insider threats, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of sensitive and personal data of our customers and members of our workforce, or Intuit's sensitive business data or cause temporary or sustained unavailability of our software and systems. While we maintain cybersecurity insurance, our insurance may not be sufficient to cover all liabilities described herein. These types of incidents 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, fail to install security patches on a timely basis or inadequately use security controls 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 and 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. While we provide resources like mandatory annual security training for our workforce, third parties may still be able to fraudulently induce members of our workforce, customers or users by social engineering 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 members of our workforce. 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. In addition, we are experiencing new and more frequent attempts by third parties to use the COVID-19 pandemic to fraudulently gain access to our systems, such as through increased email phishing of our workforce.

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 through the use of stolen identity information of our customers or members of our workforce in the future. Further, our customers may choose to use the same login credentials 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. In addition, in response to the COVID-19 pandemic, we shifted nearly all our workforce from office locations to work from home environments. We expect to resume operations in our offices under a hybrid model where our workforce will spend a portion of their time working in our offices and a portion of their time working from home. This model increases our exposure to security-related risks due to operational changes, such as the increased use of videoconferencing.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), break-ins, workforce member 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 a 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.

Additionally, Credit Karma is subject to an order issued in 2014 by the Federal Trade Commission ("FTC") that, among other things, requires maintenance of a comprehensive security program relating to the development and management of new and existing products and services and biannual independent security assessments for 20 years from the date of the order. To the extent Credit Karma shares data covered by the order with Intuit, the order may apply to Intuit with respect to such data. Credit Karma’s failure to fulfill the requirements of the FTC’s order could results in fines, penalties, regulatory inquiries, investigations and claims, and negatively impact our business and reputation.

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 customer or workforce 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 workforce information and data. In addition, malicious actors may attempt to use the information technology supply chain to compromise our systems by, for example, introducing malware through software updates.

A security incident involving third parties whom we rely on may have serious negative consequences for our businesses, including disclosure of sensitive customer or workforce 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, any such incident 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, online payments, lending and personal financial management 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 businesses, this type of fraudulent activity may adversely impact our tax, payroll, payments, lending and personal financial management businesses and is heightened when our workforce is working from home. 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 offerings, governmental authorities may refuse to allow us to continue to offer such services, or these services may otherwise be adversely impacted, 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, payments and personal financial management 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 likelihood of any such error or misappropriation may increase as we accelerate the speed at which we process transactions. 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 public cloud providers, such as Amazon Web Services. If any public cloud service that we use 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, which typically occur 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 are costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

Our business operations, information technology and communications systems are vulnerable to damage or interruption from natural disasters, climate change, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses and malware, computer denial of service attacks, terrorist attacks, public health emergencies and other events beyond our control. For example, we modified our business practices in response to the COVID-19 pandemic (including employee travel, employee work locations and cancellation of physical participation in meetings, events and conferences) and we expect to resume operations in our offices under a hybrid model where our workforce will spend a portion of their time working in our offices and a portion of their time working from home. The implementation of this hybrid model will introduce new execution risks and we may experience longer-term disruptions to our operations as we evolve our workplace model. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers or third-party partners. We cannot predict how long any such measures will be in place and whether we would reimplement or enhance any such measures in one or more locations in order to respond to the effects of the pandemic or the rules, regulations or guidelines of any governmental authority. Any such measures may impair our ability to perform critical functions or could make it considerably more difficult to develop, enhance and support our products and services.

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 infrastructure, data hosting, public cloud and software-as-a-service providers, 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, credit reporting bureaus, 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. Credit Karma generates revenue from its relationships with financial institution partners, which are subject to particular risks that affect their willingness to offer their products on Credit Karma's platform, such as adverse economic conditions and an increasing complexity in the regulatory environment. 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.

Additionally, the business operations of our third-party partners have been and could continue to be disrupted by the COVID-19 pandemic and the actions taken in response to it, including the pandemic's effects on their third-party partners. If our third-party partners are unable to help us operate our business as a result of the COVID-19 pandemic, our business and financial results may be negatively impacted. For example, in the early stages of the COVID-19 pandemic, credit card companies and lenders initially and temporarily reduced or suspended their activity on Credit Karma's platform, which impacted Credit Karma's revenue. 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. Any violation of laws or implementation of practices regarded as unethical could result in 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, including the effects of the COVID-19 pandemic, 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 a significant number 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. Moreover, as social and economic conditions evolve from the COVID-19 pandemic, current and prospective employees may seek new or different opportunities based on factors such as compensation, benefits, mobility and flexibility that are different from what we offer, making it difficult to attract and retain them.

If we experience significant product accuracy or quality problems or delays in product launches, 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. Further, as we develop our platform to connect people to experts, such as connecting TurboTax customers with tax experts through our TurboTax Live offering, or connecting QuickBooks customers with bookkeepers through our QuickBooks Live offering, we face the risk that these experts may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these experts may cause harm to our customers, a loss of customer confidence in our offerings or harm to our reputation or 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, and public health emergencies, including divergent governmental responses thereto across the jurisdictions in which we operate;
- import or export regulations;

- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and laws and regulations of other jurisdictions prohibiting corrupt payments to government officials and other third parties;
- 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 broader workforce, 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, we cannot be sure that our workforce, contractors and agents are in compliance with 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 to 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, local and international laws and regulations that affect the Company's activities, including, without limitation, areas of labor, advertising, tax, financial services, data privacy and security, electronic funds transfer, money transmission, lending, 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, and other regulated activities. 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. For example, in April 2020, one of our subsidiaries became a Small Business Administration ("SBA") approved lender under the SBA's recently established Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief and Economic Security Act. 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. In response to the COVID-19 pandemic, federal, state, local and foreign governmental authorities have imposed, and may continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the reopening of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. Such restrictions have disrupted and may continue to disrupt our business operations and limit our ability to perform critical functions.

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.

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 or 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 General Data Protection Regulation, the California Consumer Protection Act, the California Privacy Rights Act, and the Virginia Consumer Data Protection Act, which will become effective in January 2023. 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, the evolution of global privacy treaties and frameworks has created compliance uncertainty and increased complexity. For example, the judicial invalidation of the EU-U.S. and Swiss-U.S. Privacy Shield frameworks that we relied on to transfer data has created additional compliance challenges for the transfer of EU personal data to the U.S. While we rely on alternative methods for the transfer of this data, ongoing legal challenges to these and other transfer mechanisms could cause us to incur costs or 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 3, "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 subscription cancellations and 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 fluctuate significantly.

Our tax offerings have significant seasonal patterns. Revenue from income tax preparation products and services has historically been heavily concentrated from November through April and this seasonality has been affected by changes to the opening and closing dates of the tax season. For example, the IRS and many states extended their tax filing deadlines to May 17, 2021 for the 2020 tax year and to July 15, 2020 for the 2019 tax year. 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 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 to our offerings that result in the inclusion or exclusion of ongoing services; changes in product pricing strategies or product sales mix; 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 or an increase in risks of collecting customer payments 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. There are several pending proposed changes to U.S. and non-U.S. tax legislation and the ultimate enactment of any of them could have a negative impact on our effective tax rate. Foreign governments may enact tax laws 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 material 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. 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. In addition, financial institution partners may again decrease or suspend their activity on Credit Karma’s platform, Credit Karma’s members may decrease their engagement on the platform or their creditworthiness could be negatively impacted, reducing members' ability to qualify for credit cards and loans. Any of the foregoing may negatively impact 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.

The COVID-19 pandemic and the actions taken in response to it have significantly increased economic and demand uncertainty. Accordingly, the risks described in the paragraph above may be more likely to materialize, any of which could harm our business and our future financial results.

We provide capital to small businesses, which exposes us to certain 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. We have also entered into credit arrangements with financial institutions to obtain the capital we provide under this offering. Any termination or interruption in the financial institutions' ability to lend to us could interrupt our ability to provide capital to qualified small businesses. Further, our credit decisioning, pricing, loss forecasting, scoring and other 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. Moreover, the COVID-19 pandemic and the actions taken in response to it have had a significant impact on small businesses and may increase the likelihood that our borrowers are unable to repay their loans. If any of the foregoing events were to occur, our reputation, relationships with borrowers, collections of loans receivable and financial results could be harmed. In addition, one of our subsidiaries is a lender and a servicer under the PPP to support our small business customers and other eligible applicants during the pandemic. Our participation in this program exposes us to many of the risks described above and additional risks, such as borrower default, the SBA declining to forgive or honor its guarantee with respect to PPP loans and litigation or other disputes with borrowers or others related to our PPP activities.

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 $196 million in fiscal 2021; $28 million in fiscal 2020; and $26 million in fiscal 2019. 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 statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At July 31, 2021, we had $5.6 billion in goodwill and $3.3 billion 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 incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of July 31, 2021, we had an aggregate of $2.0 billion of indebtedness outstanding under our credit facilities and our senior unsecured notes. Under the agreements governing our indebtedness, we are permitted to incur additional debt. This debt, and any debt that we may incur in the future, 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, share repurchases and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned capital, operating or investment expenditures. Such measures may not be sufficient to enable us to service our debt.

Additionally, the agreements governing our indebtedness impose restrictions on us and require us to comply with certain covenants. For example, our credit facilities restrict 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 credit facilities and the indenture governing our senior unsecured notes limit our ability to create liens our and subsidiaries' assets and engage in sale and leaseback transactions. If we breach any of these covenants and do not obtain a waiver from the lenders or the noteholders, as applicable, then, subject to applicable cure periods, any or all of our outstanding indebtedness may be declared immediately due and payable. There can be no assurance that any refinancing or additional financing would be available on terms that are favorable or acceptable to us, if at all.

Under the terms of our outstanding senior unsecured notes, we may be required to repurchase the notes for cash prior to their maturity in connection with the occurrence of certain changes of control that are accompanied by certain downgrades in the credit ratings of the notes. The repayment obligations under the notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the notes prior to their scheduled maturity, it could have a negative impact on our cash position and liquidity and impair our ability to invest financial resources in other strategic initiatives.

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 negatively impact 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 program does not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Our repurchase program may be suspended or terminated at any time. Even if our stock repurchase program is fully implemented, it 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.

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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, including the effects of the COVID-19 pandemic, 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. Moreover, the COVID-19 pandemic has caused significant volatility in the global financial markets, which has resulted in significant volatility in our stock price recently. 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.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal locations, their purposes, and the expiration dates for the leases on facilities at those locations as of July 31, 2021 are shown in the table below. We have renewal options on many of our leases.

Location	Purpose	Approximate Square Feet	Principal Lease Expiration Dates
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	487,000	2024 - 2026
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	185,000	Owned
Bangalore, India	Principal offices for Intuit India	478,000	2022 - 2025
San Diego, California	Principal offices for Consumer segment	466,000	Owned
Oakland, California	Principal offices for Credit Karma segment	167,000	2031
Plano, Texas	Principal offices for ProConnect segment	166,000	2026

We also lease or own facilities in a number of domestic locations and lease facilities internationally in Canada, the United Kingdom, Australia, Israel, and several other locations. We believe our facilities are suitable and adequate for our current and near-term needs, and that we will be able to locate additional facilities as needed. See Note 9 to the financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3 - LEGAL PROCEEDINGS

See Note 13 to the financial statements in Item 8 of this Annual Report for a description of legal proceedings.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Intuit's common stock is quoted on the Nasdaq Global Select Market under the symbol "INTU."

Stockholders

As of August 31, 2021 we had approximately 490 record holders and approximately 700,000 beneficial holders of our common stock.

Dividends

We declared cash dividends that totaled $2.36 per share of outstanding common stock or $651 million during fiscal 2021 and $2.12 per share of outstanding common stock or $562 million during fiscal 2020. In August 2021 our Board of Directors declared a quarterly cash dividend of $0.68 per share of outstanding common stock payable on October 18, 2021 to stockholders of record at the close of business on October 11, 2021. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; 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.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 31, 2021 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
May 1, 2021 through May 31, 2021	303,000	$416.09	303,000	$1,689,907,473
June 1, 2021 through June 30, 2021	354,266	$470.86	354,266	$1,523,097,184
July 1, 2021 through July 31, 2021	341,250	$510.62	341,250	$1,348,848,471
Total	998,516	$467.83	998,516	

Note: All of the shares purchased during the three months ended July 31, 2021 were purchased under a plan we announced on August 21, 2018 pursuant to which we are authorized to repurchase up to $2 billion of our common stock. At July 31, 2021, authorization from our Board of Directors to expend up to $1.3 billion remained available under that plan. On August 20, 2021 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.

Company Stock Price Performance

The graph below compares the cumulative total stockholder return on Intuit common stock for the last five full fiscal years with the cumulative total returns on the S&P 500 Index and the Morgan Stanley Technology Index for the same period. The graph assumes that $100 was invested in Intuit common stock and in each of the other indices on July 31, 2016 and that all dividends were reinvested. The comparisons in the graph below are based on historical data – with Intuit common stock prices based on the closing price on the dates indicated – and are not intended to forecast the possible future performance of Intuit's common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Intuit Inc., the S&P 500 Index,
and Morgan Stanley Technology Index

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*$100 invested on 07/31/16 in stock or index, including reinvestments of dividends.
Fiscal year ending July 31.

	July 31, 2016	July 31, 2017	July 31, 2018	July 31, 2019	July 31, 2020	July 31, 2021
Intuit Inc.	**$100.00**	**$125.05**	**$187.87**	**$257.14**	**$286.29**	**$498.18**
S&P 500	**$100.00**	**$116.04**	**$134.89**	**$145.66**	**$163.08**	**$222.51**
Morgan Stanley Technology Index	**$100.00**	**$127.27**	**$167.75**	**$188.40**	**$273.69**	**$370.87**

ITEM 6 - SELECTED FINANCIAL DATA

Omitted at registrant's option.

ITEM 7 - 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:*** Policies and estimates 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 I 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 Item 8 of this Annual Report.

Due to the COVID-19 pandemic we continue to conduct business with substantial modifications to employee work locations and employee travel, among other modifications. In June 2021 a small number of employees started returning to work locations on a limited basis. While we have not experienced significant disruptions to our operations from the COVID-19 pandemic, we are unable to predict the full impact that the COVID-19 pandemic will have on our operations and future financial performance, including demand for our offerings, impact to our customers and partners, actions that may be taken by governmental authorities, and other factors identified in "Risk Factors" in Item 1A of Part I of this Report.

In April 2020, Intuit was approved as a non-bank Small Business Administration lender for the Paycheck Protection Program (PPP). The PPP was authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide small businesses loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt which is designed to provide assistance to small businesses during the COVID-19 pandemic.

In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $180 million and $172 million from Small Business & Self-Employed, $121 million and $78 million from Consumer, and $13 million and $12 million from ProConnect to other corporate expenses. In August 2020, we also renamed our Strategic Partner segment as the ProConnect segment. This segment continues to serve professional accountants.

In fiscal 2021 we acquired Credit Karma. We have included their results of operations in our consolidated results of operations from the date of acquisition. Credit Karma operates as a separate reportable segment. Segment operating income for Credit Karma includes all direct expenses related to selling and marketing, product development, and general and administrative, which is different from our other reportable segments. See Note 6 in Item 8 of this Annual Report for more information.

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 for fiscal 2021 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 Annual Report on Form 10-K.

Industry Trends and Seasonality

Industry Trends

Artificial Intelligence (AI) is transforming multiple industries, including financial technology. Disruptive start-ups, emerging ecosystems and mega-platforms are harnessing new technology to create personalized experiences, deliver data-driven insights and increase speed of service. These shifts are creating a more dynamic and highly competitive environment where customer expectations are shifting around the world as more services become digitized and the array of choices continues to increase.

Seasonality

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

Due to the COVID-19 pandemic, the timing of tax filing seasons for fiscal 2021 and fiscal 2020 varied significantly. In fiscal 2019, the IRS began accepting returns on January 28, 2019 and the tax filing deadline was April 15, 2019. In fiscal 2020, the IRS began accepting returns on January 27, 2020 and the tax filing deadline was July 15, 2020. In fiscal 2021, the IRS began accepting returns on February 12, 2021 and the tax filing deadline was May 17, 2021. These changes to the tax filing seasons impacted our quarterly financial results during fiscal 2021 and fiscal 2020.

We expect the seasonality of our Consumer and ProConnect businesses to continue to have a significant impact on our quarterly financial results in the future.

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 implement industry-wide security and anti-fraud measures, including sharing information regarding suspicious filings. We received ISO 27001 certification for a portion of our systems and 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. Additionally, Credit Karma’s security measures are regularly reviewed and updated.

For a complete discussion of the most significant risks and uncertainties affecting our business, please see *“Forward-Looking Statements”* immediately preceding Part I and *“Risk Factors”* in Item 1A of Part I of this 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 and for each reportable segment; operating income growth for the company as a whole; 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. Service offerings are a significant part of our business. Our total service and other revenue was $7.9 billion or 82% of our total revenue in fiscal 2021 and we expect our total service and other revenue to continue to grow in the future.

Key highlights for fiscal 2021 include the following:

Revenue of	Small Business & Self-Employed revenue of	Consumer revenue of
$9.6 B	**$4.7 B**	**$3.6 B**
up 25% from fiscal 2020	up 16% from fiscal 2020	up 14% from fiscal 2020

Operating income of	Net income of	Diluted net income per share of
$2.5 B	**$2.1 B**	**$7.56**
up 15% from fiscal 2020	up 13% from fiscal 2020	up 9% from fiscal 2020

We ended fiscal 2021 with cash, cash equivalents and investments totaling $3.9 billion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we are required to 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 following accounting policies have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies:

- Revenue Recognition
- Business Combinations
- Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets – Impairment Assessments
- Legal Contingencies
- Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

Our senior management has reviewed the development and selection of these critical accounting policies and their disclosure in this Annual Report on Form 10-K with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive our revenue primarily from the sale of online services such as tax, accounting, payroll, merchant payment processing, delivery of qualified links and packaged desktop software products and desktop software subscriptions. Our contracts with customers often include promises to transfer multiple products and services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The primary judgments include identifying the performance obligations in the contract and determining whether the performance obligations are distinct. If any of these judgments were to change 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 Item 8 of this Annual Report.

Business Combinations

As described in *"Description of Business and Summary of Significant Accounting Policies – Business Combinations,"* in Note 1 to the financial statements in Item 8 of this Annual Report, under the acquisition method of accounting we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to exercise judgment and make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. This method also requires us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could materially decrease our operating income and net income and result in lower asset values on our consolidated balance sheet.

Significant estimates and assumptions that we must make in estimating the fair value of acquired technology, customer lists, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets – Impairment Assessments

We estimate the fair value of acquired intangible assets and other long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of goodwill and other intangible assets that have indefinite useful lives annually in our fourth fiscal quarter or whenever indicators of impairment arise. The timing of the annual test may result in charges to our consolidated statement of operations in our fourth fiscal quarter that could not have been reasonably foreseen in prior periods.

As described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, in order to estimate the fair value of goodwill we use a weighted combination of a discounted cash flow model (known as the income approach) and comparisons to publicly traded companies engaged in similar businesses (known as the market approach). The income approach requires us to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. We evaluate cash flows at the reporting unit level. Although the assumptions we use in our discounted cash flow model are consistent with the assumptions we use to generate our internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from each reporting unit and the relative risk of achieving those cash flows. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, operating income, and earnings for these companies to reflect their relative similarity to our own businesses. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of goodwill by reportable segment.

We estimate the recoverability of acquired intangible assets and other long-lived assets that have finite useful lives by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. In order to estimate the fair value of those assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our discounted cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of acquired intangible assets and other long-lived assets that have finite lives. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of cost, accumulated amortization and weighted average life in years for our acquired intangible assets.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units, we may be required to record future impairment charges for goodwill and acquired intangible assets. Impairment charges could materially decrease our future net income and result in lower asset values on our consolidated balance sheet.

During the fourth quarters of fiscal 2021, fiscal 2020, and fiscal 2019 we performed our annual goodwill impairment tests. Using the methodology described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired. In addition, during this analysis we concluded that the estimated fair values of all of our reporting units substantially exceeded their carrying values.

Legal Contingencies

We are subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote as well as in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on our financial position and results of operations. See Note 13 to the financial statements in Item 8 of this Annual Report for more information.

Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the United States Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our consolidated statement of operations.

We record a valuation allowance to reflect uncertainties about whether we will be able to utilize our deferred tax assets before they expire. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income in the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance could have an adverse impact on our income tax provision and net income in the period in which we record the change.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

RESULTS OF OPERATIONS

A discussion regarding our financial condition and results of operations for fiscal 2021 compared to fiscal 2020 is presented below. A discussion regarding our financial condition and results of operations for fiscal 2020 compared to fiscal 2019 can be found under Item 7 of Part II in our Annual Report on Form 10-K for the fiscal year ended July 31, 2020, filed with the SEC on August 31, 2020, which is available free of charge on the SEC's website at *www.sec.gov* and on the Investor Relations section of our corporate website at *investors.intuit.com*.

Financial Overview

(Dollars in millions, except per share amounts)	Fiscal 2021	Fiscal 2020	Fiscal 2019	2021-2020 % Change	2020-2019 % Change
Total net revenue	$9,633	$7,679	$6,784	25 %	13 %
Operating income	2,500	2,176	1,854	15 %	17 %
Net income	2,062	1,826	1,557	13 %	17 %
Diluted net income per share	$7.56	$6.92	$5.89	9 %	17 %

Total net revenue increased $2.0 billion or 25% in fiscal 2021 compared with fiscal 2020. The acquisition of Credit Karma contributed $865 million to total revenue in fiscal 2021. Our Small Business & Self-Employed segment revenue increased 16% primarily due to growth in our Online Ecosystem revenue. Our Consumer segment revenue increased 14% primarily due to a shift in mix to our higher priced offerings including TurboTax Live and growth in TurboTax federal units. See *"Segment Results"* later in this Item 7 for more information.

Operating income increased $324 million or 15% in fiscal 2021 compared with fiscal 2020. The increase was due to the higher revenue described above partially offset by an increase in expenses primarily for staffing, marketing, share-based compensation, and amortization of other acquired intangible assets. See *"Operating Expenses"* later in this Item 7 for more information.

Net income increased $236 million or 13% in fiscal 2021 compared with fiscal 2020 due to the increase in operating income described above, a $30 million gain from the sale of a note receivable that was previously written off, and a $17 million gain on other long-term investments. These increases were partially offset by a higher tax expense for the period. Diluted net income per share increased 9% to $7.56 for fiscal 2021 due to the increase in net income, which was partially offset by an increase in the weighted average shares outstanding due to the shares issued as part of the acquisition of Credit Karma in the second quarter of fiscal 2021.

Segment Results

The information below is organized in accordance with our four reportable segments. All of our segments operate and sell to customers primarily in the United States. Total international net revenue was less than 5% of consolidated total net revenue for the twelve months ended July 31, 2021, 2020 and 2019.

In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $180 million and $172 million from Small Business & Self-Employed, $121 million and $78 million from Consumer, and $13 million and $12 million from ProConnect to other corporate expenses. In August 2020, we also renamed our Strategic Partner segment as the ProConnect segment. This segment continues to serve professional accountants.

In December 2020 we acquired Credit Karma in a business combination and it operates as a separate reportable segment. We have included the results of operations of Credit Karma in our consolidated statements of operations from the date of acquisition. See Note 6 to the financial statements in Item 8 of this Annual Report for more information. Segment operating income for Credit Karma includes all direct expenses, which is different from our other reportable segments where we do not fully allocate corporate expenses.

Segment operating income is segment net revenue less segment cost of revenue and operating expenses. For our Small Business & Self-Employed, Consumer, and ProConnect reportable segments, we include expenses such as corporate selling and marketing, product development, and general and administrative, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For Credit Karma, segment expenses include all direct expenses related to selling and marketing, product development, and general and administrative. Unallocated corporate items for all segments include share-based compensation, amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. These unallocated costs for all segments totaled $2.9 billion in fiscal 2021, $2.3 billion in fiscal 2020, and $2.0 billion in fiscal 2019. Unallocated costs increased in fiscal 2021 compared with fiscal 2020 due to increased corporate product development, selling and marketing, and general and administrative expenses in support of the growth of our businesses, higher share-based compensation expenses, higher amortization of acquired technology, and higher amortization of other acquired intangible assets. See Note 14 to the financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income for each fiscal year presented.

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Small Business & Self-Employed

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

Our Online Ecosystem includes revenue from QuickBooks Online, QuickBooks Live, QuickBooks Online Advanced 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; QuickBooks Commerce, QuickBooks Cash, 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; financial supplies; and financing for small businesses.

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)	Fiscal 2021	Fiscal 2020	Fiscal 2019	2021-2020 % Change	2020-2019 % Change
Product revenue	$ 1,085	$ 1,032	$ 1,036		
Service and other revenue	3,603	3,018	2,497		
Total segment revenue	$ 4,688	$ 4,050	$ 3,533	16 %	15 %
% of total revenue	49 %	53 %	52 %		
Segment operating income	$ 2,590	$ 2,091	$ 1,722	24 %	21 %
% of related revenue	55 %	52 %	49 %		

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

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Fiscal 2019	2021-2020 % Change	2020-2019 % Change
Net revenue:					
QuickBooks Online Accounting	$ 1,699	$ 1,354	$ 980	25 %	38 %
Online Services	1,051	828	683	27 %	21 %
Total Online Ecosystem	2,750	2,182	1,663	26 %	31 %
QuickBooks Desktop Accounting	789	755	732	5 %	3 %
Desktop Services and Supplies	1,149	1,113	1,138	3 %	(2 %)
Total Desktop Ecosystem	1,938	1,868	1,870	4 %	— %
Total Small Business & Self-Employed	$ 4,688	$ 4,050	$ 3,533	16 %	15 %

Revenue for our Small Business & Self-Employed segment increased $638 million or 16% in fiscal 2021 compared with fiscal 2020. The increase was primarily due to growth in Online Ecosystem revenue. Fiscal 2021 and 2020 revenue includes $20 million and $30 million, respectively, of nonrecurring revenue related to the Payroll Protection Program, of which $12 million and $16 million, respectively, related to our Online Ecosystem and $8 million and $14 million, respectively, related to our Desktop Ecosystem.

Online Ecosystem

Online Ecosystem revenue increased $568 million or 26% in fiscal 2021 compared with fiscal 2020. QuickBooks Online Accounting revenue increased 25% in fiscal 2021 compared with fiscal 2020 primarily due to an increase in customers, a shift in mix to our higher priced offerings and higher effective prices. Online Services revenue increased 27% in fiscal 2021 compared with fiscal 2020 primarily due to an increase in revenue from our payments and payroll offerings. Online payments revenue increased due to an increase in customers and an increase in charge volume per customer. Online payroll revenue increased due to an increase in customers and a shift in mix to our full service offering.

Desktop Ecosystem

Desktop Ecosystem revenue increased $70 million in fiscal 2021 compared with fiscal 2020 primarily due to growth in our QuickBooks Desktop Enterprise subscription offering due to an increase in customers and higher revenue for our desktop payments offering due to higher charge volume. Also, during fiscal 2021 there was an increase in revenue from license updates as a result of price increases that occurred during fiscal 2020. These increases were partially offset by a decline in desktop unit revenue.

Small Business & Self-Employed segment operating income increased $499 million or 24% in fiscal 2021 compared with fiscal 2020 primarily due to the increase in revenue described above, partially offset by higher expenses. We incurred higher expenses for marketing, outside services, and sales related expenses, which were partially offset by a decrease in depreciation.

In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $180 million and $172 million from Small Business & Self-Employed to other corporate expenses.

Consumer

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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 and TurboTax Live offerings, electronic tax filing services and connected services, and also from our Mint offering.

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Fiscal 2019	2021-2020 % Change	2020-2019 % Change
Product revenue	$ 201	$ 203	$ 201		
Service and other revenue	3,362	2,933	2,574		
Total segment revenue	$ 3,563	$ 3,136	$ 2,775	14 %	13 %
% of total revenue	37 %	41 %	41 %		
Segment operating income	$ 2,237	$ 2,063	$ 1,820	8 %	13 %
% of related revenue	63 %	66 %	66 %		

Revenue for our Consumer segment increased $427 million or 14% in fiscal 2021 compared with fiscal 2020 primarily due to a shift in mix to our higher priced product offerings including TurboTax Live and a 6% growth in TurboTax federal units.

Consumer segment operating income increased $174 million or 8% in fiscal 2021 compared with fiscal 2020 due to the higher revenue described above, which was partially offset by higher expenses for staffing, marketing, and outside services.

In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $121 million and $78 million from Consumer to other corporate expenses.

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Credit Karma

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Credit Karma revenue is derived from cost-per-action transactions, which include the delivery of qualified links that result in completed actions such as credit card issuances and personal loan funding; and cost-per-click and cost-per-lead transactions, which include user clicks on advertisements or advertisements that allow for the generation of leads, and primarily relate to mortgage and insurance businesses.

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Fiscal 2019	2021-2020 % Change	2020-2019 % Change
Product revenue	$ —	$ —	$ —		
Service and other revenue	865	—	—		
Total segment revenue	$ 865	$ —	$ —	N/A	N/A
% of total revenue	9 %	— %	— %		
Segment operating income	$ 182	$ —	$ —	N/A	N/A
% of related revenue	21 %	N/A	N/A		

On December 3, 2020 we acquired Credit Karma. Our results of operations include the operations of Credit Karma beginning on the date of acquisition.

Credit Karma contributed $865 million in revenue in fiscal 2021. Revenue is primarily generated from cost-per-action transactions which are related to credit card issuances and personal loan funding.

Segment operating income was $182 million in fiscal 2021. Expenses were primarily related to staffing and marketing.

ProConnect

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

ProConnect 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)	Fiscal 2021	Fiscal 2020	Fiscal 2019	2021-2020 % Change	2020-2019 % Change
Product revenue	$ 412	$ 400	$ 386		
Service and other revenue	105	93	90		
Total segment revenue	$ 517	$ 493	$ 476	5 %	4 %
% of total revenue	5 %	6 %	7 %		
Segment operating income	$ 372	$ 346	$ 330	8 %	5 %
% of related revenue	72 %	70 %	69 %		

In August 2020, we renamed our Strategic Partner segment as the ProConnect segment. This segment continues to serve professional accountants.

Revenue for our ProConnect segment increased $24 million or 5% in fiscal 2021 compared with fiscal 2020 primarily due to a higher average revenue per customer and customer growth.

ProConnect segment operating income increased $26 million or 8% in fiscal 2021 compared with fiscal 2020 primarily due to the higher revenue described above and slightly lower spending.

In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $13 million and $12 million from ProConnect to other corporate expense

Cost of Revenue

(Dollars in millions)	Fiscal 2021	% of Related Revenue	Fiscal 2020	% of Related Revenue	Fiscal 2019	% of Related Revenue
Cost of product revenue	$ 69	4 %	$ 72	4 %	$ 77	5 %
Cost of service and other revenue	1,564	20 %	1,284	21 %	1,070	21 %
Amortization of acquired technology	50	n/a	22	n/a	20	n/a
Total cost of revenue	$ 1,683	17 %	$ 1,378	18 %	$ 1,167	17 %

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which includes the direct costs associated with our online and service offerings, such as costs for data processing and storage capabilities from cloud providers, customer support costs, and costs for the tax and bookkeeping experts that support our TurboTax Live and QuickBooks Live offerings, costs related to credit score providers, and depreciation expense for developed technology; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was relatively consistent in fiscal 2021 compared with fiscal 2020. 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 decreased slightly in fiscal 2021 compared with fiscal 2020. The acquisition of Credit Karma contributed $209 million to cost of service and other revenue for fiscal 2021. The decrease in cost of service and other revenue as a percentage of service and other revenue is primarily due to the increase in revenue described above. Additionally, during fiscal 2021 we experienced an increase in customer success costs for TurboTax Live due to customer growth, partially offset by a decrease in depreciation expense.

Operating Expenses

(Dollars in millions)	Fiscal 2021	% of Total Net Revenue	Fiscal 2020	% of Total Net Revenue	Fiscal 2019	% of Total Net Revenue
Selling and marketing	$ 2,644	28 %	$ 2,048	27 %	$ 1,927	28 %
Research and development	1,678	17 %	1,392	18 %	1,233	18 %
General and administrative	982	10 %	679	9 %	597	9 %
Amortization of other acquired intangible assets	146	2 %	6	— %	6	— %
Total operating expenses	$ 5,450	57 %	$ 4,125	54 %	$ 3,763	55 %

Total operating expenses as a percentage of total net revenue increased in fiscal 2021 compared to fiscal 2020. Total net revenue increased $2.0 billion or 25% and total operating expenses increased $1.3 billion or 32%, which includes $616 million of operating expenses related to Credit Karma. Total share-based compensation expense increased $309 million; total staffing increased $396 million, including $246 million related to Credit Karma; total marketing increased $383 million, including $197 million related to Credit Karma; and total amortization of other acquired intangible assets increased $140 million, which was primarily related to Credit Karma.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $29 million in fiscal 2021 consisted primarily of interest on our senior unsecured notes, secured revolving credit facility, unsecured term loan, and unsecured revolving credit facility. Interest expense of $14 million in fiscal 2020 consisted primarily of interest on our unsecured term loan, unsecured revolving credit facility, secured revolving credit facility, and senior unsecured notes. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual Report for more information.

Interest and Other Income, Net

(In millions)	Fiscal 2021	Fiscal 2020	Fiscal 2019
Interest income [1]	$ 11	$ 39	$ 46
Net gain on executive deferred compensation plan assets [2]	28	5	3
Other [3]	46	(8)	(7)
Total interest and other income, net	$ 85	$ 36	$ 42

(1) Interest income decreased in fiscal 2021 compared to fiscal 2020 due to lower average invested balances and lower average interest rates.

(2) 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.

(3) In fiscal 2021 we recorded a $30 million gain from the sale of a note receivable that was previously written off and gains on other long-term investments of $17 million.

Income Taxes

Our effective tax rates for fiscal 2021 and fiscal 2020 were approximately 19% and 17%, respectively. Excluding the tax benefits related to share-based compensation, our effective tax rate for fiscal 2021 was approximately 24%. This rate differed from the federal statutory rate of 21% primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the benefit we received from the federal research and experimentation credit. Excluding the tax benefits related to share-based compensation, our effective tax rate for fiscal 2020 was approximately 21%. This rate did not differ significantly from the federal statutory rate of 21% as state income taxes and non-deductible share-based compensation were substantially offset by the benefit we received from the federal research and experimentation credit. See Note 10 to the financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

At July 31, 2021, we had net deferred tax liabilities of $517 million which included a valuation allowance for state research and experimentation tax credit carryforwards, foreign loss carryforwards, foreign intangible deferred tax assets and state operating and capital loss carryforwards. See “Critical Accounting Policies and Estimates” earlier in this Item 7 and Note 10 to the financial statements in Item 8 of this Annual Report for more information.

In the current global tax policy environment, the U.S. and other domestic and foreign governments continue to consider, and in some cases enact, changes in corporate tax laws. As changes occur, we account for finalized legislation in the period of enactment.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At July 31, 2021, our cash, cash equivalents and investments totaled $3.9 billion, a decrease of $3.2 billion from July 31, 2020 due to the factors described in *"Statements of Cash Flows"* below. Our primary sources of liquidity have been cash from operations, which includes the collection of accounts receivable for products and services, the issuance of senior unsecured notes, and borrowings under our credit facilities. Our primary uses of cash have been for research and development programs, selling and marketing activities, repurchases of our common stock under our stock repurchase programs, the payment of cash dividends, debt service costs and debt repayment, acquisitions of businesses, and capital projects. As discussed in *"Executive Overview – Industry Trends and Seasonality"* earlier in this Item 7, 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)	July 31, 2021	July 31, 2020	$ Change	% Change
Cash, cash equivalents and investments	$ 3,870	$ 7,050	$ (3,180)	(45)%
Long-term investments	43	19	24	126 %
Short-term debt	—	1,338	(1,338)	(100)%
Long-term debt	2,034	2,031	3	— %
Working capital	2,502	4,451	(1,949)	(44)%
Ratio of current assets to current liabilities	1.9 : 1	2.3 : 1		

We have historically generated significant cash from operations and we expect to continue to do so during fiscal 2022. Our cash, cash equivalents, and investments totaled $3.9 billion at July 31, 2021, none of those funds were restricted, and approximately 92% of those funds were located in the U.S.

On December 3, 2020 we acquired Credit Karma. The fair value of the purchase consideration totaled $7.2 billion and included $3.4 billion in cash, 10.6 million shares of Intuit common stock with a fair value of $3.8 billion and assumed equity awards for services rendered through the acquisition date of $47 million. See *"Business Combinations"* below for more information.

In the fourth quarter of fiscal 2020, we borrowed the full $1 billion under our unsecured revolving credit facility which we repaid In August 2020. The unsecured revolving credit facility is available to us for general corporate purposes. In the fourth quarter of fiscal 2020, we also issued $2 billion in senior unsecured notes for general corporate purposes, which was used to fund a portion of the acquisition of Credit Karma. See *"Commitments for Senior Unsecured Notes"* later in this Item 7 for more information.

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 believe that our financial resources will allow us to manage any impact of COVID-19 on our business operations for the foreseeable future, which could include potential reductions in revenue and delays in payments from customers and partners.

We expect to return excess cash generated by operations to our stockholders through payment of cash dividends, after taking into account our operating and strategic cash needs.

Our secured revolving credit facility is available to fund a portion of our loans to qualified small businesses. At July 31, 2021, $48 million was outstanding under the secured revolving credit facility. See *"Credit Facilities"* later in this Item 7 for more information.

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 quickly respond to these kinds of opportunities.

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Statements of Cash Flows

The following table summarizes selected items from our consolidated statements of cash flows for fiscal 2021, fiscal 2020, and fiscal 2019. See the financial statements in Item 8 of this Annual Report for complete consolidated statements of cash flows for those periods.

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Fiscal 2019
Net cash provided by (used in):			
Operating activities	$ 3,250	$ 2,414	$ 2,324
Investing activities	(3,965)	(97)	(635)
Financing activities	(3,176)	2,034	(965)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	13	(6)	(3)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ (3,878)	$ 4,345	$ 721

During fiscal 2021 we generated $3.3 billion in cash from operations and $196 million from the issuance of common stock under employee stock plans. During the same period we used $3.1 billion for the acquisitions of businesses, $1.3 billion for the repayment of debt, $1.0 billion for the repurchase of shares of our common stock under our stock repurchase programs, $710 million for the net purchases of investments, $646 million for the payment of cash dividends, $383 million for payments for employee taxes withheld upon vesting of restricted stock units, $125 million for capital expenditures, and $96 million for net originations of term loans.

During fiscal 2020 we generated $2.4 billion in cash from operations. We also received $2 billion from the issuance of senior unsecured notes, $1 billion from borrowings under our unsecured revolving credit facility, $44 million for net principal repayments of term loans, and $25 million from the net sales and maturities of investments. During the same period we used $561 million for the payment of cash dividends, $323 million for the repurchase of shares of our common stock under our stock repurchase programs, $137 million for capital expenditures, $50 million for the repayment of debt, and $33 million from the issuance of common stock under employee stock plans, net of payments for employee taxes withheld upon vesting of restricted stock units.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 11 to the financial statements in Item 8 of this Annual Report, during fiscal 2021 and fiscal 2020 we continued to repurchase shares of our common stock under a series of repurchase programs that our Board of Directors has authorized. At July 31, 2021, we had authorization from our Board of Directors to expend up to an additional $1.3 billion for stock repurchases. On August 20, 2021 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. 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 fiscal 2021 we declared cash dividends that totaled $2.36 per share of outstanding common stock or approximately $651 million. In August 2021 our Board of Directors declared a quarterly cash dividend of $0.68 per share of outstanding common stock payable on October 18, 2021 to stockholders of records at the close of business on October 11, 2021. 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.

Business Combinations

On December 3, 2020 we acquired Credit Karma for total consideration of $8.1 billion which included assumed equity awards and restricted shares subject to a revest provision.

The fair value of the purchase consideration totaled $7.2 billion and included $3.4 billion in cash, 10.6 million shares of Intuit common stock with a fair value of $3.8 billion and assumed equity awards for services rendered through the acquisition date of $47 million.

We also issued shares of common stock with a fair value of $275 million which are restricted due to a revest provision, and will be expensed over a service period of three years. The share-based compensation expense related to these restricted shares is non-deductible for income tax purposes. Additionally, we assumed equity awards for future services with a fair value of $663 million that are being charged to expense over the remaining service periods, which average approximately three years.

The fair value of the stock consideration is based on the December 2, 2020 closing price of Intuit common stock of $355.49.

As part of the merger agreement, following the close of the transaction, we issued approximately $300 million of restricted stock units to the employees of Credit Karma, which will be charged to expense over a service period of four years.

Credit Karma operates as a separate reportable segment. We have included the financial results of Credit Karma in the consolidated financial statements from the date of acquisition. See Note 6 to the financial statements in Item 8 of this Annual Report for more information.

Commitments for Senior Unsecured Notes

In June 2020, we issued $2 billion of senior unsecured notes comprised of the following:

- $500 million of 0.650% notes due July 2023;
- $500 million of 0.950% notes due July 2025;
- $500 million of 1.350% notes due July 2027; and
- $500 million of 1.650% notes due July 2030 (together, the Notes).

Interest is payable semiannually on January 15 and July 15 of each year. At July 31, 2021, our maximum commitment for interest payments under the Notes was $140 million through the maturity dates.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of July 31, 2021 we were compliant with all covenants governing the Notes. See Note 8 to the financial statements in Item 8 of this Annual Report for more information.

Credit Facilities

Unsecured Revolving Credit Facility and Term Loan

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of $1.4 billion, including a $1 billion unsecured revolving credit facility that matures on May 2, 2024 and a $400 million unsecured term loan that matured on February 1, 2021.

Under the amended and restated credit agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured 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 unsecured 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 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. In May 2020, we borrowed the full $1 billion under the unsecured revolving credit facility and during the first quarter of fiscal 2021 we repaid the outstanding balance. At July 31, 2021, no amounts were outstanding under the unsecured revolving credit facility. We currently believe that the credit facility will be available to us should we choose to borrow under it. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility.

On February 1, 2021, we paid the $325 million remaining balance of the term loan upon maturity and at July 31, 2021, no amount was outstanding.The term loan accrued 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 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Under this agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the term loan in an amount not to exceed $400 million in the aggregate. This option continues to be available to us through the maturity of the amended and restated credit agreement.

The amended and restated credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross 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. As of July 31, 2021 we were compliant with all required covenants.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a $300 million secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to the secured revolving credit facility, most recently on July 16, 2021, primarily to extend the commitment term and maturity date. Under the amended agreement, $150 million of the facility is committed and $150 million is uncommitted. Advances accrue interest at LIBOR plus 1.5%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.25% to 0.75%, depending on the total unused committed balance. The commitment term is through July 17, 2023 and the final maturity date is January 17, 2024. The amended agreement allows for the transition of the benchmark interest rate used to calculate finance charges from

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LIBOR to the Secured Overnight Finance Rate (SOFR) plus related benchmark adjustments that represent the prevailing market convention for dollar-denominated syndicated credit facilities. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2021 we were compliant with all required covenants. At July 31, 2021, $48 million was outstanding under this facility and the weighted-average interest rate was 3.21%, which includes the interest on the unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling $199 million.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled $3.9 billion at July 31, 2021. Approximately 8% of those funds were held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in Canada, the United Kingdom, 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 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 taxes at that time.

CONTRACTUAL OBLIGATIONS

The following table summarizes our known contractual obligations to make future payments at July 31, 2021:

	Payments Due by Period				
(In millions)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Amounts due under executive deferred compensation plan	$ 153	$ —	$ —	$ —	$ 153
Senior unsecured notes	—	500	500	1,000	2,000
Secured revolving credit facility	—	48	—	—	48
Interest and fees due on debt	25	48	35	40	148
Operating leases (1)	76	159	107	139	481
Purchase obligations (2)	205	215	111	—	531
Total contractual obligations (3)	$ 459	$ 970	$ 753	$ 1,179	$ 3,361

(1) Includes operating leases for facilities and equipment. Amounts do not include $41 million of future sublease income or $43 million in minimum lease payments for leases signed but not yet commenced. We had no significant finance leases at July 31, 2021. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

(2) Represents agreements to purchase products and services that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(3) Other long-term obligations on our consolidated balance sheet at July 31, 2021 included long-term income tax liabilities of $24 million which related primarily to unrecognized tax benefits. We have not included this amount in the table above because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A - 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 Item 8 of this Annual 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 value of those investments. At July 31, 2021, our cash equivalents and investments totaled $3.2 billion and had a weighted average pre-tax yield of 0.356%. Total interest income for fiscal 2021 was $11 million. If the Federal Reserve Target Rate had increased by 25 basis points from the level of July 31, 2021, the value of our investments at that date would have decreased by approximately $5 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of July 31, 2021, the value of our investments at that date would have decreased by approximately $18 million.

We are also exposed to the impact of changes in interest rates as they affect our $1 billion unsecured revolving credit facility and $300 million secured revolving credit facility. Advances under the unsecured 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 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under are based on our senior debt credit ratings. Advances under the secured revolving credit facility accrue interest at a rate of LIBOR plus 1.5%. Consequently, our interest expense fluctuates with changes in the general level of these interest rates. At July 31, 2021 no amounts were outstanding under the unsecured revolving credit facility and $48 million was outstanding under the secured revolving credit facility. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual Report for more information.

In June 2020 we issued $2 billion of senior unsecured notes which was comprised of the following: $500 million of 0.650% notes due in July 2023, $500 million of 0.950% notes due in July 2025, $500 million of 1.350% notes due in July 2027, and $500 million of 1.650% notes due in July 2030. We carry these Notes at face value less unamortized discount and unamortized debt issuance costs on our consolidated balance sheet. Since these Notes bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these Notes fluctuates when interest rates change. See Note 2 and Note 8 to the financial statements in Item 8 of this 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 foreseeable future due to the reasons cited above. As of July 31, 2021, we did not engage in foreign currency hedging activities.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this Report:

2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

All other schedules not listed above have been omitted because they are inapplicable or are not required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intuit Inc. (the Company) as of July 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2021, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated September 8, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Determination of Distinct Performance Obligations in Revenue Contracts

Description of the Matter	As described in Note 1 to the consolidated financial statements, the Company enters into contracts with customers that often include promises to transfer multiple products and services. The Company has generally concluded that software licenses and services are separate performance obligations and revenues from software licenses and services are recognized as those products and services are provided. Given the nature of the Company’s product and service offerings, there is complexity in determining whether software licenses and services are considered performance obligations that should be accounted for separately or together. Auditing the Company’s determination of distinct performance obligations related to its various product and service offerings involved complex auditor judgment. In particular, significant judgment was required when assessing whether the promised products and services are separate performance obligations or inputs to a combined performance obligation due to the evaluation of the interdependency or interrelation of the promised products and services within each contract.

How we Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Company’s processes, as they relate to the determination of distinct performance obligations. We also obtained an understanding of the Company’s product and service offerings and tested the application of the revenue recognition accounting model to determine distinct performance obligations. Among other audit procedures, we evaluated whether the performance obligations identified by the Company were capable of being distinct and distinct in the context of the contract through review of contracts, discussions with management, observing product demonstrations and review of the Company’s website and other marketing materials. More specifically, we evaluated the Company’s determination of whether the contract was to deliver (1) multiple promised products or services that constitute separate performance obligations or (2) a single performance obligation that is comprised of the combined products or services. That is, considering the utility, integration, interrelation or interdependence of the products and services, we evaluated whether the multiple promised products and services that were delivered to the customer were outputs or inputs to a combined item.
	Accounting for Acquisition of Credit Karma
Description of the Matter	As described in Note 6 to the consolidated financial statements, during the year ended July 31, 2021, the Company completed its acquisition of Credit Karma for a total purchase price of $7.2 billion. The transaction was accounted for as a business combination. Auditing the Company's accounting for its acquisition of Credit Karma was complex due to the significant estimation uncertainty in determining the fair value of identified intangible assets, which primarily consisted of user relationships of $2,781 million, trade names/trademarks of $375 million, and purchased technology of $216 million. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about the future performance of the acquired business. The significant assumptions used to estimate the fair values of the intangible assets included certain assumptions that form the basis of the forecasted results including revenue growth rates and operating margins. Each of these assumptions was subjective and involved significant judgment as they are forward looking and could be affected by future economic and market conditions.

How we Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Company's process for accounting for the acquisition. For example, we tested the controls over the recognition and determination of the fair values of the acquired intangible assets, including the development and review of the valuation models and underlying assumptions used to develop such estimates. To test the estimated fair value of the user relationships, trade name/ trademark and purchased technology intangible assets, we performed substantive audit procedures that included, among others, evaluating the Company's selection of valuation methodologies with the assistance of our valuation specialists, and evaluating the significant assumptions used by the Company to develop the forecasted results of Credit Karma including projected revenue growth rates and projected operating margins. For example, we compared the significant assumptions to current industry, market and economic trends, and to the historical results of the acquired business. We tested the completeness and accuracy of the underlying data used in the valuation.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

San Jose, California
September 8, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intuit Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2021, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Credit Karma, which is included in the July 31, 2021 consolidated financial statements of the Company and constituted nine percent of both total and net assets, respectively, as of July 31, 2021 and nine percent of both revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Credit Karma.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated September 8, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
September 8, 2021

INTUIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Twelve Months Ended July 31,		
(In millions, except per share amounts)	2021	2020	2019
Net revenue:			
Product	$ 1,698	$ 1,635	$ 1,623
Service and other	7,935	6,044	5,161
Total net revenue	9,633	7,679	6,784
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	69	72	77
Cost of service and other revenue	1,564	1,284	1,070
Amortization of acquired technology	50	22	20
Selling and marketing	2,644	2,048	1,927
Research and development	1,678	1,392	1,233
General and administrative	982	679	597
Amortization of other acquired intangible assets	146	6	6
Total costs and expenses	7,133	5,503	4,930
Operating income	2,500	2,176	1,854
Interest expense	(29)	(14)	(15)
Interest and other income, net	85	36	42
Income before income taxes	2,556	2,198	1,881
Income tax provision	494	372	324
Net income	$ 2,062	$ 1,826	$ 1,557
Basic net income per share	$ 7.65	$ 6.99	$ 5.99
Shares used in basic per share calculations	270	261	260
Diluted net income per share	$ 7.56	$ 6.92	$ 5.89
Shares used in diluted per share calculations	273	264	264
Cash dividends declared per common share	$ 2.36	$ 2.12	$ 1.88

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve Months Ended July 31,		
(In millions)	2021	2020	2019
Net income	$ 2,062	$ 1,826	$ 1,557
Other comprehensive income (loss), net of income taxes:			
Unrealized gain (loss) on available-for-sale debt securities	(3)	5	3
Foreign currency translation gain (loss)	11	(1)	(3)
Total other comprehensive income, net	8	4	—
Comprehensive income	$ 2,070	$ 1,830	$ 1,557

See accompanying notes.

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INTUIT INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value; shares in thousands)	July 31, 2021	July 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,562	$ 6,442
Investments	1,308	608
Accounts receivable, net of allowance for doubtful accounts of $96 and $12	391	149
Income taxes receivable	123	12
Prepaid expenses and other current assets	316	314
Current assets before funds held for customers	4,700	7,525
Funds held for customers	457	455
Total current assets	5,157	7,980
Long-term investments	43	19
Property and equipment, net	780	734
Operating lease right-of-use assets	380	226
Goodwill	5,613	1,654
Acquired intangible assets, net	3,252	28
Long-term deferred income taxes	8	65
Other assets	283	225
Total assets	$ 15,516	$ 10,931
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ —	$ 1,338
Accounts payable	623	305
Accrued compensation and related liabilities	530	482
Deferred revenue	684	652
Other current liabilities	361	297
Current liabilities before customer fund deposits	2,198	3,074
Customer fund deposits	457	455
Total current liabilities	2,655	3,529
Long-term debt	2,034	2,031
Long-term deferred income tax liabilities	525	2
Operating lease liabilities	380	221
Other long-term obligations	53	42
Total liabilities	5,647	5,825
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value Authorized - 1,345 shares total; 145 shares designated Series A; 250 shares designated Series B Junior Participating Issued and outstanding - None	—	—
Common stock, $0.01 par value Authorized - 750,000 shares Outstanding - 273,235 shares at July 31, 2021 and 261,740 shares at July 31, 2020	3	3
Additional paid-in capital	10,545	6,179
Treasury stock, at cost	(12,951)	(11,929)
Accumulated other comprehensive loss	(24)	(32)
Retained earnings	12,296	10,885
Total stockholders' equity	9,869	5,106
Total liabilities and stockholders' equity	$ 15,516	$ 10,931

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in millions, shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2018	**258,616**	**$ 3**	**$ 5,335**	**$ (11,050)**	**$ (36)**	**$ 8,564**	**$ 2,816**
Comprehensive income	—	—	—	—	—	1,557	1,557
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,019	—	32	—	—	—	32
Stock repurchases under stock repurchase programs	(2,455)	—	—	(561)	—	—	(561)
Dividends and dividend rights declared ($1.88 per share)	—	—	—	—	—	(500)	(500)
Share-based compensation expense	—	—	405	—	—	—	405
Balance at July 31, 2019	**260,180**	**3**	**5,772**	**(11,611)**	**(36)**	**9,621**	**3,749**
Comprehensive income	—	—	—	—	4	1,826	1,830
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	2,736	—	(31)	—	—	—	(31)
Stock repurchases under stock repurchase programs	(1,176)	—	—	(318)	—	—	(318)
Dividends and dividend rights declared ($2.12 per share)	—	—	—	—	—	(562)	(562)
Share-based compensation expense	—	—	438	—	—	—	438
Balance at July 31, 2020	**261,740**	**3**	**6,179**	**(11,929)**	**(32)**	**10,885**	**5,106**
Comprehensive income	—	—	—	—	8	2,062	2,070
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	2,593	—	(187)	—	—	—	(187)
Stock repurchases under stock repurchase programs	(2,422)	—	—	(1,022)	—	—	(1,022)
Dividends and dividend rights declared ($2.36 per share)	—	—	—	—	—	(651)	(651)
Share-based compensation expense	—	—	755	—	—	—	755
Issuance of stock in business combination	11,324	—	3,798	—	—	—	3,798
Balance at July 31, 2021	**273,235**	**$ 3**	**$ 10,545**	**$ (12,951)**	**$ (24)**	**$ 12,296**	**$ 9,869**

See accompanying notes.

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INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Twelve Months Ended July 31, 2021	2020	2019
Cash flows from operating activities:			
Net income	$ 2,062	$ 1,826	$ 1,557
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	166	189	199
Amortization of acquired intangible assets	197	29	26
Non-cash operating lease cost	62	60	—
Share-based compensation expense	753	435	401
Deferred income taxes	(42)	(179)	(7)
Other	(39)	6	15
Total adjustments	1,097	540	634
Originations of loans held for sale	(41)	(566)	—
Sale and principal payments of loans held for sale	143	482	—
Changes in operating assets and liabilities:			
Accounts receivable	(104)	(59)	11
Income taxes receivable	(51)	53	5
Prepaid expenses and other assets	30	(31)	(37)
Accounts payable	206	33	90
Accrued compensation and related liabilities	(70)	100	16
Deferred revenue	22	38	39
Operating lease liabilities	(66)	(61)	—
Other liabilities	22	59	9
Total changes in operating assets and liabilities	(11)	132	133
Net cash provided by operating activities	**3,250**	**2,414**	**2,324**
Cash flows from investing activities:			
Purchases of corporate and customer fund investments	(1,489)	(701)	(752)
Sales of corporate and customer fund investments	229	130	84
Maturities of corporate and customer fund investments	550	596	303
Purchases of property and equipment	(53)	(59)	(76)
Capitalization of internal use software	(72)	(78)	(79)
Acquisitions of businesses, net of cash acquired	(3,064)	—	(64)
Originations of term loans to small businesses	(232)	(243)	(316)
Principal repayments of term loans from small businesses	136	287	267
Other	30	(29)	(2)
Net cash used in investing activities	**(3,965)**	**(97)**	**(635)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of discount and issuance costs	—	1,983	—
Proceeds from borrowings under unsecured revolving credit facility	—	1,000	—
Repayments on borrowings under unsecured revolving credit facility	(1,000)	—	—
Proceeds from borrowings under secured revolving credit facility	—	—	48
Repayment of debt	(338)	(50)	(50)
Proceeds from issuance of stock under employee stock plans	196	211	284
Payments for employee taxes withheld upon vesting of restricted stock units	(383)	(244)	(251)
Cash paid for purchases of treasury stock	(1,005)	(323)	(556)
Dividends and dividend rights paid	(646)	(561)	(501)

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in customer fund deposits	2	19	69
Other	(2)	(1)	(8)
Net cash provided by (used in) financing activities	**(3,176)**	**2,034**	**(965)**
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	13	(6)	(3)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	**(3,878)**	**4,345**	**721**
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	6,697	2,352	1,631
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 2,819**	**$ 6,697**	**$ 2,352**
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	$ 2,562	$ 6,442	$ 2,116
Restricted cash and restricted cash equivalents included in funds held for customers	257	255	236
Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 2,819**	**$ 6,697**	**$ 2,352**
Supplemental disclosure of cash flow information:			
Interest paid	$ 30	$ 14	$ 17
Income taxes paid	$ 578	$ 493	$ 325
Supplemental schedule of non-cash investing activities:			
Issuance of common stock in a business combination	$ 3,798	$ —	$ —

See accompanying notes.

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INTUIT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 serve small business customers.

Our flagship brands, QuickBooks, TurboTax and Mint, 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. On December 3, 2020 we acquired Credit Karma, Inc. (Credit Karma), a consumer technology platform that enables us to provide personalized financial offers to members including credit cards, loans, insurance, and savings and checking accounts through an FDIC member bank partner. Incorporated in 1984 and headquartered in Mountain View, California, we sell our products and services primarily in the United States.

Basis of Presentation

These 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 reclassified certain amounts previously reported in our financial statements to conform to the current presentation, including amounts related to reportable segments. In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $180 million and $172 million from Small Business & Self-Employed, $121 million and $78 million from Consumer, and $13 million and $12 million from ProConnect to other corporate expenses. In August 2020, we also renamed our Strategic Partner segment as the ProConnect segment. This segment continues to serve professional accountants. See Note 14, *"Segment Information,"* for more information.

On December 3, 2020 we acquired Credit Karma, a consumer technology platform. We have included the results of operations for Credit Karma in our consolidated statements of operations from the date of acquisition. Credit Karma operates as a separate reportable segment. See Note 14, *"Segment Information,"* for more information.

Seasonality

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

Due to the COVID-19 pandemic, the timing of tax filing seasons for fiscal 2021 and fiscal 2020 varied significantly. In fiscal 2019, the IRS began accepting returns on January 28, 2019 and the tax filing deadline was April 15, 2019. In fiscal 2020, the IRS began accepting returns on January 27, 2020 and the tax filing deadline was July 15, 2020. In fiscal 2021, the IRS began accepting returns on February

12, 2021 and the tax filing deadline was May 17, 2021. These changes to the tax filing seasons impacted our quarterly financial results during fiscal 2021 and fiscal 2020.

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 standalone sales price (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 discount rate used to calculate lease liabilities, the amount of our worldwide tax provision, the realizability of deferred tax assets, the credit losses of available-for-sale debt securities, and the fair value of assets acquired and liabilities assumed for business combinations. 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. Additionally, in the context of the ongoing global COVID-19 pandemic, while there has been no material impact on our estimates to date, in future periods, facts and circumstances could change and impact our estimates.

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, payroll services, merchant payment processing services, packaged software products, live expert advice, financing for small businesses, delivery of qualified links, 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 packaged desktop software 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 packaged software products and consumer tax packaged desktop software 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 TurboTax Online and TurboTax Live, ProConnect Tax Online, QuickBooks Online, online payroll, 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 our Credit Karma segment is primarily comprised of revenue from the delivery of qualified links that result in completed actions, or cost-per-action transactions. Credit Karma also generates revenue from cost-per-click and cost-per-lead transactions. All revenue from our Credit Karma segment is included in service and other revenue on our consolidated statement of operations.

Cost-per-action revenue is earned based on a pre-determined fee for approved actions such as when credit cards are issued or when personal loans and other loans to businesses are funded and is recognized as the actions are completed.

Cost-per-click and cost-per-lead revenue is primarily related to mortgage and insurance businesses. Cost-per-click revenue is earned as users click on our customers' advertisements and is recognized based on the number of clicks recorded each month. Cost-per-lead revenue is earned via customer advertisements that allow the generation of leads from consumers interested in the advertised products and is recognized at the time a consumer request or lead is delivered to the customer.

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.

Judgments and Estimates

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 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

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 twelve months ended July 31, 2021, we recognized revenue of $652 million, that was included in deferred revenue at July 31, 2020. During the twelve months ended July 31, 2020, we recognized revenue of $619 million, that was included in deferred revenue at July 31, 2019.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of July 31, 2021 and 2020, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was $8 million and $13 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 not significant and 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.

Shipping and Handling

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of product revenue in our consolidated statements of operations.

Customer Service and Technical Support

We include the costs of customer service and technical support associated with our online or hosted offerings in cost of service and other revenue line in our consolidated statements of operations. We also include the costs of providing technical support for our desktop offerings in cost of service and other revenue. We include the costs of customer service related to desktop offerings in selling and marketing expense in our consolidated statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing technical support assistance to customers. We expense the cost of providing this support as incurred.

Software Development Costs

We expense software development costs as we incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, our software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, we have not capitalized any development costs. Costs we incur to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development expense in our consolidated statements of operations.

Internal Use Software

We capitalize costs related to development of hosted services that we provide to our customers and internal use of enterprise-level business and finance software in support of our operational needs. Costs incurred in the application development phase are capitalized and amortized on a straight-line basis over their useful lives, which are generally three to six years. Costs related to planning and other preliminary project activities and to post-implementation activities are expensed as incurred. We test these assets for impairment whenever events or changes in circumstances occur that could impact their recoverability.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our consolidated statements of operations. We recorded advertising expense of approximately $1.1 billion for the twelve months ended July 31, 2021, $778 million for the twelve months ended July 31, 2020, and $800 million for the twelve months ended July 31, 2019.

Leases

Our leases are primarily operating leases for office facilities. We do not have significant finance leases. We determine if an arrangement is a lease and classify it as either a finance or operating lease at lease inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on our consolidated balance sheets.

Operating lease liabilities are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. Our leases generally do not have a readily determinable implicit rate, therefore we use our incremental borrowing rate at the commencement date in determining the present value of future payments. Our incremental borrowing rate is determined based on a yield curve derived from publicly traded bond offerings for companies with similar credit ratings to us. Our lease terms may include options to purchase, extend or terminate the lease when it is reasonably certain that we will exercise that option. We account for the lease and non-lease components as a single lease component.

We measure ROU assets based on the corresponding lease liabilities adjusted for any initial direct costs and prepaid lease payments made to the lessor before or at the commencement date, net of lease incentives. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are not included in the calculation of the ROU asset and lease liability and are recognized as lease expense is incurred. Our variable lease payments generally relate to amounts paid to lessors for common area maintenance under our real estate leases.

Our subleases generally do not relieve us of our primary obligations under the corresponding head lease. As a result, we account for the head lease based on the original assessment at inception. We determine if the sublease arrangement is either a sales-type, direct financing, or operating lease at inception. If the total remaining lease cost on the head lease for the term of the sublease is greater than the anticipated sublease income, the ROU asset is assessed for impairment. Our subleases are generally operating leases and we recognize sublease income on a straight-line basis over the sublease term.

Capitalization of Interest Expense

We capitalize interest on capital projects, including facilities build-out projects and internal use computer software projects. Capitalization commences with the first expenditure for the project and continues until the project is substantially complete and ready for its intended use. We amortize capitalized interest to depreciation expense using the straight-line method over the same lives as the related assets. Capitalized interest was not significant for any period presented.

Foreign Currency

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. Translation gains and losses and transaction gains and losses were not significant for any period presented.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding income tax expense in our consolidated statement of operations.

We review the need for a valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. The valuation allowance analysis is based on our estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could be required to record a valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we record the increase.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

A description of our accounting policies associated with tax-related contingencies and valuation allowances assumed as part of a business combination is provided under *"Business Combinations"* below.

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.

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

(In millions, except per share amounts)	Twelve Months Ended July 31, 2021	2020	2019
Numerator:			
Net income	$ 2,062	$ 1,826	$ 1,557
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	270	261	260
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	270	261	260
Dilutive common equivalent shares from stock options and restricted stock awards	3	3	4
Dilutive weighted average common shares outstanding	273	264	264
Basic and diluted net income per share:			
Basic net income per share	$ 7.65	$ 6.99	$ 5.99
Diluted net income per share	$ 7.56	$ 6.92	$ 5.89
Shares excluded from diluted net income 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	—	—	1

Cash Equivalents and Investments

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 time deposits. Investments consist primarily of 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 by limiting our holdings with any individual issuer.

We use the specific identification method to compute gains and losses on investments. We record unrealized gains and losses on investments, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our consolidated balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our consolidated statement of comprehensive income. We generally classify available-for-sale debt securities as current assets based upon our ability and intent to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal nature of our businesses. Because of our significant business seasonality, stock repurchase programs, and acquisition opportunities, cash flow requirements may fluctuate dramatically from quarter to quarter and require us to use a significant amount of the investments we hold as available-for-sale.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for credit losses. In determining the amount of the allowance, we consider our historical level of credit losses, current economic trends that might impact the level of future credit losses, customer-specific information, and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. We make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. When we determine that amounts are uncollectible we write them off against the allowance.

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 and other assets on our consolidated balance sheets. As of July 31, 2021 and July 31, 2020, the notes receivable balance was $139 million and $40 million, respectively, and the allowances for loan losses were not material. 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.

Paycheck Protection Program - In April 2020, Intuit was approved as a non-bank Small Business Administration (SBA) lender for the Paycheck Protection Program (PPP). The PPP was authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide small businesses loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt which is designed to provide assistance to small businesses during the COVID-19 pandemic. Lending under the program expired on August 8, 2020. As of July 31, 2021, all of the loans held for sale under this program have been sold. When loans under this program do not qualify to be sold, they are held for investment. As of July 31, 2021 and July 31, 2020, PPP loans held for investment were not material and are included in prepaid expenses and other current assets and other assets on our consolidated balance sheets. The SBA re-opened the PPP in January 2021 under the Coronavirus Response and Relief Supplemental Appropriations Act of 2021. We marketed and referred small businesses to another lender under the re-opened program, but did not originate or service loans in this round of the program, which ended in May 2021.

Funds Held for Customers and Customer Fund Deposits

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 debt securities, restricted for use solely for the purpose of satisfying amounts we owe on behalf of our customers. Customer fund deposits consist of amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

Property and Equipment

Property and equipment is stated at the lower of cost or realizable value, net of accumulated depreciation. We calculate depreciation using the straight-line method over the estimated useful lives of the assets, which range from two to 30 years. We amortize leasehold improvements using the straight-line method over the lesser of their estimated useful lives or remaining lease terms. We include the amortization of assets that are recorded under finance leases in depreciation expense. We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record any significant property impairment charges during the twelve months ended July 31, 2021, 2020, or 2019.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination).

Under the acquisition method of accounting we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and we charge them to general and administrative expense as they are incurred. Under the acquisition method we also account for acquired company restructuring activities that we initiate separately from the business combination.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We apply those measurement period adjustments that we determine to be significant retrospectively to comparative information in our financial statements, including adjustments to depreciation and amortization expense.

Under the acquisition method of accounting for business combinations, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense. This accounting applies to all of our acquisitions regardless of acquisition date.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets

Goodwill

We record goodwill when the fair value of consideration transferred in a business combination exceeds the fair value of the identifiable assets acquired and liabilities assumed. Goodwill and other intangible assets that have indefinite useful lives are not amortized, but we test them for impairment annually during our fourth fiscal quarter and whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

In accordance with authoritative guidance, we define fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider and use all valuation methods that are appropriate in estimating the fair value of our reporting units and generally use a weighted combination of income and market approaches. Under the income approach, we estimate the fair value of each reporting unit based on the present value of future cash flows. We use a number of assumptions in our discounted cash flow model, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Under the market approach, we estimate the fair value of each reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of the unit, we would record an impairment loss equal to the difference. We recorded no goodwill impairment charges for the twelve months ended July 31, 2021, 2020 or 2019.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as purchased technology, in connection with business combinations. We amortize the cost of acquired intangible assets on a straight-line basis over their estimated useful lives, which range from two to fifteen years. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. We estimate the fair value of assets that have finite useful lives based on the present value of future cash flows for those assets. If the carrying value of an asset with a finite life exceeds its estimated fair value, we would record an impairment loss equal to the difference. Impairment charges for acquired intangible assets were not significant for the twelve months ended July 31, 2021, 2020 or 2019.

Share-Based Compensation Plans

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. We amortize the fair value of stock options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria would be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

See Note 11, *"Stockholders' Equity,"* for a description of our share-based compensation plans and more information on the assumptions we use to calculate the fair value of share-based compensation.

Concentration of Credit Risk and Significant Customers and Suppliers

We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the value of our significant balance of investments. Our portfolio of investments consists of investment-grade 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 by limiting our holdings with any individual issuer.

We sell a portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate, but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. No customer accounted for 10% or more of total net revenue for the twelve months ended July 31, 2021, 2020 or 2019, nor did any customer account for 10% or more of total accounts receivable at July 31, 2021 or July 31, 2020.

We rely primarily on one third-party vendor to perform the manufacturing and distribution functions for our retail desktop software products. We also have a key single-source vendor that prints and fulfills orders for most of our financial supplies business. While we believe that relying on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

Accounting Standards Recently 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. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2020 on a prospective basis. The adoption did not have a material impact 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. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2020 on a prospective basis. The adoption did not have a material impact 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. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

Accounting Standards Not Yet Adopted

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.

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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.

(In millions)	At July 31, 2021 Level 1	At July 31, 2021 Level 2	At July 31, 2021 Total Fair Value	At July 31, 2020 Level 1	At July 31, 2020 Level 2	At July 31, 2020 Total Fair Value
Assets:						
Cash equivalents, primarily money market funds and time deposits	$ 1,660	$ —	$ 1,660	$ 5,765	$ —	$ 5,765
Available-for-sale debt securities:						
Municipal bonds	—	38	38	—	9	9
Corporate notes	—	1,400	1,400	—	752	752
U.S. agency securities	—	70	70	—	47	47
Total available-for-sale securities	—	1,508	1,508	—	808	808
Total assets measured at fair value on a recurring basis	$ 1,660	$ 1,508	$ 3,168	$ 5,765	$ 808	$ 6,573
Liabilities:						
Senior unsecured notes[1]	$ —	$ 1,986	$ 1,986	$ —	$ 2,042	$ 2,042

[1] Carrying value on our balance sheet at July 31, 2021 and July 31, 2020 was $1.99 billion and $1.98 billion, respectively. See Note 8, *"Long-Term Obligations and Commitments"* for more information.

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 shown:

(In millions)	At July 31, 2021 Level 1	At July 31, 2021 Level 2	At July 31, 2021 Total Fair Value	At July 31, 2020 Level 1	At July 31, 2020 Level 2	At July 31, 2020 Total Fair Value
Cash equivalents:						
In cash and cash equivalents	$ 1,660	$ —	$ 1,660	$ 5,765	$ —	$ 5,765
Available-for-sale debt securities:						
In investments	$ —	$ 1,308	$ 1,308	$ —	$ 608	$ 608
In funds held for customers	—	200	200	—	200	200
Total available-for-sale debt securities	$ —	$ 1,508	$ 1,508	$ —	$ 808	$ 808

We value our Level 1 assets, consisting primarily of money market funds and time deposits, 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 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.

Financial assets whose fair values we measure using Level 3 inputs consist of loans held for sale. These loans are recorded at the lower of cost or fair value. We had no loans held for sale at July 31, 2021 and $98 million at July 31, 2020. The difference between cost and fair value was not material.

Financial liabilities whose fair values we measure using Level 2 inputs consist of senior unsecured notes. See Note 8, *"Long-Term Obligations and Commitments"* for more information. We measure the fair value of our senior unsecured notes based on their trading prices and the interest rates we could obtain for other borrowings with similar terms.

There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2021, 2020 or 2019.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include reporting units measured at fair value in a goodwill impairment test and our long-term investments.

Estimates of fair value for reporting units fall under Level 3 of the fair value hierarchy. During the fourth quarters of fiscal 2021, fiscal 2020, and fiscal 2019 we performed our annual goodwill impairment tests. Using the methodology described in Note 1, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired.

Long-term investments represent non-marketable equity securities in privately held companies that do not have a readily determinable fair value. They are accounted for at cost and adjusted based on observable price changes from orderly transactions for identical or similar investments of the same issuer or impairment. These investments are classified as Level 3 in the fair value hierarchy because we estimate the value based on valuation methods which may include a combination of the observable transaction price at the transaction date and other unobservable inputs including volatility, rights, and obligations of the investments we hold. As of July 31, 2021 and July 31, 2020, the carrying value of long-term investments was $43 million and $19 million, respectively, and adjustments to the carrying value of these investments for the twelve months ended July 31, 2021 were not significant.

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

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

	July 31, 2021		July 31, 2020	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on consolidated balance sheets:				
Cash and cash equivalents	$ 2,562	$ 2,562	$ 6,442	$ 6,442
Investments	1,305	1,308	600	608
Funds held for customers	456	457	455	455
Total cash and cash equivalents, investments, and funds held for customers	$ 4,323	$ 4,327	$ 7,497	$ 7,505

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

	July 31, 2021		July 31, 2020	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type of issue:				
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 2,819	$ 2,819	$ 6,697	$ 6,697
Available-for-sale debt securities:				
Municipal bonds	37	38	9	9
Corporate notes	1,397	1,400	744	752
U.S. agency securities	70	70	47	47
Total available-for-sale debt securities	1,504	1,508	800	808
Total cash, cash equivalents, restricted cash, restricted cash equivalents, and investments	$ 4,323	$ 4,327	$ 7,497	$ 7,505

We include realized gains and losses on our available-for-sale debt securities in interest and other income or expense on our consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2021, 2020 and 2019 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders’ equity section of our consolidated balance sheets, except for certain unrealized losses described below. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2021 and July 31, 2020 were not significant.

For available-for sale debt securities in an unrealized loss position, we determine whether a credit loss exists. The estimate of the credit loss is determined by considering available information relevant to the collectibility of the security and information about past events, current conditions, and reasonable and supportable forecasts. The allowance for credit loss is recorded to interest and other income on our consolidated statement of operations, not to exceed the amount of the unrealized loss. Any excess unrealized loss greater than the credit loss at a security level is recognized in accumulated other comprehensive income or loss in the stockholders' equity section of our consolidated balance sheets. We determined there were no credit losses related to available-for-sale securities as of July 31, 2021. Unrealized losses on available-for-sale debt securities at July 31, 2021 were not significant. 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 of the amortized cost basis, 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.

	July 31, 2021		July 31, 2020	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 551	$ 553	$ 389	$ 390
Due within two years	550	551	256	261
Due within three years	398	398	137	139
Due after three years	5	6	18	18
Total available-for-sale debt securities	$ 1,504	$ 1,508	$ 800	$ 808

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

(In millions)	July 31, 2021	July 31, 2020	July 31, 2019	July 31, 2018
Restricted cash and restricted cash equivalents	$ 257	$ 255	$ 236	$ 167
Restricted available-for-sale debt securities	200	200	200	200
Total funds held for customers	$ 457	$ 455	$ 436	$ 367

4. Property and Equipment

Property and equipment consisted of the following at the dates indicated:

	Life in	July 31,	
(Dollars in millions)	Years	2021	2020
Equipment	3-5	$ 199	$ 226
Computer software	2-6	899	870
Furniture and fixtures	5	96	93
Leasehold improvements	2-16	350	298
Land	NA	79	79
Buildings	5-30	375	372
Capital in progress	NA	122	90
		2,120	2,028
Less accumulated depreciation and amortization		(1,340)	(1,294)
Total property and equipment, net		$ 780	$ 734

NA = Not Applicable

Capital in progress at July 31, 2021 and 2020 consisted primarily of costs related to various buildings and site improvements that have not yet been placed into service.

As discussed in Note 1, *"Description of Business and Summary of Significant Accounting Policies – Internal Use Software,"* we capitalize costs related to the development of computer software for internal use. We capitalized internal use software costs totaling $72 million for the twelve months ended July 31, 2021; $78 million for the twelve months ended July 31, 2020; and $79 million for the twelve months ended July 31, 2019. These amounts included capitalized labor costs of $30 million, $40 million, and $43 million, respectively. Costs related to internal use software projects are included in the capital in progress category of property and equipment until project completion, at which time they are transferred to the computer software category.

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5. Goodwill and Acquired Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2021 and July 31, 2020 were as shown in the following table. Our reportable segments are described in Note 14, *"Segment Information."*

(In millions)	Balance July 31, 2019	Goodwill Acquired	Foreign Currency Translation	Balance July 31, 2020	Goodwill Acquired	Foreign Currency Translation	Balance July 31, 2021
Small Business & Self-Employed	$ 1,518	$ —	$ —	$ 1,518	$ 59	$ 1	$ 1,578
Consumer	42	—	—	42	—	—	42
ProConnect	95	—	(1)	94	—	1	95
Credit Karma	—	—	—	—	3,898	—	3,898
Totals	$ 1,655	$ —	$ (1)	$ 1,654	$ 3,957	$ 2	$ 5,613

Goodwill is net of accumulated impairment losses of $114 million, which were recorded prior to July 31, 2019 and are included in our Consumer segment. The increase in goodwill during the twelve months ended July 31, 2021 was primarily due to the acquisition of Credit Karma.

Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated. The increases in intangible assets during the twelve months ended July 31, 2021 were primarily related to the acquisition of Credit Karma. See Note 6, "*Business Combinations*." The weighted average lives are calculated for assets that are not fully amortized.

(Dollars in millions)	Customer Lists / User Relationships	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2021:					
Cost	$ 3,038	$ 686	$ 400	$ 42	$ 4,166
Accumulated amortization	(377)	(455)	(41)	(41)	(914)
Acquired intangible assets, net	$ 2,661	$ 231	$ 359	$ 1	$ 3,252
Weighted average life in years	15	5	15	3	14
At July 31, 2020:					
Cost	$ 256	$ 421	$ 25	$ 42	$ 744
Accumulated amortization	(248)	(404)	(25)	(39)	(716)
Acquired intangible assets, net	$ 8	$ 17	$ —	$ 3	$ 28
Weighted average life in years	5	3	0	3	4

The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2021. Amortization of purchased technology is charged to amortization of acquired technology in our consolidated statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)	Expected Future Amortization Expense
Twelve months ending July 31,	
2022	$ 274
2023	264
2024	248
2025	247
2026	247
Thereafter	1,972
Total expected future amortization expense	$ 3,252

6. Business Combinations

Credit Karma

On December 3, 2020 we acquired all of the outstanding shares of Credit Karma, a consumer technology platform. We acquired Credit Karma to help consumers unlock smart money decisions and accelerate our mission of powering prosperity around the world, by creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial expertise and advice. Credit Karma is a separate reportable segment. See Note 14, *"Segment Information,"* for more information. We have included the financial results of Credit Karma in the consolidated financial statements from the date of acquisition. For the twelve months ended July 31, 2021 and July 31, 2020, the transaction costs associated with the acquisition were approximately $31 million and $28 million, respectively, and were recorded in general and administrative expenses.

We acquired Credit Karma for total consideration of $8.1 billion which included assumed equity awards and restricted shares subject to a revest provision.

The fair value of the purchase consideration totaled $7.2 billion and included $3.4 billion in cash, 10.6 million shares of Intuit common stock with a fair value of $3.8 billion and assumed equity awards for services rendered through the acquisition date of $47 million.

We also issued shares of common stock with a fair value of $275 million which are restricted due to a revest provision, and are being be expensed over a service period of three years. The share-based compensation expense related to these restricted shares is non-deductible for income tax purposes. Additionally, we assumed equity awards for future services with a fair value of $663 million that are being charged to expense over the remaining service periods, which average approximately three years.

The fair value of the stock consideration is based on the December 2, 2020 closing price of Intuit common stock of $355.49.

As part of the merger agreement, following the close of the transaction, we issued approximately $300 million of restricted stock units to the employees of Credit Karma, which is being charged to expense over a service period of four years.

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The preliminary allocation of the Credit Karma purchase price is as follows:

(In millions)	Amount
Cash and cash equivalents	$ 436
Accounts receivable, net	141
Income taxes receivable	59
Prepaid expenses and other current assets	7
Long-term investments	3
Property and equipment, net	63
Operating lease right-of-use assets	167
Goodwill	3,898
Intangible assets	3,372
Other assets	81
Accounts payable	(86)
Accrued compensation and related liabilities	(113)
Other current liabilities	(24)
Operating lease liabilities	(172)
Long-term deferred income tax liabilities	(627)
Other long-term obligations	(10)
Total preliminary purchase price allocation	$ 7,195

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributed to the assembled workforce of Credit Karma and the synergies expected to be achieved. This goodwill is assigned to the new Credit Karma segment and is non-deductible for income tax purposes. The fair values assigned to tangible assets acquired and liabilities assumed are preliminary based on management's estimates and assumptions and may be subject to change as additional information is received and certain tax returns are finalized. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.

Intangible assets consist of user relationships, trade names/trademarks, purchased technology, and partner relationships. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is 14.4 years. The following table presents the details of identifiable intangible assets acquired.

(In millions, except years)	Estimated Useful Life	Amount
User relationships	15 years	$ 2,781
Trade names/Trademarks	15 years	375
Purchased technology	6 years	216
Total identifiable intangible assets		$ 3,372

The following table summarizes the long-term deferred income tax assets and liabilities included in the purchase price allocation above:

(In millions)	Amount
Intangibles	$ (851)
Federal and state net operating loss carryforwards	138
Federal research and experimentation credit carryforwards	51
Other, net	35
Total net long-term deferred income tax liabilities	$ (627)

The unaudited financial information in the table below summarizes the combined results of operations of Intuit and Credit Karma on a pro forma basis, as though the companies had been combined as of the beginning of our fiscal 2020. These pro forma results were based on estimates and assumptions, which we believe are reasonable. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of our fiscal 2020. The pro forma financial information assumes our senior unsecured notes were issued as of the beginning of our fiscal 2020 and includes adjustments to share-based compensation expense, amortization for acquired intangible assets, interest expense, transaction costs, capitalization and amortization of certain activities associated with the development of internal use software to conform with Intuit's accounting policy, and related tax effects.

The pro forma financial information for the twelve months ended July 31, 2021 combines our results for the twelve months ended July 31, 2021, which include the results of Credit Karma subsequent to December 3, 2020, and the historical results for Credit Karma for the three months ended September 30, 2020 and one month ended November 30, 2020. The pro forma financial information for the twelve months ended July 31, 2020 combines our results for the twelve months ended July 31, 2020 and the historical results for Credit Karma for the twelve months ended June 30, 2020.

The following table summarizes the pro forma financial information:

	Twelve Months Ended July 31,	
(In millions)	**2021**	**2020**
Total revenue	$ 9,876	$ 8,549
Net income	$ 1,977	$ 1,319
Basic net income per share	$ 7.21	$ 4.85
Diluted net income per share	$ 7.11	$ 4.80

7. Current Liabilities

Short-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders with an aggregate principal amount of $1.4 billion, including a $1 billion unsecured revolving credit facility that matures on May 2, 2024 and a $400 million unsecured term loan that was due on February 1, 2021.

Unsecured Revolving Credit Facility

The amended and restated credit agreement we entered into on May 2, 2019 includes a $1 billion unsecured revolving credit facility that will expire on May 2, 2024. Under this agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured 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 unsecured 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 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross 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. As of July 31, 2021 we were compliant with all required covenants. We repaid the $1 billion that was outstanding as of July 31, 2020 under this unsecured revolving credit facility during the first quarter of fiscal 2021, and at July 31, 2021 no amounts were outstanding. We paid $1 million for interest on the unsecured revolving credit facility during the twelve months ended July 31, 2021 and $2 million during the twelve months ended July 31, 2020. We paid no interest on the unsecured revolving credit facility during the twelve months ended July 31, 2019.

Term Loan

On February 1, 2021, we paid the $325 million remaining balance of the term loan upon maturity and at July 31, 2021, no amount was outstanding. The term loan accrued interest at rates that were equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Interest on the term loan was payable monthly. We paid $2 million for interest on the term loan during the twelve months ended July 31, 2021, $9 million during the twelve months ended July 31, 2020, and $15 million during the twelve months ended July 31, 2019. Under the amended and restated agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the term loan in an amount not to exceed $400 million in the aggregate. This option continues to be available to us through the expiration of the amended and restated credit agreement on May 2, 2024.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	2021	2020
Executive deferred compensation plan liabilities	$ 153	$ 123
Current portion of operating lease liabilities	66	46
Reserve for returns and credits	21	24
Amounts due for share repurchases	17	—
Reserve for promotional discounts and rebates	10	11
Current portion of dividend payable	9	6
Interest payable	1	3
Other	84	84
Total other current liabilities	$ 361	$ 297

8. Long-Term Obligations and Commitments

Senior Unsecured Notes

In June 2020 we issued four series of senior unsecured notes (together, the Notes) pursuant to a public debt offering. The proceeds from the issuance were $1.98 billion, net of debt discount of $2 million and debt issuance costs of $15 million.

The carrying value of the Notes was as follows at the date indicated:

(In millions)	July 31, 2021	July 31, 2020	Effective Interest Rate
Senior unsecured notes issued June 2020:			
0.650% notes due July 2023	$ 500	$ 500	0.837%
0.950% notes due July 2025	500	500	1.127%
1.350% notes due July 2027	500	500	1.486%
1.650% notes due July 2030	500	500	1.767%
Total senior unsecured notes	2,000	2,000	
Unamortized discount and debt issuance costs	(14)	(17)	
Net carrying value senior unsecured notes	$ 1,986	$ 1,983	

Interest is payable semiannually on January 15 and July 15 of each year. The discount and debt issuance costs are amortized to interest expense over the term of the Notes under the effective interest method. We paid $24 million for interest on the Notes during the twelve months ended July 31, 2021 and no interest during the twelve months ended July 31, 2020.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of July 31, 2021 we were compliant with all covenants governing the Notes.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a $300 million secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to the secured revolving credit facility, most recently on July 16, 2021, primarily to extend the commitment term and maturity date. Under the amended agreement, $150 million of the facility is committed and $150 million is uncommitted. Advances accrue interest at LIBOR plus 1.5%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.25% to 0.75%, depending on the total unused committed balance. The commitment term is through July 17, 2023 and the final maturity date is January 17, 2024. The amended agreement allows for the transition of the benchmark interest rate used to calculate finance charges from LIBOR to the Secured Overnight Finance Rate (SOFR) plus related benchmark adjustments that represent the prevailing market convention for dollar-denominated syndicated credit facilities. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2021 we were compliant with all required covenants. At July 31, 2021, $48 million was outstanding under this facility and the weighted-average interest rate was 3.21%, which includes the interest on the unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling $199 million. Interest on the facility is payable monthly. We paid $3 million for interest on the secured revolving credit facility during each of the twelve months ended July 31, 2021 and 2020.

Future principal payments for long-term debt at July 31, 2021 were as shown in the table below.

(In millions)

Fiscal year ending July 31,		
2022	$	—
2023		500
2024		48
2025		500
2026		—
Thereafter		1,000
Total commitments	$	2,048

Other Long-Term Obligations

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

	July 31,			
(In millions)	**2021**		**2020**	
Long-term income tax liabilities	$	24	$	10
Total dividend payable		17		12
Long-term deferred revenue		8		13
Other		15		17
Total long-term obligations		64		52
Less current portion (included in other current liabilities)		(11)		(10)
Long-term obligations due after one year	$	53	$	42

Unconditional Purchase Obligations

In the ordinary course of business we enter into certain unconditional purchase obligations with our suppliers. These are agreements to purchase products and services that are enforceable, legally binding, and specify terms that include fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

Annual minimum commitments under purchase obligations at July 31, 2021 were as shown in the table below.

(In millions)	Purchase Obligations
Fiscal year ending July 31,	
2022	$ 205
2023	147
2024	68
2025	58
2026	53
Thereafter	—
Total commitments	$ 531

9. Leases

We lease office facilities under non-cancellable operating lease arrangements. Our facility leases generally provide for periodic rent increases and may contain escalation clauses and renewal options. Our leases have remaining lease terms of up to 10 years, some of which include one or more options to extend the leases for up to 10 years per option, generally at rates to be determined in accordance with the agreements. Options to extend the lease are included in the lease liability if they are reasonably certain of being exercised. We do not have significant finance leases.

We sublease certain office facilities to third parties. These subleases have remaining lease terms of up to 4 years, some of which include one or more options to extend the subleases for up to 5 years per option.

In March 2020, we entered into an agreement to terminate an office facility lease and related sublease, which were due to expire in 2025 and 2022, respectively. As a result, we reduced our operating lease right-of-use assets and lease liabilities by $61 million during the twelve months ended July 31, 2020.

The components of lease expense were as follows:

	Twelve Months Ended July 31,	
(In millions)	2021	2020
Operating lease cost [(1)]	$ 75	$ 69
Variable lease cost	11	13
Sublease income	(16)	(22)
Total net lease cost	$ 70	$ 60

[(1)] Includes short-term leases, which are not significant for the twelve months ended July 31, 2021 or 2020.

Prior to the adoption of ASC 842 on August 1, 2019, rent expense under operating leases, net of sublease income was $42 million for the twelve months ended July 31, 2019. Sublease income was $24 million for the twelve months ended July 31, 2019.

Supplemental cash flow information related to operating leases was as follows:

	Twelve Mon July
(In millions)	2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 76
Right-of-use assets obtained in exchange for new operating lease liabilities [(1)]	$ 60

[(1)] For the twelve months ended July 31, 2020, this includes $319 million for operating leases existing on August 1, 2019 and $27 million for operating leases that commenced during fiscal 2020.

Other information related to operating leases was as follows at the dates indicated:

Weighted-average remaining lease term for operating leases	
Weighted-average discount rate for operating leases	

Future minimum lease payments under non-cancellable operating leases as of July 31, 2021 were as follows:

(In millions)	Operating Leases [1]
Fiscal year ending July 31,	
2022	$ 76
2023	81
2024	78
2025	62
2026	45
Thereafter	139
Total future minimum lease payments	481
Less imputed interest	(35)
Present value of lease liabilities	$ 446

(1) Non-cancellable sublease proceeds for the fiscal years ending July 31, 2022, 2023, 2024, and 2025 of $18 million, $11 million, $8 million, and $4 million, respectively, are not included in the table above.

Supplemental balance sheet information related to operating leases was as follows at the date indicated:

	July 31,	
(In millions)	**2021**	**2020**
Operating lease right-of-use assets	$ 380	$ 226
Other current liabilities	$ 66	$ 46
Operating lease liabilities	380	221
Total operating lease liabilities	$ 446	$ 267

As of July 31, 2021, we have additional operating leases of $43 million, primarily for office facilities, that have not yet commenced and therefore are not reflected on the consolidated balance sheet nor in the tables above. These operating leases will commence in fiscal year 2022 with lease terms of 1 to 11 years.

10. Income Taxes

The provision for income taxes consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2021	2020	2019
Current:			
Federal	$ 399	$ 372	$ 271
State	121	79	67
Foreign	17	21	14
Total current	537	472	352
Deferred:			
Federal	(33)	(47)	(23)
State	(11)	(47)	(4)
Foreign	1	(6)	(1)
Total deferred	(43)	(100)	(28)
Total provision for income taxes	$ 494	$ 372	$ 324

We recognized excess tax benefits on share-based compensation of $126 million, $90 million, and $120 million in the provision for income taxes for the twelve months ended July 31, 2021, 2020, and 2019, respectively.

The sources of income before the provision for income taxes consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2021	2020	2019
United States	$ 2,497	$ 2,206	$ 1,826
Foreign	59	(8)	55
Total	$ 2,556	$ 2,198	$ 1,881

Differences between income taxes calculated using the federal statutory income tax rate and the provision for income taxes were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2021	2020	2019
Income before income taxes	$ 2,556	$ 2,198	$ 1,881
U.S. federal statutory rate	21 %	21 %	21 %
Statutory federal income tax	$ 537	$ 462	$ 395
State income tax, net of federal benefit	87	25	50
Federal research and experimentation credits	(70)	(54)	(48)
Share-based compensation	38	22	15
Federal excess tax benefits related to share-based compensation	(105)	(79)	(106)
Effects of non-U.S. operations	4	13	13
Other, net	3	(17)	5
Total provision for income taxes	$ 494	$ 372	$ 324

The state income tax line in the table above includes excess tax benefits related to share-based compensation of $21 million, $11 million and $14 million for the twelve months ended July 31, 2021, 2020 and 2019, respectively.

In the current global tax policy environment, the U.S. and other domestic and foreign governments continue to consider, and in some cases enact, changes in corporate tax laws. As changes occur, we account for finalized legislation in the period of enactment.

Significant deferred tax assets and liabilities were as follows at the dates indicated:

(In millions)	July 31, 2021	July 31, 2020
Deferred tax assets:		
Accruals and reserves not currently deductible	$ 48	$ 23
Operating lease liabilities	113	64
Accrued and deferred compensation	132	112
Loss and tax credit carryforwards	282	114
Intangible assets	33	26
Share-based compensation	59	44
Other, net	16	13
Total gross deferred tax assets	683	396
Valuation allowance	(205)	(132)
Total deferred tax assets	478	264
Deferred tax liabilities:		
Deferred revenue	32	68
Operating lease right-of-use assets	96	55
Intangibles	844	45
Property and equipment	10	22
Other, net	13	11
Total deferred tax liabilities	995	201
Net deferred tax assets (liabilities)	$ (517)	$ 63

The components of total net deferred tax assets (liabilities), net of valuation allowances, as shown on our consolidated balance sheets were as follows at the dates indicated:

	July 31,	
(In millions)	2021	2020
Long-term deferred income taxes	$ 8	$ 65
Long-term deferred income tax liabilities	(525)	(2)
Net deferred tax assets (liabilities)	$ (517)	$ 63

We have provided a valuation allowance related to state research and experimentation tax credit carryforwards, foreign loss carryforwards, foreign intangible deferred tax assets and state operating and capital loss carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2021 and July 31, 2020 were primarily related to state research and experimentation tax credit carryforwards, foreign intangible deferred tax assets and foreign loss carryforwards.

At July 31, 2021, we had total federal net operating loss carryforwards of approximately $216 million that will start to expire in fiscal 2033. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2021, we had total state net operating loss carryforwards of approximately $304 million for which we have recorded a deferred tax asset of $17 million and a valuation allowance of $4 million. The state net operating loss carryforwards will start to expire in fiscal 2022. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2021, we had United Kingdom operating loss carryforwards of approximately $67 million, Singapore operating loss carryforwards of approximately $63 million, Brazil operating loss carryforwards of approximately $59 million and Australia operating loss carryforwards of $2 million which have an indefinite carryforward period. We maintain a full valuation allowance with respect to operating losses in Singapore, Brazil and United Kingdom jurisdictions, as there is not sufficient evidence of future sources of taxable income required to utilize such carryforwards.

At July 31, 2021, we had federal research and experimentation credit carryforwards of approximately $71 million that will start to expire in fiscal 2036. Utilization of the federal research and experimentation credit is subject to annual limitation. The annual limitation may result in the expiration of the Federal research and experimentation credit before utilization.

At July 31, 2021, we had California research and experimentation credit carryforwards of approximately $227 million. The California research and experimentation credit will carryforward indefinitely. We recorded a full valuation on the related deferred tax asset, as we believe it is more likely than not that these credits will not be utilized.

Unrecognized Tax Benefits

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2021	2020	2019
Gross unrecognized tax benefits, beginning balance	$ 101	$ 120	$ 90
Increases related to tax positions from prior fiscal years, including acquisitions	69	2	13
Decreases related to tax positions from prior fiscal years	—	(35)	—
Increases related to tax positions taken during current fiscal year	31	21	23
Settlements with tax authorities	—	(1)	(1)
Lapse of statute of limitations	(11)	(6)	(5)
Gross unrecognized tax benefits, ending balance	$ 190	$ 101	$ 120

The total amount of our unrecognized tax benefits at July 31, 2021 was $190 million. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $109 million. The increase in the unrecognized tax benefits related to prior years includes $41 million of unrecognized tax benefits from the Credit Karma acquisition. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdictions are the U.S. federal jurisdiction and California. For U.S. federal tax returns, we are no longer subject to tax examinations for fiscal 2017 and for years prior to fiscal 2016. For California tax returns, we are no longer subject to tax examination for years prior to fiscal 2016.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2021 and July 31, 2020 for the payment of interest and penalties were not significant. The amounts of interest and penalties that we recognized during the twelve months ended July 31, 2021, 2020 and 2019 were also not significant.

We have offset a $75 million long-term liability for uncertain tax positions against our long-term income tax receivable at July 31, 2021. We have offset a $59 million long-term income tax receivable against our long-term liability for uncertain tax positions at July 31, 2020. The long-term income tax receivable at July 31, 2021 was primarily related to the government's approval of a method of accounting change request for fiscal 2018 and a refund claim related to Credit Karma's alternative minimum tax credit that was recorded as part of the acquisition. The long-term income tax receivable at July 31, 2020 was primarily related to the method of accounting change request.

11. Stockholders' Equity

Stock Repurchase Programs

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. Under these programs, we repurchased 2.4 million shares of our common stock for $1.0 billion during the twelve months ended July 31, 2021. Included in this amount were $17 million of repurchases which occurred in late July 2021 and settled in August 2021. At July 31, 2021, we had authorization from our Board of Directors to expend up to an additional $1.3 billion for stock repurchases. On August 20, 2021 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. 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.

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 fiscal 2021 we declared cash dividends that totaled $2.36 per share of outstanding common stock or approximately $651 million. In August 2021 our Board of Directors declared a quarterly cash dividend of $0.68 per share of outstanding common stock payable on October 18, 2021 to stockholders of record at the close of business on October 11, 2021. 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.

Description of 2005 Equity Incentive Plan and Credit Karma, Inc. 2015 Equity Incentive Plan

Our stockholders initially approved our 2005 Equity Incentive Plan (2005 Plan) on December 9, 2004. On January 19, 2017 our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that expires on January 19, 2027. Under the Restated 2005 Plan, we are permitted to grant incentive and non-qualified stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights and stock bonus awards to our employees, non-employee directors, and consultants. The Compensation and Organizational Development Committee of our Board of Directors or its delegates determine who will receive grants, when those grants will be exercisable, their exercise price and other terms. We are permitted to issue up to 138.1 million shares under the Restated 2005 Plan. The plan provides a fungible share reserve. Each stock option granted on or after November 1, 2010 reduces the share reserve by one share and each restricted stock award or restricted stock unit granted reduces the share reserve by 2.3 shares. Stock options forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Restricted stock awards and RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited. 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 granted under the 2005 Plan and the Restated 2005 Plan typically vest over three to four years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three to four years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

In connection with our acquisition of Credit Karma on December 3, 2020, we assumed the Credit Karma, Inc. 2015 Equity Incentive Plan, as amended (Credit Karma Plan), under which the assumed equity awards were granted. The assumed equity awards will be settled in shares of our common stock and will retain the terms and conditions under which they were originally granted. See Note 6, *"Business Combinations,"* for more information on the Credit Karma acquisition and the related equity awards assumed.

On December 3, 2020, we filed a Form S-8 to register a total of 4,298,127 shares of common stock. This includes 1,997,881 shares of common stock that are issuable upon vesting of assumed equity awards and 2,300,246 shares that are available for issuance under the Credit Karma Plan. The plan provides a fungible share reserve. Each restricted stock unit granted reduces the share reserve by one share. RSUs forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Shares withheld for income taxes upon vesting of RSUs are also returned to the pool of shares available for grant. New RSUs granted under the Credit Karma Plan typically vest over four years based on continued service.

At July 31, 2021, there were approximately 16.9 million shares available for grant under the Restated 2005 Plan and Credit Karma Plan.

Description of Employee Stock Purchase Plan

On November 26, 1996 our stockholders initially adopted our Employee Stock Purchase Plan (ESPP) under Section 423 of the Internal Revenue Code. The ESPP permits our eligible employees to make payroll deductions to purchase our stock on regularly scheduled purchase dates at a discount. Our stockholders have approved amendments to the ESPP to permit the issuance of up to 23.8 million shares under the ESPP, which expires upon the earliest to occur of (a) termination of the ESPP by the Board, or (b) issuance of all the shares of Intuit’s common stock reserved for issuance under the ESPP. Offering periods under the ESPP are six months in duration and composed of two consecutive three-month accrual periods. Shares are purchased at 85% of the lower of the closing price for Intuit common stock on the first day of the offering period or the last day of the accrual period.

Under the ESPP, employees purchased 405,268 shares of Intuit common stock during the twelve months ended July 31, 2021; 449,999 shares during the twelve months ended July 31, 2020; and 485,011 shares during the twelve months ended July 31, 2019. At July 31, 2021, there were 1,050,916 shares available for issuance under this plan.

Share-Based Compensation Expense

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

(In millions except per share amounts)	Twelve Months Ended July 31, 2021	2020	2019
Cost of product revenue	$ 1	$ 1	$ 1
Cost of service and other revenue	68	59	57
Selling and marketing	183	116	103
Research and development	281	151	136
General and administrative	220	108	104
Total share-based compensation expense	753	435	401
Income tax benefit	(269)	(173)	(200)
Decrease in net income	$ 484	$ 262	$ 201
Decrease in net income per share:			
Basic	$ 1.79	$ 1.00	$ 0.77
Diluted	$ 1.77	$ 0.99	$ 0.76

We capitalized $2 million, $3 million, and $4 million in share-based compensation related to internal use software projects during the twelve months ended July 31, 2021, 2020, and 2019.

Determining Fair Value

Valuation and Amortization Methods

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. These time-based RSUs accounted for approximately 80% of our total share-based compensation expense during the twelve months ended July 31, 2021. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the market price of our stock on the date of grant for dividends.

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. Our stock options have various restrictions, including vesting provisions and restrictions on transfer, and are often exercised prior to their contractual maturity. We believe that lattice binomial models are more capable of incorporating the features of our stock options than closed-form models such as the Black Scholes model. The use of a lattice binomial model requires the use of extensive actual employee exercise behavior and a number of complex assumptions including the expected volatility of our stock price over the term of the options, risk-free interest rates and expected dividends. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Expected Term. The expected term of options granted represents the period of time that they are expected to be outstanding and is a derived output of the lattice binomial model. The expected term of stock options is impacted by all of the underlying assumptions and calibration of our model. The lattice binomial model assumes that option exercise behavior is a function of the option’s remaining vested life and the extent to which the market price of our common stock exceeds the option exercise price. The lattice binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and cancellations on all past option grants made by us.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on the implied volatility of one-year and two-year publicly traded options on our common stock. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Risk-Free Interest Rate*.* We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms.

Dividends*.* We use an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during all years presented and currently expect to continue to pay cash dividends in the future.

Forfeitures*.* We adjust share-based compensation expense for actual forfeitures as they occur.

We used the following assumptions to estimate the fair value of stock options granted and shares purchased under our Employee Stock Purchase Plan for the periods indicated:

	Twelve Months Ended July 31,		
	2021	**2020**	**2019**
Assumptions for stock options:			
Expected volatility (range)	29 %	32 %	26% - 27%
Weighted average expected volatility	29 %	32 %	27 %
Risk-free interest rate (range)	0.62 %	0.20 %	1.84% - 2.92%
Expected dividend yield	0.45 %	0.70 %	0.67% - 0.85%
Assumptions for ESPP:			
Expected volatility (range)	31% - 36%	23% - 72%	21% - 33%
Weighted average expected volatility	34 %	39 %	26 %
Risk-free interest rate (range)	0.02% - 0.17%	0.24% - 2.23%	1.94% - 2.44%
Expected dividend yield	0.60% - 0.75%	0.74% - 0.95%	0.73% - 0.95%

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our plans for the fiscal periods indicated was as follows:

(Shares in thousands)	**Shares Available for Grant**
Balance at July 31, 2018	**22,791**
Restricted stock units granted [1]	(5,639)
Options granted	(487)
Share-based awards canceled/forfeited/expired [1][2]	4,393
Balance at July 31, 2019	**21,058**
Restricted stock units granted [1]	(6,111)
Options granted	(382)
Share-based awards canceled/forfeited/expired [1][2]	3,482
Balance at July 31, 2020	**18,047**
Shares available for grant under the Credit Karma Plan	4,298
Restricted stock units granted [1]	(9,191)
Options granted	(323)
Share-based awards canceled/forfeited/expired [1][2]	4,020
Balance at July 31, 2021	**16,851**

(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 under the 2005 Equity Incentive Plan increase the pool by 2.3 shares for each share forfeited. Shares granted from the Credit Karma Plan reduce the pool by one share for each share granted. Shares forfeited and returned to the pool from the Credit Karma Plan increase the pool by one share for each share forfeited

(2) Stock options and RSUs canceled, expired or forfeited under our 2005 Equity Incentive Plan and Credit Karma Plan are returned to the pool of shares available for grant. Under the 2005 Equity Incentive Plan, 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. Under the Credit Karma Plan, shares withheld for income taxes are also returned to the pool of shares available for grant.

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Restricted Stock Unit and Restricted Stock Activity and Related Share-Based Compensation Expense

A summary of restricted stock unit (RSU) and restricted stock activity for the periods indicated was as follows:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2018	**7,383**	**$131.50**
Granted	2,452	245.40
Vested	(3,123)	129.31
Forfeited	(1,029)	107.40
Nonvested at July 31, 2019	**5,683**	**186.22**
Granted	2,657	271.80
Vested	(2,039)	180.40
Forfeited	(637)	154.91
Nonvested at July 31, 2020	**5,664**	**231.97**
Assumed through acquisition	1,998	355.49
Granted(1)	3,877	431.82
Restricted stock subject to revest provisions issued in connection with acquisition	775	355.49
Vested	(2,242)	262.23
Forfeited	(1,034)	251.41
Nonvested at July 31, 2021	**9,038**	**$345.86**

(1) This includes 809,000 RSUSs granted to the employees of Credit Karma in connection with the acquisition with a grant date fair value of $300 million. See Note 6, "*Business Combinations*."

Additional information regarding our RSUs is shown in the table below.

	Twelve Months Ended July		
(In millions)	2021	2020	20
Total fair market value of shares vested	$ 942	$ 620	$
Share-based compensation for RSUs	$ 708	$ 382	$
Total tax benefit related to RSU share-based compensation expense	$ 225	$ 134	$
Cash tax benefits realized for tax deductions for RSUs	$ 221	$ 139	$

At July 31, 2021, there was $2.8 billion of unrecognized compensation cost related to non-vested RSUs and restricted stock with a weighted average vesting period of 3.0 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

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Stock Option Activity and Related Share-Based Compensation Expense

A summary of stock option activity for the periods indicated was as follows:

	Options Outstanding	
(Shares in thousands)	**Number of Shares**	**Weighted Average Exercise Price Per Share**
Balance at July 31, 2018	**5,154**	**$120.26**
Granted	487	274.26
Exercised	(1,924)	102.49
Canceled or expired	(343)	138.59
Balance at July 31, 2019	**3,374**	**150.75**
Granted	382	303.94
Exercised	(993)	111.82
Canceled or expired	(82)	188.39
Balance at July 31, 2020	**2,681**	**185.83**
Granted	323	525.51
Exercised	(718)	128.39
Canceled or expired	(82)	264.53
Balance at July 31, 2021	**2,204**	**$251.48**

Information regarding stock options outstanding as of July 31, 2021 is summarized below:

	Number of Shares (in thousands)	**Weighted Average Remaining Contractual Life (in Years)**	**Weighted Average Exercise Price per Share**	**Aggregate Intrinsic Value (in millions)**
Options outstanding	2,204	4.33	$251.48	$614
Options exercisable	1,358	3.31	$173.90	$483

The aggregate intrinsic values at July 31, 2021 are calculated as the difference between the exercise price of the underlying options and the market price of our common stock for shares that were in-the-money at that date. In-the-money options at July 31, 2021 were options that had exercise prices that were lower than the $529.97 market price of our common stock at that date.

Additional information regarding our stock options and ESPP shares is shown in the table below.

(In millions except per share amounts)	Twelve Months Ended July 31, 2021	2020	2019
Weighted average fair value of options granted (per share)	$ 122.16	$ 74.85	$ 63.18
Total grant date fair value of options vested	$ 17	$ 23	$ 30
Aggregate intrinsic value of options exercised	$ 179	$ 159	$ 248
Share-based compensation expense for stock options and ESPP	$ 45	$ 53	$ 50
Total tax benefit for stock option and ESPP share-based compensation	$ 44	$ 39	$ 59
Cash received from option exercises	$ 92	$ 111	$ 197
Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	$ 48	$ 39	$ 58

At July 31, 2021, there was approximately $75 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 3.3 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Accumulated Other Comprehensive Loss

Comprehensive income consists of two elements, net income and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our consolidated balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt securities classified as available-for-sale and foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar.

The following table shows the components of accumulated other comprehensive loss, net of income taxes, in the stockholders' equity section of our consolidated balance sheets at the dates indicated.

	July 31,	
(In millions)	**2021**	**2020**
Unrealized gain on available-for-sale debt securities	$ 3	$ 6
Foreign currency translation adjustments	(27)	(38)
Total accumulated other comprehensive loss	$ (24)	$ (32)

12. Benefit Plans

Non-Qualified Deferred Compensation Plan

Intuit's Executive Deferred Compensation Plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries and up to 75% of their bonuses. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We do not guarantee above-market interest on account balances. We may also make discretionary employer contributions to participant accounts in certain circumstances. The timing, amounts, and vesting schedules of employer contributions are at the sole discretion of the Compensation and Organizational Development Committee of our Board of Directors or its delegate. The benefits under this plan are unsecured and are general assets of Intuit. Participants are generally eligible to receive payment of their vested benefit at the end of their elected deferral period or after termination of their employment with Intuit for any reason or at a later date to comply with the restrictions of Section 409A of the Internal Revenue Code. Participants may elect to receive their payments in a lump sum or installments. Discretionary company contributions and the related earnings vest completely upon the participant's disability, death, or a change in control of Intuit. We made no employer contributions to the plan for any period presented.

We had liabilities related to this plan of $153 million at July 31, 2021 and $123 million at July 31, 2020. We have matched the plan liabilities with similar-performing assets, which are primarily investments in life insurance contracts. These assets are recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our consolidated balance sheets.

401(k) Plans

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 50% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of employee contributions, currently 125% up to six percent of salary, subject to Internal Revenue Service limitations.

Additionally, Credit Karma employees in the United States who participate in the Credit Karma 401(k) Plan may currently contribute up to 90% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of Credit Karma employee contributions, currently 100% up to six percent of salary, subject to Internal Revenue Service limitations.

Matching contributions for both plans were $80 million for the twelve months ended July 31, 2021; $69 million for the twelve months ended July 31, 2020; and $59 million for the twelve months ended July 31, 2019.

13. Litigation

Beginning in May 2019, various legal proceedings were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these legal proceedings are without merit. We are vigorously defending our interests in the legal proceedings and cooperating in the inquiries. These proceedings include, among others, multiple putative class actions that were consolidated into a single putative class action in the Northern District of California in September 2019 (the "Intuit Free File Litigation") and demands for arbitration that were filed beginning in October 2019. In August 2020, the Ninth Circuit Court of Appeals ordered that the putative class action claims be resolved through arbitration. Intuit entered into a proposed settlement agreement in November 2020 to resolve the putative class action, which was rejected by the court. On May 20, 2021, Intuit entered into an agreement that resolved the Intuit Free File Litigation on an individual non-class basis, without any admission of wrongdoing, for a non-material amount and, on May 26, 2021, it was dismissed on a non-class basis.

In June 2021, Intuit received a demand and draft complaint from the Federal Trade Commission ("FTC") and certain state attorneys general relating to the ongoing inquiries described above. Although we believe that the allegations contained therein are without merit, if we are not able to reach a resolution, the FTC and one or more state attorneys general may seek resolution through litigation. The defense and resolution of this matter could involve significant costs to us.

As of July 31, 2021, there were approximately 126,000 individual arbitration claims pending and we could incur significant arbitration and legal fees associated with the defense of these claims. We recorded approximately $14 million in arbitration fees related to these claims in fiscal 2020. The amount of our fiscal 2021 arbitration fees net of insurance proceeds and rebates was not material. The arbitration fees are unrelated to the underlying merits of the claims and are accrued at the earlier of when invoiced or when the services are rendered. We could incur additional arbitration fees of approximately $360 million in future periods. We are continuing to dispute the applicability and propriety of these fees. An immaterial number of claims have been resolved through the arbitration process to date and we expect that more claims will continue through the process.

In view of the complexity and ongoing and uncertain nature of the outstanding proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss that we may incur to resolve or settle the remaining matters.

To date, the legal and other fees we have incurred related to these proceedings and inquiries have not been material. The ongoing defense and any resolution or settlement of these proceedings and inquiries could involve significant costs to us.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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 legal proceeding is uncertain and, regardless of outcome, legal proceedings can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors.

14. Segment Information

We have defined four 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.

In August 2020, we reorganized certain technology and customer success functions that support and benefit our overall platform. Additionally, certain legal, facility and employee service costs are now managed at the corporate level. As a result, these costs are no longer included in segment operating income and are now included in other corporate expenses. For the twelve months ended July 31, 2020 and 2019, we reclassified $180 million and $172 million from Small Business & Self-Employed, $121 million and $78 million from Consumer, and $13 million and $12 million from ProConnect to other corporate expenses. In August 2020, we also renamed our Strategic Partner segment as the ProConnect segment. This segment continues to serve professional accountants.

In December 2020 we acquired Credit Karma in a business combination and it operates as a separate reportable segment. We have included the results of operations of Credit Karma in our consolidated statements of operations from the date of acquisition. See Note 6, *"Business Combinations,"* for more information. Segment operating income for Credit Karma includes all direct expenses, which is different from our other reportable segments where we do not fully allocate corporate expenses.

Small Business & Self-Employed**:** This segment serves small businesses and the self-employed around the world, and the accounting professionals who assist 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 serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behaviors.

Credit Karma**:** This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loan, and insurance products; online savings and checking accounts through an FDIC member bank partner; and access to their credit scores and reports, credit and identity monitoring, credit report dispute, and data-driven resources.

ProConnect**:** This segment serves 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, and ProConnect Tax Online in the U.S., and ProFile and ProTax Online in Canada.

All of our segments operate primarily in the United States and sell primarily to customers in the United States. Total international net revenue was less than 5% of consolidated total net revenue for the twelve months ended July 31, 2021, 2020 and 2019.

For our Small Business & Self-Employed, Consumer, and ProConnect reportable segments, we include expenses such as corporate selling and marketing, product development and general and administrative, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For our Credit Karma reportable segment, segment expenses include all direct expenses related to selling and marketing, product development, and general and administrative. Unallocated corporate items for all segments include share-based compensation, 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. 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. See Note 5, *"Goodwill and Acquired Intangible Assets,"* for goodwill by reportable segment.

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

	Twelve Months Ended July 31,		
(In millions)	2021	2020	2019
Net revenue:			
Small Business & Self-Employed	$ 4,688	$ 4,050	$ 3,533
Consumer	3,563	3,136	2,775
Credit Karma	865	—	—
ProConnect	517	493	476
Total net revenue	$ 9,633	$ 7,679	$ 6,784
Operating income:			
Small Business & Self-Employed	$ 2,590	$ 2,091	$ 1,722
Consumer	2,237	2,063	1,820
Credit Karma	182	—	—
ProConnect	372	346	330
Total segment operating income	5,381	4,500	3,872
Unallocated corporate items:			
Share-based compensation expense	(753)	(435)	(401)
Other corporate expenses	(1,932)	(1,861)	(1,591)
Amortization of acquired technology	(50)	(22)	(20)
Amortization of other acquired intangible assets	(146)	(6)	(6)
Total unallocated corporate items	(2,881)	(2,324)	(2,018)
Total operating income	$ 2,500	$ 2,176	$ 1,854

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

	Twelve Months Ended July 31,		
(In millions)	2021	2020	2019
Net revenue:			
QuickBooks Online Accounting	$ 1,699	$ 1,354	$ 980
Online Services	1,051	828	683
Total Online Ecosystem	2,750	2,182	1,663
QuickBooks Desktop Accounting	789	755	732
Desktop Services and Supplies	1,149	1,113	1,138
Total Desktop Ecosystem	1,938	1,868	1,870
Small Business & Self-Employed	4,688	4,050	3,533
Consumer	3,563	3,136	2,775
Credit Karma	865	—	—
ProConnect	517	493	476
Total net revenue	$ 9,633	$ 7,679	$ 6,784

Revenue from our QuickBooks Desktop packaged software products was $133 million, $147 million, and $167 million for the twelve months ended July 31, 2021, 2020, and 2019, respectively. These amounts are included in the QuickBooks Desktop Accounting revenue presented in the table above.

Credit Karma revenue is primarily generated from cost-per-action transactions which are related to credit card issuances and personal loan funding.

INTUIT INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Beginning Balance	Additions Charged to Expense/ Revenue	Deductions	Ending Balance
Year ended July 31, 2021				
Allowance for doubtful accounts	$ 12	$ 92	$ (8)	$ 96
Reserve for returns and credits	24	168	(171)	21
Reserve for promotional discounts and rebates	11	62	(63)	10
Year ended July 31, 2020				
Allowance for doubtful accounts	$ 3	$ 68	$ (59)	$ 12
Reserve for returns and credits	24	170	(170)	24
Reserve for promotional discounts and rebates	11	73	(73)	11
Year ended July 31, 2019				
Allowance for doubtful accounts	$ 5	$ 59	$ (61)	$ 3
Reserve for returns and credits	17	190	(183)	24
Reserve for promotional discounts and rebates	10	92	(91)	11

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - 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 Annual Report on Form 10-K 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of July 31, 2021 based on the guidelines established in *Internal Control – Integrated Frame*work issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In accordance with guidance issued by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. Our management's evaluation of internal control over financial reporting excluded the internal control activities of Credit Karma, which we acquired on December 3, 2020, as discussed in Note 6, "Business Combinations", of the Notes to the Consolidated Financial Statements. We have included the financial results of this acquisition in the consolidated financial statements from the date of acquisition. Total revenue and net income subject to Credit Karma's internal control over financial reporting represented nine percent of both our consolidated total revenues and net income for the fiscal year ended July 31, 2021. Total assets and net assets subject to Credit Karma's internal control over financial reporting represent approximately nine percent of both our consolidated total assets and net assets, excluding acquisition fair value adjustments, as of July 31, 2021.

Based on the results of our evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2021 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit and Risk Committee of Intuit's Board of Directors.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of July 31, 2021. Their report is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

Except as noted above, there was no change in our internal control over financial reporting during the period ended July 31, 2021 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.

ITEM 9B - OTHER INFORMATION

None.

ITEM 9C - DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We maintain a Code of Conduct and Ethics that applies to all employees, including all officers. We also maintain a Board of Directors Code of Ethics that applies to all members of our Board of Directors. Our Code of Conduct and Ethics and Board of Directors Code of Ethics incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. Our Code of Conduct and Ethics and Board of Directors Code of Ethics are published on our Investor Relations website at https://investors.intuit.com/corporate-governance/conduct-and-guidelines/default.aspx. We disclose amendments to certain provisions of our Code of Conduct and Ethics and Board of Directors Code of Ethics, or waivers of such provisions granted to executive officers and directors, on this website.

The other information required by this Item 10 regarding directors is incorporated by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission in connection with the solicitation of proxies for our 2022 Annual Meeting of Stockholders (the "2022 Proxy Statement") under the sections entitled "Proposal No. 1 - Election of Directors – Our Board Nominees," and "Corporate Governance." Certain information required by this Item 10 regarding executive officers is set forth in Item 1 of Part I of this Report under the heading "Information about our Executive Officers."

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2022 Proxy Statement under the sections entitled "Corporate Governance – Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Equity Compensation Plan Information," and "Executive Compensation Tables."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference from the information contained in our 2022 Proxy Statement under the sections entitled "Stock Ownership Information" and "Executive Compensation Tables."

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference from the information contained in our 2022 Proxy Statement under the sections entitled "Corporate Governance – Director Independence" and "Transactions with Related Persons."

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICE

The information required by this Item 14 is incorporated by reference from the information contained in our 2022 Proxy Statement under the section entitled "Proposal No. 3 – Ratification of Selection of Independent Registered Public Accounting Firm."

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PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements – See Index to Consolidated Financial Statements in Part II, Item 8.
2. Financial Statement Schedules – See Index to Consolidated Financial Statements in Part II, Item 8.
3. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
2.01	Agreement and Plan of Merger, dated February 24, 2020, by and among Intuit Inc., Halo Merger Sub I, Inc., Halo Merger Sub II, LLC, Credit Karma, Inc. and Shareholder Representative Services, LLC.		8-K	2/24/2020
3.01	Restated Intuit Certificate of Incorporation, dated as of January 19, 2000		10-Q	6/14/2000
3.02	Bylaws of Intuit, as amended and restated effective May 5, 2016		8-K	5/9/2016
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
4.02	Description of Common Stock		10-K	8/30/2019
4.03	Indenture, dated as of June 29, 2020, between Intuit and U.S. Bank National Association, as trustee		8-K	6/29/2020
4.04	Form of 0.650% Senior Note due 2023		8-K	6/29/2020
4.05	Form of 0.950% Senior Note due 2025		8-K	6/29/2020
4.06	Form of 1.350% Senior Note due 2027		8-K	6/29/2020
4.07	Form of 1.650% Senior Note due 2030		8-K	6/29/2020
10.01+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 19, 2017		S-8 333-215639	1/20/2017
10.02+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.03+	Forms of Equity Grant Agreements: Executive Chairman Non-Qualified Stock Option; Executive Chairman Service-Based Restricted Stock Unit; Executive Chairman Performance-Based Restricted stock Unit; CEO Performance-Based Restricted Stock Unit; Executive Performance-Based Restricted Stock Unit; Service-Based Restricted Stock Unit (non-focal)	X		
10.04+	Forms of Equity Grant Agreements: Executive Chair and EVP Service-Based Restricted Stock Unit; Executive Chair and EVP TSR Performance-Based Restricted Stock Unit; CEO Service-Based Restricted Stock Unit; CEO TSR Performance-Based Restricted Stock Unit		10-K	8/31/2020
10.05+	Forms of Equity Grant Agreements: Executive Chair and EVP Restricted Stock Unit, and CEO Restricted Stock Unit		10-K	8/30/2019
10.06+	Form of Executive Chair Restricted Stock Unit Agreement - service-based vesting		10-Q	2/22/2019

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.07+	Forms of Equity Grant Agreements: EVP-SVP TSR Performance-Based Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, EVP Time-Based Restricted Stock Unit, CEO Restricted Stock Unit, Stock Option - 4 year vest, Time-Based RSU - 4 year vest (focal), New Hire Time-Based Restricted Stock Unit - 4 year vest		10-K	8/31/2018
10.08+	Forms of Equity Grant Agreements: Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, CEO Restricted Stock Unit, Executive TSR Performance-Based Restricted Stock Unit, EVP Restricted Stock Unit, Restricted Stock Unit - MSPP Purchased, Restricted Stock Unit- MSPP Matching, Stock Option		10-K	9/1/2017
10.09+	Forms of Equity Grant Agreements: CEO Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, Executive Restricted Stock Unit, EVP/SVP TSR Performance-Based Restricted Stock Unit, Restricted Stock Unit, and Stock Option Agreement		10-K	9/1/2016
10.10+	Form of Amended and Restated 2005 Equity Incentive Plan Non-Qualified Stock Option Grant Agreement: New Hire, Promotion, Retention or Focal Grant		10-K	9/13/2013
10.11+	Credit Karma, Inc. 2015 Equity Incentive Plan, as amended		S-8 333-251096	12/3/2020
10.12+	Form of Restricted Stock Unit Agreement under the Credit Karma, Inc. 2015 Equity Incentive Plan		S-8 333-251096	12/3/2020
10.13+	Form of Restricted Stock Unit Agreement under the Credit Karma, Inc. 2015 Equity Incentive Plan		S-8 333-251096	12/3/2020
10.14+	Form of Restricted Stock Unit Agreement under the Credit Karma, Inc. 2015 Equity Incentive Plan		S-8 333-251096	12/3/2020
10.15+	Description of Non-Employee Director Compensation, approved October 31, 2018 and effective January 17, 2019		10-Q	11/20/2018
10.16+	Description of Non-Employee Director Compensation, approved October 19, 2017 and effective January 18, 2018		10-Q	11/20/2017
10.17+	Non-employee Director Compensation Program, effective January 21, 2016		10-Q	2/25/2016
10.18+	Forms of Non-employee Director Restricted Stock Unit Agreements		10-Q	11/20/2017
10.19+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013
10.20+	Fourth Amended and Restated Management Stock Purchase Program		10-Q	2/22/2019
10.21+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-K	9/13/2012
10.22+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-K	9/13/2012
10.23+	Intuit Executive Relocation Policy		10-K	8/31/2018

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.25+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.26+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.27+	Amended and Restated Intuit Inc. Performance Incentive Plan, adopted October 28, 2020		10-Q	11/19/2020
10.28+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers		10-Q	2/23/2017
10.29+	Letter regarding Terms of Employment by and between Intuit Inc. and Michelle Clatterbuck dated January 19, 2018		8-K	1/23/2018
10.30+	Letter Regarding Terms of Employment by and between Intuit Inc. and Sasan Goodarzi, dated November 15, 2018		10-Q	11/20/2018
10.31+	Letter regarding Terms of Employment by and between Intuit Inc. and Gregory N. Johnson dated August 1, 2018		10-K	8/30/2019
10.32+	Employment memo dated November 7, 2018 to J. Alexander Chriss dated November 7, 2018 and effective January 1, 2019.		10-K	8/30/2019
10.33+	Employment memo dated November 7, 2018 to Marianna Tessel and effective January 1, 2019		10-K	8/31/2020
10.34	Amended and Restated Credit Agreement dated as of May 2, 2019 among Intuit Inc., the lenders party thereto, Bank of America, N.A., and JPMorgan Chase Bank, N.A., as co-administrative agents, and U.S. Bank National Association and MUFG Bank, LTD., as co-syndication agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., U.S. Bank National Association, and MUFG Bank, LTD., as joint lead arrangers and joint bookrunners		10-K	8/30/2019
10.35#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003		10-K	9/19/2003
10.36	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007		10-K	9/14/2007
10.37#	Amendment 3 to Master Services Agreement between Intuit and Arvato Services, Inc., effective April 1, 2008		10-Q	5/30/2008
10.38#	Amendment 5 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 19, 2010		10-Q	12/6/2010
10.39	Amended and Restated Amendment Seven to the Master Service Agreement by and between Intuit and Arvato Digital Services effective September 1, 2013		10-Q	11/22/2013
10.40	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014		10-K	9/12/2014
10.41	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2475, 2500, 2525, 2535 and 2550 Garcia Avenue, Mountain View, CA		10-K	9/19/2003

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.44	Third Amendment to Lease Agreement Phase 2, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
21.01	List of Intuit's Subsidiaries	X		
23.01	Consent of Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	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		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X		

+ Indicates a management contract or compensatory plan or arrangement.

We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.

ITEM 16 - FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

	INTUIT INC.
Dated: September 8, 2021	By: /s/ MICHELLE M. CLATTERBUCK
	Michelle M. Clatterbuck
	Executive Vice President and Chief Financial Officer (Principal Financial Officer)

POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Sasan K. Goodarzi and Michelle M. Clatterbuck as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

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Name	Title	Date
Principal Executive Officer:		
/s/ SASAN K. GOODARZI Sasan K. Goodarzi	President, Chief Executive Officer and Director	September 8, 2021
Principal Financial Officer:		
/s/ MICHELLE M. CLATTERBUCK Michelle M. Clatterbuck	Executive Vice President and Chief Financial Officer	September 8, 2021
Principal Accounting Officer:		
/s/ MARK J. FLOURNOY Mark J. Flournoy	Senior Vice President and Chief Accounting Officer	September 8, 2021
Additional Directors:		
/s/ EVE BURTON Eve Burton	Director	September 8, 2021
/s/ SCOTT D. COOK Scott D. Cook	Director	September 8, 2021
/s/ RICHARD DALZELL Richard Dalzell	Director	September 8, 2021
/s/ TEKEDRA MAWAKANA Tekedra Mawakana	Director	September 8, 2021
/s/ DEBORAH LIU Deborah Liu	Director	September 8, 2021
/s/ SUZANNE NORA JOHNSON Suzanne Nora Johnson	Director	September 8, 2021
/s/ DENNIS D. POWELL Dennis D. Powell	Director	September 8, 2021
/s/ BRAD D. SMITH Brad D. Smith	Chairman of the Board of Directors	September 8, 2021
/s/ THOMAS SZKUTAK Thomas Szkutak	Director	September 8, 2021
/s/ RAUL VAZQUEZ Raul Vazquez	Director	September 8, 2021
/s/ JEFF WEINER Jeff Weiner	Director	September 8, 2021

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 2020

OR

☐ 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

ecosystemlogo.jpg

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0034661**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	INTU	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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 definition 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	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting	☐	Emerging growth	☐

company company

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2020, the last business day of our most recently completed second fiscal quarter, based on the closing price of $280.38 reported by the Nasdaq Global Select Market on that date, was $70.6 billion.

There were 261,807,204 shares of Intuit voting common stock outstanding as of August 24, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Stockholders to be held on January 21, 2021 are incorporated by reference in Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. These risks and uncertainties may be amplified by the coronavirus ("COVID-19") pandemic, which has caused significant global economic instability and uncertainty. The extent to which the COVID-19 pandemic impacts Intuit's business, operations, financial results, and financial condition, including the duration and magnitude of such effects, will depend on numerous evolving factors, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or respond to its impact, and how quickly and to what extent normal economic and operating conditions can resume. Please also see the section entitled "*Risk Factors"* in Item 1A of Part I of this Annual Report for important information to consider when evaluating these 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;
- statements regarding the impact of the COVID-19 pandemic on our business;
- the timing of when individuals will file their tax returns;
- 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 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 our income tax valuation allowance is sufficient;
- 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 (including the pending acquisition of Credit Karma, Inc. (Credit Karma)), 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 plan to continue to provide ongoing enhancements and certain connected services for all future versions of our QuickBooks Desktop software products;

- our judgments and assumptions relating to our loan portfolio;

- our belief that the credit facilities will be available to us should we choose to borrow under them;

- 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; and

- our expectations and beliefs regarding the pending acquisition of Credit Karma.

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 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 Annual Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

PART I

ITEM 1 - BUSINESS

CORPORATE BACKGROUND

General

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 serve small business customers.

Our global products and platforms, including QuickBooks, TurboTax, Mint and Turbo, are designed to help our customers better manage their money, reduce their debt and file their taxes with ease so they can receive the maximum refund they deserve. For those customers who run small businesses, we are focused on helping them get paid faster, pay their employees, access capital, ensure their books are done right and find and keep customers. We serve more than 50 million customers across our product offerings and platforms. We had revenue of $7.7 billion in our fiscal year which ended July 31, 2020, with approximately 10,600 employees in offices in the United States, India, Canada, the United Kingdom, Israel, Australia, and other locations.

Intuit Inc. was incorporated in California in March 1984. We reincorporated in Delaware and completed our initial public offering in March 1993. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our main telephone number is 650-944-6000. When we refer to “we,” “our” or “Intuit” in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Available Information

Our corporate website, *www.intuit.com*, provides materials for investors and information relating to Intuit’s corporate governance. The content on any website referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise.

We file reports required of public companies with the Securities and Exchange Commission (SEC). These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with or furnish to the SEC as soon as reasonably practicable after the reports are filed or furnished. Copies of this Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000 or by emailing investor_relations@intuit.com.

BUSINESS OVERVIEW

Intuit’s Mission

At Intuit, our mission is to power prosperity around the world. All of our customers have a common set of needs. They are trying to make ends meet, maximize their tax refunds, save money and pay off debt. And those who have made the bold decision to become entrepreneurs, and go into business for themselves, have an additional set of needs. They want to find and keep customers, get paid for their hard work, access capital to grow and ensure their books are right.

Across our platform, we use the power of technology to deliver three core benefits to our customers: helping put more money in their pockets, eliminating work and drudgery so they can focus on what matters to them, and ensuring that they have complete confidence in every financial decision they make.

The rise of Artificial Intelligence (AI) is fundamentally reshaping our world — and Intuit is taking advantage of this technological revolution to find new ways to deliver on our mission. We are focused on capitalizing on this opportunity to improve prosperity globally and inspire our workforce, while investing in our company’s reputation and durable growth in the future.

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Our Business Portfolio

We organize our businesses into three reportable segments:

***Small Business & Self-Employed*:** This segment serves small businesses and the self-employed around the world, and the accounting professionals who assist 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 serves 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 serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

***Strategic Partner*:** This segment serves 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 customer obsession. We listen to and observe our customers, understand their challenges, and then use advanced technology, including AI, to develop innovative solutions designed to solve their problems and help them grow and prosper. For more than three decades, our values have inspired us to innovate and reimagine ways to save people time and money, eliminate drudgery and inspire confidence. We have reinvented and disrupted ourselves to better serve our customers along the way.

Our strategy for delivering on our bold goals is to become an AI-driven expert platform where we and others can solve our customers' most important problems. We plan to accelerate the development of the platform by applying AI in three key areas:

- Machine Learning - Building algorithms which progressively learn from data to automate tasks for our customers.
- Knowledge Engineering - Turning rules, such as IRS regulations, and relationships about data into code to eliminate work and provide tailored experiences.
- Natural Language Processing - Processing, analyzing and understanding human language to create interactions with customers and automate repetitive tasks.

As we build our AI-driven expert platform, we are prioritizing our resources on five strategic priorities across the company. These priorities focus on solving the problems that matter most to customers and include:

- **Revolutionizing speed to benefit:** When customers use our products and services, we aim to deliver value instantly by making the interactions with our offerings frictionless, without the need for customers to manually enter data. We are accelerating the application of AI with a goal to revolutionize the customer experience. This priority is foundational across our business, and execution against it positions us to succeed with our other four strategic priorities.
- **Connecting people to experts:** The largest problem our customers face is lack of confidence to file their own taxes or to manage their books. To build their confidence, we are connecting our customers to experts. We offer customers access to experts to help them make important decisions – and experts, such as accountants, gain access to new customers so they can grow their businesses.
- **Unlocking smart money decisions:** Crippling high-cost debt and lack of savings are at unprecedented levels across the U.S. With the insights generated through our ecosystem, we strive to offer the right financial opportunities based on a customer's unique situation. We expect that our proposed acquisition of Credit Karma will help us tackle these problems.
- **Be the center of small business growth:** We are focused on helping customers grow their businesses by offering a broad, seamless set of tools that are designed to help them get paid faster, manage and get access to capital, pay employees with confidence, and use third-party apps to help run their businesses. At the same time, we want to position ourselves to better serve product-based businesses to benefit customers who sell products through multiple channels.
- **Disrupt the small business mid-market:** We aim to disrupt the mid-market with QuickBooks Online Advanced, our online offering designed to address the needs of small business customers with 10 to 100 employees. This offering

enables us to increase retention of these larger customers, and attract new mid-market customers who are over-served by available offerings.

As the external environment evolves, we continue to innovate and adapt our strategy and anticipate our customers' needs. For more than 35 years, we have been dedicated to developing innovative financial and compliance products and services that are easy to use and are available where and when customers need them. As a result, our customers actively recommend our products and solutions to others, which is one important way that we measure the success of our strategy.

PRODUCTS AND SERVICES

During fiscal 2020 we offered our products and services in the three segments described in *"Business Overview"* above. The following table shows the revenue for each of these segments over the last three fiscal years.

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Small Business & Self-Employed	53 %	52 %	51 %
Consumer	41 %	41 %	42 %
Strategic Partner	6 %	7 %	7 %

Total international net revenue was less than 5% of consolidated total net revenue for fiscal 2020, fiscal 2019, and fiscal 2018.

For financial information about our reportable segments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 and Note 14 to the financial statements in Item 8 of this Annual Report.

Small Business & Self-Employed

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

QuickBooks Online and Desktop Software. Our QuickBooks financial management solutions help small businesses, the self-employed, and accountants solve financial and compliance problems, make more money and reduce unnecessary work, while giving them complete confidence in their actions and decisions. Users can track income and expenses, create and send invoices and estimates, manage and pay bills, and review a variety of financial reports. QuickBooks Live enables our customers to obtain live bookkeeping advice from professionals. Our QuickBooks offerings are available either online or as desktop versions. Our online offerings can be accessed on mobile devices.

QuickBooks is built on an open platform, allowing third-party developers to create online and mobile applications that integrate with our offering. A growing number of companies offer applications built for our QuickBooks platform, including PayPal, Shopify, Square, and Bill.com.

In addition to our core QuickBooks offering, we also offer specific solutions for the following customer segments:

- *Mid-Market Small Businesses*. Our QuickBooks Online Advanced and QuickBooks Enterprise offerings are designed for small businesses with 10 to 100 employees that have more complex needs. QuickBooks Online Advanced, Intuit's cloud-based offering specifically designed for high-growth, mid-market small businesses, leverages AI, automation and data insights to deliver more ways for them to grow and scale. QuickBooks Enterprise is available for download or on a disk and can also be provided as a hosted solution. This offering provides industry-specific reports and features for a range of industries, including Contractor, Manufacturing and Wholesale, Nonprofit, and Retail.

- *Self-Employed*. QuickBooks Self-Employed is designed specifically for self-employed customers whose needs are different than small businesses that use QuickBooks. Features include categorizing business and personal transactions, identifying and classifying tax deductible expenses, tracking mileage, calculating estimated quarterly taxes and sending invoices. QuickBooks Self-Employed can be combined with TurboTax to export and pay year-end taxes. QuickBooks Self-Employed is available both online and via a mobile application.

- *Accountants*. QuickBooks Online Accountant and QuickBooks Accountant Desktop Plus are available to accounting professionals who use QuickBooks offerings and recommend them to their small business clients. These offerings provide the tools and file-sharing capabilities that accounting professionals need to efficiently complete bookkeeping and financial reporting tasks and to manage their practices. We also offer memberships to the QuickBooks ProAdvisor program, which provides access to QuickBooks Online Accountant, QuickBooks Accountant Desktop Plus, QuickBooks Desktop Enterprise Accountant, QuickBooks Point of Sale Desktop, technical support, training, product certification, marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Employer Solutions (Payroll and Time Tracking). Our payroll solutions are sold on a subscription basis and integrate with our QuickBooks Online and QuickBooks Desktop offerings. All of our payroll offerings allow customers to perform payroll processing, direct deposit of employee paychecks, payroll reports, electronic payment of federal and state payroll taxes, and electronic filing of federal and state payroll tax forms. Our QuickBooks Online payroll offerings include automated tax payments and filings, as well as access to employee benefits offerings like health insurance. Certain online offerings also include same day direct deposit, access to human resource advice, and access to additional expert-powered services like Tax Penalty Protection. QuickBooks Desktop payroll is available in both a self-service and an assisted version, depending on whether customers want to do their own taxes or leverage automated tax payments and filings. We also offer TSheets by QuickBooks which seamlessly integrates with QuickBooks Payroll and third-party payroll products to help businesses easily and accurately track time across a mobile workforce, including tools for project planning, job costing, and tracking per-client billable hours.

Payment Processing Solutions. Our full range of merchant services for small businesses includes credit card, debit card, and ACH payment services. In addition to transaction processing services, our broad support for our clients includes customer service, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening. We also offer e-invoicing, which allows small businesses to email invoices directly from QuickBooks with a link that enables customers to instantly pay online or from their mobile device.

Capital for Small Businesses. We offer financing options for small businesses to help them get the capital they need to succeed. The financing process provides small businesses the ability to use their QuickBooks data to qualify to borrow capital.

Financial Supplies. We offer a range of financial supplies designed for individuals and small businesses that use our QuickBooks offerings. These include standard paper checks and Secure Plus checks with CheckLock fraud protection features, a variety of stationery, tax forms and related supplies.

Consumer

Our TurboTax products and services are designed to enable customers to prepare and file their federal and state income tax returns quickly and accurately. They are designed to be easy to use, yet sophisticated enough for complex tax returns. For customers looking for additional advice or guidance along the way, we have experts standing by to offer tax review and advice all year round. These offerings are available either online or as desktop versions. Our online offerings can be accessed on mobile devices.

Tax Return Preparation Offerings. For the 2019 tax season, we offered a variety of commercial software products and filing services to meet the different needs of our customers, including those filing simple returns, those who itemize deductions, own investments or rental property, and small business owners. Customers can electronically file their federal and state income tax returns through our electronic filing service. We also offered TurboTax Live for customers seeking to obtain tax advice from professionals, as well as audit defense and audit support services. Our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online. Our TurboTax U.S. and Canada offerings consist of desktop, online, and mobile offerings. In addition to our commercial product offerings, we are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government to provide free online federal tax preparation and filing services to eligible taxpayers, which the IRS then markets to consumers on an IRS website. See also *"Competition – Consumer Segment"* later in this Item 1 for more information on the Free File Alliance.

Personal Finance Offerings. Our consumer platform, including our Mint and Turbo offerings, is aimed at helping customers unlock smart money decisions by connecting them to financial products to help make ends meet. These offerings help customers understand and improve their financial lives by offering a view of their financial health, as well as access to credit scores and monitoring.

Strategic Partner

Our Strategic Partner segment includes our professional tax offerings and serves 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 consist of Lacerte, ProSeries, ProFile and ProConnect Tax Online and enable accountants to accurately and efficiently complete and electronically file a full range of consumer, small business, and commercial federal and state tax returns. Lacerte is designed for full-service year-round accounting firms who handle more complex returns. ProSeries is designed for year-round tax practices handling moderately complex tax returns. ProConnect Tax Online is our cloud-based solution, which is designed for full-service year-round practices who prepare all forms of consumer and small business returns and integrates with our QuickBooks Online offerings. ProFile is our Canadian tax offering, which serves year-round full-service accounting firms for both consumer and business tax returns. We also offer a variety of tax-related services that complement the tax return preparation process including year-round document storage, collaboration services, e-signature, and bank products.

PRODUCT DEVELOPMENT

The markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements. Continuous investment is required to innovate and develop new products and services as well as enhance existing offerings to be successful in these markets. Our product development efforts are more important than ever as we pursue our growth strategy.

We develop many of our products and services internally, and we have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We also supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships

that enable us to enhance or expand our offerings more rapidly. We expect to expand our third-party technology relationships as we continue to pursue our growth strategy.

Our online offerings and mobile applications have rapid development cycles, while our traditional desktop software products tend to have predictable annual development and product release cycles. In addition, developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate federal and state tax law and tax form changes within a rigid timetable. The development timing for our small business payroll and merchant payment processing services offerings varies with business needs and regulatory requirements, and the length of the development cycle depends on the scope and complexity of each project.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services with financial recommendations, personalization, and ease of use enabled by AI and other advanced technologies. We continue to focus on developing new products and services, including new mobile and global offerings, and significant research and development efforts for ongoing projects to update the technology platforms for several of our offerings.

SEASONALITY

Historically, our Consumer and Strategic Partner offerings have had 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 has historically resulted in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. In March 2020, as a relief measure in response to the COVID-19 pandemic, the IRS extended the filing deadline for the 2019 tax year from April 15, 2020 to July 15, 2020. Additionally, all states with a personal income tax have also extended their due dates, predominantly to July. As a result, we experienced a shift in sales and revenue from our third fiscal quarter to our fourth fiscal quarter during fiscal 2020. We expect the seasonality of our Consumer and Strategic Partner businesses to continue to have a significant impact on our quarterly financial results in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary customers are consumers, small businesses, and the self-employed. We also provide specialized tax and accounting products to professional accountants, who are key partners to help us reach small business customers. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past several years, the widespread usage of mobile devices and the explosion of social media have accelerated the pace of change and revolutionized the way that customers learn about, evaluate, and purchase products and services.

Real-time, personalized online and mobile shopping experiences are the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This has created a need for integrated, multi-channel, shop-and-buy experiences. Market and industry changes quickly make existing products and services obsolete. Our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods, and other changes in the way we do business.

Marketing Programs

We use a variety of marketing programs to generate direct sales, develop leads, increase general awareness of our product portfolio, and drive sales in retail. These programs include digital marketing such as display and pay-per-click advertising, search engine optimization, and social and affiliate marketing; mobile marketing through online app stores; email marketing; offline marketing such as TV, radio, billboard, magazine and newspaper advertising; retail marketing; public relations; and in product marketing to drive awareness of related products and services. Our campaigns are designed to attract new users, retain existing users, and cross sell additional offerings.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our customers use the web and mobile devices to research products and services. Some customers buy and use our products and services entirely online or through their mobile devices. Others research online but make their purchase at a retail location. Because many customers shop across multiple channels, we continue to coordinate our online, offline, and retail presence and promotions to support an integrated, multi-channel, shop-and-buy model. We also focus on cross-selling complementary Intuit and third-party offerings online and in-product.

Direct Sales Channel. We sell many of our products and services directly through our websites and call centers. Direct, online sales are an effective channel for customers who can make purchase decisions based on content provided on our websites, via other online content or word of mouth recommendations. Telesales continues to be an effective channel for serving customers that want live help to select the products and services that are right for their needs. We also have a direct sales force that calls on U.S. and international accounting firms and seeks to increase their awareness, usage, and recommendation of our small business and professional tax solutions.

Mobile Application Stores. We distribute many of our offerings for mobile devices through proprietary online stores that provide applications for specific devices. These include the Apple App Store and Google's Play Store.

Partner and Other Channels. We sell our products and services through partners including value-added resellers, system integrators (including accountants), and managed service providers who help us reach new customers at the point of need and drive growth and market share by extending our online reach. These partners combine our products and services with marketing, sales, and technical expertise to deliver a complete solution at the local level. We also sell our QuickBooks and TurboTax desktop software as well as payroll services at retail locations across the United States and Canada and on retailer websites. In Canada, we also rely on distributors who sell products into the retail channel.

COMPETITION

Overview

We face intense competition in all of our businesses, both domestically and internationally. Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. Some of our existing competitors have significantly greater financial, technical and marketing resources than we do. In addition, the competitive landscape can shift rapidly as new companies enter and existing companies expand their businesses to include the markets in which we compete. This is particularly true for online and mobile products and services, where the barriers to entry are lower than they are for desktop software products and services. To attract customers, many online and mobile competitors are offering free or low-priced products which we must take into account in our pricing strategies.

Given the breadth of the products and services that we offer as a global technology company, we compete with the offerings from a variety of companies across a range of industries. Our most obvious competition comes from other companies that currently offer technology solutions similar to ours. In our Small Business & Self-Employed segment, we face competition from a variety of companies that provide products or services to address the problems that we help our customers to solve, including getting paid faster, paying their employees, accessing capital and ensuring their books are done right. Our Consumer segment competes with companies that offer products and services to help customers file their taxes, better manage their money and reduce their debt. We may also face competition from companies with platforms that could be developed to offer competing technology solutions to any of the problems that our customers may face, such as Facebook, Amazon and Google. In addition, for many of our products and services, other competitive alternatives for customers are third-party service providers such as professional accountants and seasonal tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives. In some cases, a competitor in one of our segments may be our partner in another one of our segments. In other cases, a company may compete with us in more than one of our segments.

Competition Specific to Segments

Small Business & Self-Employed Segment. QuickBooks is the leading small business financial management software in the U.S. Small businesses often look to several companies to address their problems. Therefore, our small business products and services face competitive challenges from a variety of companies that provide products or services that address one or more of their problems. We compete to help small businesses get their books right with Xero, The Sage Group plc, and FreshBooks, among others, which offer software and associated services as well as online accounting offerings that directly serve small business customers. For small businesses with more complex financial management needs, our competitors include The Sage Group plc's Intacct offering and Microsoft Dynamics. We also compete with free or low-cost online accounting offerings, and free online banking and bill payment services offered by financial institutions and others. In our payroll business we compete directly with Automatic Data Processing, Inc. (ADP), Paychex, Gusto, and many other companies that help small businesses to pay their employees. In our merchant services business we help our customers get paid faster and compete directly with large financial institutions such as Wells Fargo, JP Morgan Chase, and Bank of America and with many payment processors, including First Data Corporation, Elavon, Global Payments, Fidelity National Information Services, PayPal, and Square. Our QuickBooks Capital offering, which helps small businesses to access capital, competes with a range of lending enterprises, including large financial institutions, such as the ones listed above, fintech companies, such as BlueVine and Kabbage, and others.

Consumer Segment. In our Consumer segment, we compete to help our customers to file their taxes. Our future growth depends on our ability to attract new customers to the self-preparation tax category and to our assisted offering, TurboTax Live, from tax stores and other tax preparers. In the U.S. private sector we face intense competition from H&R Block, which provides tax preparation services in its stores and a competing software offering. We also face competition from several other large tax preparation service providers, from a myriad of small tax preparers, and from numerous online self-preparation offerings, including Free Tax USA, TaxSlayer, Blucora's TaxAct and Credit Karma. Some of these competitors are offering electronic tax preparation and filing services at no cost to individual taxpayers. In Canada, our TurboTax Canada offerings face competition from H&R Block, SimpleTax, StudioTax, and UFile, among others. These competing offerings subject us to significant price pressure in both the U.S. and Canada.

We also face competitive challenges from government entities that offer publicly funded electronic tax preparation and filing services with no fees to individual taxpayers.

We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government. Under this agreement, the member companies provide online federal tax preparation and filing services to eligible users at no cost to the government or individual users separate and apart from the member companies' commercial free offerings, which the IRS then markets to consumers on an IRS website. Approximately 22 states and the District of Columbia have also adopted Free File Alliance public-private agreements. Additionally, certain member companies, including Intuit, provide online state tax preparation and filing services at no cost if the taxpayer qualified for the free federal return under this program. We continue to actively work with others in the private and public sectors to advance the goals of the Free File Alliance policy initiative and to support successful public-private partnerships that reinforce the voluntary compliance tax system. However, future administrative, regulatory, or legislative activity in this area could seek to replace the voluntary compliance tax system with return preparation by government agencies which could harm our Consumer business.

We also compete with numerous personal financial management companies, such as Credit Karma, Nerdwallet and Credit Sesame, and large financial institutions to help our customers better manage their money and reduce their debt.

Strategic Partner Segment. In the U.S., Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. These include CCH's ProSystems fx Office Suite and Thomson Reuters' CS Professional Suite and GoSystems Tax. Our ProSeries professional tax offerings face competition from CCH's ATX and TaxWise offerings, Drake, and other smaller providers. In Canada, our ProFile professional tax offerings face competition from CCH's Cantax and Taxprep offerings, TaxCycle, and Thomson Reuters' DTMax and UFile Pro offerings. We also face growing competition from online tax and accounting offerings in the U.S. and Canada, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Competitive Factors

We believe the most important competitive factors for our core offerings – QuickBooks, TurboTax, Lacerte, and ProSeries – are ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, reliability, security, and product and support quality. Access to distribution channels is also important for our QuickBooks and TurboTax desktop software products. In addition, support from accounting professionals and the ability for customers to upgrade within product families as their businesses grow are significant competitive factors for our QuickBooks products. Productivity is an important competitive factor for the full-service accounting firms to which we market our Lacerte software products. We believe we compete effectively on these factors as our QuickBooks and TurboTax products are the leading products in the U.S. for their respective categories.

For our service offerings such as small business payroll and merchant payment processing, we believe the most important competitive factors are functionality, ease of use, high availability, security, the integration of these products with related software, brand name recognition, effective distribution, quality of support, and cost.

CUSTOMER SUCCESS

We provide product support and technical support through channels including telephone, e-mail, online and video chat, text messaging, our customer support websites, self-help assets embedded in our products, and online communities where consumers can share knowledge and product advice with each other.

We also provide access to experts, through our TurboTax and QuickBooks Live offerings, who provide tax advice, tax preparation and bookkeeping services.

Our customer success staff predominantly consists of Intuit-employed and outsourced experts. We supplement with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced small business customer success personnel are currently located in the Philippines.

We also source staff through our Prosperity Hub program, which is designed to spark economic prosperity for people and communities in need. One part of this program is our socially responsible sourcing model, where we both directly and through customer success partner-employers, hire, train, and retain workers who deliver support and services for our customers.

Self-help information is offered for free in-product and on our support websites for our QuickBooks, TurboTax, Mint and professional tax offerings. Support alternatives and fees vary by product. For example, some product subscriptions receive 24x7 support and additional contact channel options.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Our online offerings include QuickBooks Online, online payroll services, merchant payment processing services, TurboTax Online, ProConnect Tax Online, consumer and professional electronic tax filing services, Mint, and Turbo. We recently completed the transition of our systems, networks and databases used to operate these online offerings to public cloud providers, such as Amazon Web Services (AWS). Currently, all of our online offerings are operating using AWS.

Desktop Software and Supplies

Although an increasing proportion of our desktop software customers choose to electronically download software, many customers continue to choose to purchase these products in the form of physical media. The key processes in manufacturing desktop software are manufacturing compact discs (CDs) and digital video discs (DVDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing and distribution, we have agreements with Arvato Digital Services, Inc. (Arvato), a division of Bertelsmann AG, under which Arvato provides a majority of the manufacturing volume for our launches of QuickBooks and TurboTax and day-to-day replenishment after product launches, as well as our retail distribution logistics. Arvato also provides most of the manufacturing volume and distribution services for our direct desktop software orders.

Customers typically receive desktop software electronically. However, when physical product is ordered, we typically ship the physical product within a few days of receiving an order and backlog is minimal.

PRIVACY AND SECURITY OF CUSTOMER AND WORKFORCE INFORMATION AND TRANSACTIONS

We are stewards of our customers' data and have designed data stewardship principles to align our organization in collecting, using and protecting such information. As we believe strongly in being good stewards of our customers' data, we operate our program to comply with laws and regulations that govern our use, sharing and protection of customers' personal information, including, for example, laws with respect to financial services and the handling of tax data. We have established guidelines and practices to help ensure that customers and members of our workforce are aware of, and can control, how we use information about them. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or shape industry best practices, and to inform public policy for privacy and security.

We use security safeguards to help protect the systems and the information that customers and members of our workforce give to us from loss, misuse and unauthorized alteration. We use technical, logical and procedural measures, such as multi-factor authentication, which are designed to help detect and prevent fraud and misuse of customer information. Whenever customers transmit sensitive information to us, such as credit card information or tax return data, through one of our websites or products, we follow current industry standards to encrypt the data as it is transmitted to us, and when we store it at rest. We routinely patch our systems with security updates and we work to protect our systems from unauthorized internal or external access using numerous commercially available computer security products as well as internally developed security procedures and practices.

GOVERNMENT REGULATION

Our Consumer and Strategic Partner segments are subject to federal, state and international government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. In addition, our Small Business & Self-Employed segment offers products and services to small businesses and consumers, such as payroll, payments, and financing, which are also subject to certain regulatory requirements.

INTELLECTUAL PROPERTY

Our success depends on the proprietary technology embodied in our offerings. We protect this proprietary technology by relying on a variety of intellectual property mechanisms, including copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. For example, we regularly file applications for patents, copyrights and trademarks and service marks in order to protect intellectual property that we believe is important to our business. We hold a growing patent portfolio that we believe is important to Intuit's overall competitive advantage, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. We also have a number of registered trademarks that include Intuit, QuickBooks, Lacerte, TurboTax, QB, ProSeries, ProConnect, and Mint. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also license intellectual property from third parties for use in our products.

Although our portfolio of patents is growing, the patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. In addition, third parties have asserted and may, in the future, assert infringement claims against us and our customers. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third-party licenses may not continue to be available to us on commercially acceptable terms, or at all.

EMPLOYEES

As of July 31, 2020, we had approximately 10,600 employees in offices in the United States, India, Canada, the United Kingdom, Israel, Australia and other locations. During fiscal 2020 we employed on average approximately 2,700 seasonal and contract employees from January to July to support our Consumer segment customers during the extended tax season. We refer to our full-time, part-time, experts, seasonal and contract employees collectively as our workforce. We believe our future success and growth will depend on our ability to attract and retain a qualified workforce in all areas of our business. We do not currently have any collective bargaining agreements with our employees, and we believe workforce relations are generally good. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. We believe we offer competitive compensation and a good working environment. We were named one of *Fortune* magazine's "100 Best Companies to Work For" in each of the last nineteen years. However, we face intense competition for qualified workers, and we expect to face continuing challenges in recruiting and retention.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table shows Intuit's executive officers and their areas of responsibility as of August 1, 2020 . Their biographies follow the table.

Name	Age	Position
Sasan K. Goodarzi	52	President, Chief Executive Officer and Director
Brad D. Smith	56	Executive Chairman of the Board of Directors
Scott D. Cook	68	Chairman of the Executive Committee
Michelle M. Clatterbuck	52	Executive Vice President and Chief Financial Officer
J. Alexander Chriss	43	Executive Vice President and General Manager, Small Business & Self-Employed Group
Laura A. Fennell	59	Executive Vice President, Chief People & Places Officer
Gregory N. Johnson	52	Executive Vice President and General Manager, Consumer Group
Marianna Tessel	53	Executive Vice President and Chief Technology Officer
Kerry J. McLean	56	Executive Vice President, General Counsel and Corporate Secretary
Mark J. Flournoy	54	Senior Vice President and Chief Accounting Officer

Mr. Goodarzi has been President and Chief Executive Officer and a member of the Board of Directors since January 2019 and previously served as Executive Vice President and General Manager of Intuit's Small Business Group since May 2016. He previously was Executive Vice President and General Manager of Intuit's Consumer Tax Group from August 2015 through April 2016 and from August 2013 to July 2015 served as Senior Vice President and General Manager of the Consumer Tax Group. He served as Intuit's Senior Vice President and Chief Information Officer from August 2011 to July 2013, having rejoined Intuit after serving as CEO of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, beginning in November 2010. During his previous tenure at Intuit from 2004 to 2010, Mr. Goodarzi led several business units including Intuit Financial Services and the professional tax division. Prior to joining Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as global president of the products group.

He also held a number of senior leadership roles in the automation control division at Honeywell Inc. He serves on the board of Atlassian Corporation Plc and chairs the Compensation and Leadership Development Committee. Mr. Goodarzi holds a Bachelor's degree in Electrical Engineering from the University of Central Florida and a Master's degree in Business Administration from the Kellogg School of Management at Northwestern University.

Mr. Smith has been an Intuit director since 2008, Chairman of the Board from January 2016 through December 2018, and Executive Chairman from January 2019. He served as President and CEO of the Company from January 2008 through December 2018. Mr. Smith joined Intuit in 2003 and has served as Senior Vice President and General Manager, Small Business Division from 2006 to 2007, Senior Vice President and General Manager, QuickBooks from 2005 to 2006, Senior Vice President and General Manager, Consumer Tax Group from 2004 to 2005 and as Vice President and General Manager of Intuit's Accountant Central and Developer Network from 2003 to 2004. Before joining Intuit, Mr. Smith held the position of Senior Vice President of Marketing and Business Development of ADP, where he held several executive positions from 1996 to 2003. Mr. Smith served on the board of directors of Yahoo! Inc. from 2010 until 2012. Mr. Smith was elected to the board of directors of Nordstrom, Inc. in June 2013, where he is a member of the Compensation Committee and Corporate Governance and Nominating Committee and has served as Chairman of the Board since November 2018. Mr. Smith was also elected to the board of directors of SurveyMonkey in May 2017 and is a member of their Compensation Committee. Mr. Smith holds a Bachelor's degree in Business Administration from Marshall University and a Master's degree in Management from Aquinas College.

Mr. Cook, a founder of Intuit, has been an Intuit director since March 1984 and is currently Chairman of the Executive Committee. He served as Intuit's Chairman of the Board from February 1993 through July 1998. From April 1984 to April 1994, he served as Intuit's President and Chief Executive Officer. Mr. Cook has served on the board of directors of The Procter & Gamble Company since 2000 where he chairs the Innovation & Technology Committee. Mr. Cook was also a director of eBay Inc. from 1998 to 2015. Mr. Cook holds a Bachelor of Arts degree in Economics and Mathematics from the University of Southern California and a Master's degree in Business Administration from Harvard Business School.

Ms. Clatterbuck has been Executive Vice President and Chief Financial Officer since February 2018. She manages the financial strategy and operations across the company, including Treasury, Procurement, Investor Relations and Finance Operations. Ms. Clatterbuck served as acting finance leader for Intuit's Small Business Group from June 2017 through January 2018, led finance for the Consumer Tax Group beginning in September 2012 and was promoted to Senior Vice President for that group in August 2016. Her earlier roles at Intuit include Vice President of finance for the Professional Tax business in 2006 and finance director in October 2004. Ms. Clatterbuck joined Intuit in March 2003 as a senior finance manager. Prior to Intuit, Ms. Clatterbuck held various financial management roles at General Electric. Before that, she was a financial litigation consultant at The Barrington Consulting Group. Ms. Clatterbuck holds a Bachelor's degree in commerce with a concentration in finance from the University of Virginia.

Mr. Chriss has been Executive Vice President and General Manager of Intuit's Small Business & Self-Employed Group since January 2019. He previously was Senior Vice President and Chief Product Officer of Intuit's Small Business Group from January 2017 through December 2018 and Vice President of Intuit's Self-Employed business from August 2013 through December 2016. Prior to that, Mr. Chriss held various other roles at Intuit since he joined in July 2004. Mr. Chriss holds a Bachelor's degree in Economics from Tufts University.

Ms. Fennell has been Executive Vice President, Chief People & Places Officer since August 2018 and previously served as Executive Vice President, General Counsel and Corporate Secretary. She served as Senior Vice President, General Counsel and Corporate Secretary from February 2007. Ms. Fennell joined Intuit as Vice President, General Counsel and Corporate Secretary in April 2004. She leads the team responsible for acquiring, developing, mobilizing and rewarding the company's global workforce. Prior to joining Intuit, Ms. Fennell spent nearly eleven years at Sun Microsystems, Inc., most recently as Vice President of Corporate Legal Resources, as well as Acting General Counsel. Prior to joining Sun, she was an associate attorney at Wilson Sonsini, Goodrich & Rosati PC. Ms. Fennell sits on the board of directors of the Children's Discovery Museum of San Jose. Ms. Fennell holds a Bachelor of Science degree in Business Administration from California State University, Chico and a Juris Doctor from Santa Clara University.

Mr. Johnson has been Executive Vice President and General Manager of Intuit's Consumer Group since August 2018. He joined Intuit in 2012 as Senior Vice President of marketing. Mr. Johnson leads an organization that offers a suite of consumer tax and financial products and services in the U.S. and Canada. He has more than 20 years' experience in marketing, which spans across consumer packaged goods, retail, and international and emerging markets. Prior to joining Intuit, Mr. Johnson worked for various organizations, including Kraft Foods, SC Johnson, Kodak, Gillette, Best Buy, and the United States Air Force. Mr. Johnson holds a Bachelor of Science degree in Operations Research from the United States Air Force Academy.

Ms. Tessel has been Executive Vice President and Chief Technology Officer of Intuit since January 2019 and previously served as Chief Product Development Officer of Intuit's Small Business & Self-Employed Group from June 2017 to December 2018. Prior to joining Intuit, Ms.Tessel worked for Docker Inc., a software containerization platform, serving as Senior Vice President of Engineering and Executive Vice President of Strategic Development from November 2014 to June 2017, and VMware, which provide cloud computing and related services, from June 2008 through November 2014, most recently serving as Vice President of Engineering. Ms.Tessel holds a Bachelor's of Science degree in Computing from Technion – Israel Institute of Technology.

Ms. McLean has been Executive Vice President, General Counsel and Corporate Secretary since August 2020, after having served as Senior Vice President, General Counsel and Corporate Secretary since August 2018 and Vice President, Deputy General Counsel since August 2010. She joined Intuit in 2006 as Director, Deputy General Counsel. Ms. McLean leads Intuit's legal, privacy, compliance, and corporate affairs teams. Prior to joining Intuit, Ms. McLean spent over six years at Wind River Systems, Inc., most recently as the Director of Legal. Prior to joining Wind River, she was an associate at Howard, Rice, Nemerovski, Canady, Falk & Rabkin PC (now Arnold & Porter Kaye Scholer LLP). Ms. McLean holds a Bachelor of Arts degree in International Relations from University of California, Davis and a Juris Doctor from University of California, Hastings College of Law.

Mr. Flournoy has been Senior Vice President and Chief Accounting Officer since August 2020. He was appointed as Vice President and Chief Accounting Officer in February 2014. He joined Intuit in 2003 as director of general accounting and internal controls and was named Corporate Controller in 2012. From 1996 to 2003, Mr. Flournoy served as a corporate controller for various private and public companies in California. He began his career in public accounting at Ernst & Young, where he served from 1992 to 1996. Mr. Flournoy holds a Bachelor's degree in Business Administration – Finance from the University of Southern California and a secondary Bachelor's degree in Accounting from San Diego State University.

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 significant factors, events and uncertainties that make an investment in our securities risky, categorized solely for ease of reference as strategic, operational, legal and compliance, and financial risks. The following events and consequences could have a material adverse effect on our business, growth, prospects, financial condition, results of operations, cash flows, liquidity, credit rating and reputation, and the trading price of our common stock could decline. These risks are not the only ones we face. We could also be affected by other events, factors or uncertainties that are presently unknown to us or that we do not currently consider to present significant risks to our business. These risks may be amplified by the COVID-19 pandemic, which has caused significant global economic instability and uncertainty. The manner in which we respond to future developments as well as our competitors' reactions to those developments may affect our future operating results.

The COVID-19 pandemic has caused significant economic instability and uncertainty and has had and may continue to have an adverse effect on our business, results of operations and financial condition.

The COVID-19 pandemic has caused economic instability and uncertainty globally and has had a negative impact, and may in the future have a material adverse impact, on our business. The COVID-19 pandemic has negatively impacted our small business results as a significant number of small businesses have closed or scaled back their offerings, particularly in light of shelter-in-place and similar directives. The severity and duration of the pandemic's impact on our operational and financial performance are uncertain and will depend on many factors beyond our control. Potential and current negative impacts of the pandemic include, but are not limited to, the following:

- Reduction in customer demand for our products and services, decreased consumer spending levels, reduced small business payment charge volumes and payrolls and potential decreases in the number of tax returns filed could materially harm our results of operations.

- The extension of federal and state tax filing deadlines for the 2019 tax year changed the seasonality of our business, making our revenue and operating results more difficult to predict. Any future regulatory decisions could further increase the difficulty of forecasting our revenue and operating results, which could cause our business to materially suffer.

- There are new and more frequent attempts by malicious third parties seeking to take advantage of the pandemic to fraudulently gain access to our systems, which could cause us to expend significant resources to remediate and could damage our reputation.

- Changes to our business operations and the operations of our third-party partners, such as increased use of videoconferencing, the shift to working from home, and the complexity of resuming operations in our offices, has introduced new security and execution risks that could cause us to experience substantial financial losses, lose the confidence of our customers and government agencies and harm our revenues and earnings.

- Potential disruption of services on which we rely to deliver our services to our customers, including our third-party customer success partners and financial institutions, could prevent us or our service providers from delivering critical services to our customers or accepting and fulfilling customer orders, any of which could materially and adversely affect our business or reputation.

- Increased, divergent and changing governmental regulations, such as shelter-in-place orders and closures of work facilities, schools, public buildings and businesses, could make it considerably more difficult to develop, enhance and support our products and services, which may cause our results of operations and financial condition to suffer.

- Failure to realize some or all of the anticipated benefits of our mergers and acquisitions activities for reasons related to the pandemic may cause us to experience losses that result in significant harm to our operating results or financial condition.

- We may be unable to obtain financing in the current economic environment on terms that are favorable or acceptable to us, or at all, which could impair our cash flows and restrict our ability to execute on our strategic initiatives and react to changes in our business or the environment.

- As a result of financial hardship experienced by our customers related to the pandemic, we may experience higher than normal customer refunds and a significant increase in risk of collecting customer payments or loans receivable, which could harm our results of operations.

- There could be increased volatility in our stock price related to the pandemic, which could result in the loss of some or all of the value of an investment in Intuit.

These and other potential negative impacts relating to the COVID-19 pandemic are described further in the risk factors that follow.

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 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, 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, other providers of free offerings may 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 potential 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, in December 2019, the agreement governing the program was amended to eliminate the pledge by the IRS that it will not offer a duplicative or competing service. Under this program, the IRS has worked with private industry to provide more than 56 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. Recently, we have become the subject of certain legal proceedings and regulatory inquiries relating to the provision and marketing of the product that we offer under the IRS Free File Program. While we believe that the allegations in these proceedings are without merit, the proceedings may decrease the government's support of such program and increase the likelihood that such program is terminated. If the Free File Program were to be terminated or the IRS were to enter the software development and return preparation space, the federal government could 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.

We operate in industries that 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 requires 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 to provide them with value, 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, our customers may not perceive value in the additional benefits and services we offer beyond our free offering and may choose not to pay for those additional benefits or we may be unsuccessful in increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

We have devoted significant resources to develop products and services for users of mobile 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 mobile 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 mobile 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 cannot 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, members of our workforce, 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, including our pending acquisition of Credit Karma (the "Transaction"), 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;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries; and
- to the extent we use debt to fund acquisitions or for other purposes, our interest expense and leverage will increase significantly, and to the extent we issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share will be diluted.

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 us 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.

In addition, any acquisition or divestiture that we announce may not be completed if closing conditions are not satisfied. 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. In particular, the completion of the Transaction is subject to the satisfaction or waiver of a number of conditions as set forth in the related merger agreement, including, among others, the expiration or termination of the applicable waiting periods pursuant to the Hart-Scott-Rodino Act and no applicable law having been enacted that prohibits the consummation of the Transaction. There can be no assurance that the parties will be able to satisfy the closing conditions or that closing conditions beyond our or Credit Karma's control will be satisfied or waived. If the Transaction and the integration of the companies' respective businesses are not completed within the expected time frame, such delay may materially and adversely affect the synergies and other benefits that we and Credit Karma expect to achieve as a result of the Transaction and could result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Transaction. Moreover, the impact of COVID-19, adverse changes in market conditions, additional transaction and integration-related costs and other factors that may be exacerbated by the impact of COVID-19, such as the failure to realize some or all of the anticipated benefits of the Transaction, may cause the Transaction to be dilutive to Intuit's operating earnings per share in the first fiscal year after close or beyond. Any dilution of our non-GAAP diluted earnings per share could cause the price of shares of Intuit Common Stock to decline or grow at a reduced rate.

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 workforce 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, social engineering, malicious software programs, insider threats, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of sensitive and personal data of our customers and members of our workforce, or Intuit's sensitive business data or cause temporary or sustained unavailability of our software and systems. These types of incidents 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 members of our workforce, customers, or users by social engineering 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 members of our workforce. 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. In addition, we are experiencing new and more frequent attempts by third parties to use the COVID-19 pandemic to fraudulently gain access to our systems, such as through increased email phishing of our workforce.

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 through the use of stolen identity information of our customers or members of our workforce 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. In addition, in response to the COVID-19 pandemic, we have temporarily shifted nearly all our workforce from office locations to work from home environments, which increases our exposure to security-related risks due to operational changes, such as the increased use of videoconferencing.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), break-ins, workforce member 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 a 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, any such incident 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, online payments and lending 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 and lending businesses and is heightened while we are responding to the COVID-19 pandemic with measures such as requiring nearly all of our workforce to work from home. 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 and lending offerings, governmental authorities may refuse to allow us to continue to offer such services, or these services may otherwise be adversely impacted, 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 likelihood of any such error or misappropriation may increase as we accelerate the speed at which we process transactions. 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 public cloud providers, such as Amazon Web Services. If any public cloud service that we use 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,which typically occur from January until April of each year. In response to the COVID-19 pandemic, the IRS extended the filing deadline for tax year 2019 until July 15, 2020 and all states with personal income tax also extended their due dates, predominantly to July, and we experienced heavy customer demand during the extended filing period. 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 are 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, health emergencies, such as the COVID-19 pandemic, and other events beyond our control. For example, our employees are largely concentrated in California and India, each of which have been affected by the COVID-19 pandemic and subject to governmental actions designed to contain the spread of COVID-19, such as limitations on the size of gatherings, closures of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. The closure of our facilities in those and other areas in which we operate, and other restrictions inhibiting our employees' ability to access our facilities, have disrupted, and could continue to disrupt our business operations. We have also modified our business practices in connection with the pandemic (including employee travel, employee work locations and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers or third-party partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and that such measures will not impair our ability to perform critical functions. Any such measures could make it considerably more difficult to develop, enhance and support our products and services.

We cannot predict how long any such measures will be in place and whether we would reimplement or enhance any such measures in one or more locations in order to respond to the effects of the pandemic or the rules, regulations or guidelines of any governmental authority. Moreover, the complexity of resuming operations in our offices could introduce new execution risks and we may experience longer-term disruptions to our operations, such as shifts in the work location preferences of our workforce for personal health and safety reasons.

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.

Additionally, the business operations of our third-party partners have been and could continue to be disrupted by the COVID-19 pandemic and the actions taken in response to it, including the pandemic's effects on their third-party partners. If our third-party partners are unable to help us operate our business as a result of the COVID-19 pandemic, our business and financial results may be negatively impacted. 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. Any violation of laws or implementation of practices regarded as unethical could result in 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, including the effects of the COVID-19 pandemic, 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.

If we experience significant product accuracy or quality problems or delays in product launches, 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. Further, as we develop our platform to connect people to experts, such as connecting TurboTax customers with tax experts through our TurboTax Live offering, or connecting QuickBooks customers with bookkeepers through our QuickBooks Live offering, we face the risk that these experts may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these experts may cause harm to our customers, a loss of customer confidence in our offerings or harm to our reputation or 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, and health emergencies, including divergent governmental responses thereto across the jurisdictions in which we operate;
- import or export regulations;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and laws and regulations of other jurisdictions prohibiting corrupt payments to government officials and other third parties;

- 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, we cannot be sure that our employees, contractors and agents are in compliance with 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, local and international laws and regulations that affect the Company's activities, including, without limitation, areas of labor, advertising, tax, financial services, data privacy and security, electronic funds transfer, money transmission, lending, 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, and other regulated activities. 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. For example, in April 2020, one of our subsidiaries became a Small Business Administration ("SBA") approved lender under the SBA's recently established Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief and Economic Security Act. 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. In response to the COVID-19 pandemic, federal, state, local and foreign governmental authorities have imposed, and may continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the size of gatherings, closures of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. Such restrictions have disrupted and may continue to disrupt our business operations and limit our ability to perform critical functions.

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.

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 or 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 General Data Protection Regulation (GDPR) and the new California Consumer Protection Act (CCPA), which became 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 3, “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 subscription cancellations and 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 fluctuate significantly.

Our tax offerings have significant seasonal patterns. Revenue from income tax preparation products and services is typically heavily concentrated during November through April and, for the 2019 tax season, this seasonality was affected by the IRS's extension of the federal tax filing deadline to July 15, 2020 and all states with personal income tax also extending their due dates, predominantly to July. 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 or an increase in risks of collecting customer payments, including as a result of financial hardship experienced by our customers related to the COVID-19 pandemic, 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. Foreign governments may enact tax laws 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 material 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. 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.

The COVID-19 pandemic and the actions taken in response to it have significantly increased economic and demand uncertainty. The COVID-19 pandemic has caused a global recession and we cannot predict the extent to which existing small businesses will be able to survive such a downturn. Moreover, in connection with the COVID-19 pandemic, unemployment has increased significantly. Accordingly, the risks described in the paragraph above, including reduced customer demand for our products and services, decreased consumer spending levels and, in the future, decreases in the number of tax returns filed, may be more likely to materialize, any of which could harm our business and our future financial results.

We provide capital to small businesses, which exposes us to certain 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. We have also entered into credit arrangements with financial institutions to obtain the capital we provide under this offering. Any termination or interruption in the financial institutions' ability to lend to us could interrupt our ability to provide capital to qualified small businesses. Further, our credit decisioning, pricing, loss forecasting, scoring and other 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. Moreover, the COVID-19 pandemic and the actions taken in response to it have had a significant impact on small businesses and may increase the likelihood that our borrowers are unable to repay their loans. If any of the foregoing events were to occur, our reputation, relationships with borrowers, collections of loans receivable and financial results could be harmed. In addition, one of our subsidiaries is a lender and a servicer under the PPP to support our small business customers and other eligible applicants during the pandemic. Our participation in this program exposes us to many of the risks described above and additional risks, such as borrower default, the SBA declining to forgive or honor its guarantee with respect to PPP loans and litigation or other disputes with borrowers or others related to our PPP activities.

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 $28 million in fiscal 2020; $26 million in fiscal 2019; and $21 million in fiscal 2018. 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 statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At July 31, 2020, we had $1.7 billion in goodwill and $28 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 incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of July 31, 2020, we had an aggregate of $3.4 billion of indebtedness outstanding under our credit facilities and our senior unsecured notes. Under the agreements governing our indebtedness, we are permitted to incur additional debt. This debt, and any debt that we may incur in the future, 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, share repurchases and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned capital, operating or investment expenditures. Such measures may not be sufficient to enable us to service our debt.

Additionally, the agreements governing our indebtedness impose restrictions on us and require us to comply with certain covenants. For example, our credit facilities restrict 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 credit facilities and the indenture governing our senior unsecured notes limit our ability to create liens our and subsidiaries' assets and engage in sale and leaseback transactions. If we breach any of these covenants and do not obtain a waiver from the lenders or the noteholders, as applicable, then, subject to applicable cure periods, any or all of our outstanding indebtedness may be declared immediately due and payable. There can be no assurance that any refinancing or additional financing would be available on terms that are favorable or acceptable to us, if at all.

Under the terms of our outstanding senior unsecured notes, we may be required to repurchase the notes for cash prior to their maturity in connection with the occurrence of certain changes of control that are accompanied by certain downgrades in the credit ratings of the notes. The repayment obligations under the notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the notes prior to their scheduled maturity, it could have a negative impact on our cash position and liquidity and impair our ability to invest financial resources in other strategic initiatives.

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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 negatively impact 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 program does not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Our repurchase program may be suspended or terminated at any time. For example, in connection with our pending acquisition of Credit Karma, we have temporarily suspended share repurchases under our repurchase program in compliance with applicable federal securities laws. Even if our stock repurchase program is fully implemented, it 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, including the effects of the COVID-19 pandemic, 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. Moreover, the COVID-19 pandemic has caused significant volatility in the global financial markets, which has resulted in significant volatility in our stock price recently. 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.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal locations, their purposes, and the expiration dates for the leases on facilities at those locations as of July 31, 2020 are shown in the table below. We have renewal options on many of our leases.

Location	Purpose	Approximate Square Feet	Principal Lease Expiration Dates
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	487,000	2024 - 2026
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	185,000	Owned
Bangalore, India	Principal offices for Intuit India	478,000	2020 - 2022
San Diego, California	Principal offices for Consumer segment	466,000	Owned
Plano, Texas	Principal offices for Strategic Partner segment and data center	166,000	2026

We also lease or own facilities in a number of domestic locations and lease facilities internationally in Canada, the United Kingdom, Australia, Israel, and several other locations. We believe our facilities are suitable and adequate for our current and near-term needs, and that we will be able to locate additional facilities as needed. See Note 9 to the financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3 - LEGAL PROCEEDINGS

Beginning in May 2019, various legal proceedings were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these legal proceedings are without merit. We intend to vigorously defend against the legal proceedings and cooperate in the inquiries. These proceedings include multiple putative class actions that were consolidated into a single putative class action in the Northern District of California in September 2019 and demands for arbitration that were filed beginning in October 2019.

To date, the legal and other fees we have incurred related to these proceedings and inquiries have not been material. The ongoing defense and any resolution or settlement of these proceedings and inquiries could involve significant costs to us. In view of the complexity and ongoing nature of these proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss that we may incur to resolve or settle these matters.

As of July 31, 2020, there are approximately 42,000 individual arbitration claims pending and we could incur significant arbitration and legal fees associated with the defense of these claims. In fiscal year 2020, we recorded approximately $14 million in arbitration fees related to these claims. The arbitration fees are accrued when invoiced or when the services are rendered. We are disputing the applicability and propriety of these fees. However, we could incur additional arbitration fees of approximately $120 million related to these claims in the future. These additional fees could be incurred beginning in fiscal 2021.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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 legal proceeding is uncertain and, regardless of outcome, legal proceedings can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Intuit's common stock is quoted on the Nasdaq Global Select Market under the symbol "INTU."

Stockholders

As of August 24, 2020 we had approximately 380 record holders and approximately 509,000 beneficial holders of our common stock.

Dividends

We declared cash dividends that totaled $2.12 per share of outstanding common stock or $562 million during fiscal 2020 and $1.88 per share of outstanding common stock or $500 million during fiscal 2019. In August 2020 our Board of Directors declared a quarterly cash dividend of $0.59 per share of outstanding common stock payable on October 19, 2020 to stockholders of record at the close of business on October 12, 2020. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; 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.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 31, 2020 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
May 1, 2020 through May 31, 2020	—	$—	—	$2,370,765,174
June 1, 2020 through June 30, 2020	—	$—	—	$2,370,765,174
July 1, 2020 through July 31, 2020	—	$—	—	$2,370,765,174
Total	—	$—	—	

Note: On August 19, 2016 we announced a plan 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 July 31, 2020, authorization from our Board of Directors to expend up to $2.4 billion remained available under these plans. In connection with our pending acquisition of Credit Karma, we have temporarily suspended share repurchases.

Company Stock Price Performance

The graph below compares the cumulative total stockholder return on Intuit common stock for the last five full fiscal years with the cumulative total returns on the S&P 500 Index and the Morgan Stanley Technology Index for the same period. The graph assumes that $100 was invested in Intuit common stock and in each of the other indices on July 31, 2015 and that all dividends were reinvested. The comparisons in the graph below are based on historical data – with Intuit common stock prices based on the closing price on the dates indicated – and are not intended to forecast the possible future performance of Intuit's common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Intuit Inc., the S&P 500 Index,
and Morgan Stanley Technology Index

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*$100 invested on 07/31/15 in stock or index, including reinvestments of dividends.
Fiscal year ending July 31.

	July 31, 2015	July 31, 2016	July 31, 2017	July 31, 2018	July 31, 2019	July 31, 2020
Intuit Inc.	**$ 100.00**	**$ 106.20**	**$ 132.80**	**$ 199.52**	**$ 273.07**	**$ 304.04**
S&P 500	**$ 100.00**	**$ 105.61**	**$ 122.56**	**$ 142.46**	**$ 153.84**	**$ 172.23**
Morgan Stanley Technology Index	**$ 100.00**	**$ 112.02**	**$ 143.16**	**$ 188.85**	**$ 212.17**	**$ 308.40**

ITEM 6 - SELECTED FINANCIAL DATA

The following tables show Intuit's selected financial information for the past five fiscal years. The comparability of the information is affected by a variety of factors, including acquisitions and divestitures of businesses, issuance and repayment of debt, share-based compensation expense, amortization of acquired technology and other acquired intangible assets, repurchases of common stock under our stock repurchase programs, and the payment of cash dividends.

The consolidated statement of operations data for fiscal 2020 and the consolidated balance sheet data as of July 31, 2020 reflect the adoption of Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)" using the modified retrospective approach, under which financial results reported in prior periods were not restated. See Note 1 in Item 8 of this Annual Report for more information. The consolidated statement of operations data for fiscal 2019, 2018 and 2017, and the consolidated balance sheet data as of July 31, 2019, 2018 and 2017 reflect the full retrospective application of ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* The consolidated statement of operations data for fiscal 2016 and the consolidated balance sheet data as of July 31, 2016 do not reflect the adoption of ASU 2014-09 and continue to be reported under the standards in effect for that period.

In fiscal 2019 and fiscal 2018, we acquired several companies and we have included the results of operations for each of them in our consolidated results of operations from their respective dates of acquisition.

In fiscal 2016 we completed the sales of our Demandforce, QuickBase, and Quicken businesses. We accounted for all of these businesses as discontinued operations and have therefore included their results on our consolidated statements of operations for fiscal 2016 to reflect them as such.

To better understand the information in these tables, investors should read *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 of this Annual Report, and the financial statements and related notes in Item 8 of this Annual Report.

Consolidated Statement of Operations Data	Fiscal				
(In millions, except per share amounts)	**2020**	**2019**	**2018**	**2017**	**2016**
Total net revenue	$ 7,679	$ 6,784	$ 6,025	$ 5,196	$ 4,694
Total costs and expenses	5,503	4,930	4,465	3,778	3,452
Operating income from continuing operations	2,176	1,854	1,560	1,418	1,242
Total share-based compensation expense included in total costs and expenses	435	401	382	326	278
Net income from continuing operations	1,826	1,557	1,329	985	806
Net income from discontinued operations	—	—	—	—	173
Net income	1,826	1,557	1,329	985	979
Net income per common share:					
Basic net income per share from continuing operations	$ 6.99	$ 5.99	$ 5.18	$ 3.83	$ 3.08
Basic net income per share from discontinued operations	—	—	—	—	0.65
Basic net income per share	$ 6.99	$ 5.99	$ 5.18	$ 3.83	$ 3.73
Diluted net income per share from continuing operations	$ 6.92	$ 5.89	$ 5.09	$ 3.78	$ 3.04
Diluted net income per share from discontinued operations	—	—	—	—	0.65
Diluted net income per share	$ 6.92	$ 5.89	$ 5.09	$ 3.78	$ 3.69
Dividends declared per common share	$ 2.12	$ 1.88	$ 1.56	$ 1.36	$ 1.20

Consolidated Balance Sheet Data *(In millions)*	At July 31, 2020	2019	2018	2017	2016
Cash, cash equivalents and investments	$ 7,050	$ 2,740	$ 1,716	$ 777	$ 1,080
Working capital (deficit)	4,451	1,628	679	(205)	(637)
Total assets	10,931	6,283	5,134	3,977	4,250
Short-term debt	1,338	50	50	50	512
Long-term debt	2,031	386	388	438	488
Long-term deferred income tax liabilities	2	37	68	78	7
Operating lease liabilities	221	—	—	—	—
Other long-term obligations (1)	42	145	119	124	343
Total stockholders' equity	5,106	3,749	2,816	1,699	1,161

(1) Upon adoption of ASU 2014-09 in fiscal 2019, other long-term obligations includes long-term deferred revenue. The balance as of July 31, 2016 conforms to this presentation, but as noted above does not reflect the adoption of ASU 2014-09.

ITEM 7 - 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:*** Policies and estimates 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 I 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 Item 8 of this Annual Report.

Effective August 1, 2019, we adopted the new lease standard using the modified retrospective approach, under which financial results reported in prior periods were not restated. See Note 1 to the financial statements in Item 8 of this Annual Report for more information.

In fiscal 2018 and fiscal 2019 we acquired several companies including TSheets.com LLC, Exactor, Inc., and Applatix, Inc. We have included their results of operations in our consolidated results of operations from their respective dates of acquisition. See Note 6 in Item 8 of this Annual Report for more information.

In March 2020 the World Health Organization declared the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has had significant adverse impacts on the U.S. and global economies. We are conducting business with substantial modifications to employee work locations and employee travel, among other modifications. While we have not experienced significant disruptions to our operations thus far from the COVID-19 pandemic, we are unable to predict the full impact that the COVID-19 pandemic will have on our operations and future financial performance, including demand for our offerings, impact to our customers and partners, actions that may be taken by governmental authorities, and other factors identified in "Risk Factors" in Item 1A of Part I of this Report.

In April 2020, Intuit was approved as a non-bank Small Business Administration lender for the Paycheck Protection Program (PPP). The PPP was authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide small businesses loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt which is designed to provide assistance to small businesses during the COVID-19 pandemic.

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 for fiscal 2020 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 Annual Report on Form 10-K.

Industry Trends and Seasonality

Industry Trends

Artificial Intelligence (AI) is transforming multiple industries, including financial technology. Disruptive start-ups, emerging ecosystems and mega-platforms are harnessing new technology to create personalized experiences, deliver data-driven insights and increase speed of service. These shifts are creating a more dynamic and highly competitive environment where customer expectations are shifting around the world as more services become digitized and the array of choices continues to increase.

Seasonality

Historically, our Consumer and Strategic Partner offerings have had 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 has historically resulted in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. In March 2020, as a relief measure in response to the COVID-19 pandemic, the IRS extended the filing deadline for the 2019 tax year from April 15, 2020 to July 15, 2020. Additionally, all states with a personal income tax also extended their due dates, predominantly to July. As a result, there was a shift in sales and revenue from our third fiscal quarter to our fourth fiscal quarter during fiscal 2020. We expect the seasonality of our Consumer and Strategic Partner businesses to continue to have a significant impact on our quarterly financial results in the future.

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 implement industry-wide security and anti-fraud measures, including sharing 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 I and *"Risk Factors"* in Item 1A of Part I of this 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 and for each reportable segment; operating income growth for the company as a whole; 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. Service offerings are a significant part of our business. Our total service and other revenue was $6.0 billion or 79% of our total revenue in fiscal 2020 and we expect our total service and other revenue to continue to grow in the future.

Key highlights for fiscal 2020 include the following:

Revenue of **$7.7 B** up 13% from fiscal 2019	Small Business & Self-Employed revenue of **$4.1 B** up 15% from fiscal 2019	Consumer revenue of **$3.1 B** up 13% from fiscal 2019
Operating income of **$2.2 B** up 17% from fiscal 2019	Net income of **$1.8 B** up 17% from fiscal 2019	Diluted net income per share of **$6.92** up 17% from fiscal 2019

We ended fiscal 2020 with cash, cash equivalents and investments totaling $7.1 billion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we are required to 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 following accounting policies have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies:

- Revenue Recognition
- Business Combinations
- Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets – Impairment Assessments
- Accounting for Share-Based Compensation Plans
- Legal Contingencies
- Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

Our senior management has reviewed the development and selection of these critical accounting policies and their disclosure in this Annual Report on Form 10-K with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive our revenue primarily from the sale of online services such as tax, accounting, payroll, merchant payment processing and from packaged desktop software products and desktop software subscriptions. Our contracts with customers often include promises to transfer multiple products and services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The primary judgments include identifying the performance obligations in the contract and determining whether the performance obligations are distinct. If any of these judgments were to change 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 Item 8 of this Annual Report.

Business Combinations

As described in *"Description of Business and Summary of Significant Accounting Policies – Business Combinations,"* in Note 1 to the financial statements in Item 8 of this Annual Report, under the acquisition method of accounting we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to exercise judgment and make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. This method also requires us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could materially decrease our operating income and net income and result in lower asset values on our consolidated balance sheet.

Significant estimates and assumptions that we must make in estimating the fair value of acquired technology, customer lists, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets – Impairment Assessments

We estimate the fair value of acquired intangible assets and other long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of goodwill and other intangible assets that have indefinite useful lives annually in our fourth fiscal quarter or whenever indicators of impairment arise. The timing of the annual test may result in charges to our consolidated statement of operations in our fourth fiscal quarter that could not have been reasonably foreseen in prior periods.

As described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, in order to estimate the fair value of goodwill we use a weighted combination of a discounted cash flow model (known as the income approach) and comparisons to publicly traded companies engaged in similar businesses (known as the market approach). The income approach requires us to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. We evaluate cash flows at the reporting unit level. Although the assumptions we use in our discounted cash flow model are consistent with the assumptions we use to generate our internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from each reporting unit and the relative risk of achieving those cash flows. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, operating income, and earnings for these companies to reflect their relative similarity to our own businesses. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of goodwill by reportable segment.

We estimate the recoverability of acquired intangible assets and other long-lived assets that have finite useful lives by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. In order to estimate the fair value of those assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our discounted cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of acquired intangible assets and other long-lived assets that have finite lives. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of cost, accumulated amortization and weighted average life in years for our acquired intangible assets.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units, we may be required to record future impairment charges for goodwill and acquired intangible assets. Impairment charges could materially decrease our future net income and result in lower asset values on our consolidated balance sheet.

During the fourth quarters of fiscal 2020, fiscal 2019, and fiscal 2018 we performed our annual goodwill impairment tests. Using the methodology described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired. In addition, during this analysis we concluded that the estimated fair values of all of our reporting units substantially exceeded their carrying values.

Accounting for Share-Based Compensation Plans

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

We use a lattice binomial model and the assumptions described in Note 11 to the financial statements in Item 8 of this Annual Report to estimate the fair value of stock options granted. We estimate the expected term of options granted based on implied exercise patterns using a binomial model. We estimate the volatility of our common stock at the date of grant based on the implied volatility of publicly traded one-year and two-year options on our common stock. Our decision to use implied volatility is based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms. We use an annualized expected dividend yield in our option valuation model. We adjust share-based compensation expense for actual forfeitures as they occur. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. We may elect to use different assumptions under our option valuation model in the future, which could materially affect our net income or loss and net income or loss per share. See Note 11 to the financial statements in Item 8 of this Annual Report for more information.

Legal Contingencies

We are subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote as well as in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on our financial position and results of operations. See Note 13 to the financial statements in Item 8 of this Annual Report for more information.

Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the United States Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our consolidated statement of operations.

We record a valuation allowance to reflect uncertainties about whether we will be able to utilize our deferred tax assets before they expire. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income in the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance could have an adverse impact on our income tax provision and net income in the period in which we record the change.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

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RESULTS OF OPERATIONS

A discussion regarding our financial condition and results of operations for fiscal 2020 compared to fiscal 2019 is presented below. A discussion regarding our financial condition and results of operations for fiscal 2019 compared to fiscal 2018 can be found under Item 7 of Part II in our Annual Report on Form 10-K for the fiscal year ended July 31, 2019, filed with the SEC on August 30, 2019, which is available free of charge on the SEC's website at *www.sec.gov* and on the Investor Relations section of our corporate website at *investors.intuit.com*.

Financial Overview

(Dollars in millions, except per share amounts)	Fiscal 2020	Fiscal 2019	Fiscal 2018	2020-2019 % Change	2019-2018 % Change
Total net revenue	$7,679	$6,784	$6,025	13 %	13 %
Operating income	2,176	1,854	1,560	17 %	19 %
Net income	1,826	1,557	1,329	17 %	17 %
Diluted net income per share	$6.92	$5.89	$5.09	17 %	16 %

Total net revenue increased $895 million or 13% in fiscal 2020 compared with fiscal 2019. Our Small Business & Self-Employed segment revenue increased 15% primarily due to growth in the Online Ecosystem. Our Consumer segment revenue increased 13% primarily due to a shift in mix to our higher priced offerings including TurboTax Live and growth in TurboTax federal units. See *"Segment Results"* later in this Item 7 for more information.

Operating income increased $322 million or 17% in fiscal 2020 compared with fiscal 2019. The increase was due to the higher revenue described above partially offset by higher costs for staffing, outside services, corporate related expenses, and a one time restructuring charge for severance expenses. See *"Operating Expenses"* later in this Item 7 for more information.

Net income increased $269 million or 17% in fiscal 2020 compared with fiscal 2019 due to the increase in operating income described above. Diluted net income per share for fiscal 2020 increased 17% to $6.92, in line with the increase in net income.

Segment Results

The information below is organized in accordance with our three reportable segments. 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 is segment net revenue less segment cost of revenue and operating expenses. 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 $2.0 billion in fiscal 2020, $1.7 billion in fiscal 2019, and $1.6 billion in fiscal 2018. Unallocated costs increased in fiscal 2020 compared with fiscal 2019 and in fiscal 2019 compared with fiscal 2018 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 and amortization of other acquired intangible assets which totaled $28 million in fiscal 2020, $26 million in fiscal 2019, and $21 million in fiscal 2018. See Note 14 to the financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income for each fiscal year presented.

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Small Business & Self-Employed

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

Our Online Ecosystem includes revenue from QuickBooks Online, QuickBooks Live, QuickBooks Online Advanced 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; financial supplies; and financing for small businesses.

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)	Fiscal 2020	Fiscal 2019	Fiscal 2018	2020-2019 % Change	2019-2018 % Change
Product revenue	$ 1,032	$ 1,036	$ 1,038		
Service and other revenue	3,018	2,497	2,023		
Total segment revenue	$ 4,050	$ 3,533	$ 3,061	15 %	15 %
% of total revenue	53 %	52 %	51 %		
Segment operating income	$ 1,911	$ 1,549	$ 1,326	23 %	17 %
% of related revenue	47 %	44 %	43 %		

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

(Dollars in millions)	Fiscal 2020	Fiscal 2019	Fiscal 2018	2020-2019 % Change	2019-2018 % Change
Net revenue:					
QuickBooks Online Accounting	$ 1,354	$ 980	$ 695	38 %	41 %
Online Services	828	683	511	21 %	34 %
Total Online Ecosystem	2,182	1,663	1,206	31 %	38 %
QuickBooks Desktop Accounting	755	732	716	3 %	2 %
Desktop Services and Supplies	1,113	1,138	1,139	(2 %)	— %
Total Desktop Ecosystem	1,868	1,870	1,855	— %	1 %

Total Small Business & Self-Employed	$ 4,050	$ 3,533	$ 3,061	15 %	15 %

Revenue for our Small Business & Self-Employed segment increased $517 million or 15% in fiscal 2020 compared with fiscal 2019. The increase was primarily due to growth in Online Ecosystem revenue. Fiscal 2020 revenue includes $30 million of nonrecurring revenue related to the Payroll Protection Program, of which $16 million related to our Online Ecosystem and $14 million related to our Desktop Ecosystem.

Online Ecosystem

Online Ecosystem revenue increased $519 million or 31% in fiscal 2020 compared with fiscal 2019. QuickBooks Online Accounting revenue increased 38% in fiscal 2020 compared with fiscal 2019 primarily due to an increase in customers as well as higher effective prices and a shift in mix to our higher priced offerings. Online Services revenue increased 21% primarily due to an increase in revenue from our payroll and payments offerings. Online payroll revenue increased due to a shift in mix to our full service offering and an increase in customers. Online payments revenue increased due to an increase in customers and an increase in charge volume per customer.

Desktop Ecosystem

Desktop Ecosystem revenue decreased $2 million in fiscal 2020 compared with fiscal 2019 primarily due to a decline in Desktop units, Desktop Payroll, and Desktop Payments, which was partially offset by growth in our QuickBooks Enterprise subscription offering due to an increase in customers. Desktop Payroll and Desktop Payments revenues both decreased due to fewer customers.

Small Business & Self-Employed segment operating income increased $362 million or 23% in fiscal 2020 compared with fiscal 2019 due to the higher revenue described above which was partially offset by higher expenses for staffing, outside services, and a one time restructuring charge for severance expenses.

Consumer

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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 and TurboTax Live offerings, electronic tax filing services and connected services, and also from our Mint and Turbo offerings.

(Dollars in millions)	Fiscal 2020	Fiscal 2019	Fiscal 2018	2020-2019 % Change	2019-2018 % Change
Product revenue	$ 203	$ 201	$ 210		
Service and other revenue	2,933	2,574	2,298		
Total segment revenue	$ 3,136	$ 2,775	$ 2,508	13 %	11 %
% of total revenue	41 %	41 %	42 %		
Segment operating income	$ 1,942	$ 1,742	$ 1,587	11 %	10 %
% of related revenue	62 %	63 %	63 %		

Revenue for our Consumer segment increased $361 million or 13% in fiscal 2020 compared with fiscal 2019 primarily due to a shift in mix to our higher priced product offerings including TurboTax Live and an 11% growth in TurboTax federal units.

Consumer segment operating income increased $200 million or 11% in fiscal 2020 compared with fiscal 2019 due to the higher revenue described above, which was partially offset by higher expenses for staffing, advertising and marketing, and corporate related expenses.

Strategic Partner

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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)	Fiscal 2020	Fiscal 2019	Fiscal 2018	2020-2019 % Change	2019-2018 % Change
Product revenue	$ 400	$ 386	$ 376		
Service and other revenue	93	90	80		
Total segment revenue	$ 493	$ 476	$ 456	4 %	4 %
% of total revenue	6 %	7 %	7 %		
Segment operating income	$ 333	$ 318	$ 284	5 %	12 %
% of related revenue	68 %	67 %	62 %		

Revenue for our Strategic Partner segment increased $17 million or 4% in fiscal 2020 compared with fiscal 2019 primarily due to a higher average revenue per customer.

Strategic Partner segment operating income increased $15 million or 5% in fiscal 2020 compared with fiscal 2019 primarily due to the higher revenue described above and relatively stable spending.

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Cost of Revenue

(Dollars in millions)	Fiscal 2020	% of Related Revenue	Fiscal 2019	% of Related Revenue	Fiscal 2018	% of Related Revenue
Cost of product revenue	$ 72	4 %	$ 77	5 %	$ 82	5 %
Cost of service and other revenue	1,284	21 %	1,070	21 %	881	20 %
Amortization of acquired technology	22	n/a	20	n/a	15	n/a
Total cost of revenue	$ 1,378	18 %	$ 1,167	17 %	$ 978	16 %

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which includes the direct costs associated with our online and service offerings, such as costs for data processing and storage capabilities from cloud providers, customer support costs, and costs for the tax and bookkeeping experts that support our TurboTax Live and QuickBooks Live offerings; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was relatively consistent in fiscal 2020 compared with fiscal 2019. 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 relatively consistent in fiscal 2020 compared with fiscal 2019.

Operating Expenses

(Dollars in millions)	Fiscal 2020	% of Total Net Revenue	Fiscal 2019	% of Total Net Revenue	Fiscal 2018	% of Total Net Revenue
Selling and marketing	$ 2,048	27 %	$ 1,927	28 %	$ 1,631	27 %
Research and development	1,392	18 %	1,233	18 %	1,186	20 %
General and administrative	679	9 %	597	9 %	664	11 %
Amortization of other acquired intangible assets	6	— %	6	— %	6	— %
Total operating expenses	$ 4,125	54 %	$ 3,763	55 %	$ 3,487	58 %

Total operating expenses as a percentage of total net revenue decreased in fiscal 2020 compared to fiscal 2019. Total net revenue increased $895 million or 13% and total operating expenses increased $362 million or 10%. The increase in operating expenses was primarily driven by $176 million for higher staffing expenses due to higher headcount, $54 million for outside services, $52 million for corporate related expenses, $40 million for a one time restructuring charge for severance expenses, and $29 million for professional fees related to pending business combinations.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $14 million in fiscal 2020 consisted primarily of interest on our unsecured term loan, unsecured revolving credit facility, secured revolving credit facility, and senior unsecured notes. Interest expense of $15 million in fiscal 2019 consisted primarily of interest on our unsecured term loan and secured revolving credit facility. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual Report for more information.

Interest and Other Income, Net

(In millions)	Fiscal 2020	Fiscal 2019	Fiscal 2018
Interest income (1)	$ 39	$ 46	$ 18
Net gain (loss) on executive deferred compensation plan assets (2)	5	3	7

Other	(8)	(7)	1
Total interest and other income, net	$ 36	$ 42	$ 26

(1) Interest income decreased in fiscal 2020 compared to fiscal 2019 due to lower average interest rates.

(2) 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

Our effective tax rates for fiscal 2020 and fiscal 2019 were approximately 17%. Excluding the tax benefits related to share-based compensation, our effective tax rate for fiscal 2020 was approximately 21%. This rate did not differ significantly from the federal statutory rate of 21% as state income taxes and non-deductible share-based compensation were substantially offset by the benefit we received from the federal research and experimentation credit. Excluding the tax benefits related to share-based compensation our effective tax rate for fiscal 2019 was approximately 24%. This differed from the federal statutory rate of 21% primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the benefit we received from the federal research and experimentation credit. See Note 10 to the financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

At July 31, 2020, we had net deferred tax assets of $63 million which included a valuation allowance for state research and experimentation tax credit carryforwards, foreign loss carryforwards, foreign intangible deferred tax assets and state operating and capital loss carryforwards. See “Critical Accounting Policies and Estimates” earlier in this Item 7 and Note 10 to the financial statements in Item 8 of this Annual Report for more information.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At July 31, 2020, our cash, cash equivalents and investments totaled $7.1 billion, an increase of $4.3 billion from July 31, 2019 due to the factors described in *"Statements of Cash Flows"* below. Our primary sources of liquidity have been cash from operations, which includes the collection of accounts receivable for products and services, the issuance of senior unsecured notes, and borrowings under our credit facilities. Our primary uses of cash have been for research and development programs, selling and marketing activities, repurchases of our common stock under our stock repurchase programs, the payment of cash dividends, debt service costs and debt repayment, acquisitions of businesses, and capital projects. As discussed in *"Executive Overview – Industry Trends and Seasonality"* earlier in this Item 7, 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)	July 31, 2020	July 31, 2019	$ Change	% Change
Cash, cash equivalents and investments	$ 7,050	$ 2,740	$ 4,310	157 %
Long-term investments	19	13	6	46 %
Short-term debt	1,338	50	1,288	2,576 %
Long-term debt	2,031	386	1,645	426 %
Working capital	4,451	1,628	2,823	173 %
Ratio of current assets to current liabilities	2.3 : 1	1.8 : 1		

We have historically generated significant cash from operations and we expect to continue to do so during fiscal 2021. Our cash, cash equivalents, and investments totaled $7.1 billion at July 31, 2020, none of those funds were restricted, and approximately 97% of those funds were located in the U.S.

In the fourth quarter of fiscal 2020, we borrowed the full $1 billion under our unsecured revolving credit facility and issued $2 billion in senior unsecured notes for general corporate purposes, which may include funding a portion of the pending acquisition of Credit Karma, and other possible acquisitions of businesses or assets or strategic investments. In August 2020, we repaid the $1 billion outstanding under the revolving credit facility. See *"Commitments for Senior Unsecured Notes"* later in this Item 7 for more information.

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 (including the pending acquisition of Credit Karma), commitments, debt service requirements, and other liquidity requirements associated with our operations for at least the next 12 months. We believe that our financial resources will allow us to manage the impact of COVID-19 on our business operations for the foreseeable future, which could include potential reductions in revenue and delays in payments from customers and partners.

We expect to return excess cash generated by operations to our stockholders through payment of cash dividends, after taking into account our operating and strategic cash needs. In connection with our pending acquisition of Credit Karma, we have temporarily suspended share repurchases.

Our secured revolving credit facility is available to fund a portion of our loans to qualified small businesses. At July 31, 2020, $48 million was outstanding under the secured revolving credit facility. See *"Credit Facilities"* later in this Item 7 for more information.

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 quickly respond to these kinds of opportunities.

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Statements of Cash Flows

The following table summarizes selected items from our consolidated statements of cash flows for fiscal 2020, fiscal 2019, and fiscal 2018. See the financial statements in Item 8 of this Annual Report for complete consolidated statements of cash flows for those periods.

(Dollars in millions)	Fiscal 2020	Fiscal 2019	Fiscal 2018
Net cash provided by (used in):			
Operating activities	$ 2,414	$ 2,324	$ 2,112
Investing activities	(97)	(635)	(532)
Financing activities	2,034	(965)	(639)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(6)	(3)	(11)
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 4,345	$ 721	$ 930

During fiscal 2020 we generated $2.4 billion in cash from operations. We also received $2 billion from the issuance of senior unsecured notes, $1 billion from borrowings under our unsecured revolving credit facility and $25 million from the net sales and maturities of investments. During the same period we used $561 million for the payment of cash dividends, $323 million for the repurchase of shares of our common stock under our stock repurchase programs, $137 million for capital expenditures, $33 million from the issuance of common stock under employee stock plans, net of payments for employee taxes withheld upon vesting of restricted stock units, $50 million for the repayment of debt, and $44 million for net originations of term loans.

During fiscal 2019 we generated $2.3 billion in cash from operations. We also received $48 million from borrowings under our secured revolving credit facility and $33 million from the issuance of common stock under employee stock plans, net of payments for employee taxes withheld upon vesting of restricted stock units. During the same period we used $556 million for the repurchase of shares of our common stock under our stock repurchase programs, $501 million for the payment of cash dividends, $155 million for capital expenditures, $64 million for the acquisition of a business net of cash acquired, $49 million for net originations of term loans, and $50 million for the repayment of debt.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 11 to the financial statements in Item 8 of this Annual Report, during fiscal 2020 and fiscal 2019 we continued to repurchase shares of our common stock under a series of repurchase programs that our Board of Directors has authorized. At July 31, 2020, we had authorization from our Board of Directors to expend up to an additional $2.4 billion for stock repurchases. In connection with our pending acquisition of Credit Karma, we have temporarily suspended share repurchases.

We have continued to pay quarterly cash dividends on shares of our outstanding common stock. During fiscal 2020 we declared cash dividends that totaled $2.12 per share of outstanding common stock or approximately $562 million. In August 2020 our Board of Directors declared a quarterly cash dividend of $0.59 per share of outstanding common stock payable on October 19, 2020 to stockholders of records at the close of business on October 12, 2020. 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.

Business Combinations

On February 24, 2020, we entered into an agreement and plan of merger (the Merger Agreement) to acquire Credit Karma, Inc. (Credit Karma), for $7.1 billion, subject to certain customary adjustments set forth in the Merger Agreement. The purchase price for Credit Karma will be payable in equal portions of cash and Intuit common stock. The transaction is expected to close before the end of calendar year 2020 subject to receiving required regulatory approval. See Note 6 to the financial statements in Item 8 of this Annual Report for more information.

Commitments for Senior Unsecured Notes

In June 2020, we issued $2 billion of senior unsecured notes comprised of the following:

- $500 million of 0.650% notes due July 2023;
- $500 million of 0.950% notes due July 2025;
- $500 million of 1.350% notes due July 2027; and

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- $500 million of 1.650% notes due July 2030 (together, the Notes).

Interest is payable semiannually on January 15 and July 15 of each year, beginning on January 15, 2021. At July 31, 2020, our maximum commitment for interest payments under the Notes was $164 million through the maturity dates.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of July 31, 2020 we were compliant with all covenants governing the Notes. See Note 8 to the financial statements in Item 8 of this Annual Report for more information.

Credit Facilities

Unsecured Revolving Credit Facility and Term Loan

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of $1.4 billion, including a $400 million unsecured term loan that matures on February 1, 2021 and a $1 billion unsecured revolving credit facility that matures on May 2, 2024.

Under the amended and restated credit agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured 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 unsecured 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 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. In May 2020, we borrowed the full $1 billion under the unsecured revolving credit facility and at July 31, 2020, $1 billion was outstanding. In August 2020, we repaid the $1 billion outstanding under this revolving credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility.

Under the amended and restated credit agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the term loan in an amount not to exceed $400 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 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. The term loan is subject to quarterly principal payments of $12.5 million through October 31, 2020, with the balance payable on February 1, 2021. At July 31, 2020, $338 million was outstanding under the term loan.

The amended and restated credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross 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. As of July 31, 2020 we were compliant with all required covenants.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a two-year $300 million secured revolving credit facility with a lender. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Advances under this secured revolving credit facility are used to fund a portion of our loans to qualified small businesses and accrue interest at LIBOR plus 2.39%. Unused portions of the credit facility accrue interest at a rate of 0.5%. On March 2, 2020, we amended the secured revolving credit facility to extend the commitment term from February 19, 2021 to February 19, 2022 and the final maturity date from August 19, 2021 to August 19, 2022. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2020 we were compliant with all required covenants. At July 31, 2020, $48 million was outstanding under this facility, with a weighted-average interest rate of 5.74%, which includes the unused facility fee. The outstanding balance is secured by cash and receivables of the subsidiary totaling $144 million.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled $7.1 billion at July 31, 2020. Approximately 3% of those funds were held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in the United Kingdom, 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 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 taxes at that time.

OFF-BALANCE SHEET ARRANGEMENTS

At July 31, 2020, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

CONTRACTUAL OBLIGATIONS

The following table summarizes our known contractual obligations to make future payments at July 31, 2020:

	Payments Due by Period				
(In millions)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Amounts due under executive deferred compensation plan	$ 123	$ —	$ —	$ —	$ 123
Senior unsecured notes	—	500	500	1,000	2,000
Unsecured term loan	338	—	—	—	338
Unsecured revolving credit facility	1,000	—	—	—	1,000
Secured revolving credit facility	—	48	—	—	48
Interest and fees due on debt	29	51	40	55	175
Operating leases (1)	53	108	87	43	291
Purchase obligations (2)	135	68	—	—	203
Total contractual obligations (3)	$ 1,678	$ 775	$ 627	$ 1,098	$ 4,178

(1) Includes operating leases for facilities and equipment. Amounts do not include $29 million of future sublease income or $72 million in minimum lease payments for leases signed but not yet commenced. We had no significant finance leases at July 31, 2020. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

(2) Represents agreements to purchase products and services that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(3) Other long-term obligations on our consolidated balance sheet at July 31, 2020 included long-term income tax liabilities of $10 million which related primarily to unrecognized tax benefits. We have not included this amount in the table above because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A - 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 Item 8 of this Annual 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 value of those investments. At July 31, 2020, our cash equivalents and investments totaled $6.6 billion and had a weighted average pre-tax yield of 0.292%. Total interest income for fiscal 2020 was $39 million. If the Federal Reserve Target Rate had increased by 25 basis points from the level of July 31, 2020, the value of our investments at that date would have decreased by approximately $2 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of July 31, 2020, the value of our investments at that date would have decreased by approximately $7 million.

We are also exposed to the impact of changes in interest rates as they affect our $1 billion unsecured revolving credit facility,$400 million unsecured term loan, and $300 million secured revolving credit facility. Advances under the unsecured 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 0.1% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. 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 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under all of these elections are based on our senior debt credit ratings. Advances under the secured revolving credit facility accrue interest at a rate of LIBOR plus 2.39%. Consequently, our interest expense fluctuates with changes in the general level of these interest rates. At July 31, 2020 $1 billion was outstanding under the unsecured revolving credit facility, $338 million was outstanding under the term loan, and $48 million was outstanding under the secured revolving credit facility. In August 2020, we repaid the $1 billion outstanding under this revolving credit facility. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual Report for more information.

In June 2020 we issued $2 billion of senior unsecured notes which was comprised of the following: $500 million of 0.650% notes due in July 2023, $500 million of 0.950% notes due in July 2025, $500 million of 1.350% notes due in July 2027, and $500 million of 1.650% notes due in July 2030. We carry these Notes at face value less unamortized discount and unamortized debt issuance costs on our consolidated balance sheet. Since these Notes bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these Notes fluctuates when interest rates change. See Note 2 and Note 8 to the financial statements in Item 8 of this 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 foreseeable future due to the reasons cited above. As of July 31, 2020, we did not engage in foreign currency hedging activities.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this Report:

2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

All other schedules not listed above have been omitted because they are inapplicable or are not required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intuit Inc. (the Company) as of July 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2020, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated August 31, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Determination of Distinct Performance Obligations in Revenue Contracts

Description of the Matter	As described in Note 1, the Company enters into contracts with customers that often include promises to transfer multiple products and services to a customer. The Company has generally concluded that software licenses and services are recorded as separate performance obligations and revenue from software licenses and services are recognized as those products and services are provided. Given the nature of the Company's product and service offerings, there is complexity in determining whether software licenses and related services are considered performance obligations that should be accounted for separately or together. Auditing the Company's determination of distinct performance obligations related to its various product and service offerings involved complex auditor judgment. In particular, significant judgment was required when assessing whether the promised products and services are separate performance obligations or inputs to a combined performance obligation due to the evaluation of the interdependency or interrelation of the promised products and services within each contract.

How we Addressed the Matter in Our Audit	Our audit procedures related to the determination of distinct performance obligations included the following, among others:

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls, including management review controls, as they relate to the determination of distinct performance obligations. We also obtained an understanding of the Company's product and service offerings and tested the application of the revenue recognition accounting model to determine distinct performance obligations.

Specifically, we evaluated whether the performance obligations identified by the Company were capable of being distinct and distinct in the context of the contract through review of the contracts, discussions with management, product demonstrations and review of the Company's website and other marketing materials. More specifically, we evaluated the Company's determination of whether the contract was to deliver (1) multiple promised products or services that constitute separate performance obligations or (2) a single performance obligation that is comprised of the combined products or services promised in the contract. That is, considering the utility, integration, interrelation or interdependence of the products and services, we evaluated whether the multiple promised products and services that were delivered to the customer were outputs or inputs to a combined item.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

San Jose, California
August 31, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intuit Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the fiscal 2020 consolidated financial statements of the Company and our report dated August 31, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
August 31, 2020

INTUIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Twelve Months Ended July 31, 2020	2019	2018
Net revenue:			
Product	$ 1,635	$ 1,623	$ 1,624
Service and other	6,044	5,161	4,401
Total net revenue	7,679	6,784	6,025
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	72	77	82
Cost of service and other revenue	1,284	1,070	881
Amortization of acquired technology	22	20	15
Selling and marketing	2,048	1,927	1,631
Research and development	1,392	1,233	1,186
General and administrative	679	597	664
Amortization of other acquired intangible assets	6	6	6
Total costs and expenses	5,503	4,930	4,465
Operating income	2,176	1,854	1,560
Interest expense	(14)	(15)	(20)
Interest and other income, net	36	42	26
Income before income taxes	2,198	1,881	1,566
Income tax provision	372	324	237
Net income	$ 1,826	$ 1,557	$ 1,329
Basic net income per share	$ 6.99	$ 5.99	$ 5.18
Shares used in basic per share calculations	261	260	256
Diluted net income per share	$ 6.92	$ 5.89	$ 5.09
Shares used in diluted per share calculations	264	264	261
Cash dividends declared per common share	$ 2.12	$ 1.88	$ 1.56

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve Months Ended July 31,		
(In millions)	2020	2019	2018
Net income	$ 1,826	$ 1,557	$ 1,329
Other comprehensive income (loss), net of income taxes:			
Unrealized gain (loss) on available-for-sale debt securities	5	3	(2)
Foreign currency translation loss	(1)	(3)	(12)
Total other comprehensive income (loss), net	4	—	(14)
Comprehensive income	$ 1,830	$ 1,557	$ 1,315

See accompanying notes.

INTUIT INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value; shares in thousands)	July 31, 2020	July 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,442	$ 2,116
Investments	608	624
Accounts receivable, net of allowance for doubtful accounts of $12 and $3	149	87
Income taxes receivable	12	65
Prepaid expenses and other current assets	314	266
Current assets before funds held for customers	7,525	3,158
Funds held for customers	455	436
Total current assets	7,980	3,594
Long-term investments	19	13
Property and equipment, net	734	780
Operating lease right-of-use assets	226	—
Goodwill	1,654	1,655
Acquired intangible assets, net	28	54
Long-term deferred income taxes	65	1
Other assets	225	186
Total assets	$ 10,931	$ 6,283
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 1,338	$ 50
Accounts payable	305	274
Accrued compensation and related liabilities	482	385
Deferred revenue	652	619
Other current liabilities	297	202
Current liabilities before customer fund deposits	3,074	1,530
Customer fund deposits	455	436
Total current liabilities	3,529	1,966
Long-term debt	2,031	386
Long-term deferred income tax liabilities	2	37
Operating lease liabilities	221	—
Other long-term obligations	42	145
Total liabilities	5,825	2,534
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value Authorized - 1,345 shares total; 145 shares designated Series A; 250 shares designated Series B Junior Participating Issued and outstanding - None	—	—
Common stock, $0.01 par value Authorized - 750,000 shares Outstanding - 261,740 shares at July 31, 2020 and 260,180 shares at July 31, 2019	3	3
Additional paid-in capital	6,179	5,772
Treasury stock, at cost	(11,929)	(11,611)
Accumulated other comprehensive loss	(32)	(36)
Retained earnings	10,885	9,621

Total stockholders’ equity	5,106	3,749
Total liabilities and stockholders’ equity	$ 10,931	$ 6,283

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in millions, shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2017	**255,668**	**$ 3**	**$ 4,854**	**$ (10,778)**	**$ (22)**	**$ 7,642**	**$ 1,699**
Comprehensive income	—	—	—	—	(14)	1,329	1,315
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,818	—	96	—	—	—	96
Stock repurchases under stock repurchase programs	(1,870)	—	—	(272)	—	—	(272)
Dividends and dividend rights declared ($1.56 per share)	—	—	—	—	—	(407)	(407)
Share-based compensation expense	—	—	385	—	—	—	385
Balance at July 31, 2018	**258,616**	**3**	**5,335**	**(11,050)**	**(36)**	**8,564**	**2,816**
Comprehensive income	—	—	—	—	—	1,557	1,557
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,019	—	32	—	—	—	32
Stock repurchases under stock repurchase programs	(2,455)	—	—	(561)	—	—	(561)
Dividends and dividend rights declared ($1.88 per share)	—	—	—	—	—	(500)	(500)
Share-based compensation expense	—	—	405	—	—	—	405
Balance at July 31, 2019	**260,180**	**3**	**5,772**	**(11,611)**	**(36)**	**9,621**	**3,749**
Comprehensive income	—	—	—	—	4	1,826	1,830
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	2,736	—	(31)	—	—	—	(31)
Stock repurchases under stock repurchase programs	(1,176)	—	—	(318)	—	—	(318)
Dividends and dividend rights declared ($2.12 per share)	—	—	—	—	—	(562)	(562)
Share-based compensation expense	—	—	438	—	—	—	438
Balance at July 31, 2020	**261,740**	**$ 3**	**$ 6,179**	**$ (11,929)**	**$ (32)**	**$ 10,885**	**$ 5,106**

See accompanying notes.

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INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Twelve Months Ended July 31, 2020	2019	2018
Cash flows from operating activities:			
Net income	$ 1,826	$ 1,557	$ 1,329
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	189	199	228
Amortization of acquired intangible assets	29	26	25
Non-cash operating lease cost	60	—	—
Share-based compensation expense	435	401	382
Loss on sale of long-lived assets	—	—	79
Deferred income taxes	(179)	(7)	(5)
Other	6	15	6
Total adjustments	540	634	715
Originations of loans held for sale	(566)	—	—
Sale and principal payments of loans held for sale	482	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(59)	11	5
Income taxes receivable	53	5	(1)
Prepaid expenses and other assets	(31)	(37)	(33)
Accounts payable	33	90	12
Accrued compensation and related liabilities	100	16	75
Deferred revenue	38	39	6
Operating lease liabilities	(61)	—	—
Other liabilities	59	9	4
Total changes in operating assets and liabilities	132	133	68
Net cash provided by operating activities	**2,414**	**2,324**	**2,112**
Cash flows from investing activities:			
Purchases of corporate and customer fund investments	(701)	(752)	(407)
Sales of corporate and customer fund investments	130	84	128
Maturities of corporate and customer fund investments	596	303	286
Purchases of property and equipment	(59)	(76)	(38)
Capitalization of internal use software	(78)	(79)	(86)
Acquisitions of businesses, net of cash acquired	—	(64)	(363)
Originations of term loans to small businesses	(243)	(316)	(137)
Principal repayments of term loans from small businesses	287	267	82
Other	(29)	(2)	3
Net cash used in investing activities	**(97)**	**(635)**	**(532)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of discount and issuance costs	1,983	—	—
Proceeds from borrowings under unsecured revolving credit facility	1,000	—	800
Repayments on borrowings under unsecured revolving credit facility	—	—	(800)
Proceeds from borrowings under secured revolving credit facility	—	48	—
Repayment of debt	(50)	(50)	(50)
Proceeds from issuance of stock under employee stock plans	211	284	295
Payments for employee taxes withheld upon vesting of restricted stock units	(244)	(251)	(199)
Cash paid for purchases of treasury stock	(323)	(556)	(272)

INTUIT INC.
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Dividends and dividend rights paid	(561)	(501)	(407)
Net change in customer fund deposits	19	69	(5)
Other	(1)	(8)	(1)
Net cash provided by (used in) financing activities	**2,034**	**(965)**	**(639)**
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(6)	(3)	(11)
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	**4,345**	**721**	**930**
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	2,352	1,631	701
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 6,697**	**$ 2,352**	**$ 1,631**
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	$ 6,442	$ 2,116	$ 1,464
Restricted cash and restricted cash equivalents included in funds held for customers	255	236	167
Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 6,697**	**$ 2,352**	**$ 1,631**
Supplemental disclosure of cash flow information:			
Interest paid	$ 14	$ 17	$ 19
Income taxes paid	$ 493	$ 325	$ 245

See accompanying notes.

INTUIT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 serve small business customers.

Our flagship brands, QuickBooks, TurboTax and Mint, 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 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 reclassified certain amounts previously reported in our financial statements to conform to the current presentation.

We acquired TSheets.com LLC, Exactor, Inc., and Applatix, Inc. in fiscal 2018. We have included the results of operations for these companies in our consolidated statements of operations from the dates of acquisition. See Note 6, "*Business Combinations*," for more information.

Effective August 1, 2019, we adopted the requirements of Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)" (ASC 842) using the modified retrospective approach, under which financial results reported in prior periods were not restated. As a result, the consolidated balance sheet as of July 31, 2020 is not comparable with that as of July 31, 2019.

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 debt securities. The purchases, sales and maturities of the investments for our funds held for customers are presented in investing activities in the consolidated statements of cash flows. Customer fund deposits consist of amounts we owe on behalf of our customers. We present the net change in customer fund deposits in financing activities in the consolidated statements of cash flows. For the twelve months ended July 31, 2019 and 2018, we reclassified $69 million and $5 million, respectively, from investing activities to financing activities to conform to the current presentation, resulting in a decrease in net cash used in financing activities with a corresponding offset to net cash used in investing activities for fiscal 2019 and in an increase in net cash used in financing activities with a corresponding offset to net cash used in investing activities for fiscal 2018.

Seasonality

Historically, our Consumer and Strategic Partner offerings have had 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 has historically resulted in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. In March 2020, as a relief measure in response to the COVID-19 pandemic, the IRS extended the filing deadline for the 2019 tax year from April 15, 2020 to July 15, 2020. Additionally, all states with a personal income tax also extended their due dates, predominantly to July. As a result, there was a shift in sales and revenue from our third fiscal quarter to our fourth fiscal quarter during fiscal 2020.

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 standalone sales price (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 discount rate used to calculate lease liabilities, 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. Additionally, in the context of the ongoing global COVID-19 pandemic, while there was no material impact to our estimates in the current period, in future periods, facts and circumstances could change and impact our estimates.

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, payroll services, merchant payment processing services, packaged software products, live expert advice, financing for small businesses, 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 TurboTax Online and TurboTax Live, ProConnect Tax Online, QuickBooks Online, online payroll, 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.

Judgments and Estimates

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 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 twelve months ended July 31, 2020, we recognized revenue of $619 million, that was included in deferred revenue at July 31, 2019. During the twelve months ended July 31, 2019, we recognized revenue of $581 million, that was included in deferred revenue at July 31, 2018.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of July 31, 2020 and 2019, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was $13 million and $4 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 not significant and 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.

Shipping and Handling

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of product revenue in our consolidated statements of operations.

Customer Service and Technical Support

We include the costs of providing customer service under paid technical support contracts and as included in certain software subscriptions on the cost of service and other revenue line in our consolidated statements of operations. We also include the costs of customer service and technical support associated with our online or hosted offerings in cost of service and other revenue. We include the costs of customer service and free technical support related to desktop offerings in selling and marketing expense in our consolidated statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing free technical support assistance to customers. We expense the cost of providing this free support as incurred.

Software Development Costs

We expense software development costs as we incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, our software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, we have not capitalized any development costs. Costs we incur to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development expense in our consolidated statements of operations.

Internal Use Software

We capitalize costs related to development of hosted services that we provide to our customers and internal use of enterprise-level business and finance software in support of our operational needs. Costs incurred in the application development phase are capitalized and amortized on a straight-line basis over their useful lives, which are generally three to six years. Costs related to planning and other preliminary project activities and to post-implementation activities are expensed as incurred. We test these assets for impairment whenever events or changes in circumstances occur that could impact their recoverability.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our consolidated statements of operations. We recorded advertising expense of approximately $778 million for the twelve months ended July 31, 2020, $800 million for the twelve months ended July 31, 2019, and $615 million for the twelve months ended July 31, 2018.

Leases

Our leases are primarily operating leases for office facilities. We do not have significant finance leases. We determine if an arrangement is a lease and classify it as either a finance or operating lease at lease inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on our consolidated balance sheets.

Operating lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. Our leases generally do not have a readily determinable implicit rate, therefore we use our incremental borrowing rate at the commencement date in determining the present value of future payments. Our incremental borrowing rate is determined based on a yield curve derived from publicly traded bond offerings for companies with similar credit ratings to us. Our lease terms may include options to purchase, extend or terminate the lease when it is reasonably certain that we will exercise that option. We account for the lease and non-lease components as a single lease component.

We measure ROU assets based on the corresponding lease liabilities adjusted for any initial direct costs and prepaid lease payments made to the lessor before or at the commencement date, net of lease incentives. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are not included in the calculation of the ROU asset and lease liability and are recognized as lease expense is incurred. Our variable lease payments generally relate to amounts paid to lessors for common area maintenance under our real estate leases.

Our subleases generally do not relieve us of our primary obligations under the corresponding head lease. As a result, we account for the head lease based on the original assessment at inception. We determine if the sublease arrangement is either a sales-type, direct financing, or operating lease at inception. If the total remaining lease cost on the head lease for the term of the sublease is greater than the anticipated sublease income, the ROU asset is assessed for impairment. Our subleases are generally operating leases and we recognize sublease income on a straight-line basis over the sublease term.

Capitalization of Interest Expense

We capitalize interest on capital projects, including facilities build-out projects and internal use computer software projects. Capitalization commences with the first expenditure for the project and continues until the project is substantially complete and ready for its intended use. We amortize capitalized interest to depreciation expense using the straight-line method over the same lives as the related assets. Capitalized interest was not significant for any period presented.

Foreign Currency

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. Translation gains and losses and transaction gains and losses were not significant for any period presented.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding income tax expense in our consolidated statement of operations.

We review the need for a valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. The valuation allowance analysis is based on our estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could be required to record a valuation allowance to take into account additional deferred tax assets that we may be unable to realize.

An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we record the increase.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

A description of our accounting policies associated with tax-related contingencies and valuation allowances assumed as part of a business combination is provided under *"Business Combinations"* below.

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.

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

	Twelve Months Ended July 31,		
(In millions, except per share amounts)	**2020**	**2019**	**2018**
Numerator:			
Net income	$ 1,826	$ 1,557	$ 1,329
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	261	260	256
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	261	260	256
Dilutive common equivalent shares from stock options and restricted stock awards	3	4	5
Dilutive weighted average common shares outstanding	264	264	261
Basic and diluted net income per share:			
Basic net income per share	$ 6.99	$ 5.99	$ 5.18
Diluted net income per share	$ 6.92	$ 5.89	$ 5.09

Shares excluded from diluted net income 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	—	1	—

Cash Equivalents and Investments

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 time deposits, savings deposit accounts, and money market funds. Investments consist primarily of 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 by limiting our holdings with any individual issuer.

We use the specific identification method to compute gains and losses on investments. We record unrealized gains and losses on investments, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our consolidated balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our consolidated statement of comprehensive income. We generally classify available-for-sale debt securities as current assets based upon our ability and intent to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal nature of our businesses. Because of our significant business seasonality, stock repurchase programs, and acquisition opportunities, cash flow requirements may fluctuate dramatically from quarter to quarter and require us to use a significant amount of the investments we hold as available-for-sale.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. We review our accounts receivable by aging category to identify significant customers or invoices with known disputes or collectibility issues. For those invoices not specifically identified as uncollectible, we provide an allowance based on the age of the receivable. In determining the amount of the allowance, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We also consider our historical level of credit losses and current economic trends that might impact the level of future credit losses. When we determine that amounts are uncollectible we write them off against the allowance.

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 July 31, 2020 and July 31, 2019, the notes receivable balance was $40 million and $95 million, respectively, and the allowances for loan losses were not material. 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.

Paycheck Protection Program - In April 2020, Intuit was approved as a non-bank Small Business Administration lender for the Paycheck Protection Program (PPP). The PPP was authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide small businesses loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt which is designed to provide assistance to small businesses during the COVID-19 pandemic. Lending under the program expired on August 8, 2020. We have the intent and ability to sell all of our rights, title, and interests in qualified loans after origination to third-party investors. Loans held for sale are recorded at the lower of cost or fair value until the loans are sold. As of July 31, 2020, the loans held for sale balance was $98 million, and is included in prepaid expenses and other current assets on our consolidated balance sheets. When loans under this program do not qualify to be sold, they are held for investment. As of July 31, 2020, PPP loans held for investment were not material and are included in prepaid expenses and other current assets on our consolidated balance sheets.

Funds Held for Customers and Customer Fund Deposits

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 debt securities, restricted for use solely for the purpose of satisfying amounts we owe on behalf of our customers. Customer fund deposits consist of amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

Property and Equipment

Property and equipment is stated at the lower of cost or realizable value, net of accumulated depreciation. We calculate depreciation using the straight-line method over the estimated useful lives of the assets, which range from two to 30 years. We amortize leasehold improvements using the straight-line method over the lesser of their estimated useful lives or remaining lease terms. We include the amortization of assets that are recorded under finance leases in depreciation expense. We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record any significant property impairment charges during the twelve months ended July 31, 2020, 2019, or 2018.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination).

Under the acquisition method of accounting we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and we charge them to general and administrative expense as they are incurred. Under the acquisition method we also account for acquired company restructuring activities that we initiate separately from the business combination.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We apply those measurement period adjustments that we determine to be significant retrospectively to comparative information in our financial statements, including adjustments to depreciation and amortization expense.

Under the acquisition method of accounting for business combinations, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense. This accounting applies to all of our acquisitions regardless of acquisition date.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets

Goodwill

We record goodwill when the fair value of consideration transferred in a business combination exceeds the fair value of the identifiable assets acquired and liabilities assumed. Goodwill and other intangible assets that have indefinite useful lives are not amortized, but we test them for impairment annually during our fourth fiscal quarter and whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

For goodwill, we perform a two-step impairment test. In the first step, we compare the fair value of each reporting unit to its carrying value. In accordance with authoritative guidance, we define fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider and use all valuation methods that are appropriate in estimating the fair value of our reporting units and generally use a weighted combination of income and market approaches. Under the income approach, we estimate the fair value of each reporting unit based on the present value of future cash flows. We use a number of assumptions in our discounted cash flow model, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Under the market approach, we estimate the fair value of each reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further analysis is required.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of the unit, we perform the second step of the impairment test. In this step we allocate the fair value of the reporting unit calculated in step one to all of the assets and liabilities of that unit, as if we had just acquired the reporting unit in a business combination. The excess of the fair value of the reporting unit over the total amount allocated to the assets and liabilities represents the implied fair value of goodwill.

If the carrying value of a reporting unit's goodwill exceeds its implied fair value, we would record an impairment loss equal to the difference. We recorded no goodwill impairment charges for the twelve months ended July 31, 2020, 2019 or 2018.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as purchased technology, in connection with business combinations. We amortize the cost of acquired intangible assets on a straight-line basis over their estimated useful lives, which range from three to seven years. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. We estimate the fair value of assets that have finite useful lives based on the present value of future cash flows for those assets. If the carrying value of an asset with a finite life exceeds its estimated fair value, we would record an impairment loss equal to the difference. Impairment charges for acquired intangible assets were not significant for the twelve months ended July 31, 2020, 2019 or 2018.

Share-Based Compensation Plans

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. We amortize the fair value of stock options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria would be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

See Note 11, *"Stockholders' Equity,"* for a description of our share-based compensation plans and more information on the assumptions we use to calculate the fair value of share-based compensation.

Concentration of Credit Risk and Significant Customers and Suppliers

We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the value of our significant balance of investments. Our portfolio of investments consists of investment-grade 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 by limiting our holdings with any individual issuer.

We sell a portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate, but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. No customer accounted for 10% or more of total net revenue for the twelve months ended July 31, 2020, 2019 or 2018, nor did any customer account for 10% or more of total accounts receivable at July 31, 2020 or July 31, 2019.

We rely primarily on one third-party vendor to perform the manufacturing and distribution functions for our retail desktop software products. We also have a key single-source vendor that prints and fulfills orders for most of our financial supplies business. While we believe that relying on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

Accounting Standards Recently Adopted

Leases - In February 2016 the Financial Accounting Standards Board (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. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2019 using the modified retrospective approach, under which financial results reported in prior periods were not adjusted. We elected certain practical expedients, including the relief package practical expedient which among other things allowed us to carry forward the historical lease classifications. We also elected the practical expedient to combine lease and non-lease components for all asset classes.

The adoption of ASC 842 on August 1, 2019 resulted in the recognition of ROU assets and operating lease liabilities of $319 million and $361 million, respectively, related to our operating leases. Adoption of the standard also resulted in the elimination of deferred rent liabilities of $47 million and prepaid rent of $5 million. Adoption did not result in any cumulative-effect adjustments to retained earnings, and there was no material impact to our consolidated statements of operations or our consolidated statements of cash flows.

Accounting Standards Not Yet Adopted

Internal-Use Software - In August 2018 the 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, 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 do not expect the adoption of ASU 2018-15 to have a material impact 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 do not expect the adoption of ASU 2017-04 to have a material impact 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 do not expect the adoption of ASU 2016-13 to have a material impact on our consolidated financial statements.

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.

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- **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.

	At July 31, 2020			At July 31, 2019		
(In millions)	Level 1	Level 2	Total Fair Value	Level 1	Level 2	Total Fair Value
Assets:						
Cash equivalents, primarily time deposits, savings deposit accounts, and money market funds	$ 5,765	$ —	$ 5,765	$ 1,647	$ —	$ 1,647
Available-for-sale debt securities:						
Municipal bonds	—	9	9	—	5	5
Corporate notes	—	752	752	—	800	800
U.S. agency securities	—	47	47	—	19	19
Total available-for-sale securities	—	808	808	—	824	824
Total assets measured at fair value on a recurring basis	$ 5,765	$ 808	$ 6,573	$ 1,647	$ 824	$ 2,471
Liabilities:						
Senior unsecured notes(1)	$ —	$ 2,042	$ 2,042	$ —	$ —	$ —

(1) Carrying value on our balance sheet at July 31, 2020 was $1.98 billion. See Note 8, *"Long-Term Obligations and Commitments"* for more information.

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 shown:

	At July 31, 2020			At July 31, 2019		
(In millions)	Level 1	Level 2	Total Fair Value	Level 1	Level 2	Total Fair Value
Cash equivalents:						
In cash and cash equivalents	$ 5,765	$ —	$ 5,765	$ 1,647	$ —	$ 1,647
Available-for-sale debt securities:						
In investments	$ —	$ 608	$ 608	$ —	$ 624	$ 624
In funds held for customers	—	200	200	—	200	200
Total available-for-sale debt securities	$ —	$ 808	$ 808	$ —	$ 824	$ 824

We value our Level 1 assets, consisting primarily of time deposits, savings deposit accounts, and money market funds, 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. Financial assets whose fair values we measure using Level 3 inputs consist of loans held for sale. These loans are recorded at the lower of cost or fair value and totaled $98 million at July 31, 2020. The difference between cost and fair value was not material.

Financial liabilities whose fair values we measure using Level 2 inputs consist of senior unsecured notes. See Note 8, *"Long-Term Obligations and Commitments"* for more information. We measure the fair value of our senior unsecured notes based on their trading prices and the interest rates we could obtain for other borrowings with similar terms.

There were
no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2020, 2019 or 2018.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include reporting units measured at fair value in a goodwill impairment test. Estimates of fair value for reporting units fall under Level 3 of the fair value hierarchy.

During the fourth quarters of fiscal 2020, fiscal 2019, and fiscal 2018 we performed our annual goodwill impairment tests. Using the methodology described in Note 1, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired.

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

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

	July 31, 2020		July 31, 2019	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on consolidated balance sheets:				
Cash and cash equivalents	$ 6,442	$ 6,442	$ 2,116	$ 2,116
Investments	600	608	622	624
Funds held for customers	455	455	436	436
Long-term investments	19	19	13	13
Total cash and cash equivalents, investments, and funds held for customers	$ 7,516	$ 7,524	$ 3,187	$ 3,189

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

	July 31, 2020		July 31, 2019	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type of issue:				
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 6,697	$ 6,697	$ 2,352	$ 2,352
Available-for-sale debt securities:				
Municipal bonds	9	9	5	5
Corporate notes	744	752	798	800
U.S. agency securities	47	47	19	19
Total available-for-sale debt securities	800	808	822	824
Other long-term investments	19	19	13	13
Total cash, cash equivalents, restricted cash, restricted cash equivalents, and investments	$ 7,516	$ 7,524	$ 3,187	$ 3,189

We include realized gains and losses on our available-for-sale debt securities in interest and other income or expense on our consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2020, 2019 and 2018 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders' equity section of our consolidated balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2020 and July 31, 2019 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 that we held at July 31, 2020

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were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at July 31, 2020 were not significant and are 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.

	July 31, 2020		July 31, 2019	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 389	$ 390	$ 415	$ 416
Due within two years	256	261	208	208
Due within three years	137	139	163	164
Due after three years	18	18	36	36
Total available-for-sale debt securities	$ 800	$ 808	$ 822	$ 824

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

(In millions)	July 31, 2020	July 31, 2019	July 31, 2018	July 31, 2017
Restricted cash and restricted cash equivalents	$ 255	$ 236	$ 167	$ 172
Restricted available-for-sale debt securities	200	200	200	200
Total funds held for customers	$ 455	$ 436	$ 367	$ 372

4. Property and Equipment

Property and equipment consisted of the following at the dates indicated:

	Life in	July 31,	
(Dollars in millions)	Years	2020	2019
Equipment	3-5	$ 226	$ 421
Computer software	2-6	870	860
Furniture and fixtures	5	93	90
Leasehold improvements	2-16	298	278
Land	NA	79	79
Buildings	5-30	372	368
Capital in progress	NA	90	65
		2,028	2,161
Less accumulated depreciation and amortization		(1,294)	(1,381)
Total property and equipment, net		$ 734	$ 780

NA = Not Applicable

Capital in progress at July 31, 2020 and 2019 consisted primarily of costs related to internal use software projects and various buildings and site improvements that have not yet been placed into service.

As discussed in Note 1, *"Description of Business and Summary of Significant Accounting Policies – Internal Use Software,"* we capitalize costs related to the development of computer software for internal use. We capitalized internal use software costs totaling $78 million for the twelve months ended July 31, 2020; $79 million for the twelve months ended July 31, 2019; and $86 million for the twelve months ended July 31, 2018. These amounts included capitalized labor costs of $40 million, $43 million, and $45 million, respectively. Costs related to internal use software projects are included in the capital in progress category of property and equipment until project completion, at which time they are transferred to the computer software category.

5. Goodwill and Acquired Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2020 and July 31, 2019 were as shown in the following table. Our reportable segments are described in Note 14, *"Segment Information."*

(In millions)	Balance July 31, 2018	Goodwill Acquired/ Adjusted	Balance July 31, 2019	Goodwill Acquired/ Adjusted	Balance July 31, 2020
Small Business & Self-Employed	$ 1,496	$ 22	$ 1,518	$ —	$ 1,518
Consumer	23	19	42	—	42
Strategic Partner	92	3	95	(1)	94
Totals	$ 1,611	$ 44	$ 1,655	$ (1)	$ 1,654

Goodwill is net of accumulated impairment losses of $114 million, which were recorded prior to July 31, 2018 and are included in our Consumer segment. The adjustments in goodwill during the twelve months ended July 31, 2020 consist of foreign currency translation. The increase in goodwill during the twelve months ended July 31, 2019 was primarily due to a business acquisition.

Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated. The weighted average lives are calculated for assets that are not fully amortized.

(Dollars in millions)	Customer Lists	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2020:					
Cost	$ 256	$ 421	$ 25	$ 42	$ 744
Accumulated amortization	(248)	(404)	(25)	(39)	(716)
Acquired intangible assets, net	$ 8	$ 17	$ —	$ 3	$ 28
Weighted average life in years	5	3	NA	3	4
At July 31, 2019:					
Cost	$ 256	$ 422	$ 25	$ 39	$ 742
Accumulated amortization	(245)	(383)	(24)	(36)	(688)
Acquired intangible assets, net	$ 11	$ 39	$ 1	$ 3	$ 54
Weighted average life in years	5	3	3	3	4

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The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2020. Amortization of purchased technology is charged to cost of service and other revenue and to amortization of acquired technology in our consolidated statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)	Expected Future Amortization Expense
Twelve months ending July 31,	
2021	$ 17
2022	10
2023	1
2024	—
2025	—
Thereafter	—
Total expected future amortization expense	$ 28

6. Business Combinations

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately $412 million. The $412 million included approximately $27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and will provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates of acquisition were not material when compared with our consolidated results of operations.

Under the acquisition method of accounting we allocated the fair value of the total combined purchase consideration of $385 million to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the dates of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of consideration over the aggregate fair values as goodwill which is primarily attributable to expected synergies from future growth. Using information available at the time the acquisitions closed, we allocated approximately $5 million of the total combined purchase consideration to net tangible assets and approximately $62 million to identified intangible assets which are being amortized over a weighted average life of four years. The identified intangible assets include $38 million for purchased technology, $17 million for customer lists, and $7 million for covenants not to compete. We recorded the excess combined purchase consideration of approximately $318 million as goodwill, of which approximately $219 million is deductible for income tax purposes.

Proposed Credit Karma Transaction

On February 24, 2020, we entered into an agreement and plan of merger (the Merger Agreement) to acquire Credit Karma, Inc., (Credit Karma) for $7.1 billion, subject to certain customary adjustments set forth in the Merger Agreement. We are acquiring Credit Karma to expand our consumer finance platform, accelerate our mission of powering prosperity around the world, and help consumers unlock smart money decisions to help make ends meet.

The purchase price for Credit Karma will be payable in equal portions of cash and Intuit common stock, with the shares being valued at $299.7306 per share (which price was calculated based on the daily volume-weighted average sales price per share for Intuit common stock for the ten trading days ending on February 21, 2020). The per share price of these shares has been fixed as of the Merger Agreement signing date. The aggregate value of these shares will fluctuate based on changes in our share price between the signing date and the closing date.

The total consideration of $7.1 billion includes an estimated $1.0 billion for the fair value of equity awards that will be expensed over service periods of up to three years. Additionally, as part of the merger agreement, following the close of the transaction we have agreed to issue approximately $300 million of restricted stock units, which will be charged to expense over a service period of four years. The cash portion of the purchase price is expected to be financed with our existing cash.

The Merger Agreement must be approved by Credit Karma shareholders and is subject to receipt of required regulatory approvals and satisfaction or waiver of other customary closing conditions. The transaction is expected to close before the end of calendar year 2020 subject to receiving required regulatory approval. Additionally, if the Merger Agreement is terminated as a result of reaching its termination date (10 months from the signing date unless extended by us by up to five additional months) without receiving clearance to close under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or on the termination date there is in effect an order or injunction or similar restraint preventing consummation of the transaction under applicable U.S. antitrust laws, then under certain circumstances we would be obligated to pay Credit Karma a termination fee of between $230 million and $350 million.

7. Current Liabilities

Short-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders with an aggregate principal amount of $1.4 billion, including a $400 million unsecured term loan that matures on February 1, 2021 and a $1 billion unsecured revolving credit facility that matures on May 2, 2024.

Under the amended and restated credit agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the term loan in an amount not to exceed $400 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 0.0% to 0.125% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross 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. As of July 31, 2020 we were compliant with all required covenants. The term loan is subject to quarterly principal payments of $12.5 million through October 31, 2020, with the balance payable on February 1, 2021. At July 31, 2020, $338 million was outstanding under the term loan and was classified as short-term debt on our consolidated balance sheet. The carrying value of the term loan approximates its fair value. Interest on the term loan is payable monthly. We paid $9 million for interest on the term loan during the twelve months ended July 31, 2020, $15 million during the twelve months ended July 31, 2019, and $13 million during the twelve months ended July 31, 2018.

Unsecured Revolving Credit Facility

The amended and restated credit agreement we entered into on May 2, 2019 includes a $1 billion unsecured revolving credit facility that will expire on May 2, 2024. Under this agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured 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 unsecured 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 0.1% or LIBOR plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit agreement includes customary affirmative and negative covenants. See *"Short-Term Debt"* above for more information. At July 31, 2020, $1 billion was outstanding under this revolving credit facility. We paid $2 million for interest on the unsecured revolving credit facility during the twelve months ended July 31, 2020 and $5 million during the twelve months ended July 31, 2018. We paid no interest on the unsecured revolving credit facility during the twelve months ended July 31, 2019. In August 2020, we repaid the $1 billion outstanding under this revolving credit facility.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In millions)	July 31, 2020	July 31, 2019
Executive deferred compensation plan liabilities	$ 123	$ 108
Current portion of operating lease liabilities	46	—
Reserve for returns and credits	24	24
Reserve for promotional discounts and rebates	11	11
Current portion of dividend payable	6	7
Current portion of deferred rent	—	6
Interest payable	3	—
Other	84	46
Total other current liabilities	$ 297	$ 202

8. Long-Term Obligations and Commitments

Senior Unsecured Notes

In June 2020 we issued four series of senior unsecured notes (together, the Notes) pursuant to a public debt offering. The proceeds from the issuance were $1.98 billion, net of debt discount of $2 million and debt issuance costs of $15 million.

The carrying value of the Notes was as follows at the date indicated:

(In millions)	July 31, 2020	Effective Interest Rate
Senior unsecured notes issued June 2020:		
0.650% notes due July 2023	$ 500	0.837%
0.950% notes due July 2025	500	1.127%
1.350% notes due July 2027	500	1.486%
1.650% notes due July 2030	500	1.767%
Total senior unsecured notes	2,000	
Unamortized discount and debt issuance costs	(17)	
Net carrying value senior unsecured notes	$ 1,983	

Interest is payable semiannually on January 15 and July 15 of each year, beginning on January 15, 2021. The discount and debt issuance costs are amortized to interest expense over the term of the Notes under the effective interest method. As the first interest payment on the Notes is January 15, 2021, we paid no interest on the Notes during the twelve months ended July 31, 2020.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of July 31, 2020 we were compliant with all covenants governing the Notes.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a two-year $300 million secured revolving credit facility with a lender. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Advances under this secured revolving credit facility are used to fund a portion of our loans to qualified small businesses and accrue interest at LIBOR plus 2.39%. Unused portions of the credit facility accrue interest at a rate of 0.5%. On March 2, 2020, we amended the secured revolving credit facility to extend the commitment term from February 19, 2021 to February 19, 2022 and the final maturity date from August 19, 2021 to August 19, 2022. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2020 we were compliant with all required covenants. At July 31, 2020, $48 million was outstanding under this facility, with a weighted-average interest rate of 5.74%, which includes the unused facility fee. The outstanding balance is secured by cash and receivables of the subsidiary totaling $144 million. Interest on the facility is payable monthly. We paid $3 million and $1 million for interest on the secured revolving credit facility during the twelve months ended July 31, 2020 and 2019.

Future principal payments for long-term debt at July 31, 2020 were as shown in the table below.

(In millions)	
Fiscal year ending July 31,	
2021	$ —
2022	—
2023	548
2024	—
2025	500
Thereafter	1,000
Total commitments	$ 2,048

Other Long-Term Obligations

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

	July 31,	
(In millions)	**2020**	**2019**
Long-term income tax liabilities	$ 10	$ 89
Total deferred rent	—	47
Total dividend payable	12	11
Other	30	12
Total long-term obligations	52	159
Less current portion (included in other current liabilities)	(10)	(14)
Long-term obligations due after one year	$ 42	$ 145

Unconditional Purchase Obligations

In the ordinary course of business we enter into certain unconditional purchase obligations with our suppliers. These are agreements to purchase products and services that are enforceable, legally binding, and specify terms that include fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

Annual minimum commitments under purchase obligations at July 31, 2020 were as shown in the table below.

(In millions)	**Purchase Obligations**
Fiscal year ending July 31,	
2021	$ 135
2022	49
2023	19
2024	—
2025	—
Thereafter	—
Total commitments	$ 203

9. Leases

We lease office facilities under non-cancellable operating lease arrangements. Our facility leases generally provide for periodic rent increases and may contain escalation clauses and renewal options. Our leases have remaining lease terms of up to 10 years, some of which include one or more options to extend the leases for up to 10 years per option, generally at rates to be determined in accordance with the agreements. Options to extend the lease are included in the lease liability if they are reasonably certain of being exercised. We do not have significant finance leases.

We sublease certain office facilities to third parties. These subleases have remaining lease terms of up to 5 years.

In March 2020, we entered into an agreement to terminate an office facility lease and related sublease, which were due to expire in 2025 and 2022, respectively. As a result, we reduced our operating lease right-of-use assets and lease liabilities by $61 million.

The components of lease expense were as follows:

(In millions)	Twelve Months Ended July 31, 2020
Operating lease cost (1)	$ 69
Variable lease cost	13
Sublease income	(22)
Total net lease cost	$ 60

(1) Includes short-term leases, which are not significant for the twelve months ended July 31, 2020.

Prior to the adoption of ASC 842, rent expense under operating leases, net of sublease income was $42 million and $38 million, respectively, for the twelve months ended July 31, 2019 and 2018. Sublease income was $24 million and $23 million, respectively, for the twelve months ended July 31, 2019 and 2018.

Supplemental cash flow information related to operating leases was as follows:

(In millions)	Twelve Months Ended July 31, 2020
Cash paid for amounts included in the measurement of operating lease liabilities	$ 70
Right-of-use assets obtained in exchange for new operating lease liabilities (1)	$ 346

(1) For the twelve months ended July 31, 2020, this includes $319 million for operating leases existing on August 1, 2019 and $27 million for operating leases that commenced during fiscal 2020.

Other information related to operating leases was as follows at the date indicated:

	July 31, 2020
Weighted-average remaining lease term for operating leases (in years)	5.5
Weighted-average discount rate for operating leases	3.1 %

Future minimum lease payments under non-cancellable operating leases as of July 31, 2020 were as follows:

(In millions)	Operating Leases (1)
Fiscal year ending July 31,	
2021	$ 53
2022	57
2023	51
2024	49
2025	38
Thereafter	43
Total future minimum lease payments	291
Less imputed interest	(24)
Present value of lease liabilities	$ 267

(1) Non-cancellable sublease proceeds for the fiscal years ending July 31, 2021, 2022, 2023, 2024, and 2025 of $15 million, $10 million, $2 million, $1 million, and $1 million, respectively, are not included in the table above.

Supplemental balance sheet information related to operating leases was as follows at the date indicated:

(In millions)	July 31, 2020
Operating lease right-of-use assets	$ 226
Other current liabilities	$ 46
Operating lease liabilities	221
Total operating lease liabilities	$ 267

As of July 31, 2020, we have additional operating leases of $72 million, primarily for office facilities, that have not yet commenced and therefore are not reflected on the consolidated balance sheet nor in the tables above. These operating leases will commence between fiscal year 2021 and fiscal year 2022 with lease terms of 3 to 11 years.

10. Income Taxes

The provision for income taxes consisted of the following for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	2020	2019	2018
Current:			
Federal	$ 372	$ 271	$ 197
State	79	67	38
Foreign	21	14	14
Total current	472	352	249
Deferred:			
Federal	(47)	(23)	(14)
State	(47)	(4)	2
Foreign	(6)	(1)	—
Total deferred	(100)	(28)	(12)
Total provision for income taxes	$ 372	$ 324	$ 237

We recognized excess tax benefits on share-based compensation of $90 million, $120 million, and $100 million in the provision for income taxes for the twelve months ended July 31, 2020, 2019, and 2018, respectively.

The sources of income before the provision for income taxes consisted of the following for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2020**	**2019**	**2018**
United States	$ 2,206	$ 1,826	$ 1,528
Foreign	(8)	55	38
Total	$ 2,198	$ 1,881	$ 1,566

Differences between income taxes calculated using the federal statutory income tax rate and the provision for income taxes were as follows for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2020**	**2019**	**2018**
Income before income taxes	$ 2,198	$ 1,881	$ 1,566
U.S. federal statutory rate	21 %	21 %	26.9 %
Statutory federal income tax	$ 462	$ 395	$ 420
State income tax, net of federal benefit	25	50	29
Federal research and experimentation credits	(54)	(48)	(38)
Domestic production activities deduction	—	—	(28)
Share-based compensation	22	15	11
Federal excess tax benefits related to share-based compensation	(79)	(106)	(94)
2017 Tax Act - Deferred tax re-measurement	—	—	(29)
Capital loss on subsidiary reorganization	—	—	(35)
Effects of non-U.S. operations	13	13	1
Other, net	(17)	5	—
Total provision for income taxes	$ 372	$ 324	$ 237

The CARES Act was signed into law on March 27, 2020. We have evaluated the provisions of this act and determined that it did not result in a significant impact on our tax provision for the period.

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 year 2018. In fiscal 2019, we fully benefited from the enacted lower tax rate of 21%.

We recorded a benefit of $29 million for fiscal 2018 related to the re-measurement of deferred tax balances as a result of the 2017 Tax Act.

During fiscal year 2018, we completed a reorganization which resulted in a taxable liquidation of a subsidiary. The transaction gave rise to a capital loss which is available for carryback to prior years to offset capital gain income previously recognized. As a result, we recognized a tax benefit of $35 million during the fourth quarter of fiscal 2018.

The state income tax line in the table above includes excess tax benefits related to share-based compensation of $11 million, $14 million and $6 million for the twelve months ended July 31, 2020, 2019 and 2018, respectively.

Significant deferred tax assets and liabilities were as follows at the dates indicated:

(In millions)	July 31, 2020	July 31, 2019
Deferred tax assets:		
Accruals and reserves not currently deductible	$ 23	$ 13
Operating lease liabilities	64	—
Accrued and deferred compensation	112	48
Loss and tax credit carryforwards	114	117
Intangible assets	26	—
Share-based compensation	44	47
Other, net	13	11
Total gross deferred tax assets	396	236
Valuation allowance	(132)	(107)
Total deferred tax assets	264	129
Deferred tax liabilities:		
Deferred revenue	68	66
Operating lease right-of-use assets	55	—
Intangibles	45	71
Property and equipment	22	20
Other, net	11	8
Total deferred tax liabilities	201	165
Net deferred tax assets (liabilities)	$ 63	$ (36)

The components of total net deferred tax liabilities, net of valuation allowances, as shown on our consolidated balance sheets were as follows at the dates indicated:

(In millions)	July 31, 2020	July 31, 2019
Long-term deferred income taxes	$ 65	$ 1
Long-term deferred income tax liabilities	(2)	(37)
Net deferred tax assets (liabilities)	$ 63	$ (36)

We have provided a valuation allowance related to state research and experimentation tax credit carryforwards, foreign loss carryforwards, foreign intangible deferred tax assets and state operating and capital loss carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2020 were primarily related to foreign intangible deferred tax assets, foreign loss carryforwards and state research and experimentation tax credit carryforwards. Changes in the valuation allowance during the twelve months ended July 31, 2019 were primarily related to an increase in the valuation allowance for state research and experimentation tax credit carryforwards.

At July 31, 2020, we had total federal net operating loss carryforwards of approximately $34 million that will start to expire in fiscal 2032. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2020, we had total state net operating loss carryforwards of approximately $83 million for which we have recorded a deferred tax asset of $6 million and a valuation allowance of $4 million. The state net operating losses will start to expire in fiscal 2022. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2020, we had Singapore operating loss carryforwards of approximately $61 million, Brazil operating loss carryforwards of approximately $51 million and United Kingdom operating loss carryforwards of approximately $57 million which have an indefinite carryforward period. We maintain a full valuation allowance with respect to operating losses in these jurisdictions, as there is not sufficient evidence of future sources of taxable income required to utilize such carryforwards.

At July 31, 2020, we had California research and experimentation credit carryforwards of approximately $110 million. We recorded a full valuation on the related deferred tax asset, as we believe it is more likely than not that these credits will not be utilized.

Unrecognized Tax Benefits

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2020**	**2019**	**2018**
Gross unrecognized tax benefits, beginning balance	$ 120	$ 90	$ 61
Increases related to tax positions from prior fiscal years, including acquisitions	2	13	10
Decreases related to tax positions from prior fiscal years	(35)	—	(3)
Increases related to tax positions taken during current fiscal year	21	23	23
Settlements with tax authorities	(1)	(1)	(1)
Lapse of statute of limitations	(6)	(5)	—
Gross unrecognized tax benefits, ending balance	$ 101	$ 120	$ 90

The total amount of our unrecognized tax benefits at July 31, 2020 was $101 million. Net of related deferred tax assets, unrecognized tax benefits were $61 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $61 million. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdictions are the U.S. federal jurisdiction and California. For U.S. federal and California state tax returns, we are no longer subject to tax examinations for years prior to fiscal 2016.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2020 and July 31, 2019 for the payment of interest and penalties were not significant. The amounts of interest and penalties that we recognized during the twelve months ended July 31, 2020, 2019 and 2018 were also not significant.

We have offset a $59 million long-term income tax receivable against our long-term liability for uncertain tax positions at July 31, 2020. The long-term income tax receivable is primarily related to the government's approval of a method of accounting change request for fiscal 2018.

11. Stockholders' Equity

Stock Repurchase Programs

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. Under these programs, we repurchased 1.2 million shares of our common stock for $318 million during the twelve months ended July 31, 2020. At July 31, 2020, we had authorization from our Board of Directors to expend up to an additional $2.4 billion for stock repurchases. In connection with our pending acquisition of Credit Karma, we have temporarily suspended share repurchases. 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.

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 fiscal 2020 we declared cash dividends that totaled $2.12 per share of outstanding common stock or approximately $562 million. In August 2020 our Board of Directors declared a quarterly cash dividend of $0.59 per share of outstanding common stock payable on October 19, 2020 to stockholders of record at the close of business on October 12, 2020. 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.

Description of 2005 Equity Incentive Plan

Our stockholders initially approved our 2005 Equity Incentive Plan (2005 Plan) on December 9, 2004. On January 19, 2017 our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that expires on January 19, 2027. Under the Restated 2005 Plan, we are permitted to grant incentive and non-qualified stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights and stock bonus awards to our employees, non-employee directors, and consultants. The Compensation and Organizational Development Committee of our Board of Directors or its delegates determine who will receive grants, when those grants will be exercisable, their exercise price and other terms. We are permitted to issue up to 138.1 million shares under the Restated 2005 Plan. The plan provides a fungible share reserve. Each stock option granted on or after November 1, 2010 reduces the share reserve by one share and each restricted stock award or restricted stock unit granted reduces the share reserve by 2.3 shares. Stock options forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Restricted stock awards and RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited. 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. At July 31, 2020, there were approximately 18.0 million shares available for grant under this plan. Stock options granted under the 2005 Plan and the Restated 2005 Plan typically vest over three to four years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three to four years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

Description of Employee Stock Purchase Plan

On November 26, 1996 our stockholders initially adopted our Employee Stock Purchase Plan (ESPP) under Section 423 of the Internal Revenue Code. The ESPP permits our eligible employees to make payroll deductions to purchase our stock on regularly scheduled purchase dates at a discount. Our stockholders have approved amendments to the ESPP to permit the issuance of up to 23.8 million shares under the ESPP, which expires upon the earliest to occur of (a) termination of the ESPP by the Board, or (b) issuance of all the shares of Intuit's common stock reserved for issuance under the ESPP. Offering periods under the ESPP are six months in duration and composed of two consecutive three-month accrual periods. Shares are purchased at 85% of the lower of the closing price for Intuit common stock on the first day of the offering period or the last day of the accrual period.

Under the ESPP, employees purchased 449,999 shares of Intuit common stock during the twelve months ended July 31, 2020; 485,011 shares during the twelve months ended July 31, 2019; and 612,768 shares during the twelve months ended July 31, 2018. At July 31, 2020, there were 1,456,184 shares available for issuance under this plan.

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Share-Based Compensation Expense

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

	Twelve Months Ended July 31,		
(In millions except per share amounts)	**2020**	**2019**	**2018**
Cost of product revenue	$ 1	$ 1	$ 3
Cost of service and other revenue	59	57	40
Selling and marketing	116	103	101
Research and development	151	136	133
General and administrative	108	104	105
Total share-based compensation expense	435	401	382
Income tax benefit	(173)	(200)	(199)
Decrease in net income	$ 262	$ 201	$ 183
Decrease in net income per share:			
Basic	$ 1.00	$ 0.77	$ 0.71
Diluted	$ 0.99	$ 0.76	$ 0.70

We capitalized $3 million, $4 million, and $3 million in share-based compensation related to internal use software projects during the twelve months ended July 31, 2020, 2019, and 2018.

Determining Fair Value

Valuation and Amortization Methods

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the market price of our stock on the date of grant for dividends.

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. Our stock options have various restrictions, including vesting provisions and restrictions on transfer, and are often exercised prior to their contractual maturity. We believe that lattice binomial models are more capable of incorporating the features of our stock options than closed-form models such as the Black Scholes model. The use of a lattice binomial model requires the use of extensive actual employee exercise behavior and a number of complex assumptions including the expected volatility of our stock price over the term of the options, risk-free interest rates and expected dividends. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Expected Term. The expected term of options granted represents the period of time that they are expected to be outstanding and is a derived output of the lattice binomial model. The expected term of stock options is impacted by all of the underlying assumptions and calibration of our model. The lattice binomial model assumes that option exercise behavior is a function of the option’s remaining vested life and the extent to which the market price of our common stock exceeds the option exercise price.

The lattice binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and cancellations on all past option grants made by us.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on the implied volatility of one-year and two-year publicly traded options on our common stock. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Risk-Free Interest Rate. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms.

Dividends. We use an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during all years presented and currently expect to continue to pay cash dividends in the future.

Forfeitures. We adjust share-based compensation expense for actual forfeitures as they occur.

We used the following assumptions to estimate the fair value of stock options granted and shares purchased under our Employee Stock Purchase Plan for the periods indicated:

	Twelve Months Ended July 31,		
	2020	**2019**	**2018**
Assumptions for stock options:			
Expected volatility (range)	32 %	26% - 27%	25 %
Weighted average expected volatility	32 %	27 %	25 %
Risk-free interest rate (range)	0.20 %	1.84% - 2.92%	2.84 %
Expected dividend yield	0.70 %	0.67% - 0.85%	0.72 %
Assumptions for ESPP:			
Expected volatility (range)	23% - 72%	21% - 33%	20% - 25%
Weighted average expected volatility	39 %	26 %	23 %
Risk-free interest rate (range)	0.24% - 2.23%	1.94% - 2.44%	1.05% - 1.96%
Expected dividend yield	0.74% - 0.95%	0.73% - 0.95%	0.87% - 1.10%

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our 2005 Equity Incentive Plan for the fiscal periods indicated was as follows:

(Shares in thousands)	**Shares Available for Grant**
Balance at July 31, 2017	**25,164**
Restricted stock units granted (1)	(6,504)
Options granted	(455)
Share-based awards canceled/forfeited/expired (1)(2)	4,586
Balance at July 31, 2018	**22,791**
Restricted stock units granted (1)	(5,639)
Options granted	(487)
Share-based awards canceled/forfeited/expired (1)(2)	4,393
Balance at July 31, 2019	**21,058**
Restricted stock units granted (1)	(6,111)
Options granted	(382)
Share-based awards canceled/forfeited/expired (1)(2)	3,482
Balance at July 31, 2020	**18,047**

(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.

Restricted Stock Unit Activity and Related Share-Based Compensation Expense

A summary of restricted stock unit (RSU) activity for the periods indicated was as follows:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2017	**8,636**	**$98.76**
Granted	2,828	185.53
Unregistered restricted stock granted in connection with acquisitions	75	163.00
Vested	(2,960)	105.71
Forfeited	(1,196)	88.59
Nonvested at July 31, 2018	**7,383**	**131.50**
Granted	2,452	245.40
Vested	(3,123)	129.31
Forfeited	(1,029)	107.40
Nonvested at July 31, 2019	**5,683**	**186.22**
Granted	2,657	271.80
Vested	(2,039)	180.40
Forfeited	(637)	154.91
Nonvested at July 31, 2020	**5,664**	**$231.97**

Additional information regarding our RSUs is shown in the table below.

	Twelve Months Ended July 31,		
(In millions)	2020	2019	2018
Total fair market value of shares vested	$ 620	$ 676	$ 527
Share-based compensation for RSUs	$ 382	$ 351	$ 326
Total tax benefit related to RSU share-based compensation expense	$ 134	$ 141	$ 143
Cash tax benefits realized for tax deductions for RSUs	$ 139	$ 150	$ 142

At July 31, 2020, there was $1.2 billion of unrecognized compensation cost related to non-vested RSUs with a weighted average vesting period of 3.2 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

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Stock Option Activity and Related Share-Based Compensation Expense

A summary of stock option activity for the periods indicated was as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2017	**7,488**	**$104.50**
Granted	455	216.64
Exercised	(2,416)	89.41
Canceled or expired	(373)	121.31
Balance at July 31, 2018	**5,154**	**120.26**
Granted	487	274.26
Exercised	(1,924)	102.49
Canceled or expired	(343)	138.59
Balance at July 31, 2019	**3,374**	**150.75**
Granted	382	303.94
Exercised	(993)	111.82
Canceled or expired	(82)	188.39
Balance at July 31, 2020	**2,681**	**$185.83**

Information regarding stock options outstanding as of July 31, 2020 is summarized below:

	Number of Shares (in thousands)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in millions)
Options outstanding	2,681	4.39	$185.83	$323
Options exercisable	1,808	3.51	$141.76	$298

The aggregate intrinsic values at July 31, 2020 are calculated as the difference between the exercise price of the underlying options and the market price of our common stock for shares that were in-the-money at that date. In-the-money options at July 31, 2020 were options that had exercise prices that were lower than the $306.37 market price of our common stock at that date.

Additional information regarding our stock options and ESPP shares is shown in the table below.

	Twelve Months Ended July 31,		
(In millions except per share amounts)	2020	2019	2018
Weighted average fair value of options granted (per share)	$ 74.85	$ 63.18	$ 50.77
Total grant date fair value of options vested	$ 28	$ 30	$ 38
Aggregate intrinsic value of options exercised	$ 159	$ 248	$ 188
Share-based compensation expense for stock options and ESPP	$ 53	$ 50	$ 56
Total tax benefit for stock option and ESPP share-based compensation	$ 39	$ 59	$ 56
Cash received from option exercises	$ 111	$ 197	$ 216
	$ 39	$ 58	$ 53

Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	

At July 31, 2020, there was approximately $57 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 3.3 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Accumulated Other Comprehensive Loss

Comprehensive income consists of two elements, net income and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our consolidated balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt securities classified as available-for-sale and foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar.

The following table shows the components of accumulated other comprehensive loss, net of income taxes, in the stockholders' equity section of our consolidated balance sheets at the dates indicated.

	July 31,	
(In millions)	**2020**	**2019**
Unrealized gain on available-for-sale debt securities	$ 6	$ 1
Foreign currency translation adjustments	(38)	(37)
Total accumulated other comprehensive loss	$ (32)	$ (36)

12. Benefit Plans

Non-Qualified Deferred Compensation Plan

Intuit's Executive Deferred Compensation Plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries and up to 75% of their bonuses. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We do not guarantee above-market interest on account balances. We may also make discretionary employer contributions to participant accounts in certain circumstances. The timing, amounts, and vesting schedules of employer contributions are at the sole discretion of the Compensation and Organizational Development Committee of our Board of Directors or its delegate. The benefits under this plan are unsecured and are general assets of Intuit. Participants are generally eligible to receive payment of their vested benefit at the end of their elected deferral period or after termination of their employment with Intuit for any reason or at a later date to comply with the restrictions of Section 409A of the Internal Revenue Code. Participants may elect to receive their payments in a lump sum or installments. Discretionary company contributions and the related earnings vest completely upon the participant's disability, death, or a change in control of Intuit. We made no employer contributions to the plan for any period presented.

We had liabilities related to this plan of $123 million at July 31, 2020 and $108 million at July 31, 2019. We have matched the plan liabilities with similar-performing assets, which are primarily investments in life insurance contracts. These assets are recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our consolidated balance sheets.

401(k) Plan

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 50% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of employee contributions, currently 125% up to six percent of salary, subject to Internal Revenue Service limitations. Matching contributions were $69 million for the twelve months ended July 31, 2020; $59 million for the twelve months ended July 31, 2019; and $50 million for the twelve months ended July 31, 2018.

13. Litigation

Beginning in May 2019, various legal proceedings were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these legal proceedings are without merit. We intend to vigorously defend against the legal proceedings and cooperate in the inquiries. These proceedings include multiple putative class actions that were consolidated into a single putative class action in the Northern District of California in September 2019 and demands for arbitration that were filed beginning in October 2019.

To date, the legal and other fees we have incurred related to these proceedings and inquiries have not been material. The ongoing defense and any resolution or settlement of these proceedings and inquiries could involve significant costs to us. In view of the complexity and ongoing nature of these proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss that we may incur to resolve or settle these matters.

As of July 31, 2020, there are approximately 42,000 individual arbitration claims pending and we could incur significant arbitration and legal fees associated with the defense of these claims. In fiscal year 2020, we recorded approximately $14 million in arbitration fees related to these claims. The arbitration fees are accrued when invoiced or when the services are rendered. We are disputing the applicability and propriety of these fees. However, we could incur additional arbitration fees of approximately $120 million related to these claims in the future. These additional fees could be incurred beginning in fiscal 2021.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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 legal proceeding is uncertain and, regardless of outcome, legal proceedings can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors.

14. Segment Information

We have defined 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 serves small businesses and the self-employed around the world, and the accounting professionals who assist 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 serves 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 serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

***Strategic Partner*:** This segment serves 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. Total international net revenue was less than 5% of consolidated total net revenue for the twelve months ended July 31, 2020, 2019 and 2018.

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. 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. See Note 5, *"Goodwill and Acquired Intangible Assets,"* for goodwill by reportable segment.

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

(In millions)	Twelve Months Ended July 31, 2020	2019	2018
Net revenue:			
Small Business & Self-Employed	$ 4,050	$ 3,533	$ 3,061
Consumer	3,136	2,775	2,508
Strategic Partner	493	476	456
Total net revenue	$ 7,679	$ 6,784	$ 6,025
Operating income:			
Small Business & Self-Employed	$ 1,911	$ 1,549	$ 1,326
Consumer	1,942	1,742	1,587
Strategic Partner	333	318	284
Total segment operating income	4,186	3,609	3,197
Unallocated corporate items:			
Share-based compensation expense	(435)	(401)	(382)
Other common expenses	(1,547)	(1,328)	(1,234)
Amortization of acquired technology	(22)	(20)	(15)
Amortization of other acquired intangible assets	(6)	(6)	(6)
Total unallocated corporate items	(2,010)	(1,755)	(1,637)
Total operating income	$ 2,176	$ 1,854	$ 1,560

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

(In millions)	Twelve Months Ended July 31, 2020	2019	2018
Net revenue:			
QuickBooks Online Accounting	$ 1,354	$ 980	$ 695
Online Services	828	683	511
Total Online Ecosystem	2,182	1,663	1,206
QuickBooks Desktop Accounting	755	732	716
Desktop Services and Supplies	1,113	1,138	1,139
Total Desktop Ecosystem	1,868	1,870	1,855
Small Business & Self-Employed	4,050	3,533	3,061
Consumer	3,136	2,775	2,508
Strategic Partner	493	476	456
Total net revenue	$ 7,679	$ 6,784	$ 6,025

Revenue from our QuickBooks Desktop packaged software products was $147 million, $167 million, and $166 million for the twelve months ended July 31, 2020, 2019, and 2018, respectively. These amounts are included in the QuickBooks Desktop Accounting revenue presented in the table above.

15. Selected Quarterly Financial Data (Unaudited)

The following tables contain selected quarterly financial data for the twelve months ended July 31, 2020 and July 31, 2019.

	Fiscal 2020 Quarter Ended			
(In millions, except per share amounts)	October 31	January 31	April 30	July 31
Total net revenue	$ 1,165	$ 1,696	$ 3,002	$ 1,816
Cost of revenue	290	340	426	322
All other costs and expenses	865	1,086	1,163	1,011
Operating income	10	270	1,413	483
Net income	57	240	1,084	445
Basic net income per share	$ 0.22	$ 0.92	$ 4.15	$ 1.70
Diluted net income per share	$ 0.22	$ 0.91	$ 4.11	$ 1.68

	Fiscal 2019 Quarter Ended			
(In millions, except per share amounts)	October 31	January 31	April 30	July 31
Total net revenue	$ 1,016	$ 1,502	$ 3,272	$ 994
Cost of revenue	247	285	354	281
All other costs and expenses	779	984	1,134	866
Operating income (loss)	(10)	233	1,784	(153)
Net income (loss)	34	189	1,378	(44)
Basic net income (loss) per share	$ 0.13	$ 0.73	$ 5.30	$ (0.17)
Diluted net income (loss) per share	$ 0.13	$ 0.72	$ 5.22	$ (0.17)

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INTUIT INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Beginning Balance	Additions Charged to Expense/ Revenue	Deductions	Ending Balance
Year ended July 31, 2020				
Allowance for doubtful accounts	$ 3	$ 68	$ (59)	$ 12
Reserve for returns and credits	24	170	(170)	24
Reserve for promotional discounts and rebates	11	73	(73)	11
Year ended July 31, 2019				
Allowance for doubtful accounts	$ 5	$ 59	$ (61)	$ 3
Reserve for returns and credits	17	190	(183)	24
Reserve for promotional discounts and rebates	10	92	(91)	11
Year ended July 31, 2018				
Allowance for doubtful accounts	$ 46	$ 58	$ (99)	$ 5
Reserve for returns and credits	14	167	(164)	17
Reserve for promotional discounts and rebates	19	99	(108)	10

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - 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 Annual Report on Form 10-K 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of July 31, 2020 based on the guidelines established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2020 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit and Risk Committee of Intuit's Board of Directors.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of July 31, 2020. Their report is included in Item 8 of this Annual Report on Form 10-K.

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.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We maintain a Code of Conduct and Ethics that applies to all employees, including all officers. We also maintain a Board of Directors Code of Ethics that applies to all members of our Board of Directors. Our Code of Conduct and Ethics and Board of Directors Code of Ethics incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. Our Code of Conduct and Ethics and Board of Directors Code of Ethics are published on our Investor Relations website at https://investors.intuit.com/corporate-governance/conduct-and-guidelines/default.aspx. We disclose amendments to certain provisions of our Code of Conduct and Ethics and Board of Directors Code of Ethics, or waivers of such provisions granted to executive officers and directors, on this website.

The other information required by this Item 10 regarding directors is incorporated by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission in connection with the solicitation of proxies for our 2021 Annual Meeting of Stockholders (the "2021 Proxy Statement") under the sections entitled "Proposal No. 1 - Election of Directors – Our Board Nominees," "Corporate Governance," and "Delinquent Section 16(a) Reports." Certain information required by this Item 10 regarding executive officers is set forth in Item 1 of Part I of this Report under the heading "Information about our Executive Officers."

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2021 Proxy Statement under the sections entitled "Corporate Governance – Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Equity Compensation Plan Information," and "Executive Compensation Tables."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference from the information contained in our 2021 Proxy Statement under the sections entitled "Stock Ownership Information" and "Executive Compensation Tables."

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference from the information contained in our 2021 Proxy Statement under the sections entitled "Corporate Governance – Director Independence" and "Transactions with Related Persons."

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICE

The information required by this Item 14 is incorporated by reference from the information contained in our 2021 Proxy Statement under the section entitled "Proposal No. 3 – Ratification of Selection of Independent Registered Public Accounting Firm."

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PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements – See Index to Consolidated Financial Statements in Part II, Item 8.
2. Financial Statement Schedules – See Index to Consolidated Financial Statements in Part II, Item 8.
3. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
2.01	Agreement and Plan of Merger, dated February 24, 2020, by and among Intuit Inc., Halo Merger Sub I, Inc., Halo Merger Sub II, LLC, Credit Karma, Inc. and Shareholder Representative Services, LLC.		8-K	2/24/2020
3.01	Restated Intuit Certificate of Incorporation, dated as of January 19, 2000		10-Q	6/14/2000
3.02	Bylaws of Intuit, as amended and restated effective May 5, 2016		8-K	5/9/2016
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
4.02	Description of Common Stock		10-K	8/30/2019
4.03	Indenture, dated as of June 29, 2020, between Intuit and U.S. Bank National Association, as trustee		8-K	6/29/2020
4.04	Form of 0.650% Senior Note due 2023		8-K	6/29/2020
4.05	Form of 0.950% Senior Note due 2025		8-K	6/29/2020
4.06	Form of 1.350% Senior Note due 2027		8-K	6/29/2020
4.07	Form of 1.650% Senior Note due 2030		8-K	6/29/2020
10.01+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 19, 2017		S-8 333-215639	1/20/2017
10.02+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.03+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through July 24, 2012		8-K	7/27/2012
10.04+	Forms of Equity Grant Agreements: Executive Chair and EVP Service-Based Restricted Stock Unit; Executive Chair and EVP TSR Performance-Based Restricted Stock Unit; CEO Service-Based Restricted Stock Unit; CEO TSR Performance-Based Restricted Stock Unit	X		

10.05+	Forms of Equity Grant Agreements: Executive Chair and EVP Restricted Stock Unit, and CEO Restricted Stock Unit	10-K	8/30/2019
10.06+	Form of Executive Chair Restricted Stock Unit Agreement - service-based vesting	10-Q	2/22/2019

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.07+	Forms of Equity Grant Agreements: EVP-SVP TSR Performance-Based Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, EVP Time-Based Restricted Stock Unit, CEO Restricted Stock Unit, Stock Option - 4 year vest, Time-Based RSU - 4 year vest (focal), New Hire Time-Based Restricted Stock Unit - 4 year vest		10-K	8/31/2018
10.08+	Forms of Equity Grant Agreements: Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, CEO Restricted Stock Unit, Executive TSR Performance-Based Restricted Stock Unit, EVP Restricted Stock Unit, Restricted Stock Unit - MSPP Purchased, Restricted Stock Unit- MSPP Matching, Stock Option		10-K	9/1/2017
10.09+	Forms of Equity Grant Agreements: CEO Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, Executive Restricted Stock Unit, EVP/SVP TSR Performance-Based Restricted Stock Unit, Restricted Stock Unit, and Stock Option Agreement		10-K	9/1/2016
10.10+	Form of CEO Restricted Stock Unit Agreement - time-based vesting (deferred release)		10-K	9/1/2015
10.11+	Form of CEO Restricted Stock Unit Agreement - performance-based - Total Shareholder Return Goals (deferred release)		10-K	9/1/2015
10.12+	Form of Amended and Restated 2005 Equity Incentive Plan Non-Qualified Stock Option Grant Agreement: New Hire, Promotion, Retention or Focal Grant		10-K	9/13/2013
10.13+	Form of Restricted Stock Unit Agreement (service-based vesting)		10-K	9/13/2012
10.14+	Form of Restricted Stock Unit Agreement (executive vesting)		10-K	9/13/2012
10.15+	Form of Executive Promotion/New Hire Stock Option Agreement		10-K	9/12/2008
10.16+	Description of Non-Employee Director Compensation, approved October 31, 2018 and effective January 17, 2019		10-Q	11/20/2018
10.17+	Description of Non-Employee Director Compensation, approved October 19, 2017 and effective January 18, 2018		10-Q	11/20/2017
10.18+	Non-employee Director Compensation Program, effective January 21, 2016		10-Q	2/25/2016
10.19+	Forms of Non-employee Director Restricted Stock Unit Agreements		10-Q	11/20/2017
10.20+	Form of Director Restricted Stock Units Initial Grant Agreements		10-Q	3/1/2013
10.21+	Form of Director Restricted Stock Units Initial Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.22+	Form of Director Restricted Stock Units Succeeding Grant Agreement		10-Q	3/1/2013
10.23+	Form of Director Restricted Stock Units Succeeding Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.24+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013

10.25+	Fourth Amended and Restated Management Stock Purchase Program, updated as of October 30, 2018	10-Q	2/22/2019
10.26+	Third Amended and Restated Management Stock Purchase Program	10-Q	5/24/2016

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.27+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-K	9/13/2012
10.28+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-K	9/13/2012
10.29+	Form of Intuit Inc. Stock Option Assumption Agreement		S-8	8/5/2009
10.30+	Intuit Executive Relocation Policy		10-K	8/31/2018
10.31+	Intuit Inc. Non-qualified Deferred Compensation Plan, effective January 1, 2009		10-Q	11/20/2017
10.32+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.33+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.34+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2018		10-K	9/1/2017
10.35+	Intuit Inc. Senior Executive Incentive Plan, effective August 1, 2018		10-K	8/31/2018
10.36+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers		10-Q	2/23/2017
10.37+	Executive Chairman Compensation Terms, effective January 1, 2019		10-K	8/30/2019
10.38+	Amendment dated December 1, 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Brad D. Smith dated October 1, 2007		10-Q	12/4/2008
10.39+	Letter Regarding Terms of Employment by and between Intuit Inc. and Brad D. Smith, dated October 1, 2007		8-K	10/5/2007
10.40+	Letter regarding Terms of Employment by and between Intuit Inc. and Michelle Clatterbuck dated January 19, 2018		8-K	1/23/2018
10.41+	Letter Regarding Terms of Employment by and between Intuit Inc. and Sasan Goodarzi, dated November 15, 2018		10-Q	11/20/2018
10.42+	Letter regarding Terms of Employment by and between Intuit Inc. and Gregory N. Johnson dated August 1, 2018		10-K	8/30/2019
10.43+	Employment memo dated November 7, 2018 to J. Alexander Chriss dated November 7, 2018 and effective January 1, 2019.		10-K	8/30/2019
10.44+	Employment memo dated November 7, 2018 to Marianna Tessel and effective January 1, 2019	X		
10.45	Amended and Restated Credit Agreement dated as of May 2, 2019 among Intuit Inc., the lenders party thereto, Bank of America, N.A., and JPMorgan Chase Bank, N.A., as co-administrative agents, and U.S. Bank National Association and MUFG Bank, LTD., as co-syndication agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., U.S. Bank National Association, and MUFG Bank, LTD., as joint lead arrangers and joint bookrunners		10-K	8/30/2019

10.46	Addendum to the Eighth Memorandum of Understanding on Service Standards and Disputes between the Internal Revenue Service and Free File, Inc.	10-Q	2/24/2020

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.47	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 31, 2018, between the Internal Revenue Service and Free File Inc.		10-Q	11/20/2018
10.48	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2005 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/5/2005
10.49	Free On-Line Electronic Tax Filing Agreement Amendment dated November 5, 2009 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/4/2009
10.50	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2014, between the Internal Revenue Service and Free File, Inc.		10-K	9/12/2014
10.51	Eighth Memorandum of Understanding on Service Standards and Disputes between the Internal Revenue Service and Free File Inc.		10-Q	11/20/2018
10.52#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003		10-K	9/19/2003
10.53	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007		10-K	9/14/2007
10.54#	Amendment 3 to Master Services Agreement between Intuit and Arvato Services, Inc., effective April 1, 2008		10-Q	5/30/2008
10.55#	Amendment 5 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 19, 2010		10-Q	12/6/2010
10.56	Amended and Restated Amendment Seven to the Master Service Agreement by and between Intuit and Arvato Digital Services effective September 1, 2013		10-Q	11/22/2013
10.57	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014		10-K	9/12/2014
10.58	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2475, 2500, 2525, 2535 and 2550 Garcia Avenue, Mountain View, CA		10-K	9/19/2003
10.59	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2650, 2675, 2700 and 2750 Coast Avenue and 2600 Casey Avenue, Mountain View, California		10-K	9/19/2003
10.60	Second Amendment to Lease Agreement Phase 1, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
10.61	Third Amendment to Lease Agreement Phase 2, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
21.01	List of Intuit's Subsidiaries	X		
23.01	Consent of Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	X		
31.01	Certification of Chief Executive Officer	X		

31.02	Certification of Chief Financial Officer	X

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
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		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X		

+ Indicates a management contract or compensatory plan or arrangement.

We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.

ITEM 16 - FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

		INTUIT INC.
Dated: August 31, 2020	By:	/s/ MICHELLE M. CLATTERBUCK
		Michelle M. Clatterbuck
		Executive Vice President and Chief Financial Officer (Principal Financial Officer)

POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Sasan K. Goodarzi and Michelle M. Clatterbuck as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
Principal Executive Officer:		
/s/ SASAN K. GOODARZI Sasan K. Goodarzi	President, Chief Executive Officer and Director	August 31, 2020
Principal Financial Officer:		
/s/ MICHELLE M. CLATTERBUCK Michelle M. Clatterbuck	Executive Vice President and Chief Financial Officer	August 31, 2020
Principal Accounting Officer:		
/s/ MARK J. FLOURNOY Mark J. Flournoy	Senior Vice President and Chief Accounting Officer	August 31, 2020
Additional Directors:		
/s/ EVE BURTON Eve Burton	Director	August 31, 2020
/s/ SCOTT D. COOK Scott D. Cook	Director	August 31, 2020
/s/ RICHARD DALZELL Richard Dalzell	Director	August 31, 2020
/s/ DEBORAH LIU Deborah Liu	Director	August 31, 2020
/s/ SUZANNE NORA JOHNSON Suzanne Nora Johnson	Director	August 31, 2020
/s/ DENNIS D. POWELL Dennis D. Powell	Director	August 31, 2020
/s/ BRAD D. SMITH Brad D. Smith	Chairman of the Board of Directors	August 31, 2020
/s/ THOMAS SZKUTAK Thomas Szkutak	Director	August 31, 2020
/s/ RAUL VAZQUEZ	Director	August 31, 2020

Raul Vazquez		
/s/ JEFF WEINER Jeff Weiner	Director	August 31, 2020

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 2019

OR

☐ 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

intuit2016rgb080317a16.jpg

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0034661**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	INTU	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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 definition 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	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

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. ☐

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2019, the last business day of our most recently completed second fiscal quarter, based on the closing price of $215.82 reported by the Nasdaq Global Select Market on that date, was $53.7 billion.

There were 260,073,642 shares of Intuit voting common stock outstanding as of August 23, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Stockholders to be held on January 23, 2020 are incorporated by reference in Part III of this Annual Report on Form 10-K.

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INTUIT INC.
FISCAL 2019 FORM 10-K
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EX-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

EX-101.SCH XBRL Taxonomy Extension Schema

EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase

EX-101.LAB XBRL Taxonomy Extensions Label Linkbase

EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase

EX-101.DEF XBRL Taxonomy Extension Definition Linkbase

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Please also see the section entitled "*Risk Factors"* in Item 1A of this Report for important information to consider when evaluating these 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 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 our income tax valuation allowance is sufficient;
- 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 plan to continue to provide ongoing enhancements and certain connected services for all future versions of our QuickBooks Desktop software products;
- our judgments and assumptions relating to our loan portfolio;
- our belief that the credit facilities will be available to us should we choose to borrow under them; 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 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 Annual Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

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PART I

ITEM 1 - BUSINESS

CORPORATE BACKGROUND

General

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 serve small business customers.

Our global products and platforms, including QuickBooks, TurboTax, Mint and Turbo, are designed to help our customers better manage their money, reduce their debt and file their taxes with ease so they can receive the maximum refund they deserve. For those customers who run small businesses, we are focused on helping them get paid faster, pay their employees, access capital, ensure their books are done right and find and keep customers. We serve more than 50 million customers across our product offerings and platforms. We had revenue of $6.8 billion in our fiscal year which ended July 31, 2019, with approximately 9,400 employees in offices in the United States, Canada, India, the United Kingdom, Israel, Australia, and other locations.

Intuit Inc. was incorporated in California in March 1984. We reincorporated in Delaware and completed our initial public offering in March 1993. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our main telephone number is 650-944-6000. When we refer to "we," "our" or "Intuit" in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Available Information

Our corporate website, *www.intuit.com*, provides materials for investors and information relating to Intuit's corporate governance. The content on any website referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise.

We file reports required of public companies with the Securities and Exchange Commission (SEC). These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with or furnish to the SEC as soon as reasonably practicable after the reports are filed or furnished. Copies of this Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000.

BUSINESS OVERVIEW

Intuit's Mission

We are a global technology company committed to using our platform and products to power prosperity around the world. Our customers include consumers, small businesses and the self-employed. Working with a broad array of vital partners - accountants, developers, financial institutions, educational institutions, governments and other platform companies - we are dedicated to solving our customers' most pressing problems and delivering benefits that matter most to them including:

- Personalized experiences that help them save money and enable their businesses to grow and prosper.
- Automated financial tasks and data entry to save them time for what matters most.
- Connections to credible experts, tools and insights to provide them with confidence when making financial or compliance decisions.

We build durable competitive advantage by using the power of artificial intelligence (A.I.) and other advanced technologies to deliver innovative solutions via our trusted open platform that builds connections between customers, partners and products, as described in "*Our Growth Strategy*" below. We consider A.I. to include:

- Machine Learning - Building algorithms which progressively learn from data to automate tasks for our customers.
-

Knowledge Engineering - Turning rules, such as IRS regulations, and relationships about data into code to eliminate work and provide tailored experiences.

- Natural Language Processing - Processing, analyzing and understanding human language to create interactions with customers and automate repetitive tasks.

Our Business Portfolio

We organize our businesses into three reportable segments:

***Small Business & Self-Employed*:** This segment serves 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 serves 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 serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

***Strategic Partner*:** This segment serves 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 customer obsession. We listen to and observe our customers, understand their challenges, and then use advanced technology, including A.I., to develop innovative solutions designed to solve their problems and help them grow and prosper. For more than three decades, our values have inspired us to innovate and reimagine ways to save people time and money, eliminate drudgery and inspire confidence. We have reinvented and disrupted ourselves to better serve our customers, as we continue to transform into an A.I.-driven expert platform company. Our assessment of external trends - the expectation of more personalized experiences, the digitization of services, as well as the growth in the self-employed workforce - reveals significant opportunities to drive future growth. The result is a shift from traditional services and point solutions to interconnected capabilities that work on platforms and increasingly rely on A.I. and data-driven solutions.

As we build those interconnected capabilities that rely on an A.I.-driven expert platform we are focused on three core elements:

- **Building an open, trusted platform:** We are creating a technology platform where we and our partners can seamlessly integrate together to solve the most pressing customer problems and deliver awesome experiences. Our open platform allows our customers to use and confidently share their data, with their consent, with us and third-party partners to help improve their financial lives.

- **Accelerating the application of A.I.:** We are actively accelerating our application of A.I., which continuously learns from data across the platform, and revolutionizes the experience for our customers. For example, our TurboTax solutions use machine learning to create a customized interview, asking questions uniquely tailored to each individual situation.

- **Connecting people with experts:** Across the platform, we are digitizing services by building connections among customers, partners, and experts to inspire confidence in our customers. For example, our TurboTax Live offering seamlessly connects our TurboTax customers with tax experts via a live one-way video. We will continue to develop new means to connect customers with experts so our customers can have confidence that they are making the right decisions about their financial lives, and the personalized experiences they expect.

As part of our strategy, we also develop relationships with key partners that enable us to scale our service to consumers, small businesses and the self-employed globally, including financial institutions, enterprise platforms, educational institutions and accountants. These partnerships allow us to co-create indispensable connections by sharing expertise, product integrations, and new solutions to solve more customer problems.

As the external environment evolves, we continue to innovate and adapt our strategy and anticipate our customers' needs. For more than 35 years, we have been dedicated to developing innovative financial and compliance products and services that are easy to use and are available where and when customers need them. As a result, our customers actively recommend our products and solutions to others, which is one important way that we measure the success of our strategy.

PRODUCTS AND SERVICES

During fiscal 2019 we offered our products and services in the three segments described in *"Business Overview"* above. The following table shows the revenue for each of these segments over the last three fiscal years.

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Small Business & Self-Employed	52 %	51 %	50 %
Consumer	41 %	42 %	42 %
Strategic Partner	7 %	7 %	8 %

Total international net revenue was less than 5% of consolidated total net revenue for fiscal 2019, fiscal 2018, and fiscal 2017.

For financial information about our reportable segments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 and Note 13 to the financial statements in Item 8 of this Annual Report.

Small Business & Self-Employed

Our Small Business & Self-Employed segment serves 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 and payment processing solutions, financial supplies, and financing for small businesses.

QuickBooks Online Services and Desktop Software. Our QuickBooks financial management solutions help small businesses, the self-employed, and accountants solve financial and compliance problems, make more money and reduce unnecessary work, while giving them complete confidence in their actions and decisions. Users can track income and expenses, create and send invoices and estimates, manage and pay bills, and review a variety of financial reports. In fiscal 2019 we introduced QuickBooks Live which enables our customers to obtain live bookkeeping advice from professionals. Our QuickBooks offerings are available either online or as desktop versions. Our online offerings can be accessed on mobile devices.

QuickBooks is built on an open platform, allowing third-party developers to create online and mobile applications that integrate with our offering. A growing number of companies offer applications built for our QuickBooks platform, including PayPal, Shopify, Square, and Bill.com.

In addition to our core QuickBooks offering, we also offer specific solutions for the following customer segments:

- *Enterprise*. Our QuickBooks Enterprise and QuickBooks Online Advanced offerings are designed for small businesses with 10 to 100 employees that have more complex needs. QuickBooks Enterprise is available for download or on a disk and can also be provided as a hosted solution. This offering provides industry-specific reports and features for a range of industries, including Contractor, Manufacturing and Wholesale, Nonprofit, and Retail. QuickBooks Online Advanced is an online enterprise solution.

- *Self-Employed*. QuickBooks Self-Employed is designed specifically for self-employed customers whose needs are different than small businesses that use QuickBooks. Features include categorizing business and personal transactions, identifying and classifying tax deductible expenses, tracking mileage, calculating estimated quarterly taxes and sending invoices. QuickBooks Self-Employed can be combined with TurboTax to export and pay year-end taxes. QuickBooks Self-Employed is available both online and via a mobile application.

- *Accountants*. QuickBooks Online Accountant and QuickBooks Accountant Desktop Plus are available to accounting professionals who use QuickBooks offerings and recommend them to their small business clients. These offerings provide the tools and file-sharing capabilities that accounting professionals need to efficiently complete bookkeeping and financial reporting tasks and to manage their practices. We also offer memberships to the QuickBooks ProAdvisor program, which provides access to QuickBooks Online Accountant, QuickBooks Accountant Desktop Plus, QuickBooks Desktop Enterprise Accountant, QuickBooks Point of Sale Desktop, technical support, training, product certification, marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Payroll Solutions. We offer two levels of payroll solutions that are sold on a subscription basis and seamlessly integrate with our QuickBooks Online and QuickBooks Desktop offerings. Our self-service payroll offerings include tools that allow our customers to perform payroll processing, direct deposit of employee paychecks, payroll reports, electronic payment of federal and state payroll taxes, and electronic filing of federal and state payroll tax forms. We also have our full-service payroll offerings, which provide comprehensive payroll services to QuickBooks customers who prefer not to perform payroll tasks themselves.

Payment Processing Solutions. Our full range of merchant services for small businesses includes credit card, debit card, and ACH payment services. In addition to transaction processing services, our broad support for our clients includes customer service, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening. We also offer e-invoicing, which allows small businesses to email invoices directly from QuickBooks with a link that enables customers to instantly pay online or from their mobile device.

Financial Supplies. We offer a range of financial supplies designed for individuals and small businesses that use our QuickBooks offerings. These include standard paper checks and Secure Plus checks with CheckLock fraud protection features, a variety of stationery, tax forms and related supplies.

Financing for Small Businesses. We offer financing options for small businesses to help them get the capital they need to succeed. The financing process provides small businesses the ability to use their QuickBooks data to qualify to borrow capital.

Consumer

Our TurboTax products and services are designed to enable customers to prepare and file their own federal and state income tax returns quickly and accurately. They are designed to be easy to use, yet sophisticated enough for complex tax returns. These offerings are available either online or as desktop versions. Our online offerings can be accessed on mobile devices.

Tax Return Preparation Offerings. For the 2018 tax season, we offered a variety of commercial software products and filing services to meet the different needs of our customers, including those filing simple returns, those who itemize deductions, own investments or rental property, and small business owners. Customers can electronically file their federal and state income tax returns through our electronic filing service. We also offered TurboTax Live for customers seeking to obtain tax advice from professionals, as well as audit defense and audit support services. Our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online. Our TurboTax U.S. and Canada offerings consist of desktop, online, and mobile offerings. In addition to our commercial product offerings, we are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government to provide free online federal tax preparation and filing services to eligible taxpayers, which the IRS then markets to consumers on an IRS website. See also *"Competition – Consumer Segment"* later in this Item 1 for more information on the Free File Alliance.

Personal Finance Offerings. Our consumer platform, including our Mint and Turbo offerings, is aimed at helping customers unlock smart money decisions by connecting them to financial products to help make ends meet. These offerings help customers understand and improve their financial lives by offering a view of their financial health, as well as access to credit scores and monitoring.

Strategic Partner

Our Strategic Partner segment includes our professional tax offerings and serves 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 consist of Lacerte, ProSeries, ProFile and ProConnect Tax Online and enable accountants to accurately and efficiently complete and electronically file a full range of consumer, small business, and commercial federal and state tax returns. Lacerte is designed for full-service year-round accounting firms who handle more complex returns. ProSeries is designed for year-round tax practices handling moderately complex tax returns. ProConnect Tax Online is our cloud-based solution, which is designed for full-service year-round practices who prepare all forms of consumer and small business returns and integrates with our QuickBooks Online offerings. ProFile is our Canadian tax offering, which serves year-round full-service accounting firms for both consumer and business tax returns. We also offer a variety of tax-related services that complement the tax return preparation process including year-round document storage, collaboration services, e-signature, and bank products.

PRODUCT DEVELOPMENT

The markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements. Continuous investment is required to innovate and develop new products and services as well as enhance existing offerings to be successful in these markets. Our product development efforts are more important than ever as we pursue our growth strategy.

We develop many of our products and services internally, and we have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We also supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships that enable us to enhance or expand our offerings more rapidly. We expect to expand our third-party technology relationships as we continue to pursue our growth strategy.

While our traditional desktop software products – QuickBooks, TurboTax, Lacerte, and ProSeries – tend to have predictable annual development and product release cycles, as we move to more online offerings and mobile applications, the development cycles are becoming more rapid. In addition, developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate federal and state tax law and tax form changes within a rigid timetable. The development timing for our small business payroll and merchant payment processing services offerings varies with business needs and regulatory requirements, and the length of the development cycle depends on the scope and complexity of each project.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services with financial recommendations, personalization, and ease of use enabled by A.I. and other advanced technologies. We continue to focus on developing new products and services, including new mobile and global offerings, and significant research and development efforts for ongoing projects to update the technology platforms for several of our offerings.

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. We expect the seasonality of our Consumer and Strategic Partner businesses to continue to have a significant impact on our quarterly financial results in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary customers are consumers, small businesses, and the self-employed. We also provide specialized tax and accounting products to professional accountants, who are key partners to help us reach small business customers. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past several years, the widespread usage of mobile devices and the explosion of social media have accelerated the pace of change and revolutionized the way that customers learn about, evaluate, and purchase products and services.

Real-time, personalized online and mobile shopping experiences are the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This has created a need for integrated, multi-channel, shop-and-buy experiences. Market and industry changes quickly make existing products and services obsolete. Our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods, and other changes in the way we do business.

Marketing Programs

We use a variety of marketing programs to generate direct sales, develop leads, increase general awareness of our product portfolio, and drive sales in retail. These programs include digital marketing such as display and pay-per-click advertising, search engine optimization, and social and affiliate marketing; mobile marketing through online app stores; email marketing; offline marketing such as TV, radio, billboard, magazine and newspaper advertising; retail marketing; public relations; and in product marketing to drive awareness of related products and services. Our campaigns are designed to attract new users, retain existing users, and cross sell additional offerings.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our customers use the web and mobile devices to research products and services. Some customers buy and use our products and services entirely online or through their mobile devices. Others research online but make their purchase at a retail location. Because many customers shop across multiple channels, we continue to coordinate our online, offline, and retail presence and promotions to support an integrated, multi-channel, shop-and-buy model. We also focus on cross-selling complementary Intuit and third-party offerings online and in-product.

Direct Sales Channel. We sell many of our products and services directly through our websites and call centers. Direct, online sales are an effective channel for customers who can make purchase decisions based on content provided on our websites, via other online content or word of mouth recommendations. Telesales continues to be an effective channel for serving customers that want live help to select the products and services that are right for their needs. We also have a direct sales force that calls on U.S. and international accounting firms and seeks to increase their awareness, usage, and recommendation of our small business and professional tax solutions.

Mobile Application Stores. We distribute many of our offerings for mobile devices through proprietary online stores that provide applications for specific devices. These include the Apple App Store and Google's Play Store.

Retail and Other Channels. We sell our QuickBooks and TurboTax desktop software as well as payroll services at retail locations across the United States and on retailer websites. In Canada, we also rely on distributors and other third parties who sell products into the retail channel. We sell our products and services through selected alliance partners and accountants who help us reach new customers at the point of need and drive growth and market share by extending our online reach. These partners combine our products and services with value-added marketing, sales, and technical expertise to deliver a complete solution at the local level. As we expand our mobile and global offerings, we expect that strategic partnerships will become increasingly important to our business.

COMPETITION

Overview

We face intense competition in all of our businesses, both domestically and internationally. Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. Some of our existing competitors have significantly greater financial, technical and marketing resources than we do. In addition, the competitive landscape can shift rapidly as new companies enter and existing companies expand their businesses to include the markets in which we compete. This is particularly true for online and mobile products and services, where the barriers to entry are lower than they are for desktop software products and services. To attract customers, many online and mobile competitors are offering free or low-priced products which we must take into account in our pricing strategies.

Given the breadth of the products and services that we offer as a global technology company, we compete with the offerings from a variety of companies across a range of industries. Our most obvious competition comes from other companies that currently offer technology solutions similar to ours. In our Small Business & Self-Employed segment, we face competition from a variety of companies that provide products or services to address the problems that we help our customers to solve, including getting paid faster, paying their employees, accessing capital and ensuring their books are done right. Our Consumer segment competes with companies that offer products and services to help customers file their taxes, better manage their money and reduce their debt. We may also face competition from companies with platforms that could be developed to offer competing technology solutions to any of the problems that our customers may face, such as Facebook, Amazon and Google. In addition, for many of our products and services, other competitive alternatives for customers are third-party service providers such as professional accountants and seasonal tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives. In some cases, a competitor in one of our segments may be our partner in another one of our segments. In other cases, a company may compete with us in more than one of our segments.

Competition Specific to Segments

Small Business & Self-Employed Segment. QuickBooks is the leading small business financial management software in the U.S. Small businesses often look to several companies to address their problems. Therefore, our small business products and services face competitive challenges from a variety of companies that provide products or services that address one or more of their problems. We compete to help small businesses get their books right with The Sage Group plc, Xero and FreshBooks, among others, which offer software and associated services as well as online accounting offerings that directly serve small business customers. For small businesses with more complex financial management needs, our competitors include The Sage Group plc's Intacct offering and Microsoft Dynamics. We also compete with free or low-cost online accounting offerings, and free online banking and bill payment services offered by financial institutions and others. In our payroll business we compete directly with Automatic Data Processing, Inc. (ADP), Paychex, Gusto, and many other companies that help small businesses to pay their employees. In our merchant services business we help our customers get paid faster and compete directly with large financial institutions such as Wells Fargo, JP Morgan Chase, and Bank of America and with many payment processors, including First Data Corporation, Elavon, Global Payments, Fidelity National Information Services, PayPal, and Square. Our QuickBooks Capital offering, which helps small businesses to access capital, competes with a range of lending enterprises, including large financial institutions, such as the ones listed above, fintech companies, such as BlueVine and Kabbage, and others.

Consumer Segment. In our Consumer segment, we compete to help our customers to file their taxes. Our future growth depends on our ability to attract new customers to the self-preparation tax category and to our assisted offering, TurboTax Live, from tax stores and other tax preparers. In the U.S. private sector we face intense competition from H&R Block, which provides tax preparation services in its stores and a competing software offering. We also face competition from several other large tax preparation service providers, from a myriad of small tax preparers, and from numerous online self-preparation offerings, including Free Tax USA, TaxSlayer, Blucora's TaxAct and Credit Karma. Some of these competitors are offering electronic tax preparation and filing services at no cost to individual taxpayers. In Canada, our TurboTax Canada offerings face competition from H&R Block, SimpleTax, StudioTax, and UFile, among others. These competing offerings subject us to significant price pressure in both the U.S. and Canada.

We also face competitive challenges from government entities that offer publicly funded electronic tax preparation and filing services with no fees to individual taxpayers.

We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government. Under this agreement, the member companies provide online federal tax preparation and filing services to eligible users at no cost to the government or individual users separate and apart from the member companies' commercial free offerings, which the IRS then markets to consumers on an IRS website. Approximately 22 states and the District of Columbia have also adopted Free File Alliance public-private agreements while approximately 19 other states offer some form of direct government tax preparation and filing services with no fees to qualified taxpayers. We continue to actively work with others in the private and public sectors to advance the goals of the Free File Alliance policy initiative and to support successful public-private partnerships that reinforce the voluntary compliance tax system. However, future administrative, regulatory, or legislative activity in this area could seek to replace the voluntary compliance tax system with return preparation by government agencies which could harm our Consumer business.

We also compete with numerous personal financial management companies, such as Credit Karma, Nerdwallet and Credit Sesame, and large financial institutions to help our customers better manage their money and reduce their debt.

Strategic Partner Segment. In the U.S., Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. These include CCH's ProSystems fx Office Suite and Thomson Reuters' CS Professional Suite and GoSystems Tax. Our ProSeries professional tax offerings face competition from CCH's ATX and TaxWise offerings, Drake, and other smaller providers. In Canada, our ProFile professional tax offerings face competition from CCH's Cantax and Taxprep offerings, TaxCycle, and Thomson Reuters' DTMax and UFile Pro offerings. We also face growing competition from online tax and accounting offerings in the U.S. and Canada, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Competitive Factors

We believe the most important competitive factors for our core offerings – QuickBooks, TurboTax, Lacerte, and ProSeries – are ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, reliability, security, and product and support quality. Access to distribution channels is also important for our QuickBooks and TurboTax desktop software products. In addition, support from accounting professionals and the ability for customers to upgrade within product families as their businesses grow are significant competitive factors for our QuickBooks products. Productivity is an important competitive factor for the full-service accounting firms to which we market our Lacerte software products. We believe we compete effectively on these factors as our QuickBooks and TurboTax products are the leading products in the U.S. for their respective categories.

For our service offerings such as small business payroll and merchant payment processing, we believe the most important competitive factors are functionality, ease of use, high availability, security, the integration of these products with related software, brand name recognition, effective distribution, quality of support, and cost.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

We provide customer service and technical support by telephone, e-mail, online and video chat, text messaging, online communities, and our customer service and technical support websites. We have full-time and outsourced customer service and technical support staffs. We supplement these staffs with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced small business customer service and technical support personnel are currently located in India and the Philippines.

We offer free self-help information through our technical support websites for our QuickBooks, TurboTax and professional tax offerings. Customers can also use our websites to find answers to commonly asked questions and check on the status of orders. Under certain paid support plans, customers can also use our websites to receive product updates electronically. Support alternatives and fees vary by product. We also sponsor online user communities where consumers can share knowledge and product advice with each other.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Our online offerings include QuickBooks Online, online payroll services, merchant payment processing services, TurboTax Online, ProConnect Tax Online, consumer and professional electronic tax filing services, Mint, and Turbo. We continue to execute on a multi-year plan to transition the systems, networks and databases required to operate these online offerings to public cloud providers, such as Amazon Web Services (AWS). Currently, most of our core online offerings are using AWS. The remaining online offerings are housed in data centers located in geographically diverse locations.

Desktop Software and Supplies

Although an increasing proportion of our desktop software customers choose to electronically download software, many customers continue to choose to purchase these products in the form of physical media. The key processes in manufacturing desktop software are manufacturing compact discs (CDs) and digital video discs (DVDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing and distribution, we have agreements with Arvato Digital Services, Inc. (Arvato), a division of Bertelsmann AG, under which Arvato provides a majority of the manufacturing volume for our launches of QuickBooks and TurboTax and day-to-day replenishment after product launches, as well as our retail distribution logistics. Arvato also provides most of the manufacturing volume and distribution services for our direct desktop software orders. Arvato has operations in multiple locations that can provide redundancy if necessary. Our model for product delivery for retail launches and replenishment is a hybrid of direct to store deliveries and shipments to central warehouse locations. This allows improved inventory management by our retailers. We also ship products for many of our smaller retail customers through distributors.

Customers typically receive desktop software electronically. However, when physical product is ordered, we typically ship the physical product within a few days of receiving an order and backlog is minimal.

PRIVACY AND SECURITY OF CUSTOMER AND WORKFORCE INFORMATION AND TRANSACTIONS

We are stewards of our customers' data and have designed data stewardship principles to align our organization in collecting, using and protecting such information. As we believe strongly in being good stewards of our customers' data, we operate our program to comply with laws and regulations that regulate our use and protection of customers' personal information, including, for example, laws with respect to financial services and the handling of tax data. We have established guidelines and practices to help ensure that customers and members of our workforce are aware of, and can control, how we use information about them. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or shape industry best practices, and to inform public policy for privacy and security.

We use security safeguards to help protect the systems and the information that customers and members of our workforce give to us from loss, misuse and unauthorized alteration. We use technical, logical and procedural measures, such as multi-factor authentication, which are designed to help detect and prevent fraud and misuse of customer information. Whenever customers transmit sensitive information to us, such as credit card information or tax return data, through one of our websites or products, we follow current industry standards to encrypt the data as it is transmitted to us, and when we store it at rest. We routinely patch our systems with security updates and we work to protect our systems from unauthorized internal or external access using numerous commercially available computer security products as well as internally developed security procedures and practices.

GOVERNMENT REGULATION

Our Consumer and Strategic Partner segments are subject to federal, state and international government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. In addition, our Small Business & Self-Employed segment offers products and services to small businesses and consumers, such as payroll, payments, and financing, which are also subject to certain regulatory requirements.

INTELLECTUAL PROPERTY

Our success depends on the proprietary technology embodied in our offerings. We protect this proprietary technology by relying on a variety of intellectual property mechanisms, including copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. For example, we regularly file applications for patents, copyrights and trademarks and service marks in order to protect intellectual property that we believe is important to our business. We hold a growing patent portfolio that we believe is important to Intuit's overall competitive advantage, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. We also have a number of registered trademarks that include Intuit, QuickBooks, Lacerte, TurboTax, QB, ProSeries, ProConnect, and Mint. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also license intellectual property from third parties for use in our products.

Although our portfolio of patents is growing, the patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. In addition, third parties have asserted and may, in the future, assert infringement claims against us and our customers. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third-party licenses may not continue to be available to us on commercially acceptable terms, or at all.

EMPLOYEES

As of July 31, 2019, we had approximately 9,400 employees in offices in the United States, Canada, India, the United Kingdom, Israel, Australia and other locations. We also employed on average approximately 2,000 seasonal and contract employees during the second and third quarters of our fiscal years to support our Consumer segment customers. We refer to our full-time, part-time, seasonal and contract employees collectively as our workforce. We believe our future success and growth will depend on our ability to attract and retain a qualified workforce in all areas of our business. We do not currently have any collective bargaining agreements with our employees, and we believe workforce relations are generally good. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. We believe we offer competitive compensation and a good working environment. We were named one of

Fortune magazine's "100 Best Companies to Work For" in each of the last eighteen years. However, we face intense competition for qualified workers, and we expect to face continuing challenges in recruiting and retention.

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, 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, other providers of free offerings may 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 potential 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 56 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. Recently, we have become the subject of certain lawsuits and regulatory inquiries relating to the provision and marketing of the product that we offer under the IRS Free File Program. While we believe that the allegations in these proceedings are without merit, the proceedings may decrease the government's support of such program and increase the likelihood that such program is terminated. 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.

We operate in industries that 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 requires 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 to provide them with value, 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, our customers may not perceive value in the additional benefits and services we offer beyond our free offering and may choose not to pay for those additional benefits or we may be unsuccessful in increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

We have devoted significant resources to develop products and services for users of mobile 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 mobile 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 mobile 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, members of our workforce, 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 us 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.

In addition, any acquisition or divestiture that we announce may not be completed if closing conditions are not satisfied. 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 workforce 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, social engineering, malicious software programs, insider threats, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of sensitive and personal data of our customers and members of our workforce, 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 members of our workforce, customers, or users by social engineering 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 members of our workforce. 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 through the use of stolen identity information of our customers or members of our workforce 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, workforce member 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 a 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, any such incident 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 likelihood of any such error or misappropriation may increase as we accelerate the speed at which we process transactions. 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 public cloud providers, such as Amazon Web Services. If any public cloud service that we use 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.

If we experience significant product accuracy or quality problems or delays in product launches, 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. Further, as we develop our platform to connect people to experts, such as connecting TurboTax customers with tax experts through our TurboTax Live offering, or connecting QuickBooks customers with bookkeepers through our QuickBooks Live offering, we face the risk that these experts may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these experts may cause harm to our customers, a loss of customer confidence in our offerings or harm to our reputation or 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 the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and laws and regulations of other jurisdictions prohibiting corrupt payments to government officials and other third parties;
- 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, local and international laws and regulations that affect the Company's activities, including, without limitation, areas of labor, advertising, tax, financial services, data privacy and security, electronic funds transfer, money transmission, lending, 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, and other regulated activities. 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.

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 3, “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 subscription cancellations and 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. Foreign governments may enact tax laws 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 certain 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. We have also entered into credit arrangements with financial institutions to obtain the capital we provide under this offering. Any termination or interruption in the financial institutions' ability to lend to us could interrupt our ability to provide capital to qualified small businesses. 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 $26 million in fiscal 2019; $21 million in fiscal 2018; and $14 million in fiscal 2017. 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 statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At July 31, 2019, we had $1.7 billion in goodwill and $54 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 incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of July 31, 2019, we had an aggregate of $436 million of indebtedness outstanding under our credit facilities. We may incur additional debt in the future.

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 and secured revolving credit facilities impose 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 or our secured term loan 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.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal locations, their purposes, and the expiration dates for the leases on facilities at those locations as of July 31, 2019 are shown in the table below. We have renewal options on many of our leases.

Location	Purpose	Approximate Square Feet	Principal Lease Expiration Dates
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	487,000	2024 - 2026
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	225,000	Owned
San Diego, California	Principal offices for Consumer segment	466,000	Owned
Bangalore, India	Principal offices for Intuit India	434,000	2020 - 2022
Plano, Texas	Principal offices for Strategic Partner segment and data center	166,000	2026

We also lease or own facilities in a number of domestic locations and lease facilities internationally in Canada, the United Kingdom, Australia, Israel, and several other locations. We believe our facilities are suitable and adequate for our current and near-term needs, and that we will be able to locate additional facilities as needed. See Note 8 to the financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3 - LEGAL PROCEEDINGS

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 was granted final approval and the matter was dismissed with prejudice by the court on May 15, 2019. The terms of the settlement are not material to our consolidated financial statements.

Beginning in May 2019, various lawsuits were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these lawsuits are without merit. We intend to vigorously defend against the lawsuits and cooperate in the investigations.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Intuit's common stock is quoted on the Nasdaq Global Select Market under the symbol "INTU."

Stockholders

As of August 23, 2019 we had approximately 415 record holders and approximately 340,000 beneficial holders of our common stock.

Dividends

We declared cash dividends that totaled $1.88 per share of outstanding common stock or $500 million during fiscal 2019 and $1.56 per share of outstanding common stock or $407 million during fiscal 2018. In August 2019 our Board of Directors declared a quarterly cash dividend of $0.53 per share of outstanding common stock payable on October 18, 2019 to stockholders of record at the close of business on October 10, 2019. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; 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.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 31, 2019 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
May 1, 2019 through May 31, 2019	195,800	$246.14	195,800	$2,788,110,001
June 1, 2019 through June 30, 2019	178,000	$257.01	178,000	$2,742,361,439
July 1, 2019 through July 31, 2019	195,800	$276.96	195,800	$2,688,133,406
Total	569,600	$260.13	569,600	

Note: All of the shares purchased during the three months ended July 31, 2019 were purchased under a plan we announced on August 19, 2016 pursuant to 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 July 31, 2019, authorization from our Board of Directors to expend up to $2.7 billion remained available under these plans.

Company Stock Price Performance

The graph below compares the cumulative total stockholder return on Intuit common stock for the last five full fiscal years with the cumulative total returns on the S&P 500 Index and the Morgan Stanley Technology Index for the same period. The graph assumes that $100 was invested in Intuit common stock and in each of the other indices on July 31, 2014 and that all dividends were reinvested. The comparisons in the graph below are based on historical data – with Intuit common stock prices based on the closing price on the dates indicated – and are not intended to forecast the possible future performance of Intuit's common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Intuit Inc., the S&P 500 Index,
and Morgan Stanley Technology Index

chart-3731e9cfb45e52b2954.jpg

*$100 invested on 07/31/14 in stock or index, including reinvestments of dividends.
Fiscal year ending July 31.

	July 31, 2014	July 31, 2015	July 31, 2016	July 31, 2017	July 31, 2018	July 31, 2019
Intuit Inc.	**$ 100.00**	**$ 130.43**	**$ 138.51**	**$ 173.22**	**$ 260.23**	**$ 356.17**
S&P 500	**$ 100.00**	**$ 111.21**	**$ 117.45**	**$ 136.29**	**$ 158.43**	**$ 171.08**
Morgan Stanley Technology Index	**$ 100.00**	**$ 112.47**	**$ 125.98**	**$ 161.01**	**$ 212.39**	**$ 238.62**

ITEM 6 - SELECTED FINANCIAL DATA

The following tables show Intuit's selected financial information for the past five fiscal years. The comparability of the information is affected by a variety of factors, including acquisitions and divestitures of businesses, issuance and repayment of debt, share-based compensation expense, amortization of acquired technology and other acquired intangible assets, repurchases of common stock under our stock repurchase programs, and the payment of cash dividends.

The consolidated statement of operations data for fiscal 2019, 2018 and 2017, and the consolidated balance sheet data as of July 31, 2019, 2018 and 2017 reflect the full retrospective application of ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* See Note 1 in Item 8 of this Annual Report for more information. The consolidated statement of operations data for fiscal 2016 and 2015 and the consolidated balance sheet data as of July 31, 2016 and 2015 do not reflect the adoption of ASU 2014-09 and continue to be reported under the standards in effect for those periods.

In fiscal 2019, fiscal 2018, and fiscal 2015 we acquired several companies and we have included the results of operations for each of them in our consolidated results of operations from their respective dates of acquisition.

In fiscal 2016 we completed the sales of our Demandforce, QuickBase, and Quicken businesses. We accounted for all of these businesses as discontinued operations and have therefore included their results on our consolidated statements of operations for fiscal 2016 and fiscal 2015 to reflect them as such. Our consolidated balance sheet for fiscal 2015 reflects Demandforce, QuickBase, and Quicken as discontinued operations.

To better understand the information in these tables, investors should read *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 of this Annual Report, and the financial statements and related notes in Item 8 of this Annual Report.

Consolidated Statement of Operations Data	Fiscal				
(In millions, except per share amounts)	**2019**	**2018**	**2017**	**2016**	**2015**
Total net revenue	$ 6,784	$ 6,025	$ 5,196	$ 4,694	$ 4,192
Total costs and expenses	4,930	4,465	3,778	3,452	3,454
Operating income from continuing operations	1,854	1,560	1,418	1,242	738
Total share-based compensation expense included in total costs and expenses	401	382	326	278	242
Net income from continuing operations	1,557	1,329	985	806	413
Net income (loss) from discontinued operations	—	—	—	173	(48)
Net income	1,557	1,329	985	979	365
Net income per common share:					
Basic net income per share from continuing operations	$ 5.99	$ 5.18	$ 3.83	$ 3.08	$ 1.47
Basic net income (loss) per share from discontinued operations	—	—	—	0.65	(0.17)
Basic net income per share	$ 5.99	$ 5.18	$ 3.83	$ 3.73	$ 1.30
Diluted net income per share from continuing operations	$ 5.89	$ 5.09	$ 3.78	$ 3.04	$ 1.45
Diluted net income (loss) per share from discontinued operations	—	—	—	0.65	(0.17)
Diluted net income per share	$ 5.89	$ 5.09	$ 3.78	$ 3.69	$ 1.28
Dividends declared per common share	$ 1.88	$ 1.56	$ 1.36	$ 1.20	$ 1.00

Consolidated Balance Sheet Data	At July 31,				
(In millions)	**2019**	**2018**	**2017**	**2016**	**2015**
Cash, cash equivalents and investments	$ 2,740	$ 1,716	$ 777	$ 1,080	$ 1,697
Working capital (deficit)	1,628	679	(205)	(637)	816
Total assets	6,283	5,134	3,977	4,250	4,968
Short-term debt	50	50	50	512	—
Long-term debt	386	388	438	488	500
Long-term deferred income tax liabilities	37	68	78	7	50
Other long-term obligations (1)	145	119	124	343	274
Total stockholders’ equity	3,749	2,816	1,699	1,161	2,332

(1) Upon adoption of ASU 2014-09, other long-term obligations includes long-term deferred revenue. The balances as of July 31, 2016 and 2015 conform to this presentation, but as noted above do not reflect the adoption of ASU 2014-09.

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ITEM 7 - 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:*** Policies and estimates 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 I 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 Item 8 of this Annual Report.

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 have been restated to comply with these standards. See Note 1 in Item 8 of this Annual Report for more information.

In fiscal 2018 and fiscal 2019 we acquired several companies including TSheets.com LLC, Exactor, Inc., and Applatix, Inc. We have included their results of operations in our consolidated results of operations from their respective dates of acquisition. See Note 6 in Item 8 of this Annual Report for more information.

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 for fiscal 2019 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 Annual Report on Form 10-K.

Industry Trends and Seasonality

Industry Trends

A.I. is transforming multiple industries, including financial technology. Disruptive start-ups, emerging ecosystems and mega-platforms are harnessing new technology to create personalized experiences, deliver data-driven insights and increase speed of service. These shifts are creating a more dynamic and highly competitive environment where customer expectations are shifting around the world as more services become digitized and the array of choices continues to increase.

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. We expect the seasonality of our Consumer and Strategic Partner businesses to continue to have a significant impact on our quarterly financial results in the future.

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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 I and *"Risk Factors"* in Item 1A of Part I of this 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 and for each reportable segment; operating income growth for the company as a whole ; 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. Service offerings are a significant part of our business. Our total service and other revenue was $5.2 billion or 76% of our total revenue in fiscal 2019 and we expect our total service and other revenue to continue to grow in the future.

Key highlights for fiscal 2019 include the following:

Revenue of **\$6.8 B** up 13% from fiscal 2018	Small Business & Self-Employed revenue of **\$3.5 B** up 15% from fiscal 2018	Consumer revenue of **\$2.8 B** up 11% from fiscal 2018
Operating income of **\$1.9 B** up 19% from fiscal 2018	Net income of **\$1.6 B** up 17% from fiscal 2018	Diluted net income per share of **\$5.89** up 16% from fiscal 2018

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we are required to 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 following accounting policies have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies:

- Revenue Recognition
- Business Combinations
- Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets – Impairment Assessments
- Accounting for Share-Based Compensation Plans
- Legal Contingencies
- Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

Our senior management has reviewed the development and selection of these critical accounting policies and their disclosure in this Annual Report on Form 10-K with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive our revenue primarily from the sale of packaged desktop software products, desktop software subscriptions, and online services such as tax, accounting, payroll, and merchant payment processing. Our contracts with customers often include promises to transfer multiple products and services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The primary judgments include identifying the performance obligations in the contract and determining whether the performance obligations are distinct. If any of these judgments were to change 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 Item 8 of this Annual Report.

Business Combinations

As described in *"Description of Business and Summary of Significant Accounting Policies – Business Combinations,"* in Note 1 to the financial statements in Item 8 of this Annual Report, under the acquisition method of accounting we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to exercise judgment and make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. This method also requires us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could materially decrease our operating income and net income and result in lower asset values on our consolidated balance sheet.

Significant estimates and assumptions that we must make in estimating the fair value of acquired technology, customer lists, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets – Impairment Assessments

We estimate the fair value of acquired intangible assets and other long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of goodwill and other intangible assets that have indefinite useful lives annually in our fourth fiscal quarter or whenever indicators of impairment arise. The timing of the annual test may result in charges to our consolidated statement of operations in our fourth fiscal quarter that could not have been reasonably foreseen in prior periods.

As described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, in order to estimate the fair value of goodwill we use a weighted combination of a discounted cash flow model (known as the income approach) and comparisons to publicly traded companies engaged in similar businesses (known as the market approach). The income approach requires us to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. We evaluate cash flows at the reporting unit level. Although the assumptions we use in our discounted cash flow model are consistent with the assumptions we use to generate our internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from each reporting unit and the relative risk of achieving those cash flows. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, operating income, and earnings for these companies to reflect their relative similarity to our own businesses. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of goodwill by reportable segment.

We estimate the recoverability of acquired intangible assets and other long-lived assets that have finite useful lives by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. In order to estimate the fair value of those assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our discounted cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of acquired intangible assets and other long-lived assets that have finite lives. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of cost, accumulated amortization and weighted average life in years for our acquired intangible assets.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units, we may be required to record future impairment charges for goodwill and acquired intangible assets. Impairment charges could materially decrease our future net income and result in lower asset values on our consolidated balance sheet.

During the fourth quarters of fiscal 2019, fiscal 2018, and fiscal 2017 we performed our annual goodwill impairment tests. Using the methodology described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired. In addition, during this analysis we concluded that the estimated fair values of all of our reporting units substantially exceeded their carrying values.

Accounting for Share-Based Compensation Plans

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

We use a lattice binomial model and the assumptions described in Note 10 to the financial statements in Item 8 of this Annual Report to estimate the fair value of stock options granted. We estimate the expected term of options granted based on implied exercise patterns using a binomial model. We estimate the volatility of our common stock at the date of grant based on the implied volatility of publicly traded one-year and two-year options on our common stock. Our decision to use implied volatility is based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms. We use an annualized expected dividend yield in our option valuation model. We adjust share-based compensation expense for actual forfeitures as they occur. We amortize the fair value of options on a

straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. We may elect to use different assumptions under our option valuation model in the future, which could materially affect our net income or loss and net income or loss per share. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

Legal Contingencies

We are subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote as well as in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on our financial position and results of operations. See Note 12 to the financial statements in Item 8 of this Annual Report for more information.

Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the United States Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our consolidated statement of operations.

We record a valuation allowance to reflect uncertainties about whether we will be able to utilize our deferred tax assets before they expire. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income in the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance could have an adverse impact on our income tax provision and net income in the period in which we record the change.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

RESULTS OF OPERATIONS

Financial Overview

(Dollars in millions, except per share amounts)	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Total net revenue	$6,784	$6,025	$5,196	13 %	16 %
Operating income	1,854	1,560	1,418	19 %	10 %
Net income	1,557	1,329	985	17 %	35 %
Diluted net income per share	$5.89	$5.09	$3.78	16 %	35 %

Fiscal 2019 Compared with Fiscal 2018

Total net revenue increased $759 million or 13% in fiscal 2019 compared with fiscal 2018. Our Small Business & Self-Employed segment revenue increased 15% due to growth in the Online Ecosystem. Our Consumer segment revenue increased 11% due to a shift in mix to our higher end product offerings, growth in TurboTax federal units, and a higher average revenue per customer. See *"Segment Results"* later in this Item 7 for more information.

Operating income increased $294 million or 19% in fiscal 2019 compared with fiscal 2018. The increase was due to the higher revenue described above partially offset by higher costs for advertising, marketing, staffing, and outside services. Additionally, in fiscal 2018, we recorded a $79 million loss related to the sale of our data center in Quincy, Washington. See *"Operating Expenses"* later in this Item 7 for more information.

Net income increased $228 million or 17% in fiscal 2019 compared with fiscal 2018 due to the increase in operating income described above, partially offset by a higher effective tax rate in fiscal 2019. Net income for fiscal 2018 includes tax benefits related to the reorganization of a subsidiary and the re-measurement of our net deferred tax liability balances as a result of the enactment of the Tax Cuts and Jobs Act (2017 Tax Act). See Note 9 to the financial statements in Item 8 of this Annual Report for more information. Diluted net income per share increased 16% to $5.89 as a result of the increase in net income noted above.

Fiscal 2018 Compared with Fiscal 2017

Total net revenue increased $829 million or 16% in fiscal 2018 compared with fiscal 2017. Revenue in our Small Business & Self-Employed segment increased 19% primarily due to growth in the Online Ecosystem driven by customer acquisition. Our Consumer segment revenue increased 15% due to a higher average revenue per customer, growth in TurboTax federal units, and a shift in mix to our higher end product offerings. See *"Segment Results"* later in this Item 7 for more information.

Operating income increased $142 million or 10% in fiscal 2018 compared with fiscal 2017 due to the increase in revenue described above partially offset by higher costs for staffing, advertising, marketing, outside services, and share-based compensation. We also recorded a $79 million loss related to the sale of our data center in Quincy, Washington in the 2018 period. See *"Operating Expenses"* later in this Item 7 for more information.

Net income increased $344 million or 35% in fiscal 2018 compared with fiscal 2017 due to the increase in operating income described above and a lower effective tax rate in the fiscal 2018 period. Net income for fiscal 2018 includes tax benefits related to the reorganization of a subsidiary and the re-measurement of our net deferred tax liability balances as a result of the 2017 Tax Act. Additionally, the U.S statutory federal corporate tax rate decreased from 35% to 21% under the 2017 Tax Act. The change resulted in a blended lower U.S. statutory federal rate of 26.9% for fiscal 2018. See *"Non-Operating Income and Expenses - Income Taxes"* later in this Item 7 for more information. Diluted net income per share for fiscal 2018 increased 35% to $5.09, in line with the increase in net income.

Segment Results

The information below is organized in accordance with our three reportable segments. 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 is segment net revenue less segment cost of revenue and operating expenses. 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 $1.73 billion in fiscal 2019, $1.62 billion in fiscal 2018, and $1.32 billion in fiscal 2017. Unallocated costs increased in fiscal 2019 compared with fiscal 2018 and in fiscal 2018 compared with fiscal 2017 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 and amortization of other acquired intangible assets which totaled $26 million in fiscal 2019, $21 million in fiscal 2018, and $14 million in fiscal 2017. See Note 13 to the financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income for each fiscal year presented.

Small Business & Self-Employed

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

Our Online Ecosystem includes revenue from QuickBooks Online, QuickBooks Online Advanced 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)	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Product revenue	$ 1,036	$ 1,038	$ 908		
Service and other revenue	2,497	2,023	1,666		
Total segment revenue	$ 3,533	$ 3,061	$ 2,574	15 %	19 %
% of total revenue	52 %	51 %	50 %		
Segment operating income	$ 1,549	$ 1,326	$ 1,111	17 %	19 %
% of related revenue	44 %	43 %	43 %		

Fiscal 2019 Compared with Fiscal 2018

Revenue for our Small Business & Self-Employed segment increased $472 million or 15% in fiscal 2019 compared with fiscal 2018. The increase was primarily due to growth in Online Ecosystem revenue.

Online Ecosystem

Online Ecosystem revenue increased $457 million or 38% in fiscal 2019 compared with fiscal 2018. QuickBooks Online Accounting revenue increased 41% in fiscal 2019 compared with fiscal 2018 due to an increase in QuickBooks Online subscribers and average revenue per customer. At July 31, 2019 QuickBooks Online subscribers were 4.5 million, up 32% compared to July 31, 2018. Online Services revenue increased 34% primarily due to customer growth in online payroll and payments and an increase in revenue from other online services.

Desktop Ecosystem

Desktop Ecosystem revenue increased $15 million or 1% in fiscal 2019 compared with fiscal 2018, primarily due to an increase in license revenue for our QuickBooks Enterprise offering and an increase in revenue from our payroll and payments offerings as a result of customer growth during the period. This increase was partially offset by a decrease in revenue from the delivery of version protection for our QuickBooks Enterprise customers.

Small Business & Self-Employed segment operating income increased $223 million or 17% in fiscal 2019 compared with fiscal 2018 due to the higher revenue described above which was partially offset by higher expenses for advertising, marketing, and staffing.

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Small Business & Self-Employed segment increased $487 million or 19% in fiscal 2018 compared with fiscal 2017. The increase was primarily due to growth in Online Ecosystem revenue.

Online Ecosystem

Online Ecosystem revenue increased $348 million or 41% in fiscal 2018 compared with fiscal 2017. QuickBooks Online Accounting revenue increased 41% in fiscal 2019 compared with fiscal 2018 due to an increase in QuickBooks Online subscribers. At July 31, 2018 QuickBooks Online subscribers were 3.4 million, up 43% compared to July 31, 2017. Online Services revenue increased 25% due to customer growth in online payroll and payments.

Desktop Ecosystem

Desktop Ecosystem revenue increased $139 million or 8% in fiscal 2018 compared with fiscal 2017, primarily due to an increase in revenue related to our QuickBooks Enterprise offering driven by growth in our QuickBooks Enterprise subscribers, an increase in average revenue per customer, as well as a change in our QuickBooks Enterprise offering that occurred when customers renewed their subscriptions during fiscal 2018. This increase was partially off-set by a decrease in revenue from our QuickBooks Desktop units as unit sales declined 15%.

Small Business & Self-Employed segment operating income increased $215 million or 19% in fiscal 2018 compared with fiscal 2017 due to the higher revenue described above which was partially offset by higher expenses for staffing, advertising, and marketing.

Consumer

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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 and TurboTax Live offerings, electronic tax filing services and connected services, and also from our Mint and Turbo offerings.

(Dollars in millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Product revenue	$ 201	$ 210	$ 207		
Service and other revenue	2,574	2,298	1,975		
Total segment revenue	$ 2,775	$ 2,508	$ 2,182	11 %	15 %
% of total revenue	41 %	42 %	42 %		
Segment operating income	$ 1,742	$ 1,587	$ 1,376	10 %	15 %
% of related revenue	63 %	63 %	63 %		

Fiscal 2019 Compared with Fiscal 2018

Revenue for our Consumer segment increased $267 million or 11% in fiscal 2019 compared with fiscal 2018 due to a shift in mix to our higher priced product offerings including TurboTax Live, a 5% growth in TurboTax federal units, and a higher average revenue per customer.

Consumer segment operating income increased $155 million or 10% in fiscal 2019 compared with fiscal 2018 due to the higher revenue described above, which was partially offset by higher expenses for advertising, marketing, and staffing.

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Consumer segment increased $326 million or 15% in fiscal 2018 compared with fiscal 2017 due to a higher average revenue per customer, a 4% growth in TurboTax federal units, and a shift in mix to our higher end product offerings.

Consumer segment operating income increased $211 million or 15% in fiscal 2018 compared with fiscal 2017 due to the higher revenue described above which was partially offset by higher expenses for advertising, marketing, and staffing.

Strategic Partner

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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)	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Product revenue	$ 386	$ 376	$ 368		
Service and other revenue	90	80	72		
Total segment revenue	$ 476	$ 456	$ 440	4 %	4 %
% of total revenue	7 %	7 %	8 %		
Segment operating income	$ 318	$ 284	$ 266	12 %	7 %
% of related revenue	67 %	62 %	60 %		

Fiscal 2019 Compared with Fiscal 2018

Revenue for our Strategic Partner segment increased $20 million or 4% in fiscal 2019 compared with fiscal 2018 primarily due to a higher average revenue per customer.

Strategic Partner segment operating income increased $34 million or 12% in fiscal 2019 compared with fiscal 2018 primarily due to the higher revenue described above and lower staffing expenses.

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Strategic Partner segment increased $16 million or 4% in fiscal 2018 compared with fiscal 2017 primarily due to a higher average revenue per customer.

Strategic Partner segment operating income increased $18 million or 7% in fiscal 2018 compared with fiscal 2017 primarily due to the higher revenue described above and relatively stable spending.

Cost of Revenue

(Dollars in millions)	Fiscal 2019	% of Related Revenue	Fiscal 2018	% of Related Revenue	Fiscal 2017	% of Related Revenue
Cost of product revenue	$ 77	5 %	$ 82	5 %	$ 89	6 %
Cost of service and other revenue	1,070	21 %	881	20 %	709	19 %
Amortization of acquired technology	20	n/a	15	n/a	12	n/a
Total cost of revenue	$ 1,167	17 %	$ 978	16 %	$ 810	16 %

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which includes the direct costs associated with our online and service offerings, such as data center and customer support costs as well as the costs for the tax and bookkeeping professionals that support our TurboTax Live and QuickBooks Live offerings; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was relatively consistent across all periods presented. 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 relatively consistent across all periods presented.

Operating Expenses

(Dollars in millions)	Fiscal 2019	% of Total Net Revenue	Fiscal 2018	% of Total Net Revenue	Fiscal 2017	% of Total Net Revenue
Selling and marketing	$ 1,927	28 %	$ 1,631	27 %	$ 1,415	27 %
Research and development	1,233	18 %	1,186	20 %	998	19 %
General and administrative	597	9 %	664	11 %	553	11 %
Amortization of other acquired intangible assets	6	— %	6	— %	2	— %
Total operating expenses	$ 3,763	55 %	$ 3,487	58 %	$ 2,968	57 %

Fiscal 2019 Compared with Fiscal 2018

Total operating expenses as a percentage of total net revenue decreased in fiscal 2019 compared to fiscal 2018. Total net revenue increased $759 million or 13% and total operating expenses increased $276 million or 8%. The increase in operating expenses was primarily driven by $195 million for higher advertising and marketing expenses, $94 million for higher staffing expenses due to higher headcount, and $54 million for outside services. General and administrative expenses in the fiscal 2018 period include a $79 million loss related to the sale of our data center in Quincy, Washington.

Fiscal 2018 Compared with Fiscal 2017

Total operating expenses as a percentage of total net revenue increased slightly in fiscal 2018 compared to fiscal 2017. Total net revenue increased $829 million or 16% and total operating expenses increased $519 million or 17%. The increase in operating expenses was primarily driven by $193 million for higher staffing expenses due to higher headcount, $127 million for higher advertising and marketing expenses, and $49 million for outside services. General and administrative expenses in the fiscal 2018 period include a $79 million loss related to the sale of our data center in Quincy, Washington.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $15 million in fiscal 2019 consisted primarily of interest on our unsecured term loan and secured revolving credit facility. Interest expense of $20 million in fiscal 2018 consisted primarily of interest on our unsecured term loan and unsecured revolving credit facility. Interest expense of $31 million in fiscal 2017 consisted primarily of interest on our senior notes, unsecured term loan, and unsecured revolving credit facility. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual Report for more information.

Interest and Other Income, Net

(In millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Interest income (1)	$ 46	$ 18	$ 8
Net gain on executive deferred compensation plan assets (2)	3	7	7
Other	(7)	1	(12)
Total interest and other income, net	$ 42	$ 26	$ 3

(1) Interest income increased in fiscal 2019 compared to fiscal 2018 due to higher average invested balances and higher average interest rates. Interest income increased in fiscal 2018 compared to fiscal 2017 due to higher average invested balances and higher average interest rates.

(2) 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

Effective Tax Rate

Our effective tax rates for fiscal 2018 and 2017 have been restated to reflect the full retrospective application of ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606*)." See Note 1 and Note 9 to the financial statement in Item 8 of this Annual Report for more information.

The 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 year 2018. In fiscal 2019, we fully benefited from the enacted lower tax rate of 21%.

We recorded a provisional benefit of $29 million for fiscal 2018 related to the re-measurement of certain deferred tax balances as the result of the 2017 Tax Act. In the second quarter of fiscal 2019, we completed our accounting for the income tax effects of the 2017 Tax Act, and there have been no material adjustments during the fiscal 2019 period.

Our effective tax rates for fiscal 2019, fiscal 2018, and fiscal 2017 were approximately 17%, 15%, and 29%. Excluding the tax benefits related to share-based compensation our effective tax rate for fiscal 2019 was approximately 24%. This differed from the federal statutory rate of 21% primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the benefit we received from the federal research and experimentation credit. Excluding the tax benefits related to share-based compensation, the reorganization of a subsidiary, and the benefit related to the re-measurement of certain deferred tax balances, our effective tax rate for fiscal 2018 was approximately 26% and did not differ significantly from the federal statutory rate of 26.9%. Excluding the tax benefits related to share-based compensation our effective tax rate for fiscal 2017 was approximately 34% and did not differ significantly from the federal statutory rate of 35%. See Note 9 to the financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

At July 31, 2019, we had net deferred tax liabilities of $36 million which included a valuation allowance of $107 million for loss and tax credit carryforwards related to state research and experimentation tax credits, foreign losses, and state operating and capital losses. See "*Critical Accounting Policies and Estimates*" earlier in this Item 7 and Note 9 to the financial statements in Item 8 of this Annual Report for more information.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At July 31, 2019, our cash, cash equivalents and investments totaled $2.7 billion, an increase of $1.0 billion from July 31, 2018 due to the factors described in *"Statements of Cash Flows"* below. Our primary sources of liquidity have been cash from operations, which includes the collection of accounts receivable for products and services, and borrowings under our credit facilities. Our primary uses of cash have been for research and development programs, selling and marketing activities, repurchases of our common stock under our stock repurchase programs, the payment of cash dividends, debt service costs and debt repayment, acquisitions of businesses, and capital projects. As discussed in *"Executive Overview – Industry Trends and Seasonality"* earlier in this Item 7, 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)	July 31, 2019	July 31, 2018	$ Change	% Change
Cash, cash equivalents and investments	$ 2,740	$ 1,716	$ 1,024	60 %
Long-term investments	13	13	—	— %
Short-term debt	50	50	—	— %
Long-term debt	386	388	(2)	(1)%
Working capital	1,628	679	949	140 %
Ratio of current assets to current liabilities	1.8 : 1	1.4 : 1		

We have historically generated significant cash from operations and we expect to continue to do so during fiscal 2020. Our cash, cash equivalents, and investments totaled $2.7 billion at July 31, 2019, none of those funds were restricted, and approximately 90% 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 share repurchases. At July 31, 2019, no amounts were outstanding under the unsecured revolving credit facility. Our secured revolving credit facility is available to fund a portion of our loans to qualified small businesses. At July 31, 2019, $48 million was outstanding under the secured revolving credit facility. See Note 7 to the financial statements in Item 8 of this Annual Report for more information.

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 quickly respond to these kinds 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 fiscal 2019, fiscal 2018, and fiscal 2017. 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 Item 8 of this Annual Report for complete consolidated statements of cash flows for those periods.

(Dollars in millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Net cash provided by (used in):			
Operating activities	$ 2,324	$ 2,112	$ 1,599
Investing activities	(566)	(537)	(17)
Financing activities	(1,034)	(634)	(1,632)
	(3)	(11)	9

Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents			
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 721	$ 930	$ (41)

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During fiscal 2019 we generated $2.3 billion in cash from operations. We also received $48 million from borrowings under our secured revolving credit facility and $33 million from the issuance of common stock under employee stock plans. During the same period we used $556 million for the repurchase of shares of our common stock under our stock repurchase programs, $501 million for the payment of cash dividends, $155 million for capital expenditures, $64 million for the acquisition of a business net of cash acquired, $49 million for net originations of term loans, and $50 million for the repayment of debt.

During fiscal 2018 we generated $2.1 billion in cash from operations. We also received $800 million from borrowings under our unsecured revolving credit facility, and $96 million from the issuance of common stock under employee stock plans. During the same period we used $850 million for the repayment of debt and amounts outstanding under our unsecured revolving credit facility, $407 million for the payment of cash dividends, $272 million for the repurchase of shares of our common stock under our stock repurchase programs, $363 million for the acquisitions of businesses net of cash acquired, and $124 million for capital expenditures.

During fiscal 2017 we generated $1.6 billion in cash from operations. We also received $190 million in cash from net sales of investments, $150 million from borrowings under our unsecured revolving credit facility, and $73 million from the net issuance of common stock under employee stock plans. During the same period we used $662 million in cash for the repayment of debt and amounts outstanding under our unsecured revolving credit facility, $839 million for the repurchase of shares of our common stock under our stock repurchase programs, $353 million for the payment of cash dividends, and $230 million for capital expenditures.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 10 to the financial statements in Item 8 of this Annual Report, during fiscal 2019, fiscal 2018, and fiscal 2017 we continued to repurchase shares of our common stock under a series of repurchase programs that our Board of Directors has authorized. At July 31, 2019, we had authorization from our Board of Directors to expend up to an additional $2.7 billion for stock repurchases.

We have continued to pay quarterly cash dividends on shares of our outstanding common stock. During fiscal 2019 we declared cash dividends that totaled $1.88 per share of outstanding common stock or approximately $500 million. In August 2019 our Board of Directors declared a quarterly cash dividend of $0.53 per share of outstanding common stock payable on October 18, 2019 to stockholders of records at the close of business on October 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.

Business Combinations

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately $412 million. The $412 million included approximately $27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates of acquisition were not material when compared with our consolidated results of operations. See Note 6 to the financial statements in Item 8 of this Annual Report for more information.

Credit Facilities

Unsecured Revolving Credit Facility and Term Loan

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of $1.4 billion, including a $400 million unsecured term loan that matures on February 1, 2021 and a $1 billion unsecured revolving credit facility that matures on May 2, 2024. This agreement amended and restated our prior unsecured revolving credit facility dated February 1, 2016.

Under the amended and restated credit agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the unsecured 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 unsecured 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 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. At July 31, 2019, no amounts were outstanding under the unsecured 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.

On May 2, 2019 $400 million was outstanding on the term loan under the amended and restated credit agreement. Under this 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 $400 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 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. The term loan is subject to quarterly principal payments of $12.5 million, with the balance payable on February 1, 2021. At July 31, 2019, $388 million was outstanding under the term loan.

The amended and restated 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. As of July 31, 2019 we were compliant with all required covenants.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a $300 million secured revolving credit facility with a lender. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Advances under this secured revolving credit facility are used to fund a portion of our loans to qualified small businesses. The secured revolving credit facility is available for use for a term of two years and accrues interest at LIBOR plus 2.39%. Unused portions of the credit facility accrue interest at a rate of 0.5%. Outstanding advances mature on August 19, 2021 and payments made prior to February 19, 2020 are subject to a 1% prepayment fee. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2019 we were compliant with all required covenants. At July 31, 2019, $48 million was outstanding under this facility, with a weighted-average interest rate of 7.75%, which includes the unused facility fee. The outstanding balance is secured by cash and receivables of the subsidiary totaling $89 million.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled $2.7 billion at July 31, 2019. Approximately 10% 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 July 31, 2019, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

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CONTRACTUAL OBLIGATIONS

The following table summarizes our known contractual obligations to make future payments at July 31, 2019:

	Payments Due by Period				
(In millions)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Amounts due under executive deferred compensation plan	$ 108	$ —	$ —	$ —	$ 108
Unsecured term loan	50	338	—	—	388
Secured revolving credit facility	—	48	—	—	48
Interest and fees due on debt	16	11	2	—	29
Operating leases (1)	68	116	101	67	352
Purchase obligations (2)	302	74	—	—	376
Total contractual obligations (3)	$ 544	$ 587	$ 103	$ 67	$ 1,301

(1) Includes operating leases for facilities and equipment. Amounts do not include $57 million of future sublease income. We had no significant capital leases at July 31, 2019. See Note 8 to the financial statements in Item 8 of this Annual Report for more information.

(2) Represents agreements to purchase products and services that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(3) Other long-term obligations on our consolidated balance sheet at July 31, 2019 included long-term income tax liabilities of $89 million which related primarily to unrecognized tax benefits. We have not included this amount in the table above because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A - 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 Item 8 of this Annual 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 value of those investments. At July 31, 2019, our cash equivalents and investments totaled $2.5 billion and had a weighted average pre-tax yield of 2.57%. Total interest income for fiscal 2019 was $46 million. If the Federal Reserve Target Rate had increased by 25 basis points from the level of July 31, 2019, the value of our investments at that date would have decreased by approximately $2 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of July 31, 2019, the value of our investments at that date would have decreased by approximately $8 million.

We are also exposed to the impact of changes in interest rates as they affect our $1 billion unsecured revolving credit facility,$400 million unsecured term loan, and $300 million secured revolving credit facility. Advances under the unsecured 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 0.1% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. 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 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under all of these elections are based on our senior debt credit ratings. Advances under the secured revolving credit facility accrue interest at a rate of LIBOR plus 2.39%. Consequently, our interest expense fluctuates with changes in the general level of these interest rates. At July 31, 2019 no amounts were outstanding under the unsecured revolving credit facility, $388 million was outstanding under the term loan, and $48 million was outstanding under the secured revolving credit facility. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual 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 foreseeable future due to the reasons cited above. As of July 31, 2019, we did not engage in foreign currency hedging activities.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this Report:

2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

All other schedules not listed above have been omitted because they are inapplicable or are not required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intuit Inc. (the Company) as of July 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated August 30, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Determination of Distinct Performance Obligations in Revenue Contracts

Description of the Matter	As described in Note 1, the Company enters into contracts with customers that often include promises to transfer multiple products and services to a customer. The Company has generally concluded that software licenses and services are recorded as separate performance obligations and revenue from software licenses and services are recognized as those products and services are provided. Given the nature of the Company's product and service offerings, there is complexity in determining whether software licenses and related services are considered performance obligations that should be accounted for separately or together. Auditing the Company's determination of distinct performance obligations related to its various product and service offerings involved complex auditor judgment. In particular, significant judgment was required when assessing whether the promised products and services are separate performance obligations or inputs to a combined performance obligation due to the evaluation of the interdependency or interrelation of the promised products and services within each contract.

How we Addressed the Matter in Our Audit	Our audit procedures related to the determination of distinct performance obligations included the following, among others:

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls, including management review controls, as they relate to the determination of distinct performance obligations. We also obtained an understanding of the Company's product and service offerings and tested the application of the revenue recognition accounting model to determine distinct performance obligations.

Specifically, we evaluated whether the performance obligations identified by the Company were capable of being distinct and distinct in the context of the contract through review of the contracts, discussions with management, product demonstrations and review of the Company's website and other marketing materials. More specifically, we evaluated the Company's determination whether the contract was to deliver (1) multiple promised products or services that constitute separate performance obligations or (2) a single performance obligation that is comprised of the combined products or services promised in the contract. That is, considering the utility, integration, interrelation or interdependence of the products and services, we evaluated whether the multiple promised products and services that were delivered to the customer were outputs or inputs to a combined item.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

San Jose, California
August 30, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intuit Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the fiscal 2019 consolidated financial statements of the Company and our report dated August 30, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
August 30, 2019

INTUIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Twelve Months Ended July 31, 2019	2018	2017
Net revenue:			
Product	$ 1,623	$ 1,624	$ 1,483
Service and other	5,161	4,401	3,713
Total net revenue	6,784	6,025	5,196
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	77	82	89
Cost of service and other revenue	1,070	881	709
Amortization of acquired technology	20	15	12
Selling and marketing	1,927	1,631	1,415
Research and development	1,233	1,186	998
General and administrative	597	664	553
Amortization of other acquired intangible assets	6	6	2
Total costs and expenses	4,930	4,465	3,778
Operating income	1,854	1,560	1,418
Interest expense	(15)	(20)	(31)
Interest and other income, net	42	26	3
Income before income taxes	1,881	1,566	1,390
Income tax provision	324	237	405
Net income	$ 1,557	$ 1,329	$ 985
Basic net income per share	$ 5.99	$ 5.18	$ 3.83
Shares used in basic per share calculations	260	256	257
Diluted net income per share	$ 5.89	$ 5.09	$ 3.78
Shares used in diluted per share calculations	264	261	261
Cash dividends declared per common share	$ 1.88	$ 1.56	$ 1.36

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
Net income	$ 1,557	$ 1,329	$ 985
Other comprehensive income (loss), net of income taxes:			
Unrealized gain (loss) on available-for-sale debt securities	3	(2)	(1)
Foreign currency translation gain (loss)	(3)	(12)	11
Total other comprehensive income (loss), net	—	(14)	10
Comprehensive income	$ 1,557	$ 1,315	$ 995

See accompanying notes.

INTUIT INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value; shares in thousands)	July 31, 2019	July 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,116	$ 1,464
Investments	624	252
Accounts receivable, net of allowance for doubtful accounts of $3 and $5	87	98
Income taxes receivable	65	39
Prepaid expenses and other current assets	266	202
Current assets before funds held for customers	3,158	2,055
Funds held for customers	436	367
Total current assets	3,594	2,422
Long-term investments	13	13
Property and equipment, net	780	812
Goodwill	1,655	1,611
Acquired intangible assets, net	54	61
Other assets	187	215
Total assets	$ 6,283	$ 5,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 50	$ 50
Accounts payable	274	178
Accrued compensation and related liabilities	385	369
Deferred revenue	619	581
Other current liabilities	202	198
Current liabilities before customer fund deposits	1,530	1,376
Customer fund deposits	436	367
Total current liabilities	1,966	1,743
Long-term debt	386	388
Long-term deferred income tax liabilities	37	68
Other long-term obligations	145	119
Total liabilities	2,534	2,318
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value Authorized - 1,345 shares total; 145 shares designated Series A; 250 shares designated Series B Junior Participating Issued and outstanding - None	—	—
Common stock, $0.01 par value Authorized - 750,000 shares Outstanding - 260,180 shares at July 31, 2019 and 258,616 shares at July 31, 2018	3	3
Additional paid-in capital	5,772	5,335
Treasury stock, at cost	(11,611)	(11,050)
Accumulated other comprehensive loss	(36)	(36)
Retained earnings	9,621	8,564
Total stockholders' equity	3,749	2,816
Total liabilities and stockholders' equity	$ 6,283	$ 5,134

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in millions, shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2016 (1)	**257,853**	**$ 3**	**$ 4,442**	**$ (9,939)**	**$ (32)**	**$ 7,018**	**$ 1,492**
Comprehensive income	—	—	—	—	10	985	995
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,715	—	73	—	—	—	73
Stock repurchases under stock repurchase programs	(6,900)	—	—	(839)	—	—	(839)
Dividends and dividend rights declared ($1.36 per share)	—	—	—	—	—	(357)	(357)
Cumulative effect of change in accounting principle	—	—	6	—	—	(4)	2
Share-based compensation expense	—	—	333	—	—	—	333
Balance at July 31, 2017	**255,668**	**3**	**4,854**	**(10,778)**	**(22)**	**7,642**	**1,699**
Comprehensive income	—	—	—	—	(14)	1,329	1,315
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,818	—	96	—	—	—	96
Stock repurchases under stock repurchase programs	(1,870)	—	—	(272)	—	—	(272)
Dividends and dividend rights declared ($1.56 per share)	—	—	—	—	—	(407)	(407)
Share-based compensation expense	—	—	385	—	—	—	385
Balance at July 31, 2018	**258,616**	**3**	**5,335**	**(11,050)**	**(36)**	**8,564**	**2,816**
Comprehensive income	—	—	—	—	—	1,557	1,557
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,019	—	32	—	—	—	32
Stock repurchases under stock repurchase programs	(2,455)	—	—	(561)	—	—	(561)
Dividends and dividend rights declared ($1.88 per share)	—	—	—	—	—	(500)	(500)
Share-based compensation expense	—	—	405	—	—	—	405
Balance at July 31, 2019	**260,180**	**$ 3**	**$ 5,772**	**$ (11,611)**	**$ (36)**	**$ 9,621**	**$ 3,749**

(1) The cumulative effect adjustment to retained earnings related to the adoption of ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* as of July 31, 2016 was $331 million.

See accompanying notes.

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INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
Cash flows from operating activities:			
Net income	$ 1,557	$ 1,329	$ 985
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	199	228	214
Amortization of acquired intangible assets	26	25	22
Share-based compensation expense	401	382	326
Loss on sale of long-lived assets	—	79	—
Deferred income taxes	(7)	(5)	17
Other	15	6	13
Total adjustments	634	715	592
Changes in operating assets and liabilities:			
Accounts receivable	11	5	5
Income taxes receivable	5	(1)	(44)
Prepaid expenses and other assets	(37)	(33)	(13)
Accounts payable	90	12	—
Accrued compensation and related liabilities	16	75	10
Deferred revenue	39	6	64
Other liabilities	9	4	—
Total changes in operating assets and liabilities	133	68	22
Net cash provided by operating activities	**2,324**	**2,112**	**1,599**
Cash flows from investing activities:			
Purchases of corporate and customer fund investments	(752)	(407)	(352)
Sales of corporate and customer fund investments	84	128	359
Maturities of corporate and customer fund investments	303	286	183
Net change in customer fund deposits	69	(5)	68
Purchases of property and equipment	(76)	(38)	(102)
Capitalization of internal use software	(79)	(86)	(128)
Acquisitions of businesses, net of cash acquired	(64)	(363)	—
Originations of term loans to small businesses	(316)	(137)	—
Principal repayments of term loans from small businesses	267	82	—
Other	(2)	3	(45)
Net cash used in investing activities	**(566)**	**(537)**	**(17)**
Cash flows from financing activities:			
Proceeds from borrowings under unsecured revolving credit facility	—	800	150
Repayments on borrowings under unsecured revolving credit facility	—	(800)	(150)
Proceeds from borrowings under secured revolving credit facility	48	—	—
Repayment of debt	(50)	(50)	(512)
Proceeds from issuance of stock under employee stock plans	284	295	226
Payments for employee taxes withheld upon vesting of restricted stock units	(251)	(199)	(153)
Cash paid for purchases of treasury stock	(556)	(272)	(839)
Dividends and dividend rights paid	(501)	(407)	(353)
Other	(8)	(1)	(1)
Net cash used in financing activities	**(1,034)**	**(634)**	**(1,632)**

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(3)	(11)	9
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	**721**	**930**	**(41)**
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	1,631	701	742
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 2,352**	**$ 1,631**	**$ 701**
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	$ 2,116	$ 1,464	$ 529
Restricted cash and restricted cash equivalents included in funds held for customers	236	167	172
Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	**$ 2,352**	**$ 1,631**	**$ 701**
Supplemental disclosure of cash flow information:			
Interest paid	$ 17	$ 19	$ 42
Income taxes paid	$ 325	$ 245	$ 430

See accompanying notes.

INTUIT INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 serve 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 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 reclassified certain amounts previously reported in our financial statements to conform to the current presentation.

We acquired TSheets.com LLC, Exactor, Inc., and Applatix, Inc. in fiscal 2018. We have included the results of operations for these companies in our consolidated statements of operations from the dates of acquisition. See Note 6, "*Business Combinations*," for more information.

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 Annual Report on Form 10-K have been restated to comply with these standards.

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.

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 standalone sales price (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.

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 TurboTax Online and TurboTax Live, ProConnect Tax Online, QuickBooks Online, online payroll, 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.

Judgments and Estimates

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 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 twelve months ended July 31, 2019, we recognized revenue of $581 million, that was included in deferred revenue at July 31, 2018. During the twelve months ended July 31, 2018, we recognized revenue of $574 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 July 31, 2019 and 2018, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was $4 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 not significant and 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.

Shipping and Handling

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of product revenue in our consolidated statements of operations.

Customer Service and Technical Support

We include the costs of providing customer service under paid technical support contracts and as included in certain software subscriptions on the cost of service and other revenue line in our consolidated statements of operations. We also include the costs of customer service and technical support associated with our online or hosted offerings in cost of service and other revenue. We include the costs of customer service and free technical support related to desktop offerings in selling and marketing expense in our consolidated statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing free technical support assistance to customers. We expense the cost of providing this free support as incurred.

Software Development Costs

We expense software development costs as we incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, our software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, we have not capitalized any development costs. Costs we incur to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development expense in our consolidated statements of operations.

Internal Use Software

We capitalize costs related to development of hosted services that we provide to our customers and internal use of enterprise-level business and finance software in support of our operational needs. Costs incurred in the application development phase are capitalized and amortized on a straight-line basis over their useful lives, which are generally three to six years. Costs related to planning and other preliminary project activities and to post-implementation activities are expensed as incurred. We test these assets for impairment whenever events or changes in circumstances occur that could impact their recoverability.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our consolidated statements of operations. We recorded advertising expense of approximately $800 million for the twelve months ended July 31, 2019, $615 million for the twelve months ended July 31, 2018, and $480 million for the twelve months ended July 31, 2017.

Leases

We review all leases for capital or operating classification at their inception. We use our incremental borrowing rate in the assessment of lease classification and define the initial lease term to include the construction build-out period but to exclude lease extension periods. We conduct our operations primarily under operating leases. For leases that contain rent escalations, we record the total rent payable during the lease term, as defined above, on a straight-line basis over the term of the lease. We record the difference between the rent paid and the straight-line rent in a deferred rent account in other current liabilities or other long-term obligations, as appropriate, on our consolidated balance sheets.

We record landlord allowances as deferred rent liabilities in other current liabilities or other long-term obligations, as appropriate, on our consolidated balance sheets. We record landlord cash incentives as operating activity on our consolidated statements of cash flows. We record other landlord allowances as non-cash investing and financing activities on our consolidated statements of cash flows. We classify the amortization of landlord allowances as a reduction of occupancy expense in our consolidated statements of operations.

Capitalization of Interest Expense

We capitalize interest on capital projects, including facilities build-out projects and internal use computer software projects. Capitalization commences with the first expenditure for the project and continues until the project is substantially complete and ready for its intended use. We amortize capitalized interest to depreciation expense using the straight-line method over the same lives as the related assets. Capitalized interest was not significant for any period presented.

Foreign Currency

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. Translation gains and losses and transaction gains and losses were not significant for any period presented.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding income tax expense in our consolidated statement of operations.

We review the need for a valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. The valuation allowance analysis is based on our estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could be required to record a valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we record the increase.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

A description of our accounting policies associated with tax-related contingencies and valuation allowances assumed as part of a business combination is provided under *"Business Combinations"* below.

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.

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

	Twelve Months Ended July 31,		
(In millions, except per share amounts)	**2019**	**2018**	**2017**
Numerator:			
Net income	$ 1,557	$ 1,329	$ 985
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	260	256	257
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	260	256	257
Dilutive common equivalent shares from stock options and restricted stock awards	4	5	4
Dilutive weighted average common shares outstanding	264	261	261
Basic and diluted net income per share:			
Basic net income per share	$ 5.99	$ 5.18	$ 3.83
Diluted net income per share	$ 5.89	$ 5.09	$ 3.78
Shares excluded from diluted net income 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	1	—	3

Cash Equivalents and Investments

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 time deposits, savings deposit accounts, and money market funds, and investments consist primarily of 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 by limiting our holdings with any individual issuer.

We use the specific identification method to compute gains and losses on investments. We record unrealized gains and losses on investments, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our consolidated balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our consolidated statement of comprehensive income. We generally classify available-for-sale debt securities as current assets based upon our ability and intent to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal nature of our businesses. Because of our significant business seasonality, stock repurchase programs, and acquisition opportunities, cash flow requirements may fluctuate dramatically from quarter to quarter and require us to use a significant amount of the investments we hold as available-for-sale.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. We review our accounts receivable by aging category to identify significant customers or invoices with known disputes or collectibility issues. For those invoices not specifically identified as uncollectible, we provide an allowance based on the age of the receivable. In determining the amount of the allowance, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We also consider our historical level of credit losses and current economic trends that might impact the level of future credit losses. When we determine that amounts are uncollectible we write them off against the allowance.

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 July 31, 2019 and July 31, 2018, the notes receivable balance was $95 million and $55 million, respectively, and the allowances 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.

Funds Held for Customers and Customer Fund Deposits

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 debt securities. Customer fund deposits consist of amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

Property and Equipment

Property and equipment is stated at the lower of cost or realizable value, net of accumulated depreciation. We calculate depreciation using the straight-line method over the estimated useful lives of the assets, which range from two to 30 years. We amortize leasehold improvements using the straight-line method over the lesser of their estimated useful lives or remaining lease terms. We include the amortization of assets that are recorded under capital leases in depreciation expense. We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record any significant property impairment charges during the twelve months ended July 31, 2019, 2018, or 2017.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination).

Under the acquisition method of accounting we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and we charge them to general and administrative expense as they are incurred. Under the acquisition method we also account for acquired company restructuring activities that we initiate separately from the business combination.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We apply those measurement period adjustments that we determine to be significant retrospectively to comparative information in our financial statements, including adjustments to depreciation and amortization expense.

Under the acquisition method of accounting for business combinations, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense. This accounting applies to all of our acquisitions regardless of acquisition date.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets

Goodwill

We record goodwill when the fair value of consideration transferred in a business combination exceeds the fair value of the identifiable assets acquired and liabilities assumed. Goodwill and other intangible assets that have indefinite useful lives are not amortized, but we test them for impairment annually during our fourth fiscal quarter and whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

For goodwill, we perform a two-step impairment test. In the first step, we compare the fair value of each reporting unit to its carrying value. In accordance with authoritative guidance, we define fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider and use all valuation methods that are appropriate in estimating the fair value of our reporting units and generally use a weighted combination of income and market approaches. Under the income approach, we estimate the fair value of each reporting unit based on the present value of future cash flows. We use a number of assumptions in our discounted cash flow model, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Under the market approach, we estimate the fair value of each reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further analysis is required.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of the unit, we perform the second step of the impairment test. In this step we allocate the fair value of the reporting unit calculated in step one to all of the assets and liabilities of that unit, as if we had just acquired the reporting unit in a business combination. The excess of the fair value of the reporting unit over the total amount allocated to the assets and liabilities represents the implied fair value of goodwill. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, we would record an impairment loss equal to the difference. We recorded no goodwill impairment charges for the twelve months ended July 31, 2019, 2018 or 2017.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as purchased technology, in connection with business combinations. We amortize the cost of acquired intangible assets on a straight-line basis over their estimated useful lives, which range from three to seven years. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. We estimate the fair value of assets that have finite useful lives based on the present value of future cash flows for those assets. If the carrying value of an asset with a finite life exceeds its estimated fair value, we would record an impairment loss equal to the difference. Impairment charges for acquired intangible assets were not significant for the twelve months ended July 31, 2019, 2018 or 2017.

Share-Based Compensation Plans

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. We amortize the fair value of stock options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria would be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

See Note 10, *"Stockholders' Equity,"* for a description of our share-based compensation plans and more information on the assumptions we use to calculate the fair value of share-based compensation.

Concentration of Credit Risk and Significant Customers and Suppliers

We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the value of our significant balance of investments. Our portfolio of investments consists of investment-grade 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 by limiting our holdings with any individual issuer.

We sell a portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate, but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. No customer accounted for 10% or more of total net revenue for the twelve months ended July 31, 2019, 2018 or 2017, nor did any customer account for 10% or more of total accounts receivable at July 31, 2019 or July 31, 2018.

We rely primarily on one third-party vendor to perform the manufacturing and distribution functions for our retail desktop software products. We also have a key single-source vendor that prints and fulfills orders for most of our financial supplies business. While we believe that relying on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

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:

	Twelve Months Ended July 31, 2018		
(Dollars in millions)	As Reported	ASU 2016-18 Adjustment	As Adjusted
Net cash provided by (used in):			
Operating activities	$ 2,112	$ —	$ 2,112
Investing activities	(532)	(5)	(537)
Financing activities	(634)	—	(634)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(11)	—	(11)
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 935	$ (5)	$ 930

	Twelve Months Ended July 31, 2017		
(Dollars in millions)	As Reported	ASU 2016-18 Adjustment	As Adjusted
Net cash provided by (used in):			
Operating activities	$ 1,599	$ —	$ 1,599
Investing activities	(85)	68	(17)
Financing activities	(1,632)	—	(1,632)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	9	—	9
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	$ (109)	$ 68	$ (41)

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) (3)	123	61	184
Stockholders' equity	2,354	462	2,816

(1) Upon adoption, long-term deferred income taxes are included in other assets on our consolidated balance sheets.

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

(3) Balance includes long-term deferred income tax liabilities and other long-term obligations on our consolidated balance sheets.

	Twelve Months Ended July 31, 2018		
(In millions, except per share amounts)	**As Reported**	**Topic 606 Adjustment**	**As Adjusted**
Net revenue	$ 5,964	$ 61	$ 6,025
Cost of revenue	977	1	978
Selling and marketing expenses	1,634	(3)	1,631
Operating income	1,497	63	1,560
Income tax provision	292	(55)	237
Net income	1,211	118	1,329
Diluted earnings per share	$ 4.64	$ 0.45	$ 5.09

	Twelve Months Ended July 31, 2017		
(In millions, except per share amounts)	**As Reported**	**Topic 606 Adjustment**	**As Adjusted**
Net revenue	$ 5,177	$ 19	$ 5,196
Cost of revenue	809	1	810
Selling and marketing expenses	1,420	(5)	1,415
Operating income	1,395	23	1,418
Income tax provision	396	9	405
Net income	971	14	985
Diluted earnings per share	$ 3.72	$ 0.06	$ 3.78

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, 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 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. We will adopt ASU 2016-02 on August 1, 2019, the first quarter of our fiscal 2020, using the modified retrospective transition method and will not restate comparative periods. We will elect the package of practical expedients permitted under the transition guidance, which allows us to carry forward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that exist prior to adoption of the new standard. We will also elect to combine lease and non-lease components. We estimate that the adoption of ASU 2016-02 will result in the recognition of right-of-use assets and lease liabilities for operating leases of approximately $320 million to $370 million on our consolidated balance sheet on August 1, 2019. We do not expect the adoption of ASU 2016-02 to have a material impact on our consolidated statement of operations or consolidated statement of cash flows.

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.

	At July 31, 2019				At 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 time deposits, savings deposit accounts, and money market funds	$ 1,647	$ —	$ —	$ 1,647	$ 1,143	$ —	$ —	$ 1,143
Available-for-sale debt securities:								
Municipal bonds	—	5	—	5	—	31	—	31
Corporate notes	—	800	—	800	—	412	—	412
U.S. agency securities	—	19	—	19	—	9	—	9
Total available-for-sale securities	—	824	—	824	—	452	—	452
Total assets measured at fair value on a recurring basis	$ 1,647	$ 824	$ —	$ 2,471	$ 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 shown:

	At July 31, 2019				At 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	$ 1,647	$ —	$ —	$ 1,647	$ 1,143	$ —	$ —	$ 1,143
Available-for-sale debt securities:								
In investments	$ —	$ 624	$ —	$ 624	$ —	$ 252	$ —	$ 252
In funds held for customers	—	200	—	200	—	200	—	200
Total available-for-sale debt securities	$ —	$ 824	$ —	$ 824	$ —	$ 452	$ —	$ 452

We value our Level 1 assets, consisting primarily of time deposits, savings deposit accounts, and money market funds, 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, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2019, 2018 or 2017.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include reporting units measured at fair value in a goodwill impairment test. Estimates of fair value for reporting units fall under Level 3 of the fair value hierarchy.

During the fourth quarters of fiscal 2019, fiscal 2018, and fiscal 2017 we performed our annual goodwill impairment tests. Using the methodology described in Note 1, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired.

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

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

	July 31, 2019		July 31, 2018	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on consolidated balance sheets:				
Cash and cash equivalents	$ 2,116	$ 2,116	$ 1,464	$ 1,464
Investments	622	624	253	252
Funds held for customers	436	436	368	367
Long-term investments	13	13	13	13
Total cash and cash equivalents, investments, and funds held for customers	$ 3,187	$ 3,189	$ 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.

	July 31, 2019		July 31, 2018	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type of issue:				
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 2,352	$ 2,352	$ 1,631	$ 1,631
Available-for-sale debt securities:				
Municipal bonds	5	5	31	31
Corporate notes	798	800	414	412
U.S. agency securities	19	19	9	9
Total available-for-sale debt securities	822	824	454	452
Other long-term investments	13	13	13	13
Total cash and cash equivalents, investments, and funds held for customers	$ 3,187	$ 3,189	$ 2,098	$ 2,096

We include realized gains and losses on our available-for-sale debt securities in interest and other income or expense on our consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2019, 2018 and 2017 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders' equity section of our consolidated balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2019 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 that we held at July 31, 2019 were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at July 31, 2019 were not significant and are 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.

	July 31, 2019		July 31, 2018	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 415	$ 416	$ 250	$ 250
Due within two years	208	208	117	116
Due within three years	163	164	66	65
Due after three years	36	36	21	21
Total available-for-sale debt securities	$ 822	$ 824	$ 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 debt 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)	July 31, 2019	July 31, 2018	July 31, 2017	July 31, 2016
Restricted cash and restricted cash equivalents	$ 236	$ 167	$ 172	$ 104
Available-for-sale debt securities	200	200	200	200
Total funds held for customers	$ 436	$ 367	$ 372	$ 304

4. Property and Equipment

Property and equipment consisted of the following at the dates indicated:

	Life in	July 31,	
(Dollars in millions)	Years	2019	2018
Equipment	3-5	$ 421	$ 479
Computer software	2-6	860	812
Furniture and fixtures	5	90	88
Leasehold improvements	3-16	278	325
Land	NA	79	79
Buildings	5-30	368	363
Capital in progress	NA	65	48
		2,161	2,194
Less accumulated depreciation and amortization		(1,381)	(1,382)
Total property and equipment, net		$ 780	$ 812

NA = Not Applicable

Capital in progress at July 31, 2019 and 2018 consisted primarily of costs related to internal use software projects and various buildings and site improvements that have not yet been placed into service.

As discussed in Note 1, *"Description of Business and Summary of Significant Accounting Policies – Internal Use Software,"* we capitalize costs related to the development of computer software for internal use. We capitalized internal use software costs totaling $79 million for the twelve months ended July 31, 2019; $86 million for the twelve months ended July 31, 2018; and $128 million for the twelve months ended July 31, 2017. These amounts included capitalized labor costs of $43 million, $45 million, and $99 million, respectively. Costs related to internal use software projects are included in the capital in progress category of property and equipment until project completion, at which time they are transferred to the computer software category.

5. Goodwill and Acquired Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2019 and July 31, 2018 were as shown in the following table. Our reportable segments are described in Note 13, *"Segment Information."*

(In millions)	Balance July 31, 2017	Goodwill Acquired/ Adjusted	Balance July 31, 2018	Goodwill Acquired/ Adjusted	Balance July 31, 2019
Small Business & Self-Employed	$ 1,180	$ 316	$ 1,496	$ 22	$ 1,518
Consumer	23	—	23	19	42
Strategic Partner	92	—	92	3	95
Totals	$ 1,295	$ 316	$ 1,611	$ 44	$ 1,655

Goodwill is net of accumulated impairment losses of $114 million, which were recorded prior to July 31, 2017 and are included in our Consumer segment. The increase in goodwill during the twelve months ended July 31, 2019 and July 31, 2018 was primarily due to business acquisitions. See Note 6, *"Business Combinations,"* for more information on our acquisitions of TSheets.com LLC, Exactor, Inc., and Applatix.

Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated. The weighted average lives are calculated for assets that are not fully amortized.

(Dollars in millions)	Customer Lists	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2019:					
Cost	$ 256	$ 422	$ 25	$ 39	$ 742
Accumulated amortization	(245)	(383)	(24)	(36)	(688)
Acquired intangible assets, net	$ 11	$ 39	$ 1	$ 3	$ 54
Weighted average life in years	5	3	3	3	4
At July 31, 2018:					
Cost	$ 257	$ 403	$ 25	$ 39	$ 724
Accumulated amortization	(242)	(364)	(24)	(33)	(663)
Acquired intangible assets, net	$ 15	$ 39	$ 1	$ 6	$ 61
Weighted average life in years	5	4	3	3	4

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The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2019. Amortization of purchased technology is charged to cost of service and other revenue and to amortization of acquired technology in our consolidated statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)	Expected Future Amortization Expense
Twelve months ending July 31,	
2020	$ 28
2021	16
2022	9
2023	1
2024	—
Thereafter	—
Total expected future amortization expense	$ 54

6. Business Combinations

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately $412 million. The $412 million included approximately $27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and will provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates of acquisition were not material when compared with our consolidated results of operations.

Under the acquisition method of accounting we allocated the fair value of the total combined purchase consideration of $385 million to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the dates of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of consideration over the aggregate fair values as goodwill which is primarily attributable to expected synergies from future growth. Using information available at the time the acquisitions closed, we allocated approximately $5 million of the total combined purchase consideration to net tangible assets and approximately $62 million to identified intangible assets which are being amortized over a weighted average life of four years. The identified intangible assets include $38 million for purchased technology, $17 million for customer lists, and $7 million for covenants not to compete. We recorded the excess combined purchase consideration of approximately $318 million as goodwill, of which approximately $219 million is deductible for income tax purposes.

7. Current Liabilities

Short-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders with an aggregate principal amount of $1.4 billion, including a $400 million unsecured term loan that matures on February 1, 2021 and a $1 billion unsecured revolving credit facility that matures on May 2, 2024. This agreement amended and restated our prior unsecured revolving credit facility dated February 1, 2016.

At July 31, 2019, $388 million was outstanding under the term loan, of which $50 million was classified as short-term debt. See Note 8, "*Long-Term Obligations and Commitments – Long-Term Debt,"* for more information regarding the term loan.

Unsecured Revolving Credit Facility

The amended and restated credit agreement we entered into on May 2, 2019 includes a $1 billion unsecured revolving credit facility that will expire on May 2, 2024. Under this agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the unsecured 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 unsecured 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 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated 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. As of July 31, 2019 we were compliant with all required covenants. At July 31, 2019 no amounts were outstanding under this revolving credit facility. We paid no interest on the unsecured revolving credit facility during the twelve months ended July 31, 2019, $5 million during the twelve months ended July 31, 2018, and $1 million during the twelve months ended July 31, 2017.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	**2019**	**2018**
Executive deferred compensation plan liabilities	$ 108	$ 97
Reserve for promotional discounts and rebates	11	10
Reserve for returns and credits	24	17
Current portion of license fee payable	—	9
Current portion of deferred rent	6	6
Current portion of dividend payable	7	10
Other	46	49
Total other current liabilities	$ 202	$ 198

8. Long-Term Obligations and Commitments

Long-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of $1.4 billion, which includes a $400 million unsecured term loan. This agreement amended and restated our prior unsecured revolving credit facility dated February 1, 2016. Under this 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 $400 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 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit agreement includes customary affirmative and negative covenants. See Note 7, "Current Liabilities – Unsecured Revolving Credit Facility," for more information. The term loan is subject to quarterly principal payments of $12.5 million, with the balance payable on February 1, 2021. At July 31, 2019, $388 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 $15 million for interest on the term loan during the twelve months ended July 31, 2019, $13 million during the twelve months ended July 31, 2018, and $11 million during the twelve months ended July 31, 2017.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a $300 million secured revolving credit facility with a lender. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Advances under this secured revolving credit facility are used to fund a portion of our loans to qualified small businesses. The secured revolving credit facility is available for use for a term of two years and accrues interest at LIBOR plus 2.39%. Unused portions of the credit facility accrue interest at a rate of 0.5%. Outstanding advances mature on August 19, 2021 and payments made prior to February 19, 2020 are subject to a 1% prepayment fee. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2019 we were compliant with all required covenants. At July 31, 2019, $48 million was outstanding under this facility, with a weighted-average interest rate of 7.75%, which includes the unused facility fee. The outstanding balance is secured by cash and receivables of the subsidiary totaling $89 million. Interest on the facility is payable monthly. We paid $1 million for interest on the secured revolving credit facility during the twelve months ended July 31, 2019.

Other Long-Term Obligations

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

(In millions)	July 31, 2019	July 31, 2018
Long-term income tax liabilities	$ 89	$ 61
Total deferred rent	47	47
Total license fee payable	—	9
Total dividend payable	11	14
Other	12	15
Total long-term obligations	159	146
Less current portion (included in other current liabilities)	(14)	(27)
Long-term obligations due after one year	$ 145	$ 119

In May 2009 we entered into an agreement to license certain technology for $20 million in cash and $100 million payable over ten fiscal years. The total present value of the arrangement at inception was approximately $89 million. The total license fee payable as of July 31, 2018 in the table above includes imputed interest through that date. During the fourth quarter of fiscal 2019 we paid the final $10 million payment under the agreement.

Operating Lease Commitments and Unconditional Purchase Obligations

We lease office facilities and equipment under non-cancellable operating lease arrangements. Our facilities leases generally provide for periodic rent increases and many contain escalation clauses and renewal options. The leases for our corporate headquarters campus in Mountain View, California expire in 2024 and 2026, with options to extend the lease terms for an additional ten years at rates to be determined in accordance with the agreements.

In the ordinary course of business we enter into certain unconditional purchase obligations with our suppliers. These are agreements to purchase products and services that are enforceable, legally binding, and specify terms that include fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

Annual minimum commitments under purchase obligations and operating leases at July 31, 2019 were as shown in the table below.

(In millions)	Purchase Obligations	Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Fiscal year ending July 31,				
2020	$ 302	$ 68	$ 23	$ 45
2021	65	61	21	40
2022	9	55	10	45
2023	—	51	1	50
2024	—	50	1	49
Thereafter	—	67	1	66
Total commitments	$ 376	$ 352	$ 57	$ 295

Rent expense net of sublease income totaled $42 million for the twelve months ended July 31, 2019, $38 million for the twelve months ended July 31, 2018, and $34 million for the twelve months ended July 31, 2017. Rent expense includes base contractual rent and contractual variable expenses such as building maintenance, utilities, property taxes and insurance. Sublease income totaled $24 million for the twelve months ended July 31, 2019, $23 million for the twelve months ended July 31, 2018, and $22 million for the twelve months ended July 31, 2017.

9. Income Taxes

The provision for income taxes consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
Current:			
Federal	$ 271	$ 197	$ 345
State	67	38	36
Foreign	14	14	8
Total current	352	249	389
Deferred:			
Federal	(23)	(14)	12
State	(4)	2	2
Foreign	(1)	—	2
Total deferred	(28)	(12)	16
Total provision for income taxes	$ 324	$ 237	$ 405

Our tax provision for the twelve months ended July 31, 2018 and 2017 have 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.

We recognized excess tax benefits on share-based compensation of $120 million, $100 million, and $72 million in the provision for income taxes for the twelve months ended July 31, 2019, 2018, and 2017, respectively.

The sources of income before the provision for income taxes consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
United States	$ 1,826	$ 1,528	$ 1,383
Foreign	55	38	7
Total	$ 1,881	$ 1,566	$ 1,390

Differences between income taxes calculated using the federal statutory income tax rate and the provision for income taxes were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
Income before income taxes	$ 1,881	$ 1,566	$ 1,390
U.S. federal statutory rate	21 %	26.9 %	35 %
Statutory federal income tax	$ 395	$ 420	$ 486
State income tax, net of federal benefit	50	29	24
Federal research and experimentation credits	(48)	(38)	(24)
Domestic production activities deduction	—	(28)	(34)
Share-based compensation	15	11	14
Federal excess tax benefits related to share-based compensation	(106)	(94)	(69)
2017 Tax Act - Deferred tax re-measurement	—	(29)	—
Capital loss on subsidiary reorganization	—	(35)	—

Effects of non-U.S. operations	13	1	6
Other, net	5	—	2
Total provision for income taxes	$ 324	$ 237	$ 405

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

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blended lower U.S. statutory federal rate of 26.9% for fiscal year 2018. In fiscal 2019, we fully benefited from the enacted lower tax rate of 21%.

We recorded a provisional benefit of $29 million for fiscal 2018 related to the re-measurement of certain deferred tax balances as a result of the 2017 Tax Act. In the second quarter of fiscal 2019, we completed our accounting for the income tax effects of the 2017 Tax Act, and there have been no material adjustments during the fiscal 2019 period.

During fiscal year 2018, we completed a reorganization which resulted in a taxable liquidation of a subsidiary. The transaction gave rise to a capital loss which is available for carryback to prior years to offset capital gain income previously recognized. As a result, we recognized a tax benefit of $35 million during the fourth quarter of fiscal 2018.

The state income tax line in the table above includes excess tax benefits related to share-based compensation of $14 million, $6 million and $3 million for the twelve months ended July 31, 2019, 2018 and 2017, respectively.

Significant deferred tax assets and liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	**2019**	**2018**
Deferred tax assets:		
Accruals and reserves not currently deductible	$ 13	$ 12
Deferred rent	8	8
Accrued and deferred compensation	48	41
Loss and tax credit carryforwards	117	97
Share-based compensation	47	49
Other, net	3	3
Total gross deferred tax assets	236	210
Valuation allowance	(107)	(93)
Total deferred tax assets	129	117
Deferred tax liabilities:		
Deferred revenue	66	91
Intangible assets	71	65
Property and equipment	20	19
Other, net	8	8
Total deferred tax liabilities	165	183
Net deferred tax liabilities	$ (36)	$ (66)

The components of total net deferred tax liabilities, net of valuation allowances, as shown on our consolidated balance sheets were as follows at the dates indicated:

	July 31,	
(In millions)	**2019**	**2018**
Long-term deferred income taxes included in other assets	$ 1	$ 2
Long-term deferred income tax liabilities	(37)	(68)
Net deferred tax liabilities	$ (36)	$ (66)

We have provided a valuation allowance related to state research and experimentation tax credit carryforwards, foreign loss carryforwards, and state operating and capital loss carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2019 were primarily related to an increase in the valuation allowance for state research and experimentation tax credit. Changes in valuation allowance during the twelve months ended July 31, 2018 were primarily related to an increase in the valuation allowance for state research and experimentation tax credit and foreign loss carryforwards.

At July 31, 2019, we had total federal net operating loss carryforwards of approximately $42 million that will start to expire in fiscal 2032. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2019, we had total state net operating loss carryforwards of approximately $133 million for which we have recorded a deferred tax asset of $9 million and a valuation allowance of $7 million. The state net operating losses will start to expire in fiscal 2027. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

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At July 31, 2019, we had Singapore operating loss carryforwards of approximately $62 million and Brazil operating loss carryforwards of approximately $34 million which have an indefinite carryforward period. We maintain a full valuation allowance with respect to operating losses in these jurisdictions, as there is not sufficient evidence of future sources of taxable income required to utilize such carryforwards.

At July 31, 2019, we had California research and experimentation credit carryforwards of approximately $129 million. We recorded a full valuation on the related deferred tax asset, as we believe it is more likely than not that these credits will not be utilized.

Unrecognized Tax Benefits

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2019**	**2018**	**2017**
Gross unrecognized tax benefits, beginning balance	$ 90	$ 61	$ 60
Increases related to tax positions from prior fiscal years, including acquisitions	13	10	8
Decreases related to tax positions from prior fiscal years	—	(3)	(8)
Increases related to tax positions taken during current fiscal year	23	23	9
Settlements with tax authorities	(1)	(1)	(8)
Lapse of statute of limitations	$ (5)	$ —	$ —
Gross unrecognized tax benefits, ending balance	$ 120	$ 90	$ 61

The total amount of our unrecognized tax benefits at July 31, 2019 was $120 million. Net of related deferred tax assets, unrecognized tax benefits were $75 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $75 million. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdiction is the U.S. federal jurisdiction. For U.S. federal tax returns we are no longer subject to tax examinations for years prior to fiscal 2014.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2019 and July 31, 2018 for the payment of interest and penalties were not significant. The amounts of interest and penalties that we recognized during the twelve months ended July 31, 2019, 2018 and 2017 were also not significant.

10. Stockholders' Equity

Stock Repurchase Programs

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. Under these programs, we repurchased 2.5 million shares of our common stock for $561 million during the twelve months ended July 31, 2019. Included in this amount were $5 million of repurchases which occurred in late July 2019 and were settled in early August 2019. At July 31, 2019, we had authorization from our Board of Directors to expend up to an additional $2.7 billion for stock repurchases. 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.

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 fiscal 2019 we declared cash dividends that totaled $1.88 per share of outstanding common stock or approximately $500 million. In August 2019 our Board of Directors declared a quarterly cash dividend of $0.53 per share of outstanding common stock payable on October 18, 2019 to stockholders of record at the close of business on October 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.

Description of 2005 Equity Incentive Plan

Our stockholders initially approved our 2005 Equity Incentive Plan (2005 Plan) on December 9, 2004. On January 19, 2017 our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that expires on January 19, 2027. Under the Restated 2005 Plan, we are permitted to grant incentive and non-qualified stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights and stock bonus awards to our employees, non-employee directors, and consultants. The Compensation and Organizational Development Committee of our Board of Directors or its delegates determine who will receive grants, when those grants will be exercisable, their exercise price and other terms. We are permitted to issue up to 138.1 million shares under the Restated 2005 Plan. The plan provides a fungible share reserve. Each stock option granted on or after November 1, 2010 reduces the share reserve by one share and each restricted stock award or restricted stock unit granted reduces the share reserve by 2.3 shares. Stock options forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Restricted stock awards and RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited. 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. At July 31, 2019, there were approximately 21.1 million shares available for grant under this plan. Stock options granted under the 2005 Plan and the Restated 2005 Plan typically vest over three to four years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three to four years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

Description of Employee Stock Purchase Plan

On November 26, 1996 our stockholders initially adopted our Employee Stock Purchase Plan (ESPP) under Section 423 of the Internal Revenue Code. The ESPP permits our eligible employees to make payroll deductions to purchase our stock on regularly scheduled purchase dates at a discount. Our stockholders have approved amendments to the ESPP to permit the issuance of up to 23.8 million shares under the ESPP, which expires upon the earliest to occur of (a) termination of the ESPP by the Board, or (b) issuance of all the shares of Intuit's common stock reserved for issuance under the ESPP. Offering periods under the ESPP are six months in duration and composed of two consecutive three-month accrual periods. Shares are purchased at 85% of the lower of the closing price for Intuit common stock on the first day of the offering period or the last day of the accrual period.

Under the ESPP, employees purchased 485,011 shares of Intuit common stock during the twelve months ended July 31, 2019; 612,768 shares during the twelve months ended July 31, 2018; and 752,605 shares during the twelve months ended July 31, 2017. At July 31, 2019, there were 1,906,183 shares available for issuance under this plan.

Share-Based Compensation Expense

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

	Twelve Months Ended July 31,		
(In millions except per share amounts)	2019	2018	2017
Cost of product revenue	$ 1	$ 3	$ —
Cost of service and other revenue	57	40	8
Selling and marketing	103	101	88
Research and development	136	133	122
General and administrative	104	105	108
Total share-based compensation expense	401	382	326
Income tax benefit	(200)	(199)	(179)
Decrease in net income	$ 201	$ 183	$ 147
Decrease in net income per share:			
Basic	$ 0.77	$ 0.71	$ 0.57
Diluted	$ 0.76	$ 0.70	$ 0.56

We capitalized $4 million in share-based compensation related to internal use software projects during the twelve months ended July 31, 2019, $3 million during the twelve months ended July 31, 2018, and $7 million during the twelve months ended July 31, 2017.

Determining Fair Value

Valuation and Amortization Methods

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the market price of our stock on the date of grant for dividends.

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. Our stock options have various restrictions, including vesting provisions and restrictions on transfer, and are often exercised prior to their contractual maturity. We believe that lattice binomial models are more capable of incorporating the features of our stock options than closed-form models such as the Black Scholes model. The use of a lattice binomial model requires the use of extensive actual employee exercise behavior and a number of complex assumptions including the expected volatility of our stock price over the term of the options, risk-free interest rates and expected dividends. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Expected Term. The expected term of options granted represents the period of time that they are expected to be outstanding and is a derived output of the lattice binomial model. The expected term of stock options is impacted by all of the underlying assumptions and calibration of our model. The lattice binomial model assumes that option exercise behavior is a function of the option's remaining vested life and the extent to which the market price of our common stock exceeds the option exercise price.

The lattice binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and cancellations on all past option grants made by us.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on the implied volatility of one-year and two-year publicly traded options on our common stock. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Risk-Free Interest Rate. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms.

Dividends. We use an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during all years presented and currently expect to continue to pay cash dividends in the future.

Forfeitures. We adjust share-based compensation expense for actual forfeitures as they occur.

We used the following assumptions to estimate the fair value of stock options granted and shares purchased under our Employee Stock Purchase Plan for the periods indicated:

	Twelve Months Ended July 31,		
	2019	**2018**	**2017**
Assumptions for stock options:			
Expected volatility (range)	26% - 27%	25 %	22% - 23%
Weighted average expected volatility	27 %	25 %	23 %
Risk-free interest rate (range)	1.84% - 2.92%	2.84 %	1.65% - 1.70%
Expected dividend yield	0.67% - 0.85%	0.72 %	0.97% - 1.17%
Assumptions for ESPP:			
Expected volatility (range)	21% - 33%	20% - 25%	18% - 21%
Weighted average expected volatility	26 %	23 %	20 %
Risk-free interest rate (range)	1.94% - 2.44%	1.05% - 1.96%	0.30% - 0.89%
Expected dividend yield	0.73% - 0.95%	0.87% - 1.10%	1.09% - 1.10%

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our 2005 Equity Incentive Plan for the fiscal periods indicated was as follows:

(Shares in thousands)	Shares Available for Grant
Balance at July 31, 2016	**8,990**
Additional shares authorized	23,110
Restricted stock units granted (1)	(9,160)
Options granted	(1,786)
Share-based awards canceled/forfeited/expired (1)(2)	4,010
Balance at July 31, 2017	**25,164**
Restricted stock units granted (1)	(6,504)
Options granted	(455)
Share-based awards canceled/forfeited/expired (1)(2)	4,586
Balance at July 31, 2018	**22,791**
Restricted stock units granted (1)	(5,639)
Options granted	(487)
Share-based awards canceled/forfeited/expired (1)(2)	4,393
Balance at July 31, 2019	**21,058**

(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.

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Restricted Stock Unit Activity and Related Share-Based Compensation Expense

A summary of restricted stock unit (RSU) activity for the periods indicated was as follows:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2016	**9,039**	**$82.30**
Granted	3,983	119.84
Vested	(3,121)	86.93
Forfeited	(1,265)	76.75
Nonvested at July 31, 2017	**8,636**	**98.76**
Granted	2,828	185.53
Unregistered restricted stock granted in connection with acquisitions	75	163.00
Vested	(2,960)	105.71
Forfeited	(1,196)	88.59
Nonvested at July 31, 2018	**7,383**	**131.50**
Granted	2,452	245.40
Vested	(3,123)	129.31
Forfeited	(1,029)	107.40
Nonvested at July 31, 2019	**5,683**	**$186.22**

Additional information regarding our RSUs is shown in the table below.

	Twelve Months Ended July 31,		
(In millions)	2019	2018	2017
Total fair market value of shares vested	$ 676	$ 527	$ 388
Share-based compensation for RSUs	$ 351	$ 326	$ 274
Total tax benefit related to RSU share-based compensation expense	$ 141	$ 143	$ 130
Cash tax benefits realized for tax deductions for RSUs	$ 150	$ 142	$ 130

At July 31, 2019, there was $961 million of unrecognized compensation cost related to non-vested RSUs with a weighted average vesting period of 3.1 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Stock Option Activity and Related Share-Based Compensation Expense

A summary of stock option activity for the periods indicated was as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2016	**8,346**	**$88.55**
Granted	1,786	135.24
Exercised	(2,213)	69.12
Canceled or expired	(431)	104.78
Balance at July 31, 2017	**7,488**	**104.50**
Granted	455	216.64
Exercised	(2,416)	89.41
Canceled or expired	(373)	121.31
Balance at July 31, 2018	**5,154**	**120.26**
Granted	487	274.26
Exercised	(1,924)	102.49
Canceled or expired	(343)	138.59
Balance at July 31, 2019	**3,374**	**$150.75**

Information regarding stock options outstanding as of July 31, 2019 is summarized below:

	Number of Shares (in thousands)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in millions)
Options outstanding	3,374	4.56	$150.75	$429
Options exercisable	2,187	3.78	$118.11	$365

The aggregate intrinsic values at July 31, 2019 are calculated as the difference between the exercise price of the underlying options and the market price of our common stock for shares that were in-the-money at that date. In-the-money options at July 31, 2019 were options that had exercise prices that were lower than the $277.31 market price of our common stock at that date.

Additional information regarding our stock options and ESPP shares is shown in the table below.

	Twelve Months Ended July 31,		
(In millions except per share amounts)	2019	2018	2017
Weighted average fair value of options granted (per share)	$ 63.18	$ 50.77	$ 25.54
Total grant date fair value of options vested	$ 30	$ 38	$ 37
Aggregate intrinsic value of options exercised	$ 248	$ 188	$ 126
Share-based compensation expense for stock options and ESPP	$ 50	$ 56	$ 52
Total tax benefit for stock option and ESPP share-based compensation	$ 59	$ 56	$ 49
Cash received from option exercises	$ 197	$ 216	$ 153
	$ 58	$ 53	$ 46

Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	

At July 31, 2019, there was approximately $55 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 3.1 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Accumulated Other Comprehensive Loss

Comprehensive income consists of two elements, net income and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our consolidated balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt securities classified as available-for-sale and foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar.

The following table shows the components of accumulated other comprehensive loss, net of income taxes, in the stockholders' equity section of our consolidated balance sheets at the dates indicated.

	July 31,	
(In millions)	2019	2018
Unrealized gain (loss) on available-for-sale debt securities	$ 1	$ (2)
Foreign currency translation adjustments	(37)	(34)
Total accumulated other comprehensive loss	$ (36)	$ (36)

11. Benefit Plans

Non-Qualified Deferred Compensation Plan

Intuit's Non-Qualified Deferred Compensation Plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries and up to 75% of their bonuses. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We do not guarantee above-market interest on account balances. We may also make discretionary employer contributions to participant accounts in certain circumstances. The timing, amounts, and vesting schedules of employer contributions are at the sole discretion of the Compensation and Organizational Development Committee of our Board of Directors or its delegate. The benefits under this plan are unsecured and are general assets of Intuit. Participants are generally eligible to receive payment of their vested benefit at the end of their elected deferral period or after termination of their employment with Intuit for any reason or at a later date to comply with the restrictions of Section 409A of the Internal Revenue Code. Participants may elect to receive their payments in a lump sum or installments. Discretionary company contributions and the related earnings vest completely upon the participant's disability, death, or a change in control of Intuit. We made no employer contributions to the plan for any period presented.

We had liabilities related to this plan of $108 million at July 31, 2019 and $97 million at July 31, 2018. We have matched the plan liabilities with similar-performing assets, which are primarily investments in life insurance contracts. These assets are recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our consolidated balance sheets.

401(k) Plan

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 50% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of employee contributions, currently 125% up to six percent of salary, subject to Internal Revenue Service limitations. Matching contributions were $59 million for the twelve months ended July 31, 2019; $50 million for the twelve months ended July 31, 2018; and $49 million for the twelve months ended July 31, 2017.

12. 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 was granted final approval and the matter was dismissed with prejudice by the court on May 15, 2019. The terms of the settlement are not material to our consolidated financial statements.

Beginning in May 2019, various lawsuits were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these lawsuits are without merit. We intend to vigorously defend against the lawsuits and cooperate in the investigations.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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.

13. Segment Information

We have defined 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 serves 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 serves 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 serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

***Strategic Partner*:** This segment serves 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. Total international net revenue was less than 5% of consolidated total net revenue for the twelve months ended July 31, 2019, 2018 and 2017.

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. 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. See Note 5, *"Goodwill and Acquired Intangible Assets,"* for goodwill by reportable segment.

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

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
Net revenue:			
Small Business & Self-Employed	$ 3,533	$ 3,061	$ 2,574
Consumer	2,775	2,508	2,182
Strategic Partner	476	456	440
Total net revenue	$ 6,784	$ 6,025	$ 5,196
Operating income:			
Small Business & Self-Employed	$ 1,549	$ 1,326	$ 1,111
Consumer	1,742	1,587	1,376
Strategic Partner	318	284	266
Total segment operating income	3,609	3,197	2,753
Unallocated corporate items:			
Share-based compensation expense	(401)	(382)	(326)
Other common expenses	(1,328)	(1,234)	(995)
Amortization of acquired technology	(20)	(15)	(12)
Amortization of other acquired intangible assets	(6)	(6)	(2)
Total unallocated corporate items	(1,755)	(1,637)	(1,335)
Total operating income	$ 1,854	$ 1,560	$ 1,418

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

(In millions)	Twelve Months Ended July 31, 2019	2018	2017
Net revenue:			
QuickBooks Online Accounting	$ 980	$ 695	$ 448
Online Services	683	511	410
Total Online Ecosystem	1,663	1,206	858
QuickBooks Desktop Accounting	732	716	599
Desktop Services and Supplies	1,138	1,139	1,117
Total Desktop Ecosystem	1,870	1,855	1,716
Small Business & Self-Employed	3,533	3,061	2,574
Consumer	2,775	2,508	2,182
Strategic Partner	476	456	440
Total net revenue	$ 6,784	$ 6,025	$ 5,196

Revenue from our QuickBooks Desktop packaged software products was $167 million, $166 million, and $190 million for the twelve months ended July 31, 2019, 2018, and 2017, respectively. These amounts are included in the QuickBooks Desktop Accounting revenue presented in the table above.

14. Selected Quarterly Financial Data (Unaudited)

The following tables contain selected quarterly financial data for the twelve months ended July 31, 2019 and July 31, 2018.

	Fiscal 2019 Quarter Ended			
(In millions, except per share amounts)	October 31	January 31	April 30	July 31
Total net revenue	$ 1,016	$ 1,502	$ 3,272	$ 994
Cost of revenue	247	285	354	281
All other costs and expenses	779	984	1,134	866
Operating income (loss)	(10)	233	1,784	(153)
Net income (loss)	34	189	1,378	(44)
Basic net income (loss) per share	$ 0.13	$ 0.73	$ 5.30	$ (0.17)
Diluted net income (loss) per share	$ 0.13	$ 0.72	$ 5.22	$ (0.17)

	Fiscal 2018 Quarter Ended			
(In millions, except per share amounts)	October 31	January 31	April 30	July 31
Total net revenue	$ 910	$ 1,339	$ 2,912	$ 864
Cost of revenue	198	246	305	229
All other costs and expenses	747	899	1,006	835
Operating income (loss)	(35)	194	1,601	(200)
Net income (loss)	(2)	183	1,186	(38)
Basic net income (loss) per share	$ (0.01)	$ 0.72	$ 4.62	$ (0.15)
Diluted net income (loss) per share	$ (0.01)	$ 0.70	$ 4.53	$ (0.15)

INTUIT INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Beginning Balance	Additions Charged to Expense/ Revenue	Deductions	Ending Balance
Year ended July 31, 2019				
Allowance for doubtful accounts	$ 5	$ 59	$ (61)	$ 3
Reserve for returns and credits	17	190	(183)	24
Reserve for promotional discounts and rebates	10	92	(91)	11
Year ended July 31, 2018				
Allowance for doubtful accounts	$ 46	$ 58	$ (99)	$ 5
Reserve for returns and credits	14	167	(164)	17
Reserve for promotional discounts and rebates	19	99	(108)	10
Year ended July 31, 2017				
Allowance for doubtful accounts	$ 51	$ 44	$ (49)	$ 46
Reserve for returns and credits	14	160	(160)	14
Reserve for promotional discounts and rebates	14	113	(108)	19

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - 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 Annual Report on Form 10-K 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of July 31, 2019 based on the guidelines established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2019 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit and Risk Committee of Intuit's Board of Directors.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of July 31, 2019. Their report is included in Item 8 of this Annual Report on Form 10-K.

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.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information about our executive officers shown below, the information required by this Item 10 is incorporated by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission in connection with the solicitation of proxies for our 2020 Annual Meeting of Stockholders (the “2020 Proxy Statement”) under the sections entitled “Proposal No. 1 - Election of Directors – Our Board Nominees” and “Corporate Governance.”

We maintain a Code of Conduct and Ethics that applies to all employees, including all officers. We also maintain a Board of Directors Code of Ethics that applies to all members of our Board of Directors. Our Code of Conduct and Ethics and Board of Directors Code of Ethics incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. Our Code of Conduct and Ethics and Board of Directors Code of Ethics are published on our Investor Relations website at https://investors.intuit.com/Corporate-Governance/Conduct-Guidelines/default.aspx. We disclose amendments to certain provisions of our Code of Conduct and Ethics and Board of Directors Code of Ethics, or waivers of such provisions granted to executive officers and directors, on this website.

EXECUTIVE OFFICERS

The following table shows Intuit’s executive officers and their areas of responsibility as of July 31, 2019 . Their biographies follow the table.

Name	Age	Position
Sasan K. Goodarzi	51	President, Chief Executive Officer and Director
Brad D. Smith	55	Executive Chairman of the Board of Directors
Scott D. Cook	67	Chairman of the Executive Committee
Michelle M. Clatterbuck	51	Executive Vice President and Chief Financial Officer
J. Alexander Chriss	42	Executive Vice President and General Manager, Small Business & Self-Employed Group
Laura A. Fennell	58	Executive Vice President, Chief People & Places Officer
Gregory N. Johnson	51	Executive Vice President and General Manager, Consumer Group
Kerry J. McLean	55	Senior Vice President, General Counsel and Corporate Secretary
Mark J. Flournoy	53	Vice President, Corporate Controller and Chief Accounting Officer

Mr. Goodarzi has been President and Chief Executive Officer and a member of the Board of Directors since January 2019 and previously served as Executive Vice President and General Manager of Intuit’s Small Business Group since May 2016. He previously was Executive Vice President and General Manager of Intuit’s Consumer Tax Group from August 2015 through April 2016 and from August 2013 to July 2015 served as Senior Vice President and General Manager of the Consumer Tax Group. He served as Intuit’s Senior Vice President and Chief Information Officer from August 2011 to July 2013, having rejoined Intuit after serving as CEO of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, beginning in November 2010. During his previous tenure at Intuit from 2004 to 2010, Mr. Goodarzi led several business units including Intuit Financial Services and the professional tax division. Prior to joining Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as global president of the products group. He also held a number of senior leadership roles in the automation control division at Honeywell Inc. He serves on the board of Atlassian Corporation Plc. Mr. Goodarzi holds a Bachelor’s degree in Electrical Engineering from the University of Central Florida and a Master’s degree in Business Administration from the Kellogg School of Management at Northwestern University.

Mr. Smith has been an Intuit director since 2008, Chairman of the Board from January 2016 through December 2018, and Executive Chairman from January 2019. He served as President and CEO of the Company from January 2008 through December 2018. Mr. Smith joined Intuit in 2003 and has served as Senior Vice President and General Manager, Small Business Division from 2006 to 2007, Senior Vice President and General Manager, QuickBooks from 2005 to 2006, Senior Vice President and General Manager, Consumer Tax Group from 2004 to 2005 and as Vice President and General Manager of Intuit’s Accountant Central and Developer Network from 2003 to 2004. Before joining Intuit, Mr. Smith held the position of Senior Vice President of Marketing and Business Development of ADP, where he held several executive positions from 1996 to 2003. Mr. Smith served on the board of directors of Yahoo! Inc. from 2010 until 2012. Mr. Smith was elected to the board of directors of Nordstrom, Inc. in June 2013, where he is a member of the Compensation Committee and Corporate Governance and Nominating Committee and has served as Chairman of the Board since November 2018. Mr. Smith was also elected to the board of directors of SurveyMonkey in May 2017 and is a member of their Compensation Committee. Mr. Smith holds a

Bachelor’s degree in Business Administration from Marshall University and a Master’s degree in Management from Aquinas College.

Mr. Cook, a founder of Intuit, has been an Intuit director since March 1984 and is currently Chairman of the Executive Committee. He served as Intuit’s Chairman of the Board from February 1993 through July 1998. From April 1984 to April 1994, he served as Intuit’s President and Chief Executive Officer. Mr. Cook has served on the board of directors of The Procter & Gamble Company since 2000 where he chairs the Innovation & Technology Committee. Mr. Cook was also a director of eBay Inc. from 1998 to 2015. Mr. Cook holds a Bachelor of Arts degree in Economics and Mathematics from the University of Southern California and a Master’s degree in Business Administration from Harvard Business School.

Ms. Clatterbuck has been Executive Vice President and Chief Financial Officer since February 2018. She manages the financial strategy and operations across the company, including Treasury, Procurement, Investor Relations and Finance Operations. Ms. Clatterbuck served as acting finance leader for Intuit’s Small Business Group from June 2017 through January 2018, led finance for the Consumer Tax Group beginning in September 2012 and was promoted to Senior Vice President for that group in August 2016. Her earlier roles at Intuit include Vice President of finance for the Professional Tax business in 2006 and finance director in October 2004. Ms. Clatterbuck joined Intuit in March 2003 as a senior finance manager. Prior to Intuit, Ms. Clatterbuck held various financial management roles at General Electric. Before that, she was a financial litigation consultant at The Barrington Consulting Group. Ms. Clatterbuck holds a Bachelor’s degree in commerce with a concentration in finance from the University of Virginia.

Mr. Chriss has been Executive Vice President and General Manager of Intuit’s Small Business & Self-Employed Group since January 2019. He previously was Senior Vice President and Chief Product Officer of Intuit’s Small Business Group from January 2017 through December 2018 and Vice President of Intuit’s Self-Employed business from August 2013 through December 2016. Prior to that, Mr. Chriss held various other roles at Intuit since he joined in July 2004. Mr. Chriss holds a Bachelor’s degree in Economics from Tufts University.

Ms. Fennell has been Executive Vice President, Chief People & Places Officer since August 2018 and previously served as Executive Vice President, General Counsel and Corporate Secretary. She served as Senior Vice President, General Counsel and Corporate Secretary from February 2007. Ms. Fennell joined Intuit as Vice President, General Counsel and Corporate Secretary in April 2004. She leads the team responsible for acquiring, developing, mobilizing and rewarding the company's global workforce. Prior to joining Intuit, Ms. Fennell spent nearly eleven years at Sun Microsystems, Inc., most recently as Vice President of Corporate Legal Resources, as well as Acting General Counsel. Prior to joining Sun, she was an associate attorney at Wilson Sonsini, Goodrich & Rosati PC. Ms. Fennell sits on the board of directors of the Children’s Discovery Museum of San Jose. Ms. Fennell holds a Bachelor of Science degree in Business Administration from California State University, Chico and a Juris Doctor from Santa Clara University.

Mr. Johnson has been Executive Vice President and General Manager of Intuit's Consumer Group since August 2018. He joined Intuit in 2012 as Senior Vice President of marketing. Mr. Johnson leads an organization that offers a suite of consumer tax and financial products and services in the U.S. and Canada. He has more than 20 years’ experience in marketing, which spans across consumer packaged goods, retail, and international and emerging markets. Prior to joining Intuit, Mr. Johnson worked for various organizations, including Kraft Foods, SC Johnson, Kodak, Gillette, Best Buy, and the United States Air Force. Mr. Johnson holds a Bachelor of Science degree in Operations Research from the United States Air Force Academy.

Ms. McLean has been Senior Vice President, General Counsel and Corporate Secretary since August 2018, after having served as Vice President, Deputy General Counsel since August 2010. She joined Intuit in 2006 as Director, Deputy General Counsel. Ms. McLean leads Intuit’s legal, privacy and compliance teams. Prior to joining Intuit, Ms. McLean spent over six years at Wind River Systems, Inc., most recently as the Director of Legal. Prior to joining Wind River, she was an associate at Howard, Rice, Nemerovski, Canady, Falk & Rabkin PC (now Arnold & Porter Kaye Scholer LLP). Ms. McLean holds a Bachelor of Arts degree in International Relations from University of California, Davis and a Juris Doctor from University of California, Hastings College of Law.

Mr. Flournoy was appointed as Vice President and Chief Accounting Officer in February 2014. He joined Intuit in 2003 as director of general accounting and internal controls and was named Corporate Controller in 2012. From 1996 to 2003, Mr. Flournoy served as a corporate controller for various private and public companies in California. He began his career in public accounting at Ernst & Young, where he served from 1992 to 1996. Mr. Flournoy holds a Bachelor’s degree in Business Administration – Finance from the University of Southern California and a secondary Bachelor’s degree in Accounting from San Diego State University.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2020 Proxy Statement under the sections entitled “Corporate Governance – Compensation Committee Interlocks and Insider Participation,” “Director Compensation,” “Equity Compensation Plan Information,” and “Executive Compensation Tables.”

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference from the information contained in our 2020 Proxy Statement under the sections entitled “Stock Ownership Information” and “Executive Compensation Tables.”

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference from the information contained in our 2020 Proxy Statement under the sections entitled “Corporate Governance – Director Independence” and “Transactions with Related Persons.”

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICE

The information required by this Item 14 is incorporated by reference from the information contained in our 2020 Proxy Statement under the section entitled “Proposal No. 3 – Ratification of Selection of Independent Registered Public Accounting Firm.”

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PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements – See Index to Consolidated Financial Statements in Part II, Item 8.
2. Financial Statement Schedules – See Index to Consolidated Financial Statements in Part II, Item 8.
3. Exhibits – See Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

ITEM 16 - FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

			INTUIT INC.
Dated:	August 30, 2019	By:	/s/ MICHELLE M. CLATTERBUCK
			Michelle M. Clatterbuck Executive Vice President and Chief Financial Officer (Principal Financial Officer)

POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Sasan K. Goodarzi and Michelle M. Clatterbuck as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
Principal Executive Officer:		
/s/ SASAN K. GOODARZI Sasan K. Goodarzi	President, Chief Executive Officer and Director	August 30, 2019
Principal Financial Officer:		
/s/ MICHELLE M. CLATTERBUCK Michelle M. Clatterbuck	Executive Vice President and Chief Financial Officer	August 30, 2019
Principal Accounting Officer:		
/s/ MARK J. FLOURNOY Mark J. Flournoy	Vice President, Corporate Controller and Chief Accounting Officer	August 30, 2019
Additional Directors:		
/s/ EVE BURTON Eve Burton	Director	August 30, 2019
/s/ SCOTT D. COOK Scott D. Cook	Director	August 30, 2019
/s/ RICHARD DALZELL Richard Dalzell	Director	August 30, 2019
/s/ DEBORAH LIU Deborah Liu	Director	August 30, 2019
/s/ SUZANNE NORA JOHNSON Suzanne Nora Johnson	Director	August 30, 2019
/s/ DENNIS D. POWELL Dennis D. Powell	Director	August 30, 2019
/s/ BRAD D. SMITH Brad D. Smith	Chairman of the Board of Directors	August 30, 2019
/s/ THOMAS SZKUTAK Thomas Szkutak	Director	August 30, 2019
/s/ RAUL VAZQUEZ	Director	August 30, 2019

Raul Vazquez		
/s/ JEFF WEINER Jeff Weiner	Director	August 30, 2019

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
3.01	Restated Intuit Certificate of Incorporation, dated as of January 19, 2000		10-Q	6/14/2000
3.02	Bylaws of Intuit, as amended and restated effective May 5, 2016		8-K	5/9/2016
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
4.02	Description of Common Stock	X		
10.01+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 19, 2017		S-8 333-215639	1/20/2017
10.02+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.03+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through July 24, 2012		8-K	7/27/2012
10.04+	Forms of Equity Grant Agreements: Executive Chair and EVP Restricted Stock Unit, and CEO Restricted Stock Unit	X		
10.05+	Form of Executive Chair Restricted Stock Unit Agreement - service-based vesting		10-Q	2/22/2019
10.06+	Forms of Equity Grant Agreements: EVP-SVP TSR Performance-Based Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, EVP Time-Based Restricted Stock Unit, CEO Restricted Stock Unit, Stock Option - 4 year vest, Time-Based RSU - 4 year vest (focal), New Hire Time-Based Restricted Stock Unit - 4 year vest		10-K	8/31/2018
10.07+	Forms of Equity Grant Agreements: Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, CEO Restricted Stock Unit, Executive TSR Performance-Based Restricted Stock Unit, EVP Restricted Stock Unit, Restricted Stock Unit - MSPP Purchased, Restricted Stock Unit- MSPP Matching, Stock Option		10-K	9/1/2017
10.08+	Forms of Equity Grant Agreements: CEO Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, Executive Restricted Stock Unit, EVP/SVP TSR Performance-Based Restricted Stock Unit, Restricted Stock Unit, and Stock Option Agreement		10-K	9/1/2016
10.09+	Form of CEO Restricted Stock Unit Agreement - time-based vesting (deferred release)		10-K	9/1/2015
10.10+	Form of CEO Restricted Stock Unit Agreement - performance-based - Total Shareholder Return Goals (deferred release)		10-K	9/1/2015
10.11+	Form of Performance-Based Restricted Stock Unit Agreement (total shareholder return goals)		10-K	9/12/2014
10.12+	Form of Amended and Restated 2005 Equity Incentive Plan Non-Qualified Stock Option Grant Agreement: New Hire, Promotion, Retention or Focal Grant		10-K	9/13/2013
10.13+	Form of Restricted Stock Unit Agreement (service-based vesting)		10-K	9/13/2012

10.14+	Form of Restricted Stock Unit Agreement (executive vesting)	10-K	9/13/2012

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.15+	Form of Executive Promotion/New Hire Stock Option Agreement		10-K	9/12/2008
10.16+	Description of Non-Employee Director Compensation, approved October 31, 2018 and effective January 17, 2019		10-Q	11/20/2018
10.17+	Description of Non-Employee Director Compensation, approved October 19, 2017 and effective January 18, 2018		10-Q	11/20/2017
10.18+	Non-employee Director Compensation Program, effective January 21, 2016		10-Q	2/25/2016
10.19+	Forms of Non-employee Director Restricted Stock Unit Agreements		10-Q	11/20/2017
10.20+	Form of Director Restricted Stock Units Initial Grant Agreements		10-Q	3/1/2013
10.21+	Form of Director Restricted Stock Units Initial Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.22+	Form of Director Restricted Stock Units Succeeding Grant Agreement		10-Q	3/1/2013
10.23+	Form of Director Restricted Stock Units Succeeding Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.24+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013
10.25+	Fourth Amended and Restated Management Stock Purchase Program, updated as of October 30, 2018		10-Q	2/22/2019
10.26+	Third Amended and Restated Management Stock Purchase Program		10-Q	5/24/2016
10.27+	Second Amended and Restated Management Stock Purchase Program		10-Q	2/29/2012
10.28+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-K	9/13/2012
10.29+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-K	9/13/2012
10.30+	Form of Intuit Inc. Stock Option Assumption Agreement		S-8	8/5/2009
10.31+	Intuit Executive Relocation Policy		10-K	8/31/2018
10.32+	Intuit Inc. Non-qualified Deferred Compensation Plan, effective January 1, 2009		10-Q	11/20/2017
10.33+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.34+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.35+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2018		10-K	9/1/2017

10.36+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2017	10-K	9/1/2016
10.37+	Intuit Inc. Senior Executive Incentive Plan, effective August 1, 2018	10-K	8/31/2018

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.38+	Intuit Inc. Senior Executive Incentive Plan, generally effective October 27, 2015		10-Q	11/20/2017
10.39+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers		10-Q	2/23/2017
10.40+	Executive Chairman Compensation Terms, effective January 1, 2019	X		
10.41+	Amendment dated December 1, 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Brad D. Smith dated October 1, 2007		10-Q	12/4/2008
10.42+	Letter Regarding Terms of Employment by and between Intuit Inc. and Brad D. Smith, dated October 1, 2007		8-K	10/5/2007
10.43+	Letter regarding Terms of Employment by and between Intuit Inc. and Michelle Clatterbuck dated January 19, 2018		8-K	1/23/2018
10.44+	Letter Regarding Terms of Employment by and between Intuit Inc. and Sasan Goodarzi, dated November 15, 2018		10-Q	11/20/2018
10.45+	Employment offer letter between Intuit Inc. and Sasan Goodarzi dated June 24, 2011 and Employment memo dated July 23, 2013 to Sasan Goodarzi		10-K	9/13/2013
10.46+	Employment memo dated August 20, 2015 to Sasan Goodarzi		10-K	9/1/2015
10.47+	Employment Memo dated August 14, 2014 to Sasan Goodarzi		10-K	9/12/2014
10.48+	Letter regarding Terms of Employment by and between Intuit Inc. and Gregory N. Johnson dated August 1, 2018	X		
10.49+	Employment memo dated November 7, 2018 to J. Alexander Chriss dated November 7, 2018 and effective January 1, 2019.	X		
10.50	Amended and Restated Credit Agreement dated as of May 2, 2019 among Intuit Inc., the lenders party thereto, Bank of America, N.A., and JPMorgan Chase Bank, N.A., as co-administrative agents, and U.S. Bank National Association and MUFG Bank, LTD., as co-syndication agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., U.S. Bank National Association, and MUFG Bank, LTD., as joint lead arrangers and joint bookrunners	X		
10.51	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 31, 2018, between the Internal Revenue Service and Free File Inc.		10-Q	11/20/2018
10.52	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2005 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/5/2005
10.53	Free On-Line Electronic Tax Filing Agreement Amendment dated November 5, 2009 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/4/2009
10.54	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2014, between the Internal Revenue Service and Free File, Inc.		10-K	9/12/2014
10.55	Eighth Memorandum of Understanding on Service Standards and Disputes between the Internal Revenue Service and Free File Inc.		10-Q	11/20/2018

10.56#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003	10-K	9/19/2003

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.57	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007		10-K	9/14/2007
10.58#	Amendment 3 to Master Services Agreement between Intuit and Arvato Services, Inc., effective April 1, 2008		10-Q	5/30/2008
10.59#	Amendment 5 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 19, 2010		10-Q	12/6/2010
10.60	Amended and Restated Amendment Seven to the Master Service Agreement by and between Intuit and Arvato Digital Services effective September 1, 2013		10-Q	11/22/2013
10.61	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014		10-K	9/12/2014
10.62	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2475, 2500, 2525, 2535 and 2550 Garcia Avenue, Mountain View, CA		10-K	9/19/2003
10.63	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2650, 2675, 2700 and 2750 Coast Avenue and 2600 Casey Avenue, Mountain View, California		10-K	9/19/2003
10.64	Second Amendment to Lease Agreement Phase 1, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
10.65	Third Amendment to Lease Agreement Phase 2, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
21.01	List of Intuit's Subsidiaries	X		
23.01	Consent of Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	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

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X		

\+ Indicates a management contract or compensatory plan or arrangement.

\# We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 2018

OR

☐ 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

intuit2016rgb080317a03.jpg

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, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, $0.01 par value	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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 definition 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	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐
				(Do not check if a smaller reporting company)					

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. ☐

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2018, the last business day of our most recently completed second fiscal quarter, based on the closing price of $167.90 reported by the Nasdaq Global Select Market on that date, was $41 billion.

There were 258,671,620 shares of Intuit voting common stock outstanding as of August 24, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Stockholders to be held on January 17, 2019 are incorporated by reference in Part III of this Annual Report on Form 10-K.

INTUIT INC.
FISCAL 2018 FORM 10-K
INDEX

EX-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

EX-101.SCH XBRL Taxonomy Extension Schema

EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase

EX-101.LAB XBRL Taxonomy Extensions Label Linkbase

EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase

EX-101.DEF XBRL Taxonomy Extension Definition Linkbase

Intuit, the Intuit logo, QuickBooks, Lacerte, TurboTax, QB, ProSeries, ProConnect, and Mint, among others, are registered trademarks and/or registered service marks of Intuit Inc., or one of its subsidiaries, in the United States and other countries. Other parties' marks are the property of their respective owners.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Please also see the section entitled "*Risk Factors*" in Item 1A of this Report for important information to consider when evaluating these 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 be able to protect our customers' data and prevent third parties from using stolen customer information to perpetrate fraud in our tax and other offerings;
- 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 estimates regarding 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 our income tax valuation allowance is sufficient;
- 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 intent to permanently reinvest a significant portion of our earnings from foreign operations, and our belief that we will not need funds generated from foreign operations to fund our domestic operations;
- 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 plan to continue to provide ongoing enhancements and certain connected services for all future versions of our QuickBooks Desktop software products;
- 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 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 Annual Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

PART I

ITEM 1 - BUSINESS

CORPORATE BACKGROUND

General

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 global products and platforms include QuickBooks, TurboTax, Mint, and Turbo are designed to help customers run their small businesses, pay employees and send invoices, separate business and personal expenses, track their money, and file income taxes. Across our product offerings, we serve approximately 50 million customers. We had revenue of $6.0 billion in our fiscal year ended July 31, 2018, with approximately 8,900 employees in major offices in the United States, Canada, India, the United Kingdom, Israel, Australia, and other locations.

Intuit Inc. was incorporated in California in March 1984. We reincorporated in Delaware and completed our initial public offering in March 1993. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our main telephone number is 650-944-6000. Our corporate website, *www.intuit.com*, provides materials for investors and information relating to Intuit's corporate governance. The content on any website referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise. When we refer to "we," "our" or "Intuit" in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Available Information

We file reports required of public companies with the Securities and Exchange Commission (SEC). These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports. The public may read and copy the materials we file with or furnish to the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with or furnish to the SEC as soon as reasonably practicable after the reports are filed or furnished. Copies of this Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000.

BUSINESS OVERVIEW

Intuit's Mission

We are a global financial management and compliance platform company committed to powering prosperity around the world. Our customers include consumers, small businesses, and the self-employed. Working with a broad array of vital partners – accountants, developers, financial institutions, schools, governments and other platform companies, such as Apple and Google – we strive to deliver three benefits that matter most to our customers:

- Helping consumers save money, and enabling small businesses and the self-employed to grow and prosper.
- Turning drudgery into time for what matters most.
- Providing peace of mind when making financial or compliance decisions.

We build durable competitive advantage by delivering personalized experiences via our trusted open platform that builds connections between customers, partners and products, as described in our Growth Strategy below.

Our Business Portfolio

We organize our businesses into three reportable segments:

***Small Business & Self-Employed*:** This segment targets small businesses and the self-employed around the globe, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, 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, a connected, one-stop destination for customers to make their financial lives easier. 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.

We are well positioned to succeed in this evolving environment with our online service offerings. Our total service and other revenue was $4.5 billion, or 75 percent, of our total revenue in fiscal 2018.

Summary

As the external environment evolves, we adapt our strategy to meet these changes. Our commitment remains consistent and has been our success formula for more than 30 years: a focus on developing innovative financial and compliance products and services that are easy to use and are available where and when customers need them. As a result, our customers actively recommend our products and solutions to others, which is one important way that we measure the success of our strategy.

PRODUCTS AND SERVICES

During fiscal 2018 we offered our products and services in the three segments described in *"Business Overview"* above. The following table shows the classes of similar products or services that accounted for 5% or more of total net revenue within the last three fiscal years.

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Small Business & Self-Employed	50 %	49 %	47 %
Consumer	42 %	43 %	44 %
Strategic Partner	8 %	8 %	9 %

International total net revenue was less than 5% of consolidated total net revenue for fiscal 2018, fiscal 2017, and fiscal 2016.

For financial information about our reportable segments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 and Note 14 to the financial statements in Item 8 of this Annual Report.

Small Business & Self-Employed

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

QuickBooks Online Services and Desktop Software. Our easy-to-use QuickBooks financial management solutions help small businesses, the self-employed, and accounting professionals solve financial and compliance problems, make more money and reduce unnecessary work, while giving them complete confidence in their actions and decisions. Users can track income and expenses, create and send invoices and estimates, manage and pay bills, and review a variety of financial reports. Our QuickBooks offering is accessible online and via a desktop version.

QuickBooks is built on an open platform, allowing third-party developers to create online and mobile applications that integrate with our offering. A growing number of companies offer applications built for our QuickBooks platform, including PayPal, Shopify, Square, and Bill.com.

In addition to our core QuickBooks offering, we also offer specific solutions for the following customer segments:

- *Enterprise*. Our QuickBooks Enterprise and QuickBooks Advanced offerings are designed for larger small businesses that have outgrown our QuickBooks product. QuickBooks Enterprise is available as either a hosted or server-based solution. This offering provides industry-specific reports and features for a range of industries, including Contractor, Manufacturing and Wholesale, Nonprofit, and Retail. QuickBooks Advanced is an online enterprise solution.

- *Self-Employed*. QuickBooks Self-Employed is designed specifically for self-employed customers whose needs are different than small businesses that use QuickBooks. Features include categorizing business and personal transactions, identifying and classifying tax deductible expenses, tracking mileage, calculating estimated quarterly taxes and sending invoices. QuickBooks Self-Employed can be combined with TurboTax to export and pay year-end taxes. QuickBooks Self-Employed is available both online and via a mobile application.

- *Accountants*. QuickBooks Online Accountant and QuickBooks Accountant Desktop Plus are available to accounting professionals who use QuickBooks offerings and recommend them to their small business clients. These offerings provide the tools and file-sharing capabilities that accounting professionals need to efficiently complete bookkeeping and financial reporting tasks and to manage their practices. We also offer memberships to the QuickBooks ProAdvisor program, providing QuickBooks Online Accountant, QuickBooks Accountant Desktop Plus, QuickBooks Desktop Enterprise Accountant, QuickBooks Point of Sale Desktop, technical support, training, product certification, access to marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Payroll Solutions. We offer two levels of payroll solutions that are sold on a subscription basis and seamlessly integrate with our QuickBooks Online and QuickBooks Desktop offerings. Our basic payroll offering includes online payroll processing, direct deposit of employee paychecks, payroll reports, electronic payment of federal and state payroll taxes, and electronic filing of federal and state payroll tax forms. In addition, our full-service payroll offering provides comprehensive payroll services to QuickBooks customers who prefer not to perform payroll tasks themselves.

Payment Processing Solutions. Our full range of merchant services for small businesses includes credit card, debit card, electronic benefits, and gift card processing services; check verification, check guarantee, and electronic check conversion, including automated clearing house capabilities. We also provide web-based transaction processing services for online merchants. In addition to transaction processing services, our broad support for our clients includes customer service, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening. We also offer e-invoicing, which allows small businesses to email invoices directly from QuickBooks with a Pay Now link and enables customers to instantly pay online or from their mobile device.

Financial Supplies. We offer a range of financial supplies designed for individuals and small businesses that use our QuickBooks offerings. These include standard paper checks and Secure Plus checks with CheckLock fraud protection features; envelopes, invoices and deposit slips; and business identity products, such as business cards and stationery. We also offer tax forms, tax return presentation folders and other supplies for professional tax preparers.

Financing for Small Businesses. We offer financing options for small businesses to help them get the capital they need to succeed. The financing process provides small businesses the ability to use their QuickBooks data to qualify to borrow capital.

Consumer

Our TurboTax products and services are designed to enable individuals to prepare and file their own federal and state personal income tax returns quickly and accurately. They are designed to be easy to use, yet sophisticated enough for complex tax returns. Most of these offerings are available on both desktop and mobile devices.

Tax Return Preparation Offerings. For the 2017 tax season, we offered a range of software products and services that included TurboTax Basic, for simple returns; TurboTax Deluxe, for taxpayers who itemize deductions; TurboTax Premier, for taxpayers who own investments or rental property; and TurboTax Home and Business and TurboTax Self-Employed, for small business owners. We also offered TurboTax Free Edition for the simplest returns. We launched a new offering in the 2017 tax season, TurboTax Live, which provides live tax advice to customers. TurboTax AnswerXchange is an online forum where participants can learn from and share information with other users while preparing their income tax returns. For the 2017 tax season, our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online. Our TurboTax U.S. and Canada offerings consist of desktop, online, and mobile offerings.

Electronic Filing and Other Services. Our desktop, online, and mobile tax preparation customers can electronically file their federal and state income tax returns through our electronic filing center. For the 2017 tax season, TurboTax customers had the option to receive their income tax refunds on a prepaid debit card that we provided through a partner. We also offered audit defense, audit support, identity restoration services, and credit scores.

Intuit Tax Freedom Project. Under the Intuit Tax Freedom Project, we provide online federal and state income tax return preparation and electronic filing services at no charge to eligible taxpayers. For the 2017 tax season, we provided approximately 1.2 million free federal returns under this initiative. We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government to provide free online federal tax preparation and filing services to eligible taxpayers. See also *"Competition – Consumer Segment"* later in this Item 1 for more information on the Free File Alliance.

Other Consumer Offerings. 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

Our Strategic Partner segment includes our professional tax offerings and 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 consist of Lacerte, ProSeries, and ProConnect Tax Online and enable accountants to accurately and efficiently complete and electronically file a full range of consumer, small business, and commercial federal and state tax returns with both desktop and online offerings. Lacerte is designed for full-service year-round accounting firms who handle more complex returns. ProSeries is designed for year-round tax practices handling moderately complex tax returns. ProConnect Tax Online is our cloud-based solution, which is designed for full-service year-round practices who prepare all forms of consumer and small business returns and integrates with our QuickBooks Online offerings. ProFile is our Canadian tax offering, which serves year-round full-service accounting firms for both consumer and business tax returns. We also offer a variety of tax-related services that complement the tax return preparation process including year-round document storage and access, collaboration services, e-signature, and bank products.

PRODUCT DEVELOPMENT

Since the markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements, a continuous high level of investment is required to innovate and quickly develop new products and services as well as enhance existing offerings. Our product development efforts are becoming more important than ever as we pursue our growth strategy.

We develop many of our products and services internally, and we have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We also supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships that enable us to enhance or expand our offerings more rapidly. We expect to expand our third-party technology relationships as we continue to pursue our growth strategy.

While our traditional desktop software products – QuickBooks, TurboTax, Lacerte, and ProSeries – tend to have predictable annual development and product release cycles, as we move to more online offerings and mobile applications, the development cycles are becoming more rapid. In addition, developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate federal and state tax law and tax form changes within a rigid timetable. The development timing for our small business payroll and merchant payment processing services offerings varies with business needs and regulatory requirements, and the length of the development cycle depends on the scope and complexity of each project.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services with financial recommendations, personalization, and ease of use enabled by artificial intelligence and machine learning. We continue to focus on developing new products and services, including new mobile and global offerings, and significant research and development efforts on ongoing projects to update the technology platforms for several of our offerings. Our research and development expenses were $1.2 billion or 20% of total net revenue in fiscal 2018; $998 million or 19% of total net revenue in fiscal 2017; and $881 million or 19% of total net revenue in fiscal 2016.

SEASONALITY

Our Consumer offerings have significant seasonal patterns. As a result, during each of the last three fiscal years the total consolidated revenue for our third quarter ended April 30 has represented nearly half of our annual total consolidated revenue for those years. We expect the seasonality of our Consumer business to continue to have a significant impact on our quarterly financial results in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary target customers are consumers, small businesses, and the self-employed. We also provide specialized tax products to accounting professionals, who are key partners to help us reach small business customers. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past several years, the widespread usage of mobile devices and the explosion of social media have accelerated the pace of change and revolutionized the way that customers learn about, evaluate, and purchase products and services.

Real-time, personalized online and mobile shopping experiences are the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This has created a need for integrated, multi-channel, shop-and-buy experiences. Market and industry changes quickly make existing products and services obsolete. Our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods, and other changes in the way we do business.

Marketing Programs

We use a variety of marketing programs to generate direct sales, develop leads, increase general awareness of our product portfolio, and drive sales in retail. These programs include digital marketing such as display and pay-per-click advertising, search engine optimization, and social and affiliate marketing; mobile marketing through online app stores; email marketing; offline marketing such as TV, radio, billboard, magazine and newspaper advertising; retail marketing; public relations; and in product marketing to drive awareness of related products and services. Our campaigns are designed to attract new users, retain existing users, and cross sell additional offerings.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our customers use the web and mobile devices to research products and services. Some customers buy and use our products and services entirely online or through their mobile devices. Others research online but make their purchase at a retail location. Because many customers shop across multiple channels, we continue to coordinate our online, offline, and retail presence and promotions to support an integrated, multi-channel, shop-and-buy model.

Direct Sales Channel. We sell many of our products and services directly through our websites and call centers. Direct, online sales are an effective channel for customers who can make purchase decisions based on content provided on our websites, via other online content or word of mouth recommendations. Telesales continues to be an effective channel for serving customers that want live help to select the products and services that are right for their needs. We also have a direct sales force that calls on U.S. and international accounting firms and seeks to increase their awareness, usage, and recommendation of our small business and professional tax solutions.

Retail Channel. We sell our QuickBooks and TurboTax desktop software as well as payroll services and merchant credit card payment processing services at retail locations across the United States and on retailer websites. We sell these products and services directly and through distributors to office supply superstores, warehouse clubs, consumer electronics retailers, general mass merchandisers, online retailers, and catalogs. In Canada, we also rely on distributors and other third parties who sell products into the retail channel. The retail channel provides broad customer reach through retailer-sponsored advertising and exposure to retail foot and online traffic. This channel also gives us the opportunity to communicate our products, services, and messages through multiple touch points and allows us to serve our customers at relatively modest cost.

Mobile Application Stores. We distribute many of our offerings for mobile devices through proprietary online stores that provide applications for specific devices. These include the Apple App Store, which provides apps for the Apple iPhone and iPad, and Google's Play Store, which provides apps for Android-compatible smartphones and tablets.

Other Channels. We sell our consumer and small business products and services through selected alliance partners and accountants that help us reach new customers at the point of need and drive growth and market share by extending our online reach. Solution providers combine our products and services with value-added marketing, sales, and technical expertise to deliver a complete solution at the local level. As we expand our mobile and global offerings, we expect that strategic partnerships will become increasingly important to our business.

COMPETITION

Overview

We face intense competition in all of our businesses, both domestically and internationally. Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. Some of our existing competitors have significantly greater financial, technical, and marketing resources than we do. In addition, the competitive landscape can shift rapidly as new companies enter markets in which we compete. This is particularly true for online and mobile products and services, where the barriers to entry are lower than they are for desktop software products and services. To attract customers, many online and mobile competitors are offering free or low-priced products which we must take into account in our pricing strategies.

Our most obvious competition comes from other companies that offer technology solutions similar to ours. However, for many of our products and services, other important competitive alternatives for customers are third-party service providers such as professional accountants and seasonal assisted tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives.

Competition Specific to Segments

Small Business & Self-Employed Segment. QuickBooks is the leading small business financial management software in the U.S. Our small business desktop products and services face competitive challenges from companies such as The Sage Group plc, which offers software and associated services that directly target small business customers. Our small business online products and services face competition from online accounting offerings from companies such as Xero and FreshBooks, free or low-cost online accounting offerings, and free online banking and bill payment services offered by financial institutions and others. In our payroll business we compete directly with Automatic Data Processing, Inc. (ADP), Paychex, Gusto, and many other companies with payroll offerings, including online payroll offerings. In our merchant services business we compete directly with large financial institutions such as Wells Fargo, JP Morgan Chase, and Bank of America and with many payment processors, including First Data Corporation, Elavon, Global Payments, Fidelity National Information Services, PayPal, and Square.

Consumer Segment. In our Consumer segment, our future growth depends on our ability to attract new customers to the self-preparation tax category or to our new assisted offering, TurboTax Live, from tax stores and other tax preparers. In the U.S. private sector we face intense competition from H&R Block, which provides tax preparation services in its stores and a competing software offering. We also face competition from several other large tax preparation service providers, from a myriad of small tax preparers, and from numerous online self-preparation offerings, including Blucora's TaxAct and Credit Karma. Some of these competitors are offering electronic tax preparation and filing services at no cost to individual taxpayers. In Canada, our TurboTax Canada offerings face competition from H&R Block, SimpleTax, StudioTax, and UFile. These competing offerings subject us to significant price pressure in both the U.S. and Canada.

We also face competitive challenges from government entities that offer publicly funded electronic tax preparation and filing services with no fees to individual taxpayers. We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government. Under this agreement, the member companies provide online federal tax preparation and filing services to eligible users at no cost to the government or individual users, and the federal government has agreed not to provide a duplicative or competing service. Approximately 23 states have also adopted Free File Alliance public-private agreements while approximately 19 other states offer some form of direct government tax preparation and filing services with no fees to qualified taxpayers. We continue to actively work with others in the private and public sectors to advance the goals of the Free File Alliance policy initiative and to support successful public-private partnerships that reinforce the voluntary compliance tax system. However, future administrative, regulatory, or legislative activity in this area could seek to replace the voluntary compliance tax system with return preparation by government agencies which could harm our Consumer business.

Strategic Partner Segment. In the U.S., Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. These include CCH's ProSystems fx Office Suite and Thomson Reuters' CS Professional Suite and GoSystems Tax. Our ProSeries professional tax offerings face competition from CCH's ATX and TaxWise offerings, Drake, and other smaller providers. In Canada, our ProFile professional tax offerings face competition from CCH's Cantax and Taxprep offerings, TaxCycle, and Thomson Reuters' DTMax and UFile Pro offerings. We also face growing competition from online tax and accounting offerings in the U.S. and Canada, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Competitive Factors

We believe the most important competitive factors for our core offerings – QuickBooks, TurboTax, Lacerte, and ProSeries – are ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, reliability, security, and product and support quality. Access to distribution channels is also important for our QuickBooks and TurboTax desktop software products. In addition, support from accounting professionals and the ability for customers to upgrade within product families as their businesses grow are significant competitive factors for our QuickBooks products. Productivity is an important competitive factor for the full-service accounting firms to which we market our Lacerte software products. We believe we compete effectively on these factors as our QuickBooks and TurboTax products are the leading products in the U.S. for their respective categories.

For our service offerings such as small business payroll and merchant payment processing, we believe the most important competitive factors are functionality, ease of use, high availability, security, the integration of these products with related software, brand name recognition, effective distribution, quality of support, and cost.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

We provide customer service and technical support by telephone, e-mail, online and video chat, text messaging, online communities, and our customer service and technical support websites. We have full-time and outsourced customer service and technical support staffs. We supplement these staffs with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced small business customer service and technical support personnel are currently located in India and the Philippines.

We offer free self-help information through our technical support websites for our QuickBooks, TurboTax and professional tax offerings. Customers can also use our websites to find answers to commonly asked questions and check on the status of orders. Under certain paid support plans, customers can also use our websites to receive product updates electronically. Support alternatives and fees vary by product. We sponsor online user communities such as Intuit Community for small businesses and accounting professionals, and TurboTax AnswerXchange, where consumers can share knowledge and product advice with each other. We also offer live tax advice from U.S.-based tax professionals to TurboTax Live users.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Our online offerings include QuickBooks Online, online payroll services, merchant payment processing services, TurboTax Online, ProConnect Tax Online, consumer and professional electronic tax filing services, Mint, and Turbo. We continue to execute on a multi-year plan to transition the systems, networks and databases required to operate these online offerings to Amazon Web Services (AWS). Currently, several of our core online offerings are using AWS. The remaining online offerings are housed in data centers located in geographically diverse locations. As our businesses continue to move toward delivering personalized experiences, trusted open platforms and indispensable connections, we expect that our infrastructure will become even more critical to our business in the future.

Desktop Software and Supplies

Although an increasing proportion of our desktop software customers choose to electronically download software, many customers continue to choose to purchase these products in the form of physical media. The key processes in manufacturing desktop software are manufacturing compact discs (CDs) and digital video discs (DVDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing, we have an agreement with Arvato Digital Services, Inc. (Arvato), a division of Bertelsmann AG, under which Arvato provides a majority of the manufacturing volume for our launches of QuickBooks and TurboTax, as well as for day-to-day replenishment after product launches. Arvato has operations in multiple locations that can provide redundancy if necessary.

For retail distribution, we have an agreement with Arvato under which Arvato handles all logistics services. Our retail product launches are operationally complex. Our model for product delivery for retail launches and replenishment is a hybrid of direct to store deliveries and shipments to central warehouse locations. This allows improved inventory management by our retailers. We also ship products for many of our smaller retail customers through distributors.

Arvato also provides most of the manufacturing volume and distribution services for our direct desktop software orders. We have an exclusive agreement with Harland Clarke, a division of M&F Worldwide Corporation, to fulfill orders for all of our printed checks and most other products for our financial supplies business.

We have multiple sources for all of our raw materials and availability has historically not been a significant problem for us. We continue to see consolidation among CD/DVD suppliers and reduced demand overall for this media type. As a result, we believe CD/DVD media may become more difficult and more costly to obtain in the near future.

Customers typically receive desktop software electronically. However, when physical product is ordered, we typically ship the physical product within a few days of receiving an order and backlog is minimal.

PRIVACY AND SECURITY OF CUSTOMER AND EMPLOYEE INFORMATION AND TRANSACTIONS

We are stewards of our customers' data and have designed data stewardship principles to align our organization in collecting, using and protecting such information. As we believe strongly in being good stewards of our customers' data, we operate our program to comply with laws and regulations that regulate our use and protection of customers' personal information, including, for example, laws with respect to financial services and the handling of tax data. We have established guidelines and practices to help ensure that customers and employees are aware of, and can control, how we use information about them. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or shape industry best practices, and to inform public policy for privacy and security.

We use security safeguards to help protect the systems and the information customers and employees give to us from loss, misuse and unauthorized alteration. We use technical, logical and procedural measures, such as multi-factor authentication, which are designed to help detect and prevent fraud and misuse of customer information. Whenever customers transmit sensitive information to us, such as credit card information or tax return data, through one of our websites or products, we follow current industry standards to encrypt the data as it is transmitted to us, and when we store it at rest. We routinely patch our systems with security updates and we work to protect our systems from unauthorized internal or external access using numerous commercially available computer security products as well as internally developed security procedures and practices.

GOVERNMENT REGULATION

Our Consumer and Strategic Partner segments are subject to federal and state government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. In addition, our Small Business & Self-Employed segment offers products and services to small businesses and consumers, such as payroll, payments, and financing, which are also subject to certain regulatory requirements.

INTELLECTUAL PROPERTY

Our success depends on the proprietary technology embodied in our offerings. We protect this proprietary technology by relying on a variety of intellectual property mechanisms, including copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. For example, we regularly file applications for patents, copyrights and trademarks and service marks in order to protect intellectual property that we believe is important to our business. We hold a growing patent portfolio that we believe is important to Intuit's overall competitive advantage, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. We also have a number of registered trademarks that include Intuit, QuickBooks, Lacerte, TurboTax, QB, ProSeries, ProConnect, and Mint. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also license intellectual property from third parties for use in our products.

Although our portfolio of patents is growing, the patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. In addition, third parties have asserted and may, in the future, assert infringement claims against us and our customers. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third-party licenses may not continue to be available to us on commercially acceptable terms, or at all.

EMPLOYEES

As of July 31, 2018, we had approximately 8,900 full-time employees in major offices in the United States, Canada, India, the United Kingdom, Israel, Australia and other locations. We also employ a significant number of seasonal and contract employees during the second and third quarters of our fiscal years to support our Consumer segment customers. For example, at the peak of the 2017 tax season, we employed approximately 2,400 seasonal employees. We believe our future success and growth will depend on our ability to attract and retain qualified employees in all areas of our business. We do not currently have any collective bargaining agreements with our employees, and we believe employee relations are generally good. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. We believe we offer competitive compensation and a good working environment. We were named one of *Fortune* magazine's "100 Best Companies to Work For" in each of the last seventeen years. However, we face intense competition for qualified employees, and we expect to face continuing challenges in recruiting and retention.

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 2020. 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 3, “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 Tax Cuts and Jobs Act (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 statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At July 31, 2018, we had $1.6 billion in goodwill and $61 million in net acquired intangible assets on our 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 $438 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 July 31, 2018, $438 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.

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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.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal locations, their purposes, and the expiration dates for the leases on facilities at those locations as of July 31, 2018 are shown in the table below. We have renewal options on many of our leases.

Location	Purpose	Approximate Square Feet	Principal Lease Expiration Dates
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	487,000	2024 - 2026
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	225,000	Owned
San Diego, California	Principal offices for Consumer segment	466,000	Owned
Bangalore, India	Principal offices for Intuit India	427,000	2020 - 2022
Woodland Hills, California	Principal offices for Small Business & Self-Employed payment solutions business	221,000	2018 - 2021
Menlo Park, California	Subleased office space	210,000	2025
San Francisco, California	General office space	202,000	2025
Plano, Texas	Principal offices for Strategic Partner segment and data center	166,000	2026

We also lease or own facilities in a number of smaller domestic locations and lease facilities internationally in Canada, the United Kingdom, Singapore, Australia, Israel, and several other locations. We believe our facilities are suitable and adequate for our current and near-term needs, and that we will be able to locate additional facilities as needed. See Note 9 to the financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3 - LEGAL PROCEEDINGS

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, which is subject to preliminary and final approval by the court. On August 23, 2018, the parties filed a motion for preliminary approval of the settlement. A preliminary approval hearing is scheduled to be heard on October 4, 2018. The terms of the proposed 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.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Intuit's common stock is quoted on the Nasdaq Global Select Market under the symbol "INTU." The following table shows the range of high and low sale prices reported on the Nasdaq Global Select Market for the periods indicated. The closing price of Intuit's common stock on August 24, 2018 was $216.63.

	High	Low
Fiscal year ended July 31, 2017		
First quarter	$114.06	$106.34
Second quarter	120.55	103.22
Third quarter	128.45	111.90
Fourth quarter	143.81	124.22
Fiscal year ended July 31, 2018		
First quarter	$153.86	$133.60
Second quarter	170.59	150.55
Third quarter	188.56	150.43
Fourth quarter	219.46	183.02

Stockholders

As of August 24, 2018 we had approximately 440 record holders and approximately 228,000 beneficial holders of our common stock.

Dividends

We declared and paid quarterly cash dividends that totaled $1.56 per share of outstanding common stock or $407 million during fiscal 2018; $1.36 per share of outstanding common stock or $353 million during fiscal 2017; and $1.20 per share of outstanding common stock or $318 million during fiscal 2016. In August 2018 our Board of Directors declared a quarterly cash dividend of $0.47 per share of outstanding common stock payable on October 18, 2018 to stockholders of record at the close of business on October 10, 2018. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; 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.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 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
May 1, 2018 through May 31, 2018	—	$—	—	$1,249,190,341
June 1, 2018 through June 30, 2018	—	$—	—	$1,249,190,341
July 1, 2018 through July 31, 2018	—	$—	—	$1,249,190,341
Total	—	$—	—	

Note: On August 19, 2016 we announced a plan under which we are authorized to repurchase up to $2 billion of our common stock. At July 31, 2018, authorization from our Board of Directors to expend up to $1.2 billion remained available under that plan. 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, bringing the total authorization to $3.2 billion.

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Company Stock Price Performance

The graph below compares the cumulative total stockholder return on Intuit common stock for the last five full fiscal years with the cumulative total returns on the S&P 500 Index and the Morgan Stanley Technology Index for the same period. The graph assumes that $100 was invested in Intuit common stock and in each of the other indices on July 31, 2013 and that all dividends were reinvested. The comparisons in the graph below are based on historical data – with Intuit common stock prices based on the closing price on the dates indicated – and are not intended to forecast the possible future performance of Intuit's common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Intuit Inc., the S&P 500 Index,
and Morgan Stanley Technology Index

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*$100 invested on 7/31/13 in stock or index, including reinvestments of dividends.
Fiscal year ending July 31.

	July 31, 2013	July 31, 2014	July 31, 2015	July 31, 2016	July 31, 2017	July 31, 2018
Intuit Inc.	**$ 100.00**	**$ 129.56**	**$ 168.99**	**$ 179.46**	**$ 224.43**	**$ 337.16**
S&P 500	**$ 100.00**	**$ 116.94**	**$ 130.05**	**$ 137.35**	**$ 159.38**	**$ 185.26**
Morgan Stanley Technology Index	**$ 100.00**	**$ 128.42**	**$ 144.43**	**$ 161.79**	**$ 206.73**	**$ 272.62**

ITEM 6 - SELECTED FINANCIAL DATA

The following tables show Intuit's selected financial information for the past five fiscal years. The comparability of the information is affected by a variety of factors, including acquisitions and divestitures of businesses, issuance and repayment of debt, share-based compensation expense, amortization of acquired technology and other acquired intangible assets, repurchases of common stock under our stock repurchase programs, and the payment of cash dividends.

In fiscal 2014, fiscal 2015, and fiscal 2018 we acquired several companies and we have included the results of operations for each of them in our consolidated results of operations from their respective dates of acquisition.

In fiscal 2014 we completed the sales of our Intuit Financial Services and Intuit Health businesses. In fiscal 2016 we completed the sales of our Demandforce, QuickBase, and Quicken businesses. We accounted for all of these businesses as discontinued operations and have therefore reclassified our statements of operations for all periods presented below to reflect them as such. We have also reclassified our balance sheets for all periods presented below to reflect Intuit Financial Services, Demandforce, QuickBase, and Quicken as discontinued operations. The net assets of Intuit Health were not significant, so we have not reclassified our balance sheets for any period presented below to reflect them as discontinued operations.

To better understand the information in these tables, investors should read *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Item 7 of this Annual Report, and the financial statements and related notes in Item 8 of this Annual Report, especially Note 7, *"Discontinued Operations."*

Consolidated Statement of Operations Data	**Fiscal**				
(In millions, except per share amounts)	**2018**	**2017**	**2016**	**2015**	**2014**
Total net revenue	$ 5,964	$ 5,177	$ 4,694	$ 4,192	$ 4,243
Total costs and expenses	4,467	3,782	3,452	3,454	2,943
Operating income from continuing operations	1,497	1,395	1,242	738	1,300
Total share-based compensation expense included in total costs and expenses	382	326	278	242	186
Net income from continuing operations	1,211	971	806	413	853
Net income (loss) from discontinued operations	—	—	173	(48)	54
Net income	1,211	971	979	365	907
Net income per common share:					
Basic net income per share from continuing operations	$ 4.72	$ 3.78	$ 3.08	$ 1.47	$ 2.99
Basic net income (loss) per share from discontinued operations	—	—	0.65	(0.17)	0.19
Basic net income per share	$ 4.72	$ 3.78	$ 3.73	$ 1.30	$ 3.18
Diluted net income per share from continuing operations	$ 4.64	$ 3.72	$ 3.04	$ 1.45	$ 2.94
Diluted net income (loss) per share from discontinued operations	—	—	0.65	(0.17)	0.18
Diluted net income per share	$ 4.64	$ 3.72	$ 3.69	$ 1.28	$ 3.12
Dividends declared per common share	$ 1.56	$ 1.36	$ 1.20	$ 1.00	$ 0.76

Consolidated Balance Sheet Data	At July 31,				
(In millions)	**2018**	**2017**	**2016**	**2015**	**2014**
Cash, cash equivalents and investments	$ 1,716	$ 777	$ 1,080	$ 1,697	$ 1,914
Long-term investments	13	31	28	27	31
Working capital (deficit)	288	(529)	(637)	816	1,200
Total assets	5,178	4,068	4,250	4,968	5,201
Short-term debt	50	50	512	—	—
Long-term debt	388	438	488	500	499
Other long-term obligations	123	130	146	172	166
Total stockholders' equity	2,354	1,354	1,161	2,332	3,078

ITEM 7 - 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:*** Policies and estimates 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 statements of cash flows, changes in our 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 Item 8 of this Annual Report. 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.

In August 2017, we aligned our segment reporting for fiscal 2018 with our core customers and business partners. The Consumer Ecosystem offering moved from the Small Business segment into the Consumer Tax segment. The company also renamed the Small Business, Consumer Tax, and ProConnect segments as the Small Business & Self-Employed, Consumer, and Strategic Partner segments, respectively. The Strategic Partner segment will continue to manage our professional tax offerings. We have reclassified certain amounts related to our reportable segments previously reported in our financial statements to conform to the current presentation. See Note 14 to the financial statements in Item 8 of this Annual Report for more information.

In fiscal 2016 we completed the sales of our Demandforce, QuickBase, and Quicken businesses. We have reclassified our statements of operations for fiscal 2016 to reflect all of these businesses as discontinued operations. Because the cash flows of these discontinued operations were not material , we have not segregated them on our statements of cash flows. See "Results of Operations – Non-Operating Income and Expense – Discontinued *Operations"* later in this Item 7 for more information. Unless otherwise noted, the following discussion pertains to our continuing operations.

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 for fiscal 2018 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 Annual Report on Form 10-K.

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 offerings have significant seasonal patterns. As a result, during each of the last three fiscal years the total consolidated revenue for our third quarter ended April 30 has represented nearly half of our annual total consolidated revenue for those years. We expect the seasonality of our Consumer business to continue to have a significant impact on our quarterly financial results in the future.

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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 I of this 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 $4.5 billion or 75% 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 fiscal 2018 include the following:

Revenue of **$6.0 B** up 15% from fiscal 2017	Small Business & Self-Employed revenue of **$3.0 B** up 18% from fiscal 2017	Consumer revenue of **$2.5 B** up 14% from fiscal 2017
Operating income of **$1.5 B** up 7% from fiscal 2017	Net income of **$1.2 B** up 25% from fiscal 2017	Diluted net income per share of **$4.64** up 25% from fiscal 2017

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we are required to 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 balance sheet. We believe that the estimates, assumptions, and judgments involved in the following accounting policies have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies:

- Revenue Recognition
- Business Combinations
- Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets – Impairment Assessments
- Accounting for Share-Based Compensation Plans
- Legal Contingencies
- Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

Our senior management has reviewed the development and selection of these critical accounting policies and their disclosure in this Annual Report on Form 10-K with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, packaged software products, financial supplies, technical support plans, transaction fees, merchant services hardware, and multiple element arrangements that may include a combination of these items. We follow the appropriate revenue recognition rules for each type of revenue. For additional information, see *"Revenue Recognition"* in Note 1 to the financial statements in Item 8 of this Annual Report. We generally recognize revenue when persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable and collectibility is probable. However, determining whether and when some of these criteria have been satisfied often involves exercising judgment and using estimates that can have a significant impact on the timing and amount of revenue we report. For example, for multiple element arrangements containing only software and software-related elements, we must exercise judgment and use estimates in order to (1) allocate the total price among the various elements we must deliver; (2) determine whether undelivered services are essential to the functionality of the delivered products and services; (3) determine whether vendor-specific evidence of fair value exists for each undelivered element; and (4) determine whether and when each element has been delivered. For multiple element arrangements containing non-software elements, we must exercise judgment and use estimates in order to (1) determine whether and when each element has been delivered; (2) determine the fair value of each element using the selling price hierarchy of vendor-specific evidence of fair value (VSOE) if available, third-party evidence (TPE) if VSOE is not available, and estimated selling price (ESP) if neither VSOE nor TPE is available; and (3) allocate the total price among the various elements based on the relative selling price method. If we were to change any of these judgments or estimates, it could cause a material increase or decrease in the amount of revenue that we report in a particular period. Amounts for fees collected or invoiced and due relating to arrangements where revenue cannot be recognized are reflected on our balance sheet as deferred revenue and recognized when the applicable revenue recognition criteria are satisfied.

Business Combinations

As described in *"Description of Business and Summary of Significant Accounting Policies – Business Combinations,"* in Note 1 to the financial statements in Item 8 of this Annual Report, under the acquisition method of accounting we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to exercise judgment and make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. This method also requires us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could materially decrease our operating income and net income and result in lower asset values on our balance sheet.

Significant estimates and assumptions that we must make in estimating the fair value of acquired technology, customer lists, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets – Impairment Assessments

We estimate the fair value of acquired intangible assets and other long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of goodwill and other intangible assets that have indefinite useful lives annually in our fourth fiscal quarter or whenever indicators of impairment arise. The timing of the annual test may result in charges to our statement of operations in our fourth fiscal quarter that could not have been reasonably foreseen in prior periods.

As described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, in order to estimate the fair value of goodwill we use a weighted combination of a discounted cash flow model (known as the income approach) and comparisons to publicly traded companies engaged in similar businesses (known as the market approach). The income approach requires us to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. We evaluate cash flows at the reporting unit level. Although the assumptions we use in our discounted cash flow model are consistent with the assumptions we use to generate our internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from each reporting unit and the relative risk of achieving those cash flows. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, operating income, and earnings for these companies to reflect their relative similarity to our own businesses. We had a total of $1.6 billion in goodwill on our balance sheet at July 31, 2018. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of goodwill by reportable segment.

We estimate the recoverability of acquired intangible assets and other long-lived assets that have finite useful lives by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. In order to estimate the fair value of those assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our discounted cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of acquired intangible assets and other long-lived assets that have finite lives. We had a total of $61 million in net acquired intangible assets on our balance sheet at July 31, 2018.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units, we may be required to record future impairment charges for goodwill and acquired intangible assets. Impairment charges could materially decrease our future net income and result in lower asset values on our balance sheet.

During the fourth quarters of fiscal 2018, fiscal 2017, and fiscal 2016 we performed our annual goodwill impairment tests. Using the methodology described in *"Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,"* in Note 1 to the financial statements in Item 8 of this Annual Report, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired. In addition, during this analysis we concluded that the estimated fair values of all of our reporting units substantially exceeded their carrying values.

Accounting for Share-Based Compensation Plans

At July 31, 2018, there was $882 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all equity compensation plans which we will amortize to expense in the future. We expect to recognize that cost over a weighted average vesting period of 2.7 years.

We use a lattice binomial model and the assumptions described in Note 11 to the financial statements in Item 8 of this Annual Report to estimate the fair value of stock options granted. We estimate the expected term of options granted based on implied exercise patterns using a binomial model. We estimate the volatility of our common stock at the date of grant based on the implied volatility of publicly traded one-year and two-year options on our common stock. Our decision to use implied volatility is based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms. We use an annualized expected dividend yield in our option valuation model. We adjust share-based compensation expense for actual forfeitures as they occur. Prior to our adoption of ASU 2016-09 in the first quarter of fiscal 2017, we estimated forfeitures at the time of grant and revised those estimates in subsequent periods if actual forfeitures differed from those estimates. We amortize the fair value of options on a straight-line basis over the requisite

service periods of the awards, which are generally the vesting periods. We may elect to use different assumptions under our option valuation model in the future, which could materially affect our net income or loss and net income or loss per share.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends. See Note 11 to the financial statements in Item 8 of this Annual Report for more information.

Legal Contingencies

We are subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote as well as in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on our financial position and results of operations.

Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the United States Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our statement of operations.

At July 31, 2018, we had net deferred tax assets of $80 million which included a valuation allowance of $93 million for loss and tax credit carryforwards related to state research and experimentation tax credits, foreign losses, and state operating and capital losses. We recorded the valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. While we believe our current valuation allowance is sufficient, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

The Tax Cuts and Jobs Act significantly changes existing U.S. tax law and includes numerous provisions that affect our business. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

RESULTS OF OPERATIONS

Financial Overview

(Dollars in millions, except per share amounts)	Fiscal 2018	Fiscal 2017	Fiscal 2016	2018-2017 % Change	2017-2016 % Change
Total net revenue	$5,964	$5,177	$4,694	15 %	10 %
Operating income from continuing operations	1,497	1,395	1,242	7 %	12 %
Net income from continuing operations	1,211	971	806	25 %	20 %
Diluted net income per share from continuing operations	$4.64	$3.72	$3.04	25 %	22 %

Fiscal 2018 Compared with Fiscal 2017

Total net revenue increased $787 million or 15% in fiscal 2018 compared with fiscal 2017. Our Small Business & Self-Employed segment revenue increased 18% due to growth in the Online Ecosystem driven by customer acquisition. Our Consumer segment revenue increased 14% due to a higher average revenue per customer, growth in TurboTax federal units, and a shift in mix to our higher end product offerings. See *"Segment Results"* later in this Item 7 for more information.

Operating income from continuing operations increased 7% in fiscal 2018 compared with fiscal 2017. The increase was due to the higher revenue described above partially offset by higher costs for staffing, advertising and other marketing programs, outside services, and share-based compensation. We also recorded a $79 million loss related to the sale of our data center in Quincy, Washington in the 2018 period.

Net income from continuing operations increased 25% in fiscal 2018 compared with fiscal 2017 due to the increase in operating income described above and a lower effective tax rate in fiscal 2018 as a result of the Tax Cuts and Jobs Act (2017 Tax Act). The net income for fiscal 2018 includes tax benefits related to share-based compensation and the reorganization of a subsidiary during the year which were partially offset by a charge related to the re-measurement of our deferred tax asset balances as a result of the enactment of the 2017 Tax Act. See Note 10 to the financial statements in Item 8 of this Annual Report for more information. Diluted net income per share increased 25% to $4.64, in line with the increase in net income.

Fiscal 2017 Compared with Fiscal 2016

Total net revenue increased $483 million or 10% in fiscal 2017 compared with fiscal 2016. Revenue in our Small Business & Self-Employed segment increased 13% due to growth in Online Ecosystem revenue and the impact of the changes to our QuickBooks Desktop software products. Starting with the release of QuickBooks 2015 in the first quarter of fiscal 2015, and for all subsequent versions, we began delivering ongoing enhancements and certain connected services for our QuickBooks Desktop software products. We plan to continue to provide ongoing enhancements and certain connected services for all future versions of these offerings. As a result of these changes, we recognize revenue for these QuickBooks Desktop software products as services are provided over approximately three years. Revenue in our Consumer segment increased 9% due to growth in TurboTax federal units and a shift in mix to the higher end of our product lineup. Revenue in our Strategic Partner segment increased 2% to $437 million in fiscal 2017. See *"Segment Results"* later in this Item 7 for more information.

Operating income from continuing operations increased 12% in fiscal 2017 compared with fiscal 2016 due to the increase in revenue described above. Higher revenue was partially offset by higher costs and expenses for staffing, advertising and other marketing programs, and share-based compensation. See *"Operating Expenses"* later in this Item 7 for more information.

Net income from continuing operations increased 20% in fiscal 2017 compared with fiscal 2016 due to the increase in operating income and a lower effective tax rate in the fiscal 2017 period. See *"Non-Operating Income and Expenses - Income Taxes"* later in this Item 7 for more information. Diluted net income per share from continuing operations for fiscal 2017 increased 22% to $3.72 as a result of the increase in net income and the decline in weighted average diluted common shares compared with fiscal 2016.

Segment Results

The information below is organized in accordance with our three reportable segments. 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 is segment net revenue less segment cost of revenue and operating expenses. 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 $1.62 billion in fiscal 2018, $1.32 billion in fiscal 2017, and $1.18 billion in fiscal 2016. Unallocated costs increased in fiscal 2018 compared with fiscal 2017 and in fiscal 2017 compared with fiscal 2016 due to increased corporate product development and selling and marketing 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 14 to the financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income from continuing operations for each fiscal year presented.

We calculate revenue growth rates and segment operating margin figures using dollars in thousands. Those results may vary slightly from figures calculated using the dollars in millions presented.

Small Business & Self-Employed

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Small Business & Self-Employed segment product revenue is derived primarily from QuickBooks Desktop software products, including Desktop Pro, Desktop for Mac, Desktop Premier, and Enterprise; QuickBooks Basic Payroll and QuickBooks Enhanced Payroll; QuickBooks Point of Sale solutions; ProAdvisor Program memberships for the accounting professionals who serve small businesses; and financial supplies.

Small Business & Self-Employed segment service and other revenue is derived primarily from our QuickBooks Online and QuickBooks Self-Employed financial and business management offerings; QuickBooks Desktop Pro Plus, QuickBooks Desktop Premier Plus, and QuickBooks Enterprise with Hosting, our subscription offerings; QuickBooks Enterprise term licenses and QuickBooks technical support plans; small business payroll services, including QuickBooks Online Payroll, Intuit Online Payroll, QuickBooks Assisted Payroll, and Intuit Full Service Payroll; and payment processing services for small businesses.

(Dollars in millions)	Fiscal 2018	Fiscal 2017	Fiscal 2016	2018-2017 % Change	2017-2016 % Change
Product revenue	$ 854	$ 789	$ 709		
Service and other revenue	2,140	1,750	1,512		
Total segment revenue	$ 2,994	$ 2,539	$ 2,221	18 %	14 %
% of total revenue	50 %	49 %	47 %		
Segment operating income	$ 1,257	$ 1,072	$ 879	17 %	22 %
% of related revenue	42 %	42 %	40 %		

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Small Business & Self-Employed segment increased $455 million or 18% in fiscal 2018 compared with fiscal 2017. The increase was primarily due to growth in Online Ecosystem revenue.

Online Ecosystem

Online Ecosystem revenue increased $340 million or 40% in fiscal 2018 compared with fiscal 2017. The revenue growth was driven by customer acquisition. At July 31, 2018 QuickBooks Online subscribers were 3.4 million, up 43% compared to July 31, 2017. Online Services revenue increased 24% due to customer growth in online payroll and payments.

Desktop Ecosystem

Desktop Ecosystem revenue increased $115 million or 7% in fiscal 2018 compared with fiscal 2017, driven by growth in QuickBooks Enterprise subscribers and average revenue per customer. QuickBooks Desktop units declined 15%.

Small Business & Self-Employed segment operating income increased 17% in fiscal 2018 compared with fiscal 2017 due to the higher revenue described above which was partially offset by higher expenses for staffing, advertising, and other marketing programs.

Fiscal 2017 Compared with Fiscal 2016

Revenue for our Small Business & Self-Employed segment increased $318 million or 14% in fiscal 2017 compared with fiscal 2016. The increase was primarily due to growth in Online Ecosystem revenue.

Online Ecosystem

Online Ecosystem revenue increased $196 million or 30% in fiscal 2017 compared with fiscal 2016. The revenue growth was driven by customer acquisition. At July 31, 2017 QuickBooks Online subscribers were 2.4 million, up 58% compared to July 31, 2016. Online Services revenue increased 17% due to customer growth in online payroll and payments.

Desktop Ecosystem

Desktop Ecosystem revenue increased $122 million or 8% in fiscal 2017 compared with fiscal 2016. In fiscal 2017, revenue from our QuickBooks Desktop software products and QuickBooks Desktop subscriptions increased 32% due to the impact of changes to our QuickBooks Desktop software products described in “Financial Overview” above, and to growth in QuickBooks Enterprise subscribers and average revenue per customer. QuickBooks Desktop units declined 8%.

Small Business & Self-Employed segment operating income increased 22% in fiscal 2017 compared with fiscal 2016 due to the higher revenue described above which was partially offset by higher expenses for staffing, advertising and other marketing programs, and outside services.

Consumer

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Consumer segment product revenue is derived primarily from TurboTax desktop tax return preparation software.

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

(Dollars in millions)	Fiscal 2018	Fiscal 2017	Fiscal 2016	2018-2017 % Change	2017-2016 % Change
Product revenue	$ 237	$ 225	$ 226		
Service and other revenue	2,280	1,976	1,819		
Total segment revenue	$ 2,517	$ 2,201	$ 2,045	14 %	8 %
% of total revenue	42 %	43 %	44 %		
Segment operating income	$ 1,596	$ 1,395	$ 1,304	14 %	7 %
% of related revenue	63 %	63 %	64 %		

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Consumer segment increased $316 million or 14% in fiscal 2018 compared with fiscal 2017 due to a higher average revenue per customer, a 4% growth in TurboTax federal units, and a shift in mix to our higher end product offerings.

Consumer segment operating income increased 14% in fiscal 2018 compared with fiscal 2017 due to the higher revenue described above which was partially offset by higher expenses including staffing, advertising, and other marketing programs.

Fiscal 2017 Compared with Fiscal 2016

Revenue for our Consumer segment increased $156 million or 8% in fiscal 2017 compared with fiscal 2016 due to 2% growth in TurboTax federal units and a shift in mix to the higher end of our product lineup.

Consumer segment operating income increased 7% in fiscal 2017 compared with fiscal 2016 due to the higher revenue described above which was partially offset by higher expenses for advertising and other marketing programs and staffing.

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Strategic Partner

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

Strategic Partner segment service and other revenue is derived primarily from ProConnect Tax Online tax return preparation, bank products, and related services that complement the tax return preparation process.

(Dollars in millions)	Fiscal 2018	Fiscal 2017	Fiscal 2016	2018-2017 % Change	2017-2016 % Change
Product revenue	$ 371	$ 362	$ 354		
Service and other revenue	82	75	74		
Total segment revenue	$ 453	$ 437	$ 428	4 %	2 %
% of total revenue	8 %	8 %	9 %		
Segment operating income	$ 281	$ 263	$ 268	6 %	(2 %)
% of related revenue	62 %	60 %	63 %		

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Strategic Partner segment increased $16 million or 4% in fiscal 2018 compared with fiscal 2017 primarily due to a higher average revenue per customer.

Strategic Partner segment operating income increased 6% in fiscal 2018 primarily due to the higher revenue described above and relatively stable spending.

Fiscal 2017 Compared with Fiscal 2016

Revenue for our Strategic Partner segment increased $9 million or 2% in fiscal 2017 compared with fiscal 2016. During fiscal 2017 we made a strategic decision to focus less on price increases and more on customer retention by delivering awesome products and a valuable end to end experience. This resulted in slower revenue growth in fiscal 2017 than we have experienced historically.

Strategic Partner segment operating income decreased 2% in fiscal 2017 compared with fiscal 2016 due to higher staffing expenses which more than offset the higher revenue described above.

Cost of Revenue

(Dollars in millions)	Fiscal 2018	% of Related Revenue	Fiscal 2017	% of Related Revenue	Fiscal 2016	% of Related Revenue
Cost of product revenue	$ 112	8 %	$ 120	9 %	$ 131	10 %
Cost of service and other revenue	850	19 %	677	18 %	599	18 %
Amortization of acquired technology	15	n/a	12	n/a	22	n/a
Total cost of revenue	$ 977	16 %	$ 809	16 %	$ 752	16 %

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which reflects direct costs associated with providing services, including data center and support costs related to delivering online services; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was consistent across all periods presented. 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.

Operating Expenses

(Dollars in millions)	Fiscal 2018	% of Total Net Revenue	Fiscal 2017	% of Total Net Revenue	Fiscal 2016	% of Total Net Revenue
Selling and marketing	$ 1,634	27 %	$ 1,420	27 %	$ 1,289	28 %
Research and development	1,186	20 %	998	19 %	881	19 %
General and administrative	664	11 %	553	11 %	518	11 %
Amortization of other acquired intangible assets	6	— %	2	— %	12	— %
Total operating expenses	$ 3,490	58 %	$ 2,973	57 %	$ 2,700	58 %

Fiscal 2018 Compared with Fiscal 2017

Total operating expenses as a percentage of total net revenue increased slightly in fiscal 2018 compared to fiscal 2017. Total net revenue increased $787 million or 15% and total operating expenses increased $517 million or 17%. The increase in operating expenses was primarily driven by $193 million for higher staffing expenses due to higher headcount, $127 million for advertising and other marketing programs, and $49 million for outside services. General and administrative expenses in the fiscal 2018 period include a $79 million loss related to the sale of our data center in Quincy, Washington.

Fiscal 2017 Compared with Fiscal 2016

Total operating expenses as a percentage of total net revenue decreased slightly in fiscal 2017 compared to fiscal 2016. Total net revenue increased $483 million or 10% and total operating expenses increased $273 million or 10%. The increase in operating expenses was primarily driven by $152 million for higher staffing expenses due to higher headcount, $85 million for advertising and other marketing programs, and $48 million for share-based compensation expenses. Share-based compensation expenses have been increasing over time because the total fair value of our share-based awards has generally been increasing.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $20 million in fiscal 2018 consisted primarily of interest on our unsecured term loan and unsecured revolving credit facility. Interest expense of $31 million in fiscal 2017 consisted primarily of interest on our senior notes, unsecured term loan, and unsecured revolving credit facility. Interest expense of $35 million in fiscal 2016 consisted primarily of interest on our senior notes, unsecured term loan, and unsecured revolving credit facilities. See Note 8 and Note 9 to the financial statements in Item 8 of this Annual Report for more information.

Interest and Other Income (Expense), Net

(In millions)	Fiscal 2018	Fiscal 2017	Fiscal 2016
Interest income	$ 18	$ 8	$ 3
Net gain on executive deferred compensation plan assets (1)	7	7	—
Other	1	(12)	(7)
Total interest and other income (expense), net	$ 26	$ 3	$ (4)

(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

Effective Tax Rate

The Tax Cuts and Jobs Act (2017 Tax Act) was enacted on December 22, 2017 and reduces 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 year 2018. As a result, we adjusted our annual effective tax rate for the year ended July 31, 2018, as well as adjusted our U.S. net deferred tax asset balance at the lower rates.

Our effective tax rates for fiscal 2018, fiscal 2017, and fiscal 2016 were approximately 19%, 29%, and 33%. Excluding the tax benefits related to share-based compensation, the reorganization of a subsidiary, and the charge related to the re-measurement of our deferred tax asset balances, our effective tax rate for fiscal 2018 was approximately 26% and did not differ significantly from the federal statutory rate of 26.9%. Excluding the share-based compensation tax benefits, our effective tax rate for fiscal 2017 was approximately 34% and did not differ significantly from the federal statutory rate of 35%. See Note 10 to the financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

Net Deferred Tax Assets

At July 31, 2018, we had net deferred tax assets of $80 million which included a valuation allowance of $93 million for loss and tax credit carryforwards related to state research and experimentation tax credits, foreign losses, and state operating and capital losses. We recorded the valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. While we believe our current valuation allowance is sufficient, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. See “*Critical Accounting Policies and Estimates*” earlier in this Item 7 and Note 10 to the financial statements in Item 8 of this Annual Report for more information.

Discontinued Operations

In the third quarter of fiscal 2016 we sold our Demandforce, QuickBase, and Quicken businesses for $463 million in cash. We recorded a pre-tax gain of $354 million and a net gain of $173 million on the disposal of these three businesses in fiscal 2016. We have reclassified our statements of operations for all periods presented to reflect these businesses as discontinued operations. See Note 7 to the financial statements in Item 8 of this Annual Report for a more complete description of these discontinued operations and the impact that they have had on our statements of operations for the fiscal periods presented.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

At July 31, 2018, our cash, cash equivalents and investments totaled $1.7 billion, an increase of $939 million from July 31, 2017 due to the factors described in *"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 facilities. In fiscal 2018 our U.S. statutory tax rate decreased from 35% to 26.9% as a result of the Tax Cuts and Jobs 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 7, 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)	**July 31, 2018**	**July 31, 2017**	**$ Change**	**% Change**
Cash, cash equivalents and investments	$ 1,716	$ 777	$ 939	121 %
Long-term investments	13	31	(18)	(58)%
Short-term debt	50	50	—	— %
Long-term debt	388	438	(50)	(11)%
Working capital (deficit)	288	(529)	817	(154)%
Ratio of current assets to current liabilities	1.1 : 1	0.7 : 1		

We have historically generated significant cash from operations and we expect to continue to do so during fiscal 2019. Our cash, cash equivalents, and investments totaled $1.7 billion at July 31, 2018, none of those funds were restricted, and approximately 87% 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 share repurchases. At July 31, 2018, no amounts were outstanding under the revolving credit facility. See Note 8 to the financial statements in Item 8 of this Annual Report for more information.

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 kinds 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 statements of cash flows for fiscal 2018, fiscal 2017, and fiscal 2016. See the financial statements in Item 8 of this Annual Report for complete statements of cash flows for those periods.

(Dollars in millions)	**Fiscal 2018**	**Fiscal 2017**	**Fiscal 2016**
Net cash provided by (used in):			
Operating activities	$ 2,112	$ 1,599	$ 1,460
Investing activities	(532)	(85)	371
Financing activities	(634)	(1,632)	(1,999)
Effect of exchange rates on cash and cash equivalents	(11)	9	(2)
Net increase (decrease) in cash and cash equivalents	$ 935	$ (109)	$ (170)

During fiscal 2018 we generated $2.1 billion in cash from operations. We also received $800 million from borrowings under our revolving credit facility, and $96 million from the issuance of common stock under employee stock plans. During the same period we used $850 million for the repayment of debt and amounts outstanding under our revolving credit facility, $407 million for the payment of cash dividends, $272 million for the repurchase of shares of our common stock under our stock repurchase programs, $363 million for the acquisitions of businesses net of cash acquired, and $124 million for capital expenditures.

During fiscal 2017 we generated $1.6 billion in cash from operations. We also received $190 million in cash from net sales of investments, $150 million from borrowings under our revolving credit facility, and $73 million from the net issuance of common stock under employee stock plans. During the same period we used $662 million in cash for the repayment of debt and amounts outstanding under our revolving credit facility, $839 million for the repurchase of shares of our common stock under our stock repurchase programs, $353 million for the payment of cash dividends, and $230 million for capital expenditures.

During fiscal 2016 we generated $1.5 billion in cash from operations. We also received $500 million in proceeds from our term loan, $463 million from the sales of our Demandforce, QuickBase, and Quicken businesses, $418 million from net sales of investments, and $89 million in cash from the issuance of common stock under employee stock plans. During the same period we used $2.3 billion in cash for the repurchase of shares of our common stock under our stock repurchase programs, $318 million for the payment of cash dividends, and $522 million for capital expenditures, including the purchase of certain previously leased facilities.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 11 to the financial statements in Item 8 of this Annual Report, during fiscal 2018, fiscal 2017, and fiscal 2016 we continued to repurchase shares of our common stock under a series of repurchase programs that our Board of Directors has authorized. At July 31, 2018, we had authorization from our Board of Directors to expend up to an additional $1.2 billion for stock repurchases. 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, bringing the total authorization to $3.2 billion.

During fiscal 2018, fiscal 2017, and fiscal 2016 we also continued to pay quarterly cash dividends on shares of our outstanding common stock. In August 2018 our Board of Directors declared a quarterly cash dividend of $0.47 per share of outstanding common stock payable on October 18, 2018 to stockholders of records at the close of business on October 10, 2018. 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.

Business Combinations

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately $412 million. The $412 million included approximately $27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and will provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates of acquisition were not material when compared with our consolidated results of operations. See Note 6 to the financial statements in Item 8 of this Annual Report for more information.

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 July 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 of 2.5% of the loan amount which began in July 2017, with the balance payable on February 1, 2021. At July 31, 2018, $438 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 July 31, 2018.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled $1.7 billion at July 31, 2018. Approximately 13% 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 Tax Cuts and Jobs 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 July 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

The following table summarizes our known contractual obligations to make future payments at July 31, 2018:

	Payments Due by Period				
(In millions)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Amounts due under executive deferred compensation plan	$ 97	$ —	$ —	$ —	$ 97
Unsecured term loan	50	388	—	—	438
Interest and fees due on debt	17	24	—	—	41
License fee payable (1)	10	—	—	—	10
Operating leases (2)	66	120	100	113	399
Purchase obligations (3)	175	246	73	—	494
Total contractual obligations (4)	$ 415	$ 778	$ 173	$ 113	$ 1,479

(1) In May 2009 we entered into an agreement to license certain technology for $20 million in cash and $100 million payable over ten fiscal years. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

(2) Includes operating leases for facilities and equipment. Amounts do not include $73 million of future sublease income. We had no significant capital leases at July 31, 2018. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

(3) Represents agreements to purchase products and services that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(4) Other long-term obligations on our balance sheet at July 31, 2018 included long-term income tax liabilities of $61 million which related primarily to unrecognized tax benefits. We have not included this amount in the table above because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A - 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 Item 8 of this Annual 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 value of those investments. At July 31, 2018, our cash equivalents and investments totaled $1.6 billion and had a weighted average pre-tax yield of 1.85%. Total interest income for fiscal 2018 was $18 million. If the Federal Reserve Target Rate had increased by 25 basis points from the level of July 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 July 31, 2018, the value of our investments at that date would have decreased by approximately $4 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 July 31, 2018 no amounts were outstanding under the revolving credit facility and $438 million was outstanding under the term loan. See Note 8 and Note 9 to the financial statements in Item 8 of this Annual 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 balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our 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 July 31, 2018, we did not engage in foreign currency hedging activities.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this Report:

2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

All other schedules not listed above have been omitted because they are inapplicable or are not required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intuit Inc. (the Company) as of July 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated August 31, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

San Jose, California
August 31, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on Internal Control over Financial Reporting

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intuit Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the fiscal 2018 consolidated financial statements of the Company and our report dated August 31, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
August 31, 2018

INTUIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Twelve Months Ended July 31, 2018	2017	2016
Net revenue:			
Product	$ 1,462	$ 1,376	$ 1,289
Service and other	4,502	3,801	3,405
Total net revenue	5,964	5,177	4,694
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	112	120	131
Cost of service and other revenue	850	677	599
Amortization of acquired technology	15	12	22
Selling and marketing	1,634	1,420	1,289
Research and development	1,186	998	881
General and administrative	664	553	518
Amortization of other acquired intangible assets	6	2	12
Total costs and expenses	4,467	3,782	3,452
Operating income from continuing operations	1,497	1,395	1,242
Interest expense	(20)	(31)	(35)
Interest and other income (expense), net	26	3	(4)
Income from continuing operations before income taxes	1,503	1,367	1,203
Income tax provision	292	396	397
Net income from continuing operations	1,211	971	806
Net income from discontinued operations	—	—	173
Net income	$ 1,211	$ 971	$ 979
Basic net income per share from continuing operations	$ 4.72	$ 3.78	$ 3.08
Basic net income per share from discontinued operations	—	—	0.65
Basic net income per share	$ 4.72	$ 3.78	$ 3.73
Shares used in basic per share calculations	256	257	262
Diluted net income per share from continuing operations	$ 4.64	$ 3.72	$ 3.04
Diluted net income per share from discontinued operations	—	—	0.65
Diluted net income per share	$ 4.64	$ 3.72	$ 3.69
Shares used in diluted per share calculations	261	261	265
Cash dividends declared per common share	$ 1.56	$ 1.36	$ 1.20

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve Months Ended July 31,		
(In millions)	2018	2017	2016
Net income	$ 1,211	$ 971	$ 979
Other comprehensive income (loss), net of income taxes:			
Unrealized gain (loss) on available-for-sale debt securities	(2)	(1)	1
Foreign currency translation gain (loss)	(11)	11	(3)
Total other comprehensive income (loss), net	(13)	10	(2)
Comprehensive income	$ 1,198	$ 981	$ 977

See accompanying notes.

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INTUIT INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value; shares in thousands)	July 31, 2018	July 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,464	$ 529
Investments	252	248
Accounts receivable, net of allowance for doubtful accounts of $5 and $46	98	103
Income taxes receivable	39	63
Prepaid expenses and other current assets	184	100
Current assets before funds held for customers	2,037	1,043
Funds held for customers	367	372
Total current assets	2,404	1,415
Long-term investments	13	31
Property and equipment, net	812	1,030
Goodwill	1,611	1,295
Acquired intangible assets, net	61	22
Long-term deferred income taxes	87	132
Other assets	190	143
Total assets	$ 5,178	$ 4,068
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 50	$ 50
Accounts payable	178	157
Accrued compensation and related liabilities	369	300
Deferred revenue	961	887
Other current liabilities	191	178
Current liabilities before customer fund deposits	1,749	1,572
Customer fund deposits	367	372
Total current liabilities	2,116	1,944
Long-term debt	388	438
Long-term deferred revenue	197	202
Other long-term obligations	123	130
Total liabilities	2,824	2,714
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value Authorized - 1,345 shares total; 145 shares designated Series A; 250 shares designated Series B Junior Participating Issued and outstanding - None	—	—
Common stock, $0.01 par value Authorized - 750,000 shares Outstanding - 258,616 shares at July 31, 2018 and 255,668 shares at July 31, 2017	3	3
Additional paid-in capital	5,335	4,854
Treasury stock, at cost	(11,050)	(10,778)
Accumulated other comprehensive loss	(35)	(22)
Retained earnings	8,101	7,297
Total stockholders' equity	2,354	1,354
Total liabilities and stockholders' equity	$ 5,178	$ 4,068

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in millions, shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2015	**277,706**	**$ 3**	**$ 4,007**	**$ (7,675)**	**$ (30)**	**$ 6,027**	**$ 2,332**
Comprehensive income	—	—	—	—	(2)	979	977
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,963	—	89	—	—	—	89
Stock repurchases under stock repurchase programs	(24,816)	—	—	(2,264)	—	—	(2,264)
Dividends and dividend rights declared ($1.20 per share)	—	—	—	—	—	(319)	(319)
Tax benefit from share-based compensation plans	—	—	59	—	—	—	59
Share-based compensation expense	—	—	287	—	—	—	287
Balance at July 31, 2016	**257,853**	**3**	**4,442**	**(9,939)**	**(32)**	**6,687**	**1,161**
Comprehensive income	—	—	—	—	10	971	981
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,715	—	73	—	—	—	73
Stock repurchases under stock repurchase programs	(6,900)	—	—	(839)	—	—	(839)
Dividends and dividend rights declared ($1.36 per share)	—	—	—	—	—	(357)	(357)
Cumulative effect of change in accounting principle	—	—	6	—	—	(4)	2
Share-based compensation expense	—	—	333	—	—	—	333
Balance at July 31, 2017	**255,668**	**3**	**4,854**	**(10,778)**	**(22)**	**7,297**	**1,354**
Comprehensive income	—	—	—	—	(13)	1,211	1,198
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,818	—	96	—	—	—	96
Stock repurchases under stock repurchase programs	(1,870)	—	—	(272)	—	—	(272)
Dividends and dividend rights declared ($1.56 per share)	—	—	—	—	—	(407)	(407)
Share-based compensation expense	—	—	385	—	—	—	385
Balance at July 31, 2018	**258,616**	**$ 3**	**$ 5,335**	**$ (11,050)**	**$ (35)**	**$ 8,101**	**$ 2,354**

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Twelve Months Ended July 31, 2018	2017	2016
Cash flows from operating activities:			
Net income	$ 1,211	$ 971	$ 979
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	228	214	195
Amortization of acquired intangible assets	25	22	43
Share-based compensation expense	382	326	281
Pre-tax gain on sale of discontinued operations (1)	—	—	(354)
Loss on sale of long-lived assets	79	—	—
Deferred income taxes	51	8	70
Tax benefit from share-based compensation plans	—	—	59
Other	6	13	17
Total adjustments	771	583	311
Changes in operating assets and liabilities:			
Accounts receivable	5	5	(20)
Income taxes receivable	(1)	(44)	64
Prepaid expenses and other assets	(31)	(9)	(10)
Accounts payable	12	—	(23)
Accrued compensation and related liabilities	75	10	(11)
Deferred revenue	66	83	192
Other liabilities	4	—	(22)
Total changes in operating assets and liabilities	130	45	170
Net cash provided by operating activities	**2,112**	**1,599**	**1,460**
Cash flows from investing activities:			
Purchases of corporate and customer fund investments	(407)	(352)	(934)
Sales of corporate and customer fund investments	128	359	1,165
Maturities of corporate and customer fund investments	286	183	187
Net change in cash and cash equivalents held to satisfy customer fund obligations	5	(68)	58
Net change in customer fund deposits	(5)	68	(33)
Purchases of property and equipment	(38)	(102)	(416)
Capitalization of internal use software	(86)	(128)	(106)
Acquisitions of businesses, net of cash acquired	(363)	—	—
Proceeds from divestiture of businesses	—	—	463
Originations of term loans to small businesses	(137)	—	—
Principal repayments of term loans from small businesses	82	—	—
Other	3	(45)	(13)
Net cash provided by (used in) investing activities	**(532)**	**(85)**	**371**
Cash flows from financing activities:			
Proceeds from borrowings under revolving credit facilities	800	150	995
Repayments on borrowings under revolving credit facilities	(800)	(150)	(995)
Proceeds from long-term debt	—	—	500
Repayment of debt	(50)	(512)	—
Proceeds from issuance of stock under employee stock plans	295	226	197

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Payments for employee taxes withheld upon vesting of restricted stock units	(199)	(153)	(108)
Cash paid for purchases of treasury stock	(272)	(839)	(2,264)
Dividends and dividend rights paid	(407)	(353)	(318)
Other	(1)	(1)	(6)
Net cash used in financing activities	**(634)**	**(1,632)**	**(1,999)**
Effect of exchange rates on cash and cash equivalents	(11)	9	(2)
Net increase (decrease) in cash and cash equivalents	**935**	**(109)**	**(170)**
Cash and cash equivalents at beginning of period	529	638	808
Cash and cash equivalents at end of period	**$ 1,464**	**$ 529**	**$ 638**
Supplemental disclosure of cash flow information:			
Interest paid	$ 19	$ 42	$ 37
Income taxes paid	$ 245	$ 430	$ 389

(1) Because the cash flows of our discontinued operations were not material for any period presented, we have not segregated the cash flows of those businesses on these statements of cash flows. We have presented the effect of the pre-tax gains on the disposals on these statements of cash flows. See Note 7, *"Discontinued Operations,"* for more information.

See accompanying notes.

INTUIT INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 reclassified certain amounts previously reported in our financial statements to conform to the current presentation, including amounts related to our reportable segments. See Note 14, *"Segment Information,"* for more information.

We acquired TSheets.com LLC, Exactor, Inc., and Applatix, Inc. in fiscal 2018. We have included the results of operations for these companies in our consolidated results of operations from the dates of acquisition. See Note 6, "*Business Combinations*," for more information.

As discussed in Note 7, in fiscal 2016 we sold our Demandforce, QuickBase, and Quicken businesses. We have reclassified our statements of operations for fiscal 2016 to reflect all of these businesses as discontinued operations. Because the cash flows of all of these businesses were not material, we have not segregated them on our statements of cash flows. Unless noted otherwise, discussions in these notes pertain to our continuing operations.

Seasonality

Our Consumer offerings have significant seasonal patterns and revenue from those income tax preparation products and services is heavily concentrated in our third fiscal quarter ending April 30.

Use of Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we make certain estimates and assumptions that affect the amounts reported in our financial statements and the disclosures made in the accompanying notes. For example, we use estimates in determining the appropriate levels of reserves for product returns, promotional discounts and rebates, 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.

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, packaged software products, financial supplies, technical support plans, transaction fees, merchant services hardware, and multiple element arrangements that may include a combination of these items. We recognize revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable, and collectibility is probable. Determining whether and when these criteria have been satisfied involves exercising judgment and using estimates and assumptions that can have a significant impact on the timing and amount of revenue that we recognize.

In some situations, we receive advance payments from our customers. We defer revenue associated with these advance payments and the relative fair value of undelivered elements under multiple element arrangements until we ship the products or perform the services.

We account for cash consideration (such as sales incentives) that we give to our customers or resellers as a reduction of revenue rather than as an operating expense unless we receive a benefit that we can identify and for which we can reasonably estimate the fair value.

Product Revenue

For our QuickBooks and professional tax desktop solutions we deliver ongoing enhancements and certain connected services. As a result, we recognize revenue for the QuickBooks desktop solutions over the period that the enhancements and connected services are provided, which is approximately three years. We recognize revenue for the professional tax desktop solutions as services are provided over the calendar year, once tax forms are available from taxing agencies and the agencies are able to receive electronic tax return submissions.

We recognize revenue from the sale of our financial supplies such as printed check stock and merchant services hardware such as retail point-of-sale equipment and credit card readers for mobile phones when legal title transfers. This is generally when we ship the products. We record product revenue net of our sales tax obligations.

We sell some of our QuickBooks and TurboTax desktop software products on consignment to certain retailers. We begin recognizing revenue for these consignment transactions only when the end-user sale has occurred. For software products that are sold on a subscription basis and include periodic updates, we recognize revenue ratably over the period that we provide services to the customer.

We reduce product revenue from distributors and retailers for estimated returns that are based on historical returns experience and other factors, such as the volume and price mix of products in the retail channel, return rates for prior releases of the product, trends in retailer inventory, and economic trends that might impact customer demand for our products (including the competitive environment and the timing of new releases of our product). We also reduce product revenue for the estimated redemption of promotional discounts and rebates on certain current product sales. Our estimated reserves for distributor and retailer sales incentive rebates are based on distributors' and retailers' actual performance against the terms and conditions of rebate programs.

Service and Other Revenue

Our service revenue consists primarily of hosted services such as QuickBooks Online, QuickBooks desktop software term licenses, TurboTax Online, payroll services, electronic merchant payment processing services, electronic tax filing, technical support plans, and tax advice services.

We recognize revenue from hosted services as the services are performed, provided we have no other remaining obligations to these customers. 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 that we earn on these funds between the time that we collect them from customers and the time that we remit them to outside parties. Service revenue for electronic payment processing services that we provide to merchants is recorded net of interchange fees charged by credit card associations.

Other revenue consists primarily of revenue from revenue-sharing and royalty arrangements with third-party partners. We typically recognize this revenue as earned based upon reporting provided to us by our partners.

Multiple Element Arrangements

We enter into multiple element revenue arrangements in which a customer may purchase a combination of software, upgrades, hosted services, technical support, and hardware.

Multiple Element Arrangements That Contain Software and Software-Related Elements

For multiple element arrangements that contain only software and software-related elements, such as QuickBooks desktop software and paid technical support plans, we allocate and defer revenue for the undelivered elements based on their vendor-specific objective evidence of fair value (VSOE). VSOE is the price charged when that element is sold separately. In situations where VSOE exists for all elements (delivered and undelivered), we allocate the total revenue to be earned under the arrangement among the various elements, based on their relative fair value. For arrangements where VSOE exists only for the undelivered elements, we defer the full fair value of the undelivered elements and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue. If VSOE does not exist for an undelivered service element, we recognize the revenue from the entire arrangement as the services are delivered. If VSOE does not exist for undelivered elements that are specified products or features, we defer revenue until the earlier of the delivery of all elements or the point at which we determine VSOE for these undelivered elements.

We recognize revenue related to the delivered products or services only if: (1) the above revenue recognition criteria are met; (2) any undelivered products or services are not essential to the functionality of the delivered products and services; (3) payment for the delivered products or services is not contingent upon delivery of the remaining products or services; and (4)

we have an enforceable claim to receive the amount due in the event that we do not deliver the undelivered products or services.

Multiple Element Arrangements That Contain Non-Software Elements

For multiple element arrangements that contain non-software elements such as hosted services or credit card readers for mobile phones, we: (1) determine whether and when each element has been delivered; (2) determine the fair value of each element using the selling price hierarchy of VSOE if available, third-party evidence (TPE) if VSOE is not available, and estimated selling price (ESP) if neither VSOE nor TPE is available; and (3) allocate the total price among the various elements using the relative selling price method. Once we have allocated the total price among the various elements, we recognize revenue when the revenue recognition criteria described above are met for each element.

VSOE generally exists when we sell the deliverable separately and we are normally able to establish VSOE for all deliverables in these multiple element arrangements; however, in certain limited instances VSOE cannot be established. This may be because we do not sell the element separately, do not price products or services within a narrow range, or have a limited sales history. When VSOE cannot be established, we attempt to establish selling price for each element based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. When we are unable to establish selling price using VSOE or TPE, we use ESP in our allocation of arrangement consideration. ESP is the estimated price at which we would sell a product or service if it were sold on a stand-alone basis. We determine ESP for a product or service by considering multiple factors including, but not limited to, pricing practices, market conditions, competitive landscape, type of customer, geographies, stage of product lifecycle, internal costs, and gross margin objectives. Significant pricing practices that we take into consideration include historic contractually stated prices, volume discounts where applicable, and our price lists. The determination of ESP is made through consultation with and formal approval by management, taking into consideration our overall go-to-market strategy.

Shipping and Handling

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of product revenue in our statements of operations.

Customer Service and Technical Support

We include the costs of providing customer service under paid technical support contracts and as included in certain software subscriptions on the cost of service and other revenue line in our statements of operations. We also include the costs of customer service and technical support associated with our online or hosted offerings in cost of service and other revenue. We include the costs of customer service and free technical support related to desktop offerings in selling and marketing expense in our statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing free technical support assistance to customers. We expense the cost of providing this free support as incurred.

Software Development Costs

We expense software development costs as we incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, our software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, we have not capitalized any development costs. Costs we incur to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development expense in our statements of operations.

Internal Use Software

We capitalize costs related to development of hosted services that we provide to our customers and internal use of enterprise-level business and finance software in support of our operational needs. Costs incurred in the application development phase are capitalized and amortized on a straight-line basis over their useful lives, which are generally three to five years. Costs related to planning and other preliminary project activities and to post-implementation activities are expensed as incurred. We test these assets for impairment whenever events or changes in circumstances occur that could impact their recoverability.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our statements of operations. We recorded advertising expense of approximately $615 million for the twelve months ended July 31, 2018, $480 million for the twelve months ended July 31, 2017, and $394 million for the twelve months ended July 31, 2016.

Leases

We review all leases for capital or operating classification at their inception. We use our incremental borrowing rate in the assessment of lease classification and define the initial lease term to include the construction build-out period but to exclude lease extension periods. We conduct our operations primarily under operating leases. For leases that contain rent escalations, we record the total rent payable during the lease term, as defined above, on a straight-line basis over the term of the lease. We record the difference between the rent paid and the straight-line rent in a deferred rent account in other current liabilities or other long-term obligations, as appropriate, on our balance sheets.

We record landlord allowances as deferred rent liabilities in other current liabilities or other long-term obligations, as appropriate, on our balance sheets. We record landlord cash incentives as operating activity on our statements of cash flows. We record other landlord allowances as non-cash investing and financing activities on our statements of cash flows. We classify the amortization of landlord allowances as a reduction of occupancy expense in our statements of operations.

Capitalization of Interest Expense

We capitalize interest on capital projects, including facilities build-out projects and internal use computer software projects. Capitalization commences with the first expenditure for the project and continues until the project is substantially complete and ready for its intended use. We amortize capitalized interest to depreciation expense using the straight-line method over the same lives as the related assets. Capitalized interest was not significant for any period presented.

Foreign Currency

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 balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our statements of operations. Translation gains and losses and transaction gains and losses were not significant for any period presented.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding income tax expense in our statement of operations.

We review the need for a valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. The valuation allowance analysis is based on our estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could be required to record a valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we record the increase.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

A description of our accounting policies associated with tax-related contingencies and valuation allowances assumed as part of a business combination is provided under *"Business Combinations"* below.

The Tax Cuts and Jobs Act significantly changes existing U.S. tax law and includes numerous provisions that affect our business. See Note 10, *"Income Taxes,"* for more information.

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. Prior to our adoption of ASU 2016-09 in the first quarter of fiscal 2017, we included tax benefits in assessing whether equity awards were dilutive and in our calculations of weighted average dilutive shares under the treasury stock method.

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.

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

	Twelve Months Ended July 31,		
(In millions, except per share amounts)	2018	2017	2016
Numerator:			
Net income from continuing operations	$ 1,211	$ 971	$ 806
Net income from discontinued operations	—	—	173
Net income	$ 1,211	$ 971	$ 979
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	256	257	262
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	256	257	262
Dilutive common equivalent shares from stock options and restricted stock awards	5	4	3
Dilutive weighted average common shares outstanding	261	261	265
Basic and diluted net income per share:			
Basic net income per share from continuing operations	$ 4.72	$ 3.78	$ 3.08
Basic net income per share from discontinued operations	—	—	0.65
Basic net income per share	$ 4.72	$ 3.78	$ 3.73
Diluted net income per share from continuing operations	$ 4.64	$ 3.72	$ 3.04
Diluted net income per share from discontinued operations	—	—	0.65
Diluted net income per share	$ 4.64	$ 3.72	$ 3.69
Shares excluded from diluted net income 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	—	3	2

Cash Equivalents and Investments

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 saving deposit accounts, and investments consist primarily of available-for-sale investment-grade 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 by limiting our holdings with any individual issuer.

We use the specific identification method to compute gains and losses on investments. We record unrealized gains and losses on investments, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our statement of comprehensive income. We generally classify available-for-sale debt securities as current assets based upon our ability and intent to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal nature of our businesses. Because of our significant business seasonality, stock repurchase programs, and acquisition opportunities, cash flow requirements may fluctuate dramatically from quarter to quarter and require us to use a significant amount of the investments we hold as available-for-sale securities.

Accounts and Notes Receivable, Allowances for Doubtful Accounts, and Allowances for Loan Losses

Accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. We review our accounts receivable by aging category to identify significant customers or invoices with known disputes or collectibility issues. For those invoices not specifically identified as uncollectible, we provide an allowance based on the age of the receivable. In determining the amount of the allowance, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We also consider our historical level of credit losses and current economic trends that might impact the level of future credit losses. When we determine that amounts are uncollectible we write them off against the allowance.

Notes receivable consist of term loans to small businesses, and are included in prepaid expenses and other current assets on our consolidated balance sheets. The term loans are not secured and are recorded at amortized cost, reduced by an allowance 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. As of July 31, 2018, the notes receivable balance was $55 million, net of allowances for loan losses which were not significant.

Funds Held for Customers and Customer Fund Deposits

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 debt securities. Customer fund deposits consist of amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

Property and Equipment

Property and equipment is stated at the lower of cost or realizable value, net of accumulated depreciation. We calculate depreciation using the straight-line method over the estimated useful lives of the assets, which range from two to 30 years. We amortize leasehold improvements using the straight-line method over the lesser of their estimated useful lives or remaining lease terms. We include the amortization of assets that are recorded under capital leases in depreciation expense. We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record any significant property impairment charges during the twelve months ended July 31, 2018, 2017, or 2016.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination).

Under the acquisition method of accounting we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and we charge them to general and administrative expense as they are incurred. Under the acquisition method we also account for acquired company restructuring activities that we initiate separately from the business combination.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We apply those measurement period adjustments that we determine to be significant retrospectively to comparative information in our financial statements, including adjustments to depreciation and amortization expense.

Under the acquisition method of accounting for business combinations, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense. This accounting applies to all of our acquisitions regardless of acquisition date.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets

Goodwill

We record goodwill when the fair value of consideration transferred in a business combination exceeds the fair value of the identifiable assets acquired and liabilities assumed. Goodwill and other intangible assets that have indefinite useful lives are not amortized, but we test them for impairment annually during our fourth fiscal quarter and whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

For goodwill, we perform a two-step impairment test. In the first step, we compare the fair value of each reporting unit to its carrying value. In accordance with authoritative guidance, we define fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider and use all valuation methods that are appropriate in estimating the fair value of our reporting units and generally use a weighted combination of income and market approaches. Under the income approach, we estimate the fair value of each reporting unit based on the present value of future cash flows. We use a number of assumptions in our discounted cash flow model, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Under the market approach, we estimate the fair value of each reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further analysis is required.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of the unit, we perform the second step of the impairment test. In this step we allocate the fair value of the reporting unit calculated in step one to all of the assets and liabilities of that unit, as if we had just acquired the reporting unit in a business combination. The excess of the fair value of the reporting unit over the total amount allocated to the assets and liabilities represents the implied fair value of goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, we would record an impairment loss equal to the difference. We recorded no goodwill impairment charges for the twelve months ended July 31, 2018, 2017 or 2016.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as acquired technology, in connection with business combinations. We amortize the cost of acquired intangible assets on a straight-line basis over their estimated useful lives, which range from one to seven years. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. We estimate the fair value of assets that have finite useful lives based on the present value of future cash flows for those assets. If the carrying value of an asset with a finite life exceeds its estimated fair value, we would record an impairment loss equal to the difference. Impairment charges for acquired intangible assets were not significant for the twelve months ended July 31, 2018, 2017 or 2016.

Share-Based Compensation Plans

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. We amortize the fair value of stock options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria would be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

See Note 11, *"Stockholders' Equity,"* for a description of our share-based compensation plans and more information on the assumptions we use to calculate the fair value of share-based compensation.

Concentration of Credit Risk and Significant Customers and Suppliers

We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the value of our significant balance of investments. Our portfolio of investments consists of investment-grade 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 by limiting our holdings with any individual issuer.

We sell a portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate, but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. No customer accounted for 10% or more of total net revenue for the twelve months ended July 31, 2018, 2017 or 2016, nor did any customer account for 10% or more of total accounts receivable at July 31, 2018 or July 31, 2017.

We rely primarily on one third-party vendor to perform the manufacturing and distribution functions for our retail desktop software products. We also have a key single-source vendor that prints and fulfills orders for most of our financial supplies business. While we believe that relying on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

Accounting Standards Not Yet Adopted

Goodwill Impairment - In January 2017 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, "*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" This new 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.

Business Combinations - In January 2017 the FASB issued ASU 2017-01, "*Business Combinations (Topic 805): Clarifying the Definition of a Business.*" This new 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. The standard is effective for fiscal years beginning after December 15, 2017, 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, 2018. Early adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2017-01 on our consolidated financial statements.

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 new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2018. The standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable. We are currently evaluating the impact of our pending adoption of ASU 2016-15 on our consolidated financial statements.

Statement of Cash Flows - In November 2016 the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): *Restricted Cash*." This new standard provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2018. We are currently evaluating the impact of our pending adoption of ASU 2016-18 on our consolidated financial statements.

Financial Instruments - In June 2016 the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses (Topic 326).*" This new 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 new 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 in Note 9 "*Long-Term Obligations and Commitments*," 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.

***Revenue from Contracts with Customers* -** In May 2014 the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". This new standard supersedes nearly all existing revenue recognition guidance under U.S. GAAP. Under the new 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. The new 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. The new standard is effective for reporting periods beginning after December 15, 2017, which means that it is effective for us beginning August 1, 2018.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of applying the guidance recognized in retained earnings as of the date of adoption (modified retrospective method). We plan to adopt Topic 606 utilizing the full retrospective method.

In preparation for adoption of the standard, we have implemented internal controls and processes including key system functionality to enable the preparation of financial information and have reached conclusions on key accounting assessments related to the standard.

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 current standard, we recognize revenue for the QuickBooks Desktop packaged software products ratably over the period that enhancements and connected services are provided, which is approximately three years. Under the new standard, we will 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 software license, version protection, enhancements, support and various connected services. Under the current standard, we recognize revenue for our QuickBooks Desktop software subscriptions ratably over the subscription term, which is generally one year. Under the new standard, we will recognize revenue for the software license and version protection at the time they are delivered and will 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. We expect the timing of the revenue for our QuickBooks Desktop software subscriptions, which are included in our Small Business & Self-Employed reporting segment, to shift to an earlier quarter within each fiscal year as a result of these changes.

With respect to our consumer and professional tax desktop solutions, under the current standard, we recognize all revenue related to the desktop solutions as services are provided. Under the new standard, we will recognize revenue for the desktop tax preparation software license and related tax form updates as the forms and updates are delivered. We will recognize revenue for our electronic filing and connected services as those services are provided. As sales and delivery of desktop tax preparation software solutions and related services are concentrated from November through April, we expect the timing of the related desktop revenue for our Consumer and Strategic Partner reporting segments to shift to earlier quarters within each fiscal year as a result of these changes.

Under the new standard, we are required to recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that internal sales commissions related to our subscription offerings meet the requirements to be capitalized. The total capitalized costs to obtain a contact are included in prepaid expenses and other current assets and other assets on our consolidated balance sheets.

The adoption of the standard will result in a decrease in deferred revenue of $574 million and $514 million as of July 31, 2018 and 2017, respectively, and an increase in liabilities included in our net deferred tax asset and liability positions of $146 million and $201 million as of July 31, 2018 and 2017, respectively, primarily related to the change in revenue recognition for our QuickBooks Desktop and professional tax desktop solutions.

The adoption of the standard will also result in an increase in revenue for fiscal 2018 and 2017, primarily due to the change in revenue recognition for our QuickBooks Desktop solutions. In addition, the fiscal 2018 provision for income taxes decreased $55 million. As a result of the acceleration of profits under the new revenue standard, there was an increase in deferred tax liabilities which resulted in a net deferred tax liability position. The re-measurement of the net deferred tax liability during fiscal 2018 resulted in a provisional tax benefit when re-measured at the enacted lower tax rate under the Tax Cuts and Jobs Act (2017 Tax Act). The incremental tax benefit of $73 million related to the re-measurement was partially offset by an $18 million tax charge for additional income before taxes as a result of the increase in revenue. The fiscal 2017 provision for income taxes increased primarily due to additional income before taxes as a result of the increase in revenue.

See "Expected Impacts to Reported Results" below for the impact of adoption of the standard on our consolidated financial statements.

Expected Impacts to Reported Results

Adoption of Topic 606 is expected to impact our 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	87	(85)	2
Other assets	190	23	213
Deferred revenue	961	(380)	581
Other current liabilities	191	7	198
Long-term deferred revenue	197	(194)	3
Other long-term obligations	123	61	184
Stockholders' equity	2,354	462	2,816

	July 31, 2017		
(In millions)	**As Reported**	**Topic 606 Adjustment**	**As Adjusted**
Prepaid expenses and other current assets	$ 100	$ 18	$ 118
Long-term deferred income taxes	132	(130)	2
Other assets	143	21	164
Deferred revenue	887	(313)	574
Other current liabilities	178	7	185
Long-term deferred revenue	202	(201)	1
Other long-term obligations	130	71	201
Stockholders' equity	1,354	345	1,699

(In millions, except per share amounts)	Twelve Months Ended July 31, 2018 As Reported	Topic 606 Adjustment	As Adjusted
Net revenue	$ 5,964	$ 61	$ 6,025
Cost of revenue	977	1	978
Selling and marketing expenses	1,634	(3)	1,631
Operating income	1,497	63	1,560
Income tax provision	292	(55)	237
Net income	1,211	118	1,329
Diluted earnings per share	$ 4.64	$ 0.45	$ 5.09

(In millions, except per share amounts)	Twelve Months Ended July 31, 2017 As Reported	Topic 606 Adjustment	As Adjusted
Net revenue	$ 5,177	$ 19	$ 5,196
Cost of revenue	809	1	810
Selling and marketing expenses	1,420	(5)	1,415
Operating income	1,395	23	1,418
Income tax provision	396	9	405
Net income	971	14	985
Diluted earnings per share	$ 3.72	$ 0.06	$ 3.78

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

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.

	At July 31, 2018				At July 31, 2017			
(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	$ 1,143	$ —	$ —	$ 1,143	$ 181	$ —	$ —	$ 181
Available-for-sale debt securities:								
Municipal bonds	—	31	—	31	—	63	—	63
Municipal auction rate securities	—	—	—	—	—	—	15	15
Corporate notes	—	412	—	412	—	382	—	382
U.S. agency securities	—	9	—	9	—	3	—	3
Total available-for-sale securities	—	452	—	452	—	448	15	463
Total assets measured at fair value on a recurring basis	$ 1,143	$ 452	$ —	$ 1,595	$ 181	$ 448	$ 15	$ 644

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 shown:

	At July 31, 2018				At July 31, 2017			
(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	$ 1,143	$ —	$ —	$ 1,143	$ 181	$ —	$ —	$ 181
Available-for-sale debt securities:								
In investments	$ —	$ 252	$ —	$ 252	$ —	$ 248	$ —	$ 248
In funds held for customers	—	200	—	200	—	200	—	200
In long-term investments	—	—	—	—	—	—	15	15
Total available-for-sale debt securities	$ —	$ 452	$ —	$ 452	$ —	$ 448	$ 15	$ 463

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.

Financial assets whose fair values we measure using significant unobservable (Level 3) inputs consist of municipal auction rate securities that are no longer liquid. During the fourth quarter of fiscal 2018, all of our municipal auction rate securities were redeemed by the issuer at par. For the fiscal years ended July 31, 2017 and 2016, we estimated the fair values of the auction rate securities using a discounted cash flow model. Using our discounted cash flow model, we determined that the fair values of the municipal auction rate securities we held at July 31, 2017 and 2016 were approximately equal to their par values and as a result we recorded no decrease in their fair values during the twelve months then ended.

There were
no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2018, 2017 or 2016.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include reporting units measured at fair value in a goodwill impairment test. Estimates of fair value for reporting units fall under Level 3 of the fair value hierarchy.

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During the fourth quarters of fiscal 2018, fiscal 2017, and fiscal 2016 we performed our annual goodwill impairment tests. Using the methodology described in Note 1, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired.

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

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

	July 31, 2018		July 31, 2017	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on balance sheets:				
Cash and cash equivalents	$ 1,464	$ 1,464	$ 529	$ 529
Investments	253	252	247	248
Funds held for customers	368	367	372	372
Long-term investments	13	13	31	31
Total cash and cash equivalents, investments, and funds held for customers	$ 2,098	$ 2,096	$ 1,179	$ 1,180

The following table summarizes our cash and cash equivalents, investments and funds held for customers by investment category at the dates indicated. See Note 2 for more information on our municipal auction rate securities.

	July 31, 2018		July 31, 2017	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type of issue:				
Total cash and cash equivalents	$ 1,631	$ 1,631	$ 701	$ 701
Available-for-sale debt securities:				
Municipal bonds	31	31	63	63
Municipal auction rate securities	—	—	15	15
Corporate notes	414	412	381	382
U.S. agency securities	9	9	3	3
Total available-for-sale debt securities	454	452	462	463
Other long-term investments	13	13	16	16
Total cash and cash equivalents, investments, and funds held for customers	$ 2,098	$ 2,096	$ 1,179	$ 1,180

We include realized gains and losses on our available-for-sale debt securities in interest and other income or expense on our statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2018, 2017 and 2016 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders' equity section of our balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2018 and July 31, 2017 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 that we held at July 31, 2018 were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at July 31, 2018 were not significant and are 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 classified by the stated maturity date of the security at the dates indicated.

	July 31, 2018		July 31, 2017	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 250	$ 250	$ 209	$ 209
Due within two years	117	116	164	164
Due within three years	66	65	59	60
Due after three years	21	21	30	30
Total available-for-sale debt securities	$ 454	$ 452	$ 462	$ 463

4. Property and Equipment

Property and equipment consisted of the following at the dates indicated:

	Life in	July 31,	
(Dollars in millions)	Years	2018	2017
Equipment	3-5	$ 479	$ 579
Computer software	2-6	812	749
Furniture and fixtures	5	88	82
Leasehold improvements	3-16	325	310
Land	NA	79	81
Buildings	5-30	363	547
Capital in progress	NA	48	71
		2,194	2,419
Less accumulated depreciation and amortization		(1,382)	(1,389)
Total property and equipment, net		$ 812	$ 1,030

NA = Not Applicable

The decrease in the total net property and equipment balance as of July 31, 2018 is primarily due to the sale of our data center in Quincy, Washington during fiscal 2018.

Capital in progress at July 31, 2018 and 2017 consisted primarily of costs related to internal use software projects and land and buildings that we are in the process of constructing on our headquarters campus in Mountain View, California. The balance of land and buildings in the capital in progress account was $29 million at July 31, 2018 and $30 million at July 31, 2017.

As discussed in Note 1, *"Description of Business and Summary of Significant Accounting Policies – Internal Use Software,"* we capitalize costs related to the development of computer software for internal use. We capitalized internal use software costs totaling $86 million for the twelve months ended July 31, 2018; $128 million for the twelve months ended July 31, 2017; and $103 million for the twelve months ended July 31, 2016. These amounts included capitalized labor costs of $45 million, $99 million and $80 million, respectively. Costs related to internal use software projects are included in the capital in progress category of property and equipment until project completion, at which time they are transferred to the computer software category.

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5. Goodwill and Acquired Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2018 and July 31, 2017 were as shown in the following table. Our reportable segments are described in Note 14, *"Segment Information."*

(In millions)	Balance July 31, 2016	Goodwill Acquired/ Adjusted	Balance July 31, 2017	Goodwill Acquired/ Adjusted	Balance July 31, 2018
Small Business & Self-Employed	$ 1,168	$ 12	$ 1,180	$ 316	$ 1,496
Consumer	23	—	23	—	23
Strategic Partner	91	1	92	—	92
Totals	$ 1,282	$ 13	$ 1,295	$ 316	$ 1,611

Goodwill is net of accumulated impairment losses of $114 million, which were recorded prior to July 31, 2016 and are included in our Consumer segment. The increase in goodwill in our Small Business & Self-Employed segment during the twelve months ended July 31, 2018 was primarily due to the acquisitions of TSheets.com LLC, Exactor, Inc., and Applatix. See Note 6, *"Business Combinations,"* for more information.

Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated. The weighted average lives are calculated for assets that are not fully amortized.

(Dollars in millions)	Customer Lists	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2018:					
Cost	$ 257	$ 403	$ 25	$ 39	$ 724
Accumulated amortization	(242)	(364)	(24)	(33)	(663)
Acquired intangible assets, net	$ 15	$ 39	$ 1	$ 6	$ 61
Weighted average life in years	5	4	3	3	4
At July 31, 2017:					
Cost	$ 240	$ 367	$ 23	$ 32	$ 662
Accumulated amortization	(240)	(346)	(23)	(31)	(640)
Acquired intangible assets, net	$ —	$ 21	$ —	$ 1	$ 22
Weighted average life in years	NA	6	NA	9	6

The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2018. Amortization of purchased technology is charged to cost of service and other revenue and to amortization of acquired technology in our statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)	Expected Future Amortization Expense
Twelve months ending July 31,	
2019	$ 25
2020	22
2021	10
2022	3
2023	1
Thereafter	—
Total expected future amortization expense	$ 61

6. Business Combinations

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately $412 million. The $412 million included approximately $27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and will provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates of acquisition were not material when compared with our consolidated results of operations.

Under the acquisition method of accounting we allocated the fair value of the total combined purchase consideration of $385 million to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the dates of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of consideration over the aggregate fair values as goodwill which is primarily attributable to expected synergies from future growth. Using information available at the time the acquisitions closed, we allocated approximately $5 million of the total combined purchase consideration to net tangible assets and approximately $62 million to identified intangible assets which are being amortized over a weighted average life of four years. The identified intangible assets include $38 million for purchased technology, $17 million for customer lists, and $7 million for covenants not to compete. We recorded the excess combined purchase consideration of approximately $318 million as goodwill, of which approximately $219 million is deductible for income tax purposes.

7. Discontinued Operations

On February 1, 2016 we completed the sale of our Demandforce business. On April 1, 2016 we completed the sales of our QuickBase and Quicken businesses. We received $463 million in cash and recorded a pre-tax gain of $354 million and a net gain of $173 million on the disposal of these three businesses in fiscal 2016.

We classified our Demandforce, QuickBase, and Quicken businesses as discontinued operations and have therefore segregated their operating results from continuing operations in our statements of operations for all periods presented. Because the cash flows of these businesses were not material for any period presented, we have not segregated them on our statements of cash flows. Demandforce and QuickBase were part of our Small Business & Self-Employed segment and Quicken was part of our former Consumer segment.

Net revenue from discontinued operations was $137 million for the twelve months ended July 31, 2016. We recorded net income from discontinued operations of $173 million for the twelve months ended July 31, 2016.

8. 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 July 31, 2018, $438 million was outstanding under the term loan, of which $50 million was classified as short-term debt. See Note 9, "*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 fiscal year ended July 31, 2018. During the twelve months ended July 31, 2018 we borrowed and repaid $800 million under this revolving credit facility and at July 31, 2018 no amounts were outstanding. We paid $5 million for interest on the revolving credit facility during the twelve months ended July 31, 2018, $1 million during the twelve months ended July 31, 2017, and $2 million during the twelve months ended July 31, 2016.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	**2018**	**2017**
Executive deferred compensation plan liabilities	$ 97	$ 83
Reserve for promotional discounts and rebates	10	19
Reserve for product returns	10	7
Current portion of license fee payable	9	10
Current portion of deferred rent	6	6
Current portion of dividend payable	10	9
Other	49	44
Total other current liabilities	$ 191	$ 178

9. 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 8, "*Current Liabilities – Unsecured Revolving Credit Facility,*" for more information. The term loan is subject to quarterly principal payments of 2.5% of the loan amount which began in July 2017, with the balance payable on February 1, 2021. At July 31, 2018, $438 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 $13 million for interest on the term loan during the twelve months ended July 31, 2018, $11 million during the twelve months ended July 31, 2017, and $4 million during the twelve months ended July 31, 2016.

Other Long-Term Obligations

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

	July 31,	
(In millions)	**2018**	**2017**
Long-term income tax liabilities	$ 61	$ 53
Total deferred rent	47	49
Total license fee payable	9	18
Total dividend payable	14	13
Long-term deferred income tax liabilities	7	7
Other	12	16
Total long-term obligations	150	156
Less current portion (included in other current liabilities)	(27)	(26)
Long-term obligations due after one year	$ 123	$ 130

In May 2009 we entered into an agreement to license certain technology for $20 million in cash and $100 million payable over ten fiscal years. The total present value of the arrangement at inception was approximately $89 million. The total license fee payable in the table above includes imputed interest through the dates indicated.

Operating Lease Commitments and Unconditional Purchase Obligations

We lease office facilities and equipment under non-cancellable operating lease arrangements. Our facilities leases generally provide for periodic rent increases and many contain escalation clauses and renewal options. The leases for our corporate headquarters campus in Mountain View, California expire in 2024 and 2026, with options to extend the lease terms for an additional ten years at rates to be determined in accordance with the agreements.

In the ordinary course of business we enter into certain unconditional purchase obligations with our suppliers. These are agreements to purchase products and services that are enforceable, legally binding, and specify terms that include fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

Annual minimum commitments under purchase obligations and operating leases at July 31, 2018 were as shown in the table below.

(In millions)	Purchase Obligations	Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Fiscal year ending July 31,				
2019	$ 175	$ 66	$ 24	$ 42
2020	121	61	22	39
2021	125	59	19	40
2022	73	51	8	43
2023	—	49	—	49
Thereafter	—	113	—	113
Total commitments	$ 494	$ 399	$ 73	$ 326

Rent expense net of sublease income for continuing operations totaled $38 million for the twelve months ended July 31, 2018, $34 million for the twelve months ended July 31, 2017, and $36 million for the twelve months ended July 31, 2016. Rent expense includes base contractual rent and contractual variable expenses such as building maintenance, utilities, property taxes and insurance. Sublease income for continuing operations totaled $23 million for the twelve months ended July 31, 2018, $22 million for the twelve months ended July 31, 2017, and $10 million for the twelve months ended July 31, 2016.

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10. Income Taxes

The provision for income taxes from continuing operations consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2018	2017	2016
Current:			
Federal	$ 197	$ 345	$ 401
State	38	36	33
Foreign	14	8	13
Total current	249	389	447
Deferred:			
Federal	44	4	(42)
State	(1)	1	(7)
Foreign	—	2	(1)
Total deferred	43	7	(50)
Total provision for income taxes from continuing operations	$ 292	$ 396	$ 397

We recognized excess tax benefits associated with share-based compensation of $100 million in the provision for income taxes for the twelve months ended July 31, 2018, and $72 million in the provision for income taxes for the twelve months ended July 31, 2017. Prior to our adoption of ASU 2016-09 in the first quarter of fiscal 2017, excess tax benefits associated with share-based compensation deductions were credited to stockholders' equity rather than current tax expense. The reduction of income taxes payable resulting from share-based compensation deductions that were credited to stockholders' equity was approximately $59 million for the twelve months ended July 31, 2016.

The sources of income from continuing operations before the provision for income taxes consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2018	2017	2016
United States	$ 1,464	$ 1,362	$ 1,205
Foreign	39	5	(2)
Total	$ 1,503	$ 1,367	$ 1,203

Differences between income taxes calculated using the federal statutory income tax rate and the provision for income taxes from continuing operations were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31, 2018	2017	2016
Income from continuing operations before income taxes	$ 1,503	$ 1,367	$ 1,203
Statutory federal income tax	$ 404	$ 479	$ 421
State income tax, net of federal benefit	27	24	17
Federal research and experimentation credits	(38)	(24)	(33)
Domestic production activities deduction	(28)	(34)	(34)
Share-based compensation	11	14	16
Federal excess tax benefits related to share-based compensation	(94)	(69)	—
2017 Tax Act - Deferred tax re-measurement	43	—	—
Capital loss on subsidiary reorganization	(35)	—	—
Effects of non-U.S. operations	1	5	11

Other, net	1	1	(1)
Total provision for income taxes from continuing operations	$ 292	$ 396	$ 397

The Tax Cuts and Jobs Act (2017 Tax Act) was enacted on December 22, 2017 and reduces 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 year 2018. As a result, we adjusted our annual effective tax rate for the year ended July 31, 2018, as well as adjusted our U.S. net deferred tax asset balance at the lower rates.

As of July 31, 2018, we have not completed our accounting for the tax effects of enactment of the 2017 Tax Act; however, we have made a reasonable estimate of the effects on our existing deferred tax balances. We recorded a provisional charge of $43 million for fiscal year 2018, including a provisional charge reduction of $1 million during the fourth quarter related to the re-measurement of certain deferred tax balances.

Additionally, we have made provisional estimates of the impact of the 2017 Tax Act's changes to our fiscal 2018 annual effective tax rate for items such as meals and entertainment and executive deferred compensation deductions. We do not expect to have any material tax impact from the foreign tax provisions of the 2017 Tax Act.

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 Intuit's second quarter, 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. The analysis is expected to be completed within the 12-month measurement period in accordance with SAB 118.

During fiscal year 2018, we completed a reorganization which resulted in a taxable liquidation of a subsidiary. The transaction gave rise to a capital loss which is available for carryback to prior years to offset capital gain income previously recognized. As a result, we recognized a tax benefit of $35 million during the fourth quarter of fiscal 2018.

The state income tax line in the table above includes excess tax benefits related to share-based compensation of $6 million and $3 million for the twelve months ended July 31, 2018 and 2017, respectively.

In December 2015 the Consolidated Appropriations Act, 2016 was signed into law, and includes a permanent reinstatement of the federal research and experimentation credit that was retroactive to January 1, 2015. We recorded a discrete tax benefit of approximately $12 million for the retroactive effect during the twelve months ended July 31 2016.

The U.S. deferred income taxes as of July 31, 2018 reflect the reduction in the U.S. statutory tax rate from 35% to 21% resulting from the 2017 Tax Act. Significant deferred tax assets and liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	**2018**	**2017**
Deferred tax assets:		
Accruals and reserves not currently deductible	$ 12	$ 35
Deferred revenue	46	74
Deferred rent	8	13
Accrued and deferred compensation	41	62
Loss and tax credit carryforwards	97	71
Share-based compensation	49	70
Other, net	4	14
Total gross deferred tax assets	257	339
Valuation allowance	(93)	(64)
Total deferred tax assets	164	275
Deferred tax liabilities:		
Intangible assets	65	93
Property and equipment	19	57
Total deferred tax liabilities	84	150
Net deferred tax assets	$ 80	$ 125

The components of total net deferred tax assets, net of valuation allowances, as shown on our balance sheets were as follows at the dates indicated:

	July 31,	
(In millions)	**2018**	**2017**
Long-term deferred income taxes	$ 87	$ 132
Long-term deferred income taxes included in other long-term obligations	(7)	(7)
Net deferred tax assets	$ 80	$ 125

We have provided a valuation allowance related to state research and experimentation tax credit carryforwards, foreign loss carryforwards, and state operating and capital loss carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2018 and July 31, 2017 were primarily related to an increase in the valuation allowance for state research and experimentation tax credit and foreign loss carryforwards.

At July 31, 2016, the income tax expense associated with the net gain from discontinued operations consisted of $179 million related to the sale of Demandforce, QuickBase, and Quicken, and $2 million related to the increase of valuation allowance on state capital loss carryforwards. See Note 7, "*Discontinued Operations,*" for more information.

At July 31, 2018, we had total federal net operating loss carryforwards of approximately $16 million that will start to expire in fiscal 2028. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2018, we had total state net operating loss carryforwards of approximately $93 million for which we have recorded a deferred tax asset of $6 million and a valuation allowance of $5 million. The state net operating losses will start to expire in fiscal 2027. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2018, we had Singapore operating loss carryforwards of approximately $84 million and Brazil operating loss carryforwards of approximately $23 million which have an indefinite carryforward period. We maintain a full valuation allowance with respect to operating losses in these jurisdictions, as there is not sufficient evidence of future sources of taxable income required to utilize such carryforwards.

At July 31, 2018, we had California research and experimentation credit carryforwards of approximately $100 million. We recorded a full valuation on the related deferred tax asset, as we believe it is more likely than not that these credits will not be utilized.

Unrecognized Tax Benefits

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the periods indicated:

	Twelve Months Ended July 31,		
(In millions)	**2018**	**2017**	**2016**
Gross unrecognized tax benefits, beginning balance	$ 61	$ 60	$ 56
Increases related to tax positions from prior fiscal years, including acquisitions	10	8	7
Decreases related to tax positions from prior fiscal years	(3)	(8)	(7)
Increases related to tax positions taken during current fiscal year	23	9	15
Settlements with tax authorities	(1)	(8)	(11)
Gross unrecognized tax benefits, ending balance	$ 90	$ 61	$ 60

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. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdictions are U.S. federal and the State of California. For U.S. federal tax returns we are no longer subject to tax examinations for years prior to fiscal 2013. For California tax returns we are currently under tax examinations for fiscal 2013 to fiscal 2015.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2018 and July 31, 2017 for the payment of interest and penalties were not significant. The amounts of interest and penalties that we recognized during the twelve months ended July 31, 2018, 2017 and 2016 were also not significant.

11. Stockholders' Equity

Stock Repurchase Programs

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. Under these programs, we repurchased 1.9 million shares of our common stock for $272 million during the twelve months ended July 31, 2018. At July 31, 2018, we had authorization from our Board of Directors to expend up to an additional $1.2 billion for stock repurchases. 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, bringing the total authorization to $3.2 billion. 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.

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 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 fiscal 2018 we declared and paid cash dividends that totaled $1.56 per share of outstanding common stock or approximately $407 million. In August 2018 our Board of Directors declared a quarterly cash dividend of $0.47 per share of outstanding common stock payable on October 18, 2018 to stockholders of record at the close of business on October 10, 2018. 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.

Description of 2005 Equity Incentive Plan

Our stockholders initially approved our 2005 Equity Incentive Plan (2005 Plan) on December 9, 2004. On January 19, 2017 our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that expires on January 19, 2027 and approved an additional 23.1 million shares for issuance under that plan. Under the Restated 2005 Plan, we are permitted to grant incentive and non-qualified stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights and stock bonus awards to our employees, non-employee directors, and consultants. The Compensation and Organizational Development Committee of our Board of Directors or its delegates determine who will receive grants, when those grants will be exercisable, their exercise price and other terms. We are permitted to issue up to 138.1 million shares under the Restated 2005 Plan. The plan provides a fungible share reserve. Each stock option granted on or after November 1, 2010 reduces the share reserve by one share and each restricted stock award or restricted stock unit granted reduces the share reserve by 2.3 shares. Stock options forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Restricted stock awards and RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited. 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. At July 31, 2018, there were approximately 22.8 million shares available for grant under this plan. Stock options granted under the 2005 Plan and the Restated 2005 Plan typically vest over three to four years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three to four years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

Description of Employee Stock Purchase Plan

On November 26, 1996 our stockholders initially adopted our Employee Stock Purchase Plan (ESPP) under Section 423 of the Internal Revenue Code. The ESPP permits our eligible employees to make payroll deductions to purchase our stock on regularly scheduled purchase dates at a discount. Our stockholders have approved amendments to the ESPP to permit the issuance of up to 23.8 million shares under the ESPP, which expires upon the earliest to occur of (a) termination of the ESPP by the Board, or (b) issuance of all the shares of Intuit's common stock reserved for issuance under the ESPP. Offering periods under the ESPP are six months in duration and composed of two consecutive three-month accrual periods. Shares are purchased at 85% of the lower of the closing price for Intuit common stock on the first day of the offering period or the last day of the accrual period.

Under the ESPP, employees purchased 612,768 shares of Intuit common stock during the twelve months ended July 31, 2018; 752,605 shares during the twelve months ended July 31, 2017; and 882,206 shares during the twelve months ended July 31, 2016. At July 31, 2018, there were 2,391,194 shares available for issuance under this plan.

Adoption of ASU 2016-09

In fiscal 2017 we adopted ASU 2016-09, "*Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*" which requires tax benefits recognized on share-based compensation expense to be reflected in our condensed consolidated statements of operations as a component of the provision for income taxes on a prospective basis. Excess tax benefits are classified as an operating activity in our condensed consolidated statements of cash flows and we applied this provision on a retrospective basis. For the twelve months ended July 31, 2018 and 2017, we recognized excess tax benefits of $100 million and $72 million in our provision for income taxes. For the twelve months ended July 31, 2016, net cash provided by operating activities increased by $59 million with a corresponding offset to net cash used in financing activities. As a result of the adoption of ASU 2016-09, as of August 1, 2016, we recognized the net cumulative effect of this change as a $6 million increase to additional paid-in capital, a $2 million increase to deferred tax assets and a $4 million reduction to retained earnings.

Share-Based Compensation Expense

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

	Twelve Months Ended July 31,		
(In millions except per share amounts)	**2018**	**2017**	**2016**
Cost of product revenue	$ 3	$ —	$ —
Cost of service and other revenue	40	8	8
Selling and marketing	101	88	77
Research and development	133	122	90
General and administrative	105	108	103
Total share-based compensation expense from continuing operations	382	326	278
Income tax benefit	(199)	(179)	(86)
Decrease in net income from continuing operations	$ 183	$ 147	$ 192
Decrease in net income per share from continuing operations:			
Basic	$ 0.71	$ 0.57	$ 0.73
Diluted	$ 0.70	$ 0.56	$ 0.72

We capitalized $3 million in share-based compensation related to internal use software projects during the twelve months ended July 31, 2018, $7 million during the twelve months ended July 31, 2017, and $6 million during the twelve months ended July 31, 2016. The table above also excludes share-based compensation expense for our discontinued operations, which totaled $3 million during the twelve months ended July 31, 2016. Because we have not reclassified our statements of cash flows to segregate discontinued operations, these amounts are included in share-based compensation expense on our statements of cash flows for that period.

Determining Fair Value

Valuation and Amortization Method. We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. Our stock options have various restrictions, including vesting provisions and restrictions on transfer, and are often exercised prior to their contractual maturity. We believe that lattice binomial models are more capable of incorporating the features of our stock options than closed-form models such as the Black Scholes model. The use of a lattice binomial model requires the use of extensive actual employee exercise behavior and a number of complex assumptions including the expected volatility of our stock price over the term of the options, risk-free interest rates and expected dividends. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method. We amortize the fair value of time-based RSUs on a straight-line basis over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the market price of our stock on the date of grant for dividends.

Expected Term. The expected term of options granted represents the period of time that they are expected to be outstanding and is a derived output of the lattice binomial model. The expected term of stock options is impacted by all of the underlying assumptions and calibration of our model. The lattice binomial model assumes that option exercise behavior is a function of the option’s remaining vested life and the extent to which the market price of our common stock exceeds the option exercise price. The lattice binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and cancellations on all past option grants made by us.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on the implied volatility of one-year and two-year publicly traded options on our common stock. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Risk-Free Interest Rate. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms.

Dividends. We use an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during all years presented and currently expect to continue to pay cash dividends in the future.

Forfeitures. We adjust share-based compensation expense for actual forfeitures as they occur. Prior to our adoption of ASU 2016-09 in the first quarter of fiscal 2017, we estimated forfeitures at the time of grant and revised those estimates in subsequent periods if actual forfeitures differed from those estimates. We used historical data to estimate pre-vesting option forfeitures and recorded share-based compensation expense only for those awards that were expected to vest.

We used the following assumptions to estimate the fair value of stock options granted and shares purchased under our Employee Stock Purchase Plan for the periods indicated:

	Twelve Months Ended July 31,		
	2018	**2017**	**2016**
Assumptions for stock options:			
Expected volatility (range)	25 %	22% - 23%	22% - 26%
Weighted average expected volatility	25 %	23 %	22 %
Risk-free interest rate (range)	2.84 %	1.65% - 1.70%	0.98% - 1.49%
Expected dividend yield	0.72 %	0.97% - 1.17%	1.06% - 1.36%
Assumptions for ESPP:			
Expected volatility (range)	20% - 25%	18% - 21%	23% - 26%
Weighted average expected volatility	23 %	20 %	25 %
Risk-free interest rate (range)	1.05% - 1.96%	0.30% - 0.89%	0.06% - 0.47%
Expected dividend yield	0.87% - 1.10%	1.09% - 1.10%	1.13% - 1.34%

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our 2005 Equity Incentive Plan for the fiscal periods indicated was as follows:

(Shares in thousands)	**Shares Available for Grant**
Balance at July 31, 2015	**17,183**
Options granted	(2,553)
Restricted stock units granted (1)	(9,364)
Share-based awards canceled/forfeited/expired (1)(2)	3,724
Balance at July 31, 2016	**8,990**
Additional shares authorized	23,110
Options granted	(1,786)
Restricted stock units granted (1)	(9,160)
Share-based awards canceled/forfeited/expired (1)(2)	4,010
Balance at July 31, 2017	**25,164**
Options granted	(455)
Restricted stock units granted (1)	(6,504)
Share-based awards canceled/forfeited/expired (1)(2)	4,586
Balance at July 31, 2018	**22,791**

(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.

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Stock Option Activity and Related Share-Based Compensation Expense

A summary of stock option activity for the periods indicated was as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2015	**8,713**	**$69.13**
Granted	2,553	113.08
Exercised	(2,566)	48.93
Canceled or expired	(354)	74.56
Balance at July 31, 2016	**8,346**	**88.55**
Granted	1,786	135.24
Exercised	(2,213)	69.12
Canceled or expired	(431)	104.78
Balance at July 31, 2017	**7,488**	**104.50**
Granted	455	216.64
Exercised	(2,416)	89.41
Canceled or expired	(373)	121.31
Balance at July 31, 2018	**5,154**	**$120.26**

Information regarding stock options outstanding as of July 31, 2018 is summarized below:

	Number of Shares (in thousands)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in millions)
Options outstanding	5,154	4.82	$120.26	$493
Options exercisable	2,933	4.01	$101.40	$336

The aggregate intrinsic values at July 31, 2018 are calculated as the difference between the exercise price of the underlying options and the market price of our common stock for shares that were in-the-money at that date. In-the-money options at July 31, 2018 were options that had exercise prices that were lower than the $204.24 market price of our common stock at that date.

Additional information regarding our stock options and ESPP shares is shown in the table below.

	Twelve Months Ended July 31,		
(In millions except per share amounts)	2018	2017	2016
Weighted average fair value of options granted (per share)	$ 50.77	$ 25.54	$ 20.35
Total grant date fair value of options vested	$ 38	$ 37	$ 32
Aggregate intrinsic value of options exercised	$ 188	$ 126	$ 134
Share-based compensation expense for stock options and ESPP	$ 56	$ 52	$ 48
Total tax benefit for stock option and ESPP share-based compensation	$ 56	$ 49	$ 13
Cash received from option exercises	$ 216	$ 153	$ 126
	$ 53	$ 46	$ 47

Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	

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At July 31, 2018, there was approximately $62 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 2.5 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 periods indicated was as follows:

(Shares in thousands)	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Nonvested at July 31, 2015	**8,916**	**$72.48**
Granted	4,072	99.30
Vested	(2,392)	78.07
Forfeited	(1,557)	77.03
Nonvested at July 31, 2016	**9,039**	**82.30**
Granted	3,983	119.84
Vested	(3,121)	86.93
Forfeited	(1,265)	76.75
Nonvested at July 31, 2017	**8,636**	**98.76**
Granted	2,828	185.53
Unregistered restricted stock granted in connection with acquisitions	75	163.00
Vested	(2,960)	105.71
Forfeited	(1,196)	88.59
Nonvested at July 31, 2018	**7,383**	**$131.50**

Additional information regarding our RSUs is shown in the table below.

	Twelve Months Ended July 31,		
(In millions)	**2018**	**2017**	**2016**
Total fair market value of shares vested	$ 527	$ 388	$ 288
Share-based compensation for RSUs	$ 326	$ 274	$ 230
Total tax benefit related to RSU share-based compensation expense	$ 143	$ 130	$ 73
Cash tax benefits realized for tax deductions for RSUs	$ 142	$ 130	$ 92

At July 31, 2018, there was $820 million of unrecognized compensation cost related to non-vested RSUs with a weighted average vesting period of 2.8 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Accumulated Other Comprehensive Loss

Comprehensive income consists of two elements, net income and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt securities classified as available-for-sale and foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar.

The following table shows the components of accumulated other comprehensive loss, net of income taxes, in the stockholders' equity section of our balance sheets at the dates indicated.

	July 31,	
(In millions)	**2018**	**2017**
Unrealized losses on available-for-sale debt securities	$ (2)	$ —
Foreign currency translation adjustments	(33)	(22)
Total accumulated other comprehensive loss	$ (35)	$ (22)

12. Benefit Plans

Non-Qualified Deferred Compensation Plan

Intuit's Non-Qualified Deferred Compensation Plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries and up to 75% of their bonuses. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We do not guarantee above-market interest on account balances. We may also make discretionary employer contributions to participant accounts in certain circumstances. The timing, amounts, and vesting schedules of employer contributions are at the sole discretion of the Compensation and Organizational Development Committee of our Board of Directors or its delegate. The benefits under this plan are unsecured and are general assets of Intuit. Participants are generally eligible to receive payment of their vested benefit at the end of their elected deferral period or after termination of their employment with Intuit for any reason or at a later date to comply with the restrictions of Section 409A of the Internal Revenue Code. Participants may elect to receive their payments in a lump sum or installments. Discretionary company contributions and the related earnings vest completely upon the participant's disability, death, or a change in control of Intuit. We made no employer contributions to the plan for any period presented.

We had liabilities related to this plan of $97 million at July 31, 2018 and $83 million at July 31, 2017. We have matched the plan liabilities with similar-performing assets, which are primarily investments in life insurance contracts. These assets are recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our balance sheets.

401(k) Plan

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 50% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of employee contributions, currently 125% up to six percent of salary, subject to Internal Revenue Service limitations. Matching contributions were $50 million for the twelve months ended July 31, 2018; $49 million for the twelve months ended July 31, 2017; and $46 million for the twelve months ended July 31, 2016.

13. 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, which is subject to preliminary and final approval by the court. On August 23, 2018, the parties filed a motion for preliminary approval of the settlement. A preliminary approval hearing is scheduled to be heard on October 4, 2018. The terms of the proposed 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.

14. Segment Information

In August 2017, we aligned our segment reporting for fiscal 2018 with our core customers and business partners. The Consumer Ecosystem offering moved from the Small Business segment into the Consumer Tax segment. The company also renamed the Small Business, Consumer Tax, and ProConnect segments as the Small Business & Self-Employed, Consumer, and Strategic Partner segments, respectively. The Strategic Partner segment will continue to manage our professional tax offerings. We have reclassified certain amounts related to our reportable segments previously reported in our financial statements to conform to the current presentation.

We have defined 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 globe, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, 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 the twelve months ended July 31, 2018, 2017 and 2016.

We include expenses such as corporate selling and marketing, product development, general and administrative expenses and share-based compensation expenses, 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. 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. See Note 5, *"Goodwill and Acquired Intangible Assets,"* for goodwill by reportable segment.

The following table shows our financial results by reportable segment for the periods indicated. Segment results for fiscal 2017 and 2016 have been reclassified to conform to the fiscal 2018 segment presentation, as described earlier in this footnote. Results for all periods presented have been adjusted to exclude results for our Demandforce, QuickBase, and Quicken businesses, which we classified as discontinued operations in the fourth quarter of fiscal 2015 and sold during fiscal 2016. See Note 7, "*Discontinued Operations,"* for more information.

	Twelve Months Ended July 31,		
(In millions)	**2018**	**2017**	**2016**
Net revenue:			
Small Business & Self-Employed	$ 2,994	$ 2,539	$ 2,221
Consumer	2,517	2,201	2,045
Strategic Partner	453	437	428
Total net revenue	$ 5,964	$ 5,177	$ 4,694
Operating income from continuing operations:			
Small Business & Self-Employed	$ 1,257	$ 1,072	$ 879
Consumer	1,596	1,395	1,304
Strategic Partner	281	263	268
Total segment operating income	3,134	2,730	2,451
Unallocated corporate items:			
Share-based compensation expense	(382)	(326)	(278)
Other common expenses	(1,234)	(995)	(897)
Amortization of acquired technology	(15)	(12)	(22)
Amortization of other acquired intangible assets	(6)	(2)	(12)

Total unallocated corporate items	(1,637)	(1,335)	(1,209)
Total operating income from continuing operations	$ 1,497	$ 1,395	$ 1,242

15. Selected Quarterly Financial Data (Unaudited)

The following tables contain selected quarterly financial data for the twelve months ended July 31, 2018 and July 31, 2017.

	Fiscal 2018 Quarter Ended			
(In millions, except per share amounts)	October 31	January 31	April 30	July 31
Total net revenue	$ 886	$ 1,165	$ 2,925	$ 988
Cost of revenue	196	246	304	231
All other costs and expenses	747	899	1,006	838
Operating income (loss)	(57)	20	1,615	(81)
Net income (loss)	(17)	(21)	1,200	49
Basic net income (loss) per share	$ (0.07)	$ (0.08)	$ 4.68	$ 0.19
Diluted net income (loss) per share	$ (0.07)	$ (0.08)	$ 4.59	$ 0.18

	Fiscal 2017 Quarter Ended			
(In millions, except per share amounts)	October 31	January 31	April 30	July 31
Total net revenue	$ 778	$ 1,016	$ 2,541	$ 842
Cost of revenue	183	206	237	183
All other costs and expenses	656	788	860	669
Operating income (loss) from continuing operations	(61)	22	1,444	(10)
Net income (loss)	(30)	13	964	24
Basic net income (loss) per share	$ (0.12)	$ 0.05	$ 3.76	$ 0.09
Diluted net income (loss) per share	$ (0.12)	$ 0.05	$ 3.70	$ 0.09

INTUIT INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Beginning Balance	Additions Charged to Expense/ Revenue	Deductions	Ending Balance
Year ended July 31, 2018				
Allowance for doubtful accounts	$ 46	$ 58	$ (99)	$ 5
Reserve for product returns	7	93	(90)	10
Reserve for promotional discounts and rebates	19	99	(108)	10
Year ended July 31, 2017				
Allowance for doubtful accounts	$ 51	$ 44	$ (49)	$ 46
Reserve for product returns	7	76	(76)	7
Reserve for promotional discounts and rebates	14	113	(108)	19
Year ended July 31, 2016				
Allowance for doubtful accounts	$ 45	$ 49	$ (43)	$ 51
Reserve for product returns	12	70	(75)	7
Reserve for promotional discounts and rebates	12	103	(101)	14

Notes: The table above excludes balances and activity for our discontinued operations for all periods presented.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - 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 Annual Report on Form 10-K 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of July 31, 2018 based on the guidelines established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2018 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit and Risk Committee of Intuit's Board of Directors.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of July 31, 2018. Their report is included in Item 8 of this Annual Report on Form 10-K.

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.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information about our executive officers shown below, the information required by this Item 10 is incorporated by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission in connection with the solicitation of proxies for our 2019 Annual Meeting of Stockholders (the "2019 Proxy Statement") under the sections entitled "Proposal No. 1 - Election of Directors – Our Board Nominees," "Corporate Governance," and "Stock Ownership Information – Section 16(a) Beneficial Ownership Reporting Compliance."

We maintain a Code of Conduct and Ethics that applies to all employees, including all officers. We also maintain a Board of Directors Code of Ethics that applies to all members of our Board of Directors. Our Code of Conduct and Ethics and Board of Directors Code of Ethics incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. Our Code of Conduct and Ethics and Board of Directors Code of Ethics are published on our Investor Relations website at https://investors.intuit.com/Corporate-Governance/Conduct-Guidelines/default.aspx. We disclose amendments to certain provisions of our Code of Conduct and Ethics and Board of Directors Code of Ethics, or waivers of such provisions granted to executive officers and directors, on this website.

EXECUTIVE OFFICERS

The following table shows Intuit's executive officers and their areas of responsibility as of August 1, 2018 . Their biographies follow the table.

Name	Age	Position
Brad D. Smith	54	Chairman of the Board of Directors, President and Chief Executive Officer
Scott D. Cook	66	Chairman of the Executive Committee
Michelle M. Clatterbuck	50	Executive Vice President and Chief Financial Officer
Laura A. Fennell	57	Executive Vice President, People and Places
Sasan K. Goodarzi	50	Executive Vice President and General Manager, Small Business & Self-Employed Group
Gregory N. Johnson	50	Executive Vice President and General Manager, Consumer Group
Kerry J. McLean	54	Senior Vice President, General Counsel and Corporate Secretary
H. Tayloe Stansbury	57	Executive Vice President and Chief Technology Officer
Mark J. Flournoy	52	Vice President, Corporate Controller and Chief Accounting Officer

Mr. Smith has been President and Chief Executive Officer and a member of the Board of Directors since January 2008. He became Chairman of the Board in January 2016. On August 23, 2018, we announced that, effective January 1, 2019, Mr. Smith will be stepping down as the Chief Executive Officer of the company and will become the Executive Chairman of the Board. Prior to his role as the President and Chief Executive Officer, he was Senior Vice President and General Manager, Small Business Division from May 2006 to December 2007 and Senior Vice President and General Manager, QuickBooks from May 2005 to May 2006. He also served as Senior Vice President and General Manager, Consumer Tax Group from March 2004 until May 2005 and as Vice President and General Manager of Intuit's Accountant Central and Developer Network from February 2003 to March 2004. Prior to joining Intuit in February 2003, Mr. Smith was Senior Vice President of Marketing and Business Development at ADP, a provider of business outsourcing solutions, where he held several executive positions from 1996 to 2003. Mr. Smith also serves on the boards of directors of Nordstrom, Inc. and SurveyMonkey Inc. Mr. Smith holds a Bachelor's degree in Business Administration from Marshall University and a Master's degree in Management from Aquinas College.

Mr. Cook, a founder of Intuit, has been an Intuit director since March 1984 and is currently Chairman of the Executive Committee. He served as Intuit's Chairman of the Board from February 1993 through July 1998. From April 1984 to April 1994, he served as Intuit's President and Chief Executive Officer. Mr. Cook also serves on the board of directors of The Procter & Gamble Company. Mr. Cook holds a Bachelor of Arts degree in Economics and Mathematics from the University of Southern California and a Master's degree in Business Administration from Harvard Business School.

Ms. Clatterbuck has been Executive Vice President and Chief Financial Officer since February 2018. She manages the financial strategy and operations across the company, including Treasury, Procurement, Investor Relations and Finance Operations. Ms. Clatterbuck served as acting finance leader for Intuit's Small Business Group from June 2017 through January 2018, led finance for the Consumer Tax Group beginning in September 2012 and was promoted to Senior Vice President for that group in August 2016. Her earlier roles at Intuit include Vice President of finance for the Professional Tax business in 2006 and finance director in October 2004. Ms. Clatterbuck joined Intuit in March 2003 as a senior finance manager. Prior to Intuit, Ms.

Clatterbuck held various financial management roles at General Electric. Before that, she was a financial litigation consultant at The Barrington Consulting Group. Ms. Clatterbuck holds a bachelor's degree in commerce with a concentration in finance from the University of Virginia.

Ms. Fennell has been Executive Vice President, People and Places since August 2018 and previously served as Executive Vice President, General Counsel and Corporate Secretary. She served as Senior Vice President, General Counsel and Corporate Secretary from February 2007. Ms. Fennell joined Intuit as Vice President, General Counsel and Corporate Secretary in April 2004. She leads the team responsible for acquiring, developing, mobilizing and rewarding the company's global workforce. Prior to joining Intuit, Ms. Fennell spent nearly eleven years at Sun Microsystems, Inc., most recently as Vice President of Corporate Legal Resources, as well as Acting General Counsel. Prior to joining Sun, she was an associate attorney at Wilson Sonsini, Goodrich & Rosati PC. Ms. Fennell sits on the board of directors of the Children's Discovery Museum of San Jose. Ms. Fennell holds a Bachelor of Science degree in Business Administration from California State University, Chico and a Juris Doctor from Santa Clara University.

Mr. Goodarzi has been Executive Vice President and General Manager of Intuit's Small Business Group since May 2016. On August 23, 2018, we announced that, effective January 1, 2019, Mr. Goodarzi will become the Chief Executive Officer of the company and a member of the Board of Directors. He previously was Executive Vice President and General Manager of Intuit's Consumer Tax Group from August 2015 through April 2016 and from August 2013 to July 2015 served as Senior Vice President and General Manager of the Consumer Tax Group. He served as Intuit's Senior Vice President and Chief Information Officer from August 2011 to July 2013, having rejoined Intuit after serving as CEO of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, beginning in November 2010. During his previous tenure at Intuit from 2004 to 2010, Mr. Goodarzi led several business units including Intuit Financial Services and the professional tax division. Prior to joining Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as global president of the products group. He also held a number of senior leadership roles in the automation control division at Honeywell. He serves on the board of Atlassian Corporation Plc. Mr. Goodarzi holds a Bachelor's degree in Electrical Engineering from the University of Central Florida and a Master's degree in Business Administration from the Kellogg School of Management at Northwestern University.

Mr. Johnson has been Executive Vice President and General Manager of Intuit's Consumer Group since August 2018. He joined Intuit in 2012 as Senior Vice President of marketing. Mr. Johnson leads an organization that offers a suite of consumer tax and financial products and services in the U.S. and Canada. He has more than 20 years' experience in marketing, which spans across consumer packaged goods, retail, and international and emerging markets. Prior to joining Intuit, Mr. Johnson worked for various organizations, including Kraft Foods, SC Johnson, Kodak, Gillette, Best Buy, and the United States Air Force. Mr. Johnson holds a Bachelor of Science degree in Operations Research from the United States Air Force Academy.

Ms. McLean has been Senior Vice President, General Counsel and Corporate Secretary since August 2018, after having served as Vice President, Deputy General Counsel since August 2010. She joined Intuit in 2006 as Director, Deputy General Counsel. Ms. McLean leads Intuit's legal, privacy and compliance teams. Prior to joining Intuit, Ms. McLean spent over six years at Wind River Systems, Inc., most recently as the Director of Legal. Prior to joining Wind River, she was an associate at Howard, Rice, Nemerovski, Canady, Falk & Rabkin PC (now Arnold & Porter Kaye Scholer LLP). Ms. McLean holds a Bachelor of Arts degree in International Relations from University of California, Davis and a Juris Doctor from University of California, Hastings College of Law.

Mr. Stansbury has been Executive Vice President and Chief Technology Officer since August 2015 and joined Intuit in May 2009 as Senior Vice President and Chief Technology Officer. On August 23, 2018, we announced that Mr. Stansbury will be stepping down from his role as the Chief Technology Officer of the company effective January 1, 2019. Mr. Stansbury previously served as chief information officer of VMware. Earlier he was executive vice president of Ariba and held executive engineering and general management roles at Calico Commerce and Xerox, led developer tools engineering groups at Borland International and Sun Microsystems, and researched intelligent systems at Xerox PARC. Mr. Stansbury serves on the boards of Coupa Software Inc. and Shutterfly, Inc. Mr. Stansbury holds a Bachelor's degree in Applied Mathematics from Harvard University.

Mr. Flournoy was appointed as Vice President and Chief Accounting Officer in February 2014. He joined Intuit in 2003 as director of general accounting and internal controls and was named Corporate Controller in 2012. From 1996 to 2003, Mr. Flournoy served as a corporate controller for various private and public companies in California. He began his career in public accounting at Ernst & Young, where he served from 1992 to 1996. Mr. Flournoy holds a Bachelor's degree in Business Administration – Finance from the University of Southern California and a secondary Bachelor's degree in Accounting from San Diego State University.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2019 Proxy Statement under the sections entitled "Corporate Governance – Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Equity Compensation Plan Information," and "Executive Compensation Tables."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference from the information contained in our 2019 Proxy Statement under the sections entitled "Stock Ownership Information" and "Executive Compensation Tables."

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference from the information contained in our 2019 Proxy Statement under the sections entitled "Corporate Governance – Director Independence" and "Transactions with Related Persons."

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICE

The information required by this Item 14 is incorporated by reference from the information contained in our 2019 Proxy Statement under the section entitled "Proposal No. 3 – Ratification of Selection of Independent Registered Public Accounting Firm."

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements – See Index to Consolidated Financial Statements in Part II, Item 8.
2. Financial Statement Schedules – See Index to Consolidated Financial Statements in Part II, Item 8.
3. Exhibits – See Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

INTUIT INC.

Dated:	August 31, 2018	By:	/s/ MICHELLE M. CLATTERBUCK
			Michelle M. Clatterbuck Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Brad D. Smith and Michelle M. Clatterbuck as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
Principal Executive Officer:		
/s/ BRAD D. SMITH	Chairman of the Board of Directors, President and Chief Executive Officer	August 31, 2018
Brad D. Smith		
Principal Financial Officer:		
/s/ MICHELLE M. CLATTERBUCK	Executive Vice President and Chief Financial Officer	August 31, 2018
Michelle M. Clatterbuck		
Principal Accounting Officer:		
/s/ MARK J. FLOURNOY	Vice President, Corporate Controller and Chief Accounting Officer	August 31, 2018
Mark J. Flournoy		
Additional Directors:		
/s/ EVE BURTON	Director	August 31, 2018
Eve Burton		
/s/ SCOTT D. COOK	Director	August 31, 2018
Scott D. Cook		
/s/ RICHARD DALZELL	Director	August 31, 2018
Richard Dalzell		
/s/ DEBORAH LIU	Director	August 31, 2018
Deborah Liu		
/s/ SUZANNE NORA JOHNSON	Director	August 31, 2018
Suzanne Nora Johnson		
/s/ DENNIS D. POWELL	Director	August 31, 2018
Dennis D. Powell		
/s/ THOMAS SZKUTAK	Director	August 31, 2018
Thomas Szkutak		
/s/ RAUL VAZQUEZ	Director	August 31, 2018
Raul Vazquez		

/s/ JEFF WEINER Jeff Weiner	Director	August 31, 2018

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
3.01	Restated Intuit Certificate of Incorporation, dated as of January 19, 2000		10-Q	6/14/2000
3.02	Bylaws of Intuit, as amended and restated effective May 5, 2016		8-K	5/9/2016
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
10.01+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 19, 2017		S-8 333-215639	1/20/2017
10.02+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.03+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through July 24, 2012		8-K	7/27/2012
10.04+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as approved January 19, 2011		S-8 333-171768	1/19/2011
10.05+	Intuit Inc. 2005 Equity Incentive Plan, as amended December 15, 2009		S-8 333-163728	12/15/2009
10.06+	Intuit Inc. 2005 Equity Incentive Plan, as amended December 16, 2008		S-8 333-156205	12/17/2008
10.07+	Intuit Inc. 2005 Equity Incentive Plan, as amended April 23, 2008		8-K	4/28/2008
10.08+	Forms of Equity Grant Agreements: EVP-SVP TSR Performance-Based Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, EVP Time-Based Restricted Stock Unit, CEO Restricted Stock Unit, Stock Option - 4 year vest, Time-Based RSU - 4 year vest (focal), New Hire Time-Based Restricted Stock Unit - 4 year vest	X		
10.09+	Forms of Equity Grant Agreements: Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, CEO Restricted Stock Unit, Executive TSR Performance-Based Restricted Stock Unit, EVP Restricted Stock Unit, Restricted Stock Unit - MSPP Purchased, Restricted Stock Unit- MSPP Matching, Stock Option		10-K	9/1/2017
10.10+	Forms of Equity Grant Agreements: CEO Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, Executive Restricted Stock Unit, EVP/SVP TSR Performance-Based Restricted Stock Unit, Restricted Stock Unit, and Stock Option Agreement		10-K	9/1/2016
10.11+	Form of CEO Restricted Stock Unit Agreement - time-based vesting (deferred release)		10-K	9/1/2015
10.12+	Form of CEO Restricted Stock Unit Agreement - performance-based - Total Shareholder Return Goals (deferred release)		10-K	9/1/2015
10.14+	Form of Performance-Based Restricted Stock Unit Agreement (total shareholder return goals)		10-K	9/12/2014
10.15+	Form of Amended and Restated 2005 Equity Incentive Plan Non-Qualified Stock Option Grant Agreement: New Hire, Promotion, Retention or Focal Grant		10-K	9/13/2013

10.16+	Form of Restricted Stock Unit Agreement (service-based vesting)	10-K	9/13/2012

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.17+	Form of Restricted Stock Unit Agreement (executive vesting)		10-K	9/13/2012
10.18+	Form of Executive Promotion/New Hire Stock Option Agreement		10-K	9/12/2008
10.19+	2005 Equity Incentive Plan Form of Non-Qualified Stock Option - New Hire, Promotion or Retention Grant		10-Q	12/10/2004
10.20+	Description of Non-Employee Director Compensation, approved October 19, 2017 and effective January 18, 2018		10-Q	11/20/2017
10.21+	Non-employee Director Compensation Program, effective January 21, 2016		10-Q	2/25/2016
10.22+	Forms of Non-employee Director Restricted Stock Unit Agreements		10-Q	11/20/2017
10.23+	Form of Director Restricted Stock Units Initial Grant Agreements		10-Q	3/1/2013
10.24+	Form of Director Restricted Stock Units Initial Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.25+	Form of Director Restricted Stock Units Succeeding Grant Agreement		10-Q	3/1/2013
10.26+	Form of Director Restricted Stock Units Succeeding Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.27+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013
10.28+	Form of Director Restricted Stock Unit Grant Agreement		10-Q	12/1/2011
10.29+	Third Amended and Restated Management Stock Purchase Program		10-Q	5/24/2016
10.30+	Second Amended and Restated Management Stock Purchase Program		10-Q	2/29/2012
10.31+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-K	9/13/2012
10.32+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-K	9/13/2012
10.33+	PayCycle, Inc. 1999 Equity Incentive Plan, as amended, effective November 1, 1999		S-8	8/5/2009
10.34+	Form of Intuit Inc. Stock Option Assumption Agreement		S-8	8/5/2009
10.35+	Intuit Executive Relocation Policy	X		
10.36+	Intuit Inc. Non-qualified Deferred Compensation Plan, effective January 1, 2009		10-Q	11/20/2017
10.37+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.38+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.39+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2018		10-K	9/1/2017

10.40+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2017		10-K	9/1/2016
10.41+	Intuit Inc. Senior Executive Incentive Plan, effective August 1, 2018	X		

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.42+	Intuit Inc. Senior Executive Incentive Plan, generally effective October 27, 2015		10-Q	11/20/2017
10.43+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers		10-Q	2/23/2017
10.44+	Amendment dated December 1, 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. Brad D. Smith dated October 1, 2007		10-Q	12/4/2008
10.45+	Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. Brad D. Smith, dated October 1, 2007		8-K	10/5/2007
10.46+	Letter regarding Terms of Employment by and between Intuit Inc. and Ms. Michelle Clatterbuck dated January 19, 2018		8-K	1/23/2018
10.47+	Amendment dated December 1. 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. R. Neil Williams dated November 2, 2007		10-Q	12/4/2008
10.48+	Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. R. Neil Williams, dated November 2, 2007		8-K	11/8/2007
10.49+	Employment offer letter between Intuit Inc. and Sasan Goodarzi dated June 24, 2011 and Employment memo dated July 23, 2013 to Sasan Goodarzi		10-K	9/13/2013
10.50+	Employment memo dated August 20, 2015 to Sasan Goodarzi		10-K	9/1/2015
10.51+	Employment Memo dated August 14, 2014 to Sasan Goodarzi		10-K	9/12/2014
10.52+	Employment Memo dated August 23, 2017 to Daniel Wernikoff		10-K	9/1/2017
10.53+	Employment memo dated August 29, 2016 to Daniel Wernikoff		10-K	9/1/2016
10.54+	Employment offer letter between Intuit Inc. and Daniel Wernikoff dated February 12, 2003		10-K	9/13/2013
10.55+	Employment offer letter between Intuit Inc. and Tayloe Stansbury dated April 27, 2009		10-K	9/12/2014
10.56	Credit Agreement by and among Intuit, the Lenders parties thereto (the "Lenders"), Bank of America, N.A. and JPMorgan Chase Bank, N.A., as co-administrative agents, U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as co-syndication agents for the Lenders, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities L.L.C., U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as joint lead arrangers and joint bookrunners dated February 1, 2016		10-Q	2/25/2016
10.57	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2005 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/5/2005
10.58	Free On-Line Electronic Tax Filing Agreement Amendment dated November 5, 2009 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/4/2009
10.59	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2014, between the Internal Revenue Service and Free File, Inc.		10-K	9/12/2014
10.60	Seventh Memorandum of Understanding on Service Standards and Disputes between the Internal Revenue Service and Free File, Incorporated, effective October 31, 2015		10-K	9/1/2015

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.61#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003		10-K	9/19/2003
10.62	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007		10-K	9/14/2007
10.63#	Amendment 3 to Master Services Agreement between Intuit and Arvato Services, Inc., effective April 1, 2008		10-Q	5/30/2008
10.64#	Amendment 5 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 19, 2010		10-Q	12/6/2010
10.65	Amended and Restated Amendment Seven to the Master Service Agreement by and between Intuit and Arvato Digital Services effective September 1, 2013		10-Q	11/22/2013
10.66	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014		10-K	9/12/2014
10.67#	Agreement of Purchase and Sale and Joint Escrow Instructions by and between Intuit Inc. and Kilroy Realty, L.P.		8-K	11/16/2015
10.68	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2475, 2500, 2525, 2535 and 2550 Garcia Avenue, Mountain View, CA		10-K	9/19/2003
10.69	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2650, 2675, 2700 and 2750 Coast Avenue and 2600 Casey Avenue, Mountain View, California		10-K	9/19/2003
10.70	Second Amendment to Lease Agreement Phase 1, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
10.71	Third Amendment to Lease Agreement Phase 2, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
21.01	List of Intuit's Subsidiaries	X		
23.01	Consent of Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
101.LAB	XBRL Taxonomy Extension Label Linkbase	X		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X		
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X		

+ Indicates a management contract or compensatory plan or arrangement.

We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.