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

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2008

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: 1-32215

Jackson Hewitt Tax Service Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-0779692**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3 Sylvan Way Parsippany, New Jersey	**07054**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (973) 630-1040

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

Title of class	Name of exchange on which registered
Common Stock $0.01 par value	New York Stock Exchange

Pinero v. Jackson Hewitt Tax Service Inc. et al Doc. 77 Att. 20

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 Section 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 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 or a small reporting company. See definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Small reporting company ☐

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

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The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates as of October 31, 2007 was $928.2 million, computed by reference to the price at which the common equity was last sold as reported on the New York Stock Exchange on that date.

The number of shares outstanding of the registrant's common stock was 28,426,740 (net of 10,440,491 shares held in treasury) as of May 31, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement, to be filed within 120 days of the close of the registrant's fiscal year, relating to the registrant's 2008 Annual Meeting of Stockholders, to be held on September 23, 2008, are incorporated by reference into Part III of this report.

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JACKSON HEWITT TAX SERVICE INC.

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FORWARD-LOOKING STATEMENTS

Certain statements in this report, including, but not limited to, those contained in "Part I. Item 1—Business", "Part I. Item 2—Properties", "Part I. Item 3—Legal Proceedings", "Part II. Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II. Item 8—Financial Statements and Supplementary Data" and notes thereto, included in this report are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, cash flows, plans, objectives, future performance and business of Jackson Hewitt Tax Service Inc. All statements in this report, other than statements that are purely historical, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate" and similar expressions or future or conditional verbs such as "will," "should," "would," "may," and "could." These forward-looking statements involve risks and uncertainties.

Actual results may differ materially from those contemplated (expressed or implied) by such forward-looking statements, because of, among other things, the following potential risks and uncertainties: our ability to timely or effectively respond to customer trends and attract new customers, develop and make new products available through our offices, improve our distribution system or reduce our cost structure; our ability to successfully attract and retain key personnel; government initiatives that simplify tax return preparation or reduce the need for a third party tax return preparer, improve the timing and efficiency of processing tax returns or decrease the number of tax returns filed; delays in the passage of tax laws and their implementation; the trend of tax payers filing their tax returns later in the tax season; the success of our franchised offices; our responsibility to third parties, regulators or courts for the acts of, or failures to act by, our franchisees or their employees; government legislation and regulation of the tax return preparation industry and related financial products, including refund anticipation loans, and the failure by us, or the financial institutions which provide financial products to our customers, to comply with such legal and regulatory requirements; the effectiveness of our tax return preparation compliance program; increased regulation of tax return preparers; our exposure to litigation; the failure of our insurance to cover all the risks associated with our business; our ability to protect our customers' personal and financial information; the effectiveness of our marketing and advertising programs and franchisee support of these programs; disruptions in our relationships with our franchisees; changes in our relationships with financial product providers that could reduce the revenues we derive from our agreements with these financial institutions as well as affect our customers' ability to obtain financial products through our tax return preparation offices; changes in our relationships with retailers and shopping malls that could affect our growth and profitability; the seasonality of our business and its effect on our stock price; competition from tax return preparation service providers, volunteer organizations and the government; our reliance on technology systems and electronic communications to perform the core functions of our business; our ability to protect our intellectual property rights or defend against any third party allegations of infringement by us; our reliance on cash flow from subsidiaries; our compliance with credit facility covenants; our exposure to increases in prevailing market interest rates; our quarterly results not being indicative of our performance as a result of tax season being relatively short and straddling two quarters; our ability to pay dividends in the future; certain provisions that may hinder, delay or prevent third party takeovers; changes in accounting policies or practices and our ability to maintain an effective system of internal controls; impairment charges related to goodwill; and the effect of market conditions, general conditions in the tax return preparation industry or general economic conditions.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control. As a result of these factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

ITEM 1. BUSINESS.

BUSINESS OVERVIEW

Jackson Hewitt Tax Service Inc. provides computerized preparation of federal, state and local individual income tax returns in the United States through a nationwide network of franchised and company-owned offices operating under the brand name Jackson Hewitt Tax Service®. We provide our customers with convenient, fast and quality tax return preparation services and electronic filing of their tax returns. In connection with their tax return preparation experience, our customers may select various financial products to suit their needs, including refund anticipation loans ("RALs"). "Jackson Hewitt," the "Company," "we," "our," and "us" are used interchangeably in this report to refer to Jackson Hewitt Tax Service Inc. and its subsidiaries, appropriate to the context.

We are the second largest paid individual tax return preparer in the United States based upon the number of individual tax returns prepared and filed with the Internal Revenue Service ("IRS"). In 2008, our network consisted of 6,763 franchised and company-owned offices and prepared 3.39 million tax returns excluding Economic Stimulus Program ("ESP") tax returns (3.46 million total tax returns). We estimate our network prepared approximately 4% of all tax returns prepared by a paid tax return preparer ("paid tax return preparer market"). We had total revenues for 2008 of $278.5 million which consisted of fees paid by our franchisees, service revenues earned at company-owned offices and financial product fees.

The core of our business is our franchise system. In 2008, our franchisees operated 5,763 offices and prepared 87% of the total number of tax returns prepared by our network. Our franchise model enables us to grow more quickly with less capital investment and lower operating expenses than if we operated all of the offices in our network directly. Complementing our franchise system are our company-owned offices.

Jackson Hewitt Tax Service Inc. was incorporated in Delaware in February 2004 to be the parent corporation in connection with the Company's June 2004 initial public offering ("IPO") pursuant to which Cendant Corporation, now known as Avis Budget Group, Inc. ("Cendant"), divested 100% of its ownership interest in Jackson Hewitt Tax Service Inc. Jackson Hewitt Inc. ("JHI") is a wholly-owned subsidiary of Jackson Hewitt Tax Service Inc. Jackson Hewitt Technology Services LLC is a wholly-owned subsidiary of JHI that supports the technology needs of the Company. Company-owned office operations are conducted by Tax Services of America, Inc. ("TSA"), which is a wholly-owned subsidiary of JHI.

INDUSTRY OVERVIEW

Over 139 million federal individual income tax returns were filed in the United States in 2007 and, historically, more than 60% of these tax returns being prepared with the assistance of a paid tax return preparer. The market is highly fragmented and consists of tens of thousands of paid tax return preparers. In 2008, Jackson Hewitt was the second largest paid tax return preparer in the United States, with an approximate 4% share of the paid tax return preparer market. Electronic filing continues to be an important component in the filing of individual income tax returns. In 2008, 61% of United States individual income tax returns filed through April 30 were filed electronically. Electronic filing provides the taxpayer with benefits, including acknowledgment of receipt of the filing, better accuracy and faster tax refund processing.

In February 2008, President Bush signed into law the Economic Stimulus Act of 2008. The new law allows a refundable credit against tax to low and middle-income individuals for 2008. We prepared 0.63 million ESP tax returns in 2008, which were tax returns filed by customers that had no legal requirement to file a tax return but filed a tax return solely to receive an economic stimulus payment from the Internal Revenue Service ("IRS").

The industry consists of customers with two filing behaviors—those who file during the early season (defined as January and February) and those who file during the late season (defined as March and April). Early

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season filers typically file their tax returns shortly after their Form W-2s become available in order to receive their tax refunds as quickly as possible. Historically, most of the tax returns filed by our network have been filed by the end of February, including approximately 73% of the tax returns filed by our network in 2008 excluding ESP tax returns (72% for all tax returns). Late season filers tend to have a higher adjusted gross income ("AGI") on average and have more complex tax return preparation needs. These late season customers are generally less concerned with the speed of receipt of their tax refunds.

The table below shows the breakdown of tax returns filed by ranges of AGI, for all United States individual federal income tax returns filed (i) in 2006 in the United States and (ii) in 2008 by us.

	United States	Jackson Hewitt
Less than $30,000	50 %	67%
$30,000 to $49,999	18	18
$50,000 or more	32	15
Total	100%	100%

BUSINESS OPERATIONS

Tax Return Preparation Services

Our network provides our customers with convenient, fast and quality federal, state and local individual income tax return preparation services and electronic filing of their tax returns. Our network filed over 90% of our tax returns electronically in 2008. Through the use of our proprietary tax software, ProFiler®, we provide a comprehensive computerized individual tax return preparation experience designed to ensure accuracy. The cost of the tax return preparation service is generally based upon the complexity of the tax return.

In 2008, our network consisted of 5,763 franchised offices and 1,000 company-owned offices and prepared 3.39 million tax returns excluding ESP tax returns (3.46 million total tax returns). Our total revenues in 2008 were $278.5 million, including revenues from franchisees, consisting of royalty and marketing and advertising fees and other revenues (43% of total revenues), service revenues earned at company-owned offices (31% of total revenues), and financial product fees (26% of total revenues).

Our network of offices consists of both storefront and retail-partner locations. Our retail-partner locations are located within other businesses, typically retail stores and shopping malls. In 2008, we had relationships with national and large regional retailers and shopping malls, including Wal-Mart Stores, Inc. ("Wal-Mart"), whose customer and employee demographics overlap with ours. Our agreements with these retailers allow Jackson Hewitt Tax Service offices to be located within the retail-partner's locations in high-traffic areas during the tax season at relatively modest costs. During 2008, our network had over 1,700 retail-partner locations in retailers and shopping malls nationwide, including more than 1,300 in Wal-Mart stores. In 2008, approximately 14% of the tax returns prepared by our network were generated in retail-partner locations located in Wal-Mart stores.

Our franchisees and company-owned operations operate in defined geographic territories. We divide the country into over 5,100 specific territories. The average population of a territory is approximately 60,000. Approximately 1,800 of our territories, or 35%, remain available for sale to expand our network. We reevaluate the population size of available territories from time to time. We focus on selling new territories to high-quality franchisees already in our franchise system and to tax preparers or entrepreneurs new to our franchise system. In 2009, we are focusing on selling undeveloped territories in groups of three to five which comprise a particular geographic market. We intend to sell these multi-territory groups to new franchisee investors under economic arrangements which would result in reduced royalty levels if certain tax return and office growth thresholds are met. We also seek to expand our network by increasing the number of offices operated in each territory. In 2008, the territories in which our network operated were largely under-penetrated, with only 31% of these territories having reached our target of at least three offices per territory. On average, we had 2.1 offices per territory in 2008.

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Financial Products

In connection with our customers' tax return preparation experience, various financial products are available for their choosing. Certain of these financial products provide the customer with the ability to have all fees, including fees for tax return preparation and the financial product, withheld from the proceeds of the financial product. In addition, financial products which are loans provide the customer with access to funds more quickly than if the customer had filed the tax return and waited to receive a tax refund directly from the IRS. Financial products available to our customers include:

Refund Anticipation Loans ("RALs"). A RAL is a loan made by a third party financial institution to a customer and secured by a customer's anticipated federal tax refund. The loan amount, less applicable fees and charges, including tax return preparation fees, is generally disbursed to the customer within approximately one day from the time the tax return is electronically filed with the IRS.

Assisted Refunds. Assisted refunds are not loans. Assisted refunds are provided by third party financial institutions and provide the customer with the ability to have their tax return preparation fees and other charges withheld directly from their tax refund. The customer's tax refund is deposited by the taxing authority directly into a bank account established for this purpose by the financial institution and then disbursed to the customer net of fees.

Customers generally may choose various disbursement options for financial products, including direct deposit, check or on the *ipower*® Card, a prepaid Visa® card.

Gold Guarantee®. Gold Guarantee is an extended warranty that a customer may purchase whereby the taxpayer may be reimbursed up to a set limit for any additional tax liability owed due to an error in the preparation of the customer's tax return.

We have contractual arrangements with certain financial institutions that offer, process and administer certain financial products, including RALs, through Jackson Hewitt Tax Service locations. These financial institutions are Republic Bank & Trust Company ("Republic"), Santa Barbara Bank & Trust, a division of Pacific Capital Bank, N.A. ("SBB&T") and HSBC Taxpayer Financial Services, Inc. ("HSBC"). We provide the financial institutions with exclusive access to select offices and certain technology support. During tax season 2008, Republic, SBB&T and HSBC collectively provided financial products to the entire network of Jackson Hewitt Tax Service offices. During tax seasons 2009 and 2010, we expect that Republic and SBB&T will collectively provide financial products to the entire network of Jackson Hewitt Tax Service offices. SBB&T provided a majority of the financial products in the 2008 tax season and we expect that SBB&T will provide a majority of the financial products in each of the tax seasons 2009 and 2010.

Franchise Operations

Our growth has been largely attributable to the expansion of our franchise system. We seek to increase the number of franchised offices each year through the sale of new territories and by increasing the number of locations in existing territories. The franchise model has an inherently higher profit margin than that of our company-owned offices, as our existing infrastructure permits additional franchise growth without significant additional fixed cost investment. In 2008, 20% of our franchisees earned more than $1.0 million in revenues.

Historically, approximately three-fourths of our sales of territories have been sold to existing franchisees. In 2008, approximately 78% of our sales of territories were sold to our existing franchisees and the remaining territories were sold to new franchisees. We recruit new franchisees through a number of sources, including advertising in select publications that target entrepreneurs who are interested in new franchise opportunities.

In certain situations, we provide financial support to convert independent tax practices to the Jackson Hewitt brand as either a new franchisee or through the acquisition of the independent tax practice by an existing franchisee ("Conversion"). We also provide financing and/or other incentives to support franchisees in new office growth.

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The Franchise Agreement. Under the terms of our franchise agreement, each franchisee receives the right to operate a tax return preparation business under the Jackson Hewitt Tax Service brand within a designated geographic area. Franchisees are required to utilize our proprietary tax return preparation ProFiler software and other proprietary operating methods and procedures in the operation of their business. Franchisees are required to operate at least one office within a specified territory. The term of our standard franchise agreement is 10 years. In 1999 and 2000, we offered our franchisees the opportunity to renew their franchise relationship with us before their franchise agreement expired. In these early renewal programs, 93% of our franchisees entered into a new franchise agreement for a new 10-year term, and, as a result, approximately a third of our existing franchise agreements come up for renewal in 2009 or 2010 (with none coming up for renewal prior to April 15, 2009).

Our current franchise agreement requires franchisees to pay us royalties equal to 15% of their revenues (the royalty is 12% for most territories sold before mid-year 2000) and marketing and advertising fees equal to 6% of their revenues. We also charge franchisees a $2.00 fee for each tax return that they file electronically with the IRS.

Franchisee Support. We provide our franchisees with services, including training, administrative support, access to our proprietary ProFiler tax return preparation software, financial products, toll-free tax preparer and ProFiler support service and a dedicated field staff to advise and monitor their business. We also provide our franchisees assistance with marketing programs and information based on our market research. We offer initial training courses for new franchisees as well as more advanced training for more experienced operators and their staff. Throughout the year, we offer numerous workshops that address such topics as how to train tax return preparers, tax law updates, territory development, recruiting and staffing, ethics and fraud, new product updates and local advertising. Additionally, we provide each franchisee with field support to aid in site selection, territory market analysis and the creation of annual operating plans for their businesses. We also provide access to a franchise service manager at our corporate headquarters who is available to provide information on program updates, upcoming events and overall general support.

Company-Owned Offices

In 2008, we operated company-owned offices in 25 markets. Tax returns prepared by our company-owned offices represented 13% of the total number of tax returns prepared by our network in 2008. While we focus primarily on organic growth through the opening of new company-owned offices within existing territories as well as increasing office productivity, we also continue to pursue selective acquisition opportunities for our company-owned office segment. The level of our investment in company-owned stores was higher than normal in 2008 primarily as a result of our acquisition on October 4, 2007 of substantially all of the assets of the tax return preparation businesses in the Atlanta, Chicago, and Detroit markets (collectively, the "October 4, 2007 Acquisitions") from the franchisee named in the DOJ Lawsuits (see "Regulations"). We intend to improve the profitability of our company-owned offices by taking advantage of our previous investments in infrastructure. Our company-owned offices also benefit from the support services that we provide to our franchisees.

Marketing and Advertising

Franchisees are required to pay us marketing and advertising fees equal to 6% of their revenues which we use to fund our marketing efforts. These fees are primarily utilized in connection with our regional and local marketing efforts which are designed to increase brand awareness and attract both early season and late season customers. Our marketing efforts also include national advertising and sponsorships and partnering with large, high-traffic retailers to drive customer awareness and increase customer traffic. Our advertising programs target early season and late season filers through network television advertisements, direct mail marketing and promotions.

Tax Courses

Our franchised and company-owned offices offer a comprehensive catalog of tax education courses. Our basic income tax courses consist of over 70 hours of learning and provide students with a general working knowledge of individual income taxes and tax return preparation. We also offer a series of advanced and intermediate courses to provide a more in depth level of learning to those individuals who already possess a basic understanding of income

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taxes and income tax return preparation. These courses develop a general interest in tax return preparation and also create public awareness of our brand. Many of the students taking these courses develop an interest in tax return preparation as a career and often become tax preparers for franchisees or our company-owned offices.

SEASONALITY

The tax return preparation business is highly seasonal, and we historically generate substantially all of our revenues during the period from January 1 through April 30. In 2008, we earned 95% of our revenues during this period. We generally operate at a loss during the period from May 1 through December 31, during which we incur costs associated with preparing for the upcoming tax season.

INTELLECTUAL PROPERTY

We regard our intellectual property as critical to our success, and we rely on trademark, copyright, patent and trade secret laws in the United States to protect our proprietary rights. We pursue the protection of our trademarks by applying to register key trademarks in the United States. The initial duration of trademark registrations in the United States is 10 years. Most registrations can be renewed perpetually at 10-year intervals. In addition, we seek to protect our proprietary rights through the use of confidentiality agreements with employees, consultants, advisors and others.

We have obtained federal trademark registration for a number of marks, including Jackson Hewitt Tax Service, Jackson Hewitt®, Gold Guarantee, ProFiler and *ipower* Card. We also assert common law rights to certain marks. We do not have any registered patents.

EMPLOYEES

As of April 30, 2008, we employed 429 full-time employees, consisting of 160 employees at our corporate headquarters located in Parsippany, New Jersey, 134 employees at our technology facility located in Sarasota, Florida, 109 employees at our company-owned offices and 26 other employees. In addition, our company-owned offices employed approximately 7,700 seasonal employees primarily from January through April 2008.

COMPETITION

The paid tax return preparation market is highly competitive. Our network competes with tens of thousands of paid tax return preparers, including H&R Block, which is the largest paid tax return preparation service company, Liberty Tax Service, regional and local tax return preparation companies, most of which are independent and some of which are franchised, and regional and national accounting firms and financial service institutions that prepare tax returns as part of their businesses. We also face competitive challenges from the online and software self preparer market, including the Free File Alliance, a consortium of the IRS and online preparation services that provides free online tax return preparation and filing and from volunteer organizations that prepare tax returns at no cost for low-income taxpayers. Certain states may also pass legislation to provide free online tax return preparation and filing from time to time. Our ability to compete in the tax return preparation business depends on our product mix, price for services, customer service, the specific site locations of our offices, local economic conditions, quality of on-site office management, the ability to file tax returns electronically with the IRS and the availability of financial products to our customers.

We also compete for the sale of tax return preparation franchises with H&R Block, Liberty Tax Service and other regional franchisors. In addition, we compete with franchisors of other high-margin services that attract entrepreneurs seeking to become franchisees. Our ability to continue to sell franchises is dependent on our brand image, the products and services to be provided through the network, the relative costs of financing and start-up costs, our reputation for quality, our marketing and advertising support and continuing recognition as an outstanding franchise opportunity by *Entrepreneur®* magazine.

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REGULATIONS

We and our franchisees must comply with laws and regulations relating to our businesses. Regulations and related regulatory matters specific to our businesses are described below.

Tax Return Preparation Regulation: Federal legislation requires tax preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them, and retain for three years all tax returns prepared. Federal laws also subject tax preparers to accuracy-related penalties in connection with the preparation of tax returns. Preparers may be enjoined from further acting as tax preparers if they continually or repeatedly engage in specified misconduct. Additionally, all authorized IRS e-file providers must adhere to IRS e-file rules and requirements to continue participation in IRS e-file. Adherence to all rules and regulations is expected of all providers regardless of where published, and includes, but is not limited to, those described in IRS Publication 1345, Handbook for Authorized IRS e-file providers. Various IRS regulations also require tax return preparers to comply with certain due diligence requirements to investigate factual matters in connection with the preparation of tax returns. The IRS conducts audit examinations of authorized IRS e-file providers and tax return preparers, reviewing samples of prepared tax returns to ensure compliance with regulations in connection with tax return preparation activities. From time to time, certain of our franchisees and company-owned offices are the subject of IRS audits to review their tax return preparation activities. In addition, the federal government continues to consider further regulation of tax preparers.

On September 20, 2007, we reached an agreement with the IRS resolving its examination of our internal tax return preparation compliance systems and processes. In connection with closing the audit, we agreed to make a voluntary compliance payment of $1.5 million.

In September 2007, the Department of Justice ("DOJ") announced that it had reached a settlement of the civil injunction suits it had filed in April 2007 against a franchisee and other named defendants operating in four states based upon allegations involving fraudulent tax return preparation ("DOJ Lawsuits"). We were not named as a defendant in these suits. In October 2007, the franchisee named in the DOJ Lawsuits exited the Jackson Hewitt system.

We retained outside counsel to conduct an internal review (the "Internal Review") of the allegations set forth in the DOJ Lawsuits and of our policies, practices and procedures in connection with such tax return preparation activities. The Internal Review's examination determined that there was no corporate involvement in the allegations made against the franchisee. It also resulted in recommendations which were implemented for the 2008 tax season and enhanced certain systems and processes, including the development of additional compliance requirements such as enhanced monitoring tools and increased training of franchisees and tax return preparers.

With certain exceptions, the IRS prohibits the use or disclosure by income tax preparers of income tax return information without the prior written consent of the taxpayer. On January 3, 2008, the IRS issued regulations that updated these rules. These regulations apply to the disclosure and use of tax return information occurring on or after January 1, 2009. In addition to publication of the final regulations, the IRS also issued an Advanced Notice of Proposed Rulemaking ("ANPRM") regarding whether the disclosure and use of tax return information by tax preparers for the marketing of RALs and certain other products should be permitted. The initial comment period for the ANPRM ended on April 7, 2008. The IRS is now reviewing the comments that it received. Following such review, the IRS may issue a Notice of Proposed Rulemaking.

In addition, the Gramm-Leach-Bliley Act and related Federal Trade Commission ("FTC") regulations require income tax return preparers to adopt and disclose customer privacy policies and provide customers a reasonable opportunity to opt out of having personal information disclosed to unaffiliated third parties for marketing purposes. Some states have adopted or proposed stricter opt-in requirements in connection with use or disclosure of consumer information. Federal and state law also requires us to safeguard our customers' financial information, including credit card information.

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Financial Product Regulation: Federal and state statutes and regulations govern the facilitation of RALs and other financial products. These laws require us, among other things, to provide specific RAL disclosures and advertise RALs in a certain manner, including clearly explaining to the customer that the RAL is a loan. In addition, we are subject to federal and state laws that prohibit deceptive claims and require that our marketing practices are fair and not misleading. There are also many states that have statutes regulating, through licensing and other requirements, the activities of brokering loans and offering credit repair services to consumers as well as local usury laws which could be applicable to our business in certain circumstances. From time to time, we receive inquiries from various state regulators regarding our and our franchisees' facilitation of RALs and other financial products. We have in certain states paid fines, penalties and other payments, as well as agreed to injunctive relief, in connection with resolving these types of inquiries.

Many states have statutes requiring the licensing of persons offering contracts of insurance. If, in any particular state, it was determined that our Gold Guarantee program is subject to these statutes, then the manner in which we offer Gold Guarantee in such states might need to be modified or we may not be able to continue to offer Gold Guarantee in such states. From time to time, we receive inquiries from state insurance regulators about our Gold Guarantee program and the applicability of the state insurance statutes. In those states where the inquiries are closed, the regulators affirmed our position that the Gold Guarantee is not a contract of insurance and is therefore not subject to state insurance licensing laws.

Franchise Regulations: Our franchising activities are subject to the rules and regulations of the FTC and various state laws regulating the offer and sale of franchises. The FTC and various state laws require that we furnish to prospective franchisees a franchise disclosure document containing proscribed information. A number of states, in which we are currently franchising, regulate the sale of franchises and require registration of the franchise disclosure document with state authorities and the delivery of a franchise disclosure document to prospective franchisees. We are currently operating under exemptions from registration in several of these states based upon our net worth and experience. Several states also regulate the franchisor/franchisee relationship particularly with respect to the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply.

Tax Course Regulations: Our tax courses are subject to regulation under proprietary school laws and regulations in many states. Under these regulations, our tax courses may need to be registered and may be subject to other requirements relating to facilities, instructor qualifications, contributions to tuition guaranty funds, bonding and advertising.

AVAILABLE INFORMATION

We make available free of charge on or through our website, *www.jacksonhewitt.com*, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and, if applicable, amendments to those reports as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Also available on our website are certain of our corporate governance policies, including the charters for the Board of Directors' audit, compensation and corporate governance committees, the Board of Directors corporate governance guidelines and our Codes of Conduct. A copy of any of these materials will be provided to any person, free of charge, upon written request to our Corporate Secretary at Jackson Hewitt Tax Service Inc., 3 Sylvan Way, Parsippany, New Jersey 07054.

On October 8, 2007, we submitted, without qualification, the annual CEO certification to the New York Stock Exchange ("NYSE") as required by Section 303A.12(a) of the NYSE Listed Company Manual. In addition, we included the certifications of the CEO and the CFO of Jackson Hewitt required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, relating to the quality of Jackson Hewitt's public disclosure, in this Annual Report on Form 10-K as Exhibits 31.1 and 31.2.

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ITEM 1A. RISK FACTORS.

We may not timely or effectively respond to customer trends and attract new customers.

The key driver of our business is the number of tax returns prepared by our system. For the 2008 fiscal year, the number of tax returns prepared by our system decreased. This decrease was due to several factors, including (i) our lack of an early season product to help attract customers into our stores in early January; (ii) weakness in our brand; and (iii) the higher level of compliance we have instituted in our system. If we are not able to attract and retain customers and increase the number of tax returns prepared by our system, our revenues and profits could decline.

We may not be able to develop and make new products available through our offices.

Our customers are attracted to us in part based on the products available through our offices. Early season products also serve as an effective retention tool for our customers. During the 2008 tax season, early season loan products were not available through our offices. Our failure to make early season loan products or other attractive products available through our offices could reduce demand for our services, causing our revenues or profitability to decline. Further, our ability to make new products available through our offices may be dependent upon negotiating favorable agreements with third parties and such new products could expose us to the risk of regulatory scrutiny or litigation which could cause our profitability to decline.

We may not be able to improve our distribution system.

Building a stronger distribution system is necessary to drive the growth of our business by maximizing the performance of the footprint that we already possess and expanding our footprint. Our strategy for selling new territories, strengthening our presence in the Hispanic market and expanding our alliance and partnership activities may not succeed, causing our revenues or profitability to decline.

Our primarily fixed cost structure may impact our profitability.

We have a fixed cost structure that anticipates a certain level of marketing and advertising expenditures based on an anticipated tax return volume. When the number of tax returns prepared in our system during January of the 2008 tax season was less than expected, revenues decreased while expenses remained largely fixed and our margins and profitability were adversely affected. Our efforts to reduce our cost structure, including decreasing the cost structure of our company-owned stores, increasing the cost efficiency and quality of our third party relationships in delivering technology solutions and improving overall organizational productivity may not succeed, causing our margins and profitability to decline.

We may be unable to attract and retain key personnel.

Our continued success depends largely on the efforts and abilities of our executive officers and other key employees. Competition for executive, managerial and skilled personnel in our industry remains intense. We may experience increased compensation costs in order to attract and retain executives, managers and other skilled employees. We may not be able to retain our existing management, fill new positions or vacancies created by expansion or turnover, or attract or retain the management and personnel necessary to operate our business effectively. Although we strive to be an employer of choice, we may not be able to continue to successfully attract and retain key personnel which would cause our business to suffer.

Government initiatives that simplify tax return preparation could reduce the need for our services as a third party tax return preparer.

Many taxpayers seek assistance from paid tax return preparers such as us because of the level of complexity involved in the tax return preparation and filing process. From time to time, government officials propose

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measures seeking to simplify the preparation and filing of tax returns or to provide additional assistance with respect to preparing and filing such tax returns. The passage of any measures that significantly simplify tax return preparation or otherwise reduce the need for a third party tax return preparer could reduce demand for our services, causing our revenues or profitability to decline.

Initiatives that improve the timing and efficiency of processing tax returns could reduce the demand for financial products available to our customers and demand for our services.

Our performance depends in part on our customers' interest in obtaining the various financial products available through our offices. The federal government and various state governments have, from time to time, announced initiatives designed to modernize their operations and improve the timing and efficiency of processing tax returns and delivery of tax refunds. If tax authorities are able to increase the speed and efficiency with which they process tax returns and deliver tax refunds, the demand for financial products and demand for our tax return preparation services could be reduced, causing our revenues or profitability to decline.

Changes in the tax law that result in a decreased number of tax returns filed could harm our business.

From time to time, the United States Treasury Department and the IRS adopt policy and rule changes and other initiatives that result in a decrease in the number of tax returns filed. Similar changes in the tax law could reduce demand for our services, causing our revenues or profitability to decline.

Delays in the passage of tax laws and their implementation by the federal or state governments could harm our business.

The enactment of tax legislation occurring late in the calendar year could result in the beginning of tax filing season being delayed. Any such delays could impact our revenues and profitability in any given quarter or fiscal year.

The federal government passed tax legislation relating to the Alternative Minimum Tax ("AMT") late in the 2007 calendar year resulting in a delay in the beginning of the 2008 tax season for certain tax filers. If the federal government passes AMT or other legislation late in future calendar years, it could result in a delay in the beginning of the subsequent tax season for certain tax filers which could impact our revenues and profitability in any given quarter or fiscal year.

The current trend in filing patterns could harm our business.

Over the past few years, the overall tax filing market has experienced a shift in which more taxpayers are filing their tax returns later in the tax season, moving from the early season to the late season. A significant portion of our business is derived in the early season. Our inability to continue to maintain or grow our business in the early season or to grow our business in the late season could cause our revenues and profitability to decline.

Our success is tied to the operations of our franchisees, yet our ability to exercise control over their operations is limited.

Our financial success depends on our franchisees and the manner in which they operate and develop their offices. However, our ability to control the operations of our franchisees is limited because their businesses are independently owned and operated. Franchisees retain control over the employment and management of all personnel, including the large number of seasonal employees required during the tax season. Although we can exercise control over our franchisees and their operations to a certain extent under the terms of our franchise agreements to, among other things, maintain signage and equipment, standardize operating procedures, approve suppliers, distributors and products, protect the goodwill of our intellectual property and require compliance with

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law and our compliance standards, the quality of their operations may be diminished by any number of factors beyond our control. Consequently, our franchisees may not operate their offices in a manner consistent with our philosophy and standards or may not increase the level of revenues generated compared to prior tax seasons. While we ultimately can take action to terminate franchisees that do not comply with the standards contained in our franchise agreements, and even though we have implemented increased compliance and monitoring functions, we may not be able to identify problems and take action quickly enough and, as a result, our image and reputation may suffer, causing our revenues or profitability to decline.

We may be held responsible by third parties, regulators or courts for the actions of, or failures to act by, our franchisees or their employees, which exposes us to possible fines, other liabilities and negative publicity.

Our agreements with our franchisees require that they understand and comply with all laws and regulations applicable to their businesses. However, our franchisees are independently owned and operated and have a significant amount of flexibility in running their operations. Third parties, regulators or courts may seek to hold us responsible for the actions or failures to act by our franchisees or their employees. In addition, we are parties to agreements with retailers, such as Wal-Mart, and, to a certain extent, financial institutions that provide financial products to our customers, under which we may, in certain circumstances, indemnify third parties for our and our franchisees' failure to perform obligations and/or comply with laws and regulations applicable to us or them. There are also occasions when our and our franchisees' activities are not perceived to be distinguishable, and we may be held liable for the activities of our franchisees or their employees. Failure to comply with laws and regulations by our franchisees may expose us to possible fines, other liabilities, lawsuits and negative publicity which could have a material adverse effect on our business, financial condition and results of operations.

Federal and state legislators and regulators have increasingly taken an active role in regulating financial products such as RALs, and the continuation of this trend could impede our ability to facilitate these financial products and reduce demand for our services and harm our business.

From time to time, government officials at the federal and state levels introduce and enact legislation and regulations proposing to regulate the facilitation of RALs and other financial products. Certain of the proposed legislation and regulations could, if adopted, increase costs to us, our franchisees and the financial institutions that provide our financial products, or could negatively impact or eliminate the ability of financial institutions to provide RALs and other financial products through tax return preparation offices, which could cause our revenues or profitability to decline. The federal government and certain states from time to time propose legislation that could further this initiative. On October 17, 2007, the United States Department of Defense issued regulations limiting the annual percentage rate on RALs for active duty service members and their dependents. In 2008, our franchisees did not facilitate RALs to active duty service members or their dependents. The failure to facilitate such a product in the future could cause our revenues or profitability to decline.

On January 3, 2008, the IRS issued an ANPRM regarding whether the disclosure and use of tax return information by tax preparers for the marketing of RALs and certain other products should be permitted. The initial comment period for the ANPRM ended on April 7, 2008. The IRS is now reviewing the comments that it received. Following such review, the IRS may issue a Notice of Proposed Rulemaking. If such a rule were adopted, we may be required to change business practices which could alter the way RALs and certain other products are facilitated and which could cause our revenues or profitability to decline.

Many states have statutes regulating, through licensing and other requirements, the activities of brokering loans and providing credit repair services to consumers as well as payday loan laws and local usury laws. Certain state regulators are interpreting these laws in a manner that could adversely affect the manner in which RALs and other financial products are facilitated or result in fines or penalties to us or our franchisees. Additional states may interpret these laws in a manner that is adverse to how we currently conduct our business or how we have

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conducted our business in the past and we may be required to change business practices or otherwise comply with these statutes or it could result in fines or penalties or other payments related to past conduct.

We from time to time receive inquiries from various state regulatory agencies regarding the facilitation of RALs and other financial products. We have in certain states paid fines, penalties and other payments, as well as agreed to injunctive relief, to resolve these matters. In addition, consumer advocacy groups have increasingly called for a legislative and regulatory response to the perceived inequity of these types of financial products. Increased regulatory activity in this area could have a material adverse effect on our business, financial condition and results of operations.

The failure by us, our franchisees or the financial institutions that provide financial products to our customers through us and our franchisees to comply with legal and regulatory requirements, including with respect to tax return preparation or financial products, could result in substantial sanctions against us or require changes to our business practices which could harm our profitability and reputation.

Our tax return preparation business, including our franchise operations and facilitation of financial products such as RALs, are subject to extensive regulation and oversight in the United States by the IRS, the FTC and by federal and state regulatory and law enforcement agencies. If governmental agencies having jurisdiction over our operations were to conclude that our business practices, the practices of our franchisees, or those of the financial institutions, violate applicable laws, we could become subject to sanctions which could have a material adverse effect on our business, financial condition and results of operations. These sanctions may include, without limitation: (i) civil monetary damages and penalties; (ii) criminal penalties; and (iii) injunctions or other restrictions on the manner in which we conduct our business.

In addition, the financial institutions that provide financial products such as RALs to our customers are also subject to significant regulation and oversight by federal and state regulators, including banking regulators. The failure of these financial institutions to comply with the regulatory requirements of federal and state government regulatory bodies, including banking and consumer protection laws, could affect their ability to continue to provide financial products to our customers, which could have a material adverse effect on our business, financial condition and results of operations.

Our customers' inability to obtain financial products through our tax return preparation offices could cause our revenues or profitability to decline. We also may be required to change business practices which could alter the way RALs and other financial products are facilitated which could cause our revenues or profitability to decline.

Our tax return preparation compliance program may not be successful in detecting all problems in our network.

Although our tax return preparation compliance program seeks to monitor the activities of our network, it is unlikely to detect every problem. While we have implemented a variety of measures to enhance tax return preparation compliance as well as our monitoring of these activities, there can be no assurance that franchisees and tax preparers will follow these procedures. Failure to detect tax return preparation compliance issues could harm our reputation and expose us to the risk of government investigation or litigation which could cause our revenues or profitability to decline.

Changes in the law that result in increased regulation of tax return preparers could make it more difficult to find qualified tax preparers and could harm our business.

From time to time, the federal government and various states consider regulations regarding the education, testing, licensing, certification and registration of tax return preparers. Such regulations could impact our ability

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to find an adequate number of tax return preparers to meet the demands of our customers and impose additional costs on us to train tax return preparers, which could cause our revenues and profitability to decline.

Our facilitation of RALs and other financial products exposes us to the risk of significant losses as a result of litigation defense and resolution costs.

Companies that facilitate RALs and other financial products have been subject, from time to time, to individual and class action lawsuits. These lawsuits have alleged, among other claims, collusion between the tax return preparers and financial product provider in violation of law and claims of fraud, unfair competition, misleading or deceptive statements, violation of credit services statutes, and breach of fiduciary duty on the part of the tax return preparers for failing to, among other things, properly disclose the terms of the financial product. We have been named as a defendant in several purported class action lawsuits in connection with our facilitation of RALs. See "Item 3—Legal Proceedings." Given the large number of financial products, including RALs, we facilitate every year and the inherent uncertainties of the United States legal system, we could experience significant losses as a result of litigation defense and resolution costs, which could cause our profitability to decline.

Our insurance coverage may not cover all risks associated with our business.

We have various insurance policies related to the risks associated with our business, including errors and omissions insurance and directors and officers insurance. However, in the event of a claim there can be no assurance that our insurance coverage will be sufficient or that our insurance companies will cover the matters claimed. The failure of adequate insurance coverage or recovery could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with laws and regulations that protect our customers' personal and financial information could result in significant fines, harm our brand and reputation and expose us to litigation defense and resolution costs.

Privacy concerns relating to the disclosure of customers' personal and financial information have drawn increased attention from federal and state governments. The IRS generally prohibits the use and disclosure by tax return preparers of tax return information without the prior written consent of the taxpayer. In addition, the Gramm-Leach-Bliley Act and other FTC regulations require income tax return preparers to adopt and disclose customer privacy policies and provide customers with a reasonable opportunity to opt out of having personal information disclosed to unaffiliated third parties for marketing purposes. Federal and state law also requires us to safeguard our customers' financial information, including credit card information. Although we have established security procedures to protect against identity theft and the theft of our customers' financial information, breaches of our customers' privacy may occur. To the extent the measures we, and/or our franchisees, have taken prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our brand and reputation.

In addition, changes in these federal and state regulatory requirements could result in more stringent requirements and could result in a need to change business practices, including how information is disclosed. These changes could have a material adverse effect on our business, financial condition and results of operations.

Our operating results depend on the effectiveness of our marketing and advertising programs and franchisee support of these programs.

Our revenues are heavily influenced by brand marketing and advertising. During the 2008 tax season, our brand was negatively affected by the adverse publicity related to the DOJ Lawsuits and our marketing messages

were not as effective as needed. Our marketing and advertising programs in the future may not be successful, which may lead us to fail to attract new customers and retain existing customers. If our marketing and advertising programs are unsuccessful and the image of our brand is not strengthened, our revenues or profitability could decline. Moreover, because franchisees contribute to our marketing fund based on a percentage of their gross sales, our marketing fund expenditures are dependent upon sales volumes of our franchisees. If these sales decline, as occurred during the 2008 tax season, there will be a reduced amount available for our marketing and advertising programs.

The support of our franchisees is critical for the success of our marketing programs and any new strategic initiatives we seek to undertake. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we need the active support of our franchisees if the implementation of our marketing programs and strategic initiatives is to be successful. Although we believe that our current relationships with our franchisees are generally good, there can be no assurance that our franchisees will continue to support our marketing programs and strategic initiatives. The failure of our franchisees to support our marketing programs and strategic initiatives would adversely affect our ability to implement our business strategy and could have a material adverse effect on our business, financial condition and results of operations.

Our operating results depend on the continued success and growth of our franchise system.

The continued success and growth of our franchise system depends on our maintaining a satisfactory working relationship with our franchisees. Lawsuits and other disputes with our franchisees, or disputes between our franchisees and our financial partners, could discourage our franchisees from expanding their business within our network or lead to negative publicity, which could discourage new franchisees from entering our network or existing franchisees from renewing their franchise agreements, and could have a material adverse effect on our business, financial condition and results of operations. Several of our franchisees have filed purported class action lawsuits against SBB&T and HSBC relating to the terms of the contracts between the franchisees and the financial product providers and the manner in which financial products are facilitated. The after effects of the negative publicity relating to the DOJ Lawsuits and the IRS examination of us could also discourage new franchisees from entering the system or existing franchisees from renewing their franchise agreements.

In 1999 and 2000, we offered our franchisees the opportunity to renew their franchise relationship with us before their franchise agreement expired. In these early renewal programs, 93% of our franchisees entered into a new franchise agreement for a new 10-year term, and, as a result, approximately a third of our existing franchise agreements come up for renewal in 2009 or 2010. Our inability to renew a significant portion of these franchise agreements on favorable terms could have a material adverse effect on our business, financial condition and results of operations.

Our business is, to some extent, dependent upon our customers' ability to obtain financial products through our offices.

Our tax return preparation business is, to some extent, dependent on our customers' ability to obtain financial products through our tax return preparation offices. The financial products we facilitate are specialized financial products and relatively few financial institutions offer them. If our arrangements with the financial institutions that provide financial products were to terminate, and we were unable to enter into an alternative relationship with one or more other financial institutions on acceptable terms or at all, it could have a material adverse effect on our business, financial condition and results of operations. Certain of our franchisees have filed purported class action lawsuits against SBB&T and HSBC relating to the terms of the contracts between the franchisees and the financial product providers and the manner in which financial products are facilitated. SBB&T and HSBC have submitted indemnification claims to the Company in regards to these lawsuits. If it is ultimately determined that indemnification is applicable, we could experience significant losses as a result of litigation defense and resolution costs, which could cause our profitability to decline. These lawsuits could also negatively impact our relationship with our financial product providers.

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In addition, we earn revenues under our agreements with the providers of financial products to our customers. Changes in the industry or how financial products are permitted to be provided could result in the termination of these agreements, affect the manner in which financial products are offered or cause our revenues or profitability to decline.

Disruptions in our relationships with large retailers and shopping malls could negatively affect our growth and profitability.

Our retail-partner locations are an important part of our location strategy. In 2008, over 1,300 of our retail-partner locations were located within Wal-Mart stores. Our ability to operate in these locations is dependent on our ability to negotiate favorable agreements with retailers and shopping malls and on the continued operation of these stores. Our agreements with retailers and shopping malls are of limited duration, and we may not be able to renew them on similar terms or at all and many of these agreements are not exclusive. In addition, renewal of each individual location may be dependent of the conduct of the individual operator seeking to open a Jackson Hewitt Tax Service office in the location. In the event we are unable to negotiate favorable agreements with these or comparable retailers or shopping malls or they close a significant number of stores, especially immediately prior to or during the tax season, or our operators are unsuccessful in opening these locations, it could have a material adverse effect on our business, financial condition and results of operations.

The highly seasonal nature of our business presents a number of financial risks and operational challenges which if we fail to meet could materially affect our business.

Our business is highly seasonal. We generate substantially all our revenues during the period from January 1 through April 30. The concentration of our revenue-generating activity during this relatively short period presents a number of operational challenges for us and our franchisees, including: (i) cash and resource management during the first eight months of our fiscal year, when we generally operate at a loss and incur fixed costs and costs of preparing for the upcoming tax season; (ii) flexible staffing, because the number of employees at our network's offices during the peak of the tax season is exponentially higher than at any other time; (iii) accurate forecasting of revenues and expenses; and (iv) ensuring optimal uninterrupted operations during tax season.

If we were unable to meet these challenges or we were to experience significant business interruptions during the tax season, which may be caused by labor shortages, systems failures, work stoppages, adverse weather or other events, many of which are beyond our control, we could experience a loss of business, which could have a material adverse effect on our business, financial condition and results of operations.

We face significant competition in our business that may negatively impact our revenues, profitability and market position.

The paid tax return preparation market is highly competitive. Our network competes with tens of thousands of paid tax return preparers and regional and national accounting firms and financial service institutions that prepare tax returns as part of their businesses. Some of these firms are larger and better capitalized. We also face competitive challenges from the online and software self preparer market, including Free File Alliance, a consortium of the IRS and online preparation services that provides free online tax return preparation and filing, and from volunteer organizations that prepare tax returns at no cost for low-income taxpayers. The availability of these alternatives may reduce demand for our products and limit the amount of fees that we can charge. Competitors may develop or offer more attractive or lower cost products and services than ours which could erode our customer base. In addition, an increase in use of free tax return preparation services could result in a loss of our customers and could cause revenues or profitability to decline.

Additionally, federal and state governments may in the future become direct competitors to our tax offerings. Were federal and state governments to provide their own software and electronic filing services to taxpayers at no charge it could have a material adverse effect on our business, financial condition and results of operations.

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Our business relies on technology systems and electronic communications, which, if disrupted, could significantly affect our business.

Our ability to file tax returns electronically and to facilitate financial products depends on our ability to electronically communicate with all of our network's offices, the IRS and the financial institutions that provide these financial products. Our electronic communications network is subject to disruptions of various magnitudes and durations. Any severe disruption of our network or electronic communications, especially during the tax season, could impair our ability to complete our customers' tax filings, to facilitate financial products and to provide technology services to the financial institutions providing financial products or to maintain our operations, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

Our failure to protect our intellectual property rights may harm our competitive position, and litigation to protect our intellectual property rights or defend against third party allegations of infringement may be costly.

Third parties may infringe or misappropriate our trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. The actions we take to protect our trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. There are no assurances that we will be able to prevent infringement of our intellectual property rights or misappropriation of our proprietary information. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights. Third parties may assert infringement claims against us. Any claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time-consuming and expensive to defend and could result in the diversion of our time and resources. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims.

We are a holding company that depends on cash flow from our subsidiaries to meet our obligations.

We are a holding company with no material assets other than the stock of our subsidiaries. Accordingly, all our operations are conducted by our subsidiaries. As a holding company, we require dividends and other payments from our subsidiaries to meet cash requirements or other obligations. If our subsidiaries are unable to pay us dividends and make other payments to us when needed, we will be unable to satisfy our obligations.

Our credit facility contains restrictive covenants and other requirements that may limit our business flexibility by imposing operating and financial restrictions on our operations.

The agreement governing our credit facility imposes operating and financial restrictions on us, including restrictive covenants that will require us to maintain specified financial ratios and satisfy financial condition tests. In addition, our credit facility contains various customary restrictive covenants that limit our ability to, among other things, (i) incur additional indebtedness or guarantees, (ii) create liens or other encumbrances on our property, (iii) enter into a merger or similar transaction, (iv) sell or transfer property except in the ordinary course of business, (v) make dividend and other restricted payments, (vi) make share repurchases and (vii) make acquisitions.

Our ability to comply with the ratios or tests in our credit facility may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants, ratios or tests could result in a default under our credit facility. In addition, these covenants may prevent us from incurring additional indebtedness to expand our operations and execute our business strategy, including making acquisitions or share repurchases.

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Our floating rate debt financing exposes us to interest rate risk.

We may borrow amounts under our credit facility that bear interest at rates that vary with prevailing market interest rates. Accordingly, a rise in market interest rates will adversely affect our financial results. We expect to draw most heavily on this credit facility from May through February of each year and then repay a significant portion of the borrowings by the end of each tax season. Therefore, a significant rise in interest rates during our off-season will have a disproportionate impact on our profitability.

Because the tax season is relatively short and straddles two quarters, our quarterly results may not be indicative of our performance, which may increase the volatility of the trading price of our common stock.

We experience quarterly variations in revenues and operating income as a result of many factors, including the highly seasonal nature of the tax return preparation business, the timing of off-season activities and the hiring of personnel. Due to the foregoing factors, our quarter-to-quarter results vary significantly. In addition, because our peak period straddles the third and fourth quarters and a variety of factors may result in a delay or acceleration in the number of tax returns processed in January, year-to-year quarterly comparisons are not as meaningful as year-to-year tax season comparisons. To the extent our quarterly results vary significantly from year to year, our stock price may be subject to significant volatility.

Although we intend to pay dividends in the future, our financial condition, debt covenants or Delaware law may prohibit us from doing so.

Our payment of dividends in the future will be at the discretion of our board of directors and will depend on, among other things, our earnings, capital requirements and financial condition. Our ability to pay dividends will be subject to compliance with customary financial covenants that are contained in our credit facility. Dividends may also be limited or prohibited by any future borrowings or issuances of preferred stock. In addition, applicable law requires that our board of directors determine that we have adequate surplus prior to the declaration of dividends. There can be no assurance that we will pay dividends at the levels currently anticipated or at all.

We are subject to certain provisions that may have the effect of hindering, delaying or preventing third party takeovers, which may prevent our shareholders from receiving premium prices for their shares in an unsolicited takeover and make it more difficult for third parties to replace our current management.

Our certificate of incorporation, by-laws and our rights plan contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, a classified board of directors, the elimination of stockholder action by written consent, advance notice for raising business or making nominations at meetings and "blank check" preferred stock. Blank check preferred stock enables our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with such dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, as our board of directors may determine are appropriate, including rights to dividends and proceeds in a liquidation that are senior to the common stock. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding voting common stock.

We are also subject to certain provisions of Delaware law which could delay, deter or prevent us from entering into an acquisition, including Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in a business combination with an interested stockholder unless specific conditions are met. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

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In addition, our stockholder rights plan entitles our stockholders to acquire shares of our common stock at a price equal to 50% of the then current market value in limited circumstances when a third party acquires 15% or more of our outstanding common stock (excluding as a result of share repurchases by us) or announces its intent to commence a tender offer for at least 15% of our common stock, in each case, in a transaction that our board of directors does not approve. Because, under these limited circumstances, all of our stockholders would become entitled to affect discounted purchases of our common stock, other than the person or group that caused the rights to become exercisable, the existence of these rights would significantly increase the cost of acquiring control of us without the support of our board of directors. The existence of the rights plan could therefore deter potential acquirers and thereby reduce the likelihood that a stockholder will receive a premium for his or her common stock in an acquisition.

If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could harm our business and the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and to detect and prevent fraud. We periodically assess our system of internal controls, and the internal controls of service providers upon which we rely, to review their effectiveness and identify potential areas of improvement. These assessments may conclude that enhancements, modifications or changes to our system of internal controls are necessary. Performing assessments of internal controls, implementing necessary changes, and maintaining an effective internal controls process is expensive and requires considerable management attention. Internal control systems are designed in part upon assumptions about the likelihood of future events, and all such systems, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. If we fail to implement and maintain an effective system of internal controls or prevent fraud, we could suffer losses, could be subject to costly litigation, investors could lose confidence in our reported financial information and our brand and operating results could be harmed, which could have a negative effect on the trading price of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we and our independent registered public accounting firm must certify the effectiveness of our internal controls over financial reporting annually. Identification of material weaknesses in internal controls over financial reporting by us or our independent registered public accounting firm could adversely affect our competitive position in our business, and the market price for our common stock.

Goodwill impairment charges can cause significant fluctuation in our net income.

We may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions, particularly related to our company-owned operations goodwill. At April 30, 2008, we had $414.9 million in goodwill on our balance sheet, of which $78.1 million is related to our company-owned operations. Following the significant decline in operating margins experienced in fiscal 2008, to the extent that our company-owned operations do not achieve expected growth in profitability and cash flows, among other assumptions, we may be subject to a goodwill impairment charge. Any impairment of the value of our goodwill could have a significant negative impact on our future operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There were no unresolved staff comments.

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ITEM 2. PROPERTIES.

Our corporate headquarters are located in a leased office in Parsippany, New Jersey consisting of approximately 45,000 square feet. The lease for this office is scheduled to expire in 2012. Our technology facility is located in a leased office in Sarasota, Florida consisting of approximately 34,000 square feet. The lease for this office is schedule to expire in 2014. All of our company-owned offices are operated under leases. We believe that our offices are in good repair and sufficient to meet our present needs.

ITEM 3. LEGAL PROCEEDINGS.

On March 18, 2003, Canieva Hood and Congress of California Seniors brought a purported class action suit against Santa Barbara Bank & Trust ("SBB&T") and us in the Superior Court of California (Santa Barbara, following a transfer from San Francisco) seeking declaratory relief in connection with the provision of RALs, as to the lawfulness of the practice of cross-lender debt collection, as to the validity of SBB&T's cross-lender debt collection provision and as to whether the method of disclosure to customers with respect to the provision is unlawful or fraudulent, and seeking injunctive relief, restitution, disgorgement, compensatory damages, statutory damages, punitive damages, attorneys' fees, and expenses. We are a party in the action for allegedly collaborating, and aiding and abetting, in the actions of SBB&T. The Congress of California Seniors was subsequently removed as a plaintiff. A class certification hearing has been scheduled for November 12, 2008. The case is in its discovery and pretrial stage. We believe we have meritorious defenses and are contesting this matter vigorously. On December 18, 2003, Ms. Hood also filed a separate suit against us in the Ohio Court of Common Pleas (Montgomery County) and is seeking to certify a class in the action. The allegations of negligence, breach of fiduciary duty, and violation of certain Ohio law relate to the same set of facts as the California action. Plaintiff seeks equitable and declaratory relief, damages, attorneys' fees, and expenses. The case is in its discovery and pretrial stage. We believe we have meritorious defenses and are contesting this matter vigorously.

On September 26, 2006, Willie Brown brought a purported class action complaint against us in the Ohio Court of Common Pleas, Cuyahoga County, on behalf of Ohio customers who obtained RALs facilitated by us, for an alleged failure to comply with Ohio's Credit Services Organization Act, and for alleged unfair and deceptive acts in violation of Ohio's Consumer Sales Practices Act, and seeking damages and injunctive relief. We believe we have meritorious defenses and are contesting this matter vigorously.

On October 30, 2006, Linda Hunter brought a purported class action complaint against us in the United States District Court, Southern District of West Virginia, on behalf of West Virginia customers who obtained RALs facilitated by us, seeking damages for an alleged breach of fiduciary duty, for alleged breach of West Virginia's Credit Service Organization Act, for alleged breach of contract, and for alleged unfair or deceptive acts or practices in connection with our RAL facilitation activities. On November 22, 2006, we filed a motion to dismiss. On November 6, 2007, the Court partially granted our motion to dismiss. On November 21, 2007, we answered the complaint. On March 13, 2008, the Court granted our partial motion for summary judgment on plaintiff's breach of contract claim. The case is in its discovery and pretrial stage. We believe we have meritorious defenses and are contesting this matter vigorously.

On April 20, 2007, Brent Wooley brought a purported class action complaint against us and certain unknown franchisees in the United States District Court, Northern District of Illinois. The complaint, which was subsequently amended, was brought on behalf of customers who obtained tax return preparation services that allegedly included false deductions without support by the customer that resulted in penalties being assessed by the IRS against the taxpayer for violations of the Illinois Consumer Fraud and Deceptive Practices Act, and the Racketeering and Corrupt Organizations Act, and alleging unjust enrichment and breach of contract, seeking compensatory and punitive damages, restitution, and attorneys' fees. The alleged violations of the Illinois Consumer Fraud and Deceptive Practices Act relate to representations regarding tax return preparation, Basic Guarantee and Gold Guarantee coverage and denial of Gold Guarantee claims. On August 1, 2007, we filed a

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motion to dismiss which, on September 5, 2007, was denied without prejudice to permit the plaintiff to further amend the complaint. On October 5, 2007, plaintiff filed a second amended complaint to add additional parties. On November 20, 2007, we filed a motion to dismiss the second amended complaint. On March 25, 2008, the Court dismissed all claims. On April 11, 2008, plaintiff filed a motion for leave to file a third amended complaint. We opposed that motion. On June 19, 2008, the Court denied plaintiff's motion, and permitted the plaintiff to file a fourth amended complaint consistent with the Court's March 25, 2008 decision. We believe we have meritorious defenses and are contesting this matter vigorously.

On January 17, 2008, an attorney with the New York State Division of Human Rights (the "Division") filed with the Division a Division-initiated administrative complaint against us for allegedly marketing loan products to individuals in New York based on their race and military status in violation of New York State's Human Rights Law, and seeking injunctive and other relief. On February 19, 2008, we filed a response to the complaint with the Division. On March 11, 2008, the Division filed its rebuttal to our response. The Division is undertaking an investigation to determine whether to commence an administrative hearing. We believe we have meritorious defenses and are contesting this matter vigorously in the investigative process and in any administrative hearing that will occur in the Division.

We are from time to time subject to other legal proceedings and claims in the ordinary course of business, none of which we believe are likely to have a material adverse effect on our financial position, results of operations or cash flows. However, there can be no assurance that such litigation or claims, or any future litigation or claims, will not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2008.

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PART II

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

Price Range of Common Stock

The principal market in the United States for our common stock is the NYSE. The only class of our securities that is traded is our common stock. Our common stock has traded on the NYSE since June 22, 2004, under the symbol JTX. The following table sets forth the quarterly high and low sales prices of our common stock for the period indicated as reported by the NYSE. These prices do not include retail mark-ups, markdowns, or commissions.

Fiscal 2008		High	Low
First Quarter:	May 1-July 31, 2007	$32.30	$26.86
Second Quarter:	August 1-October 31, 2007	$33.82	$25.65
Third Quarter:	November 1, 2007-January 31, 2008	$34.48	$21.60
Fourth Quarter:	February 1-April 30, 2008	$23.67	$10.90

Fiscal 2007		High	Low
First Quarter:	May 1-July 31, 2006	$35.76	$29.44
Second Quarter:	August 1-October 31, 2006	$36.70	$27.90
Third Quarter:	November 1, 2006-January 31, 2007	$37.44	$32.90
Fourth Quarter:	February 1-April 30, 2007	$36.82	$26.26

Approximate Number of Equity Security Holders

As of May 31, 2008, there were 25 shareholders of record of our common stock.

Dividends

In fiscal 2008, we paid four quarterly dividends of $0.18 per share to holders of our common stock totaling $21.3 million. In fiscal 2007, we paid four quarterly dividends of $0.12 per share to holders of our common stock totaling $15.8 million. We intend to continue the payment of quarterly cash dividends to holders of our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

Period of settlement date	Total Number of Shares Purchased	Average Price Paid per Share (including Commissions)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program at end of Period(a)
February 1-29, 2008	179,800	$ 23.08	179,800	$ 33.7 million
March 1-31, 2008	—	$ —	—	$ 33.7 million
April 1-30, 2008	—	$ —	—	$ 33.7 million
Three months ended April 30, 2008	179,800	$ 23.08	179,800	$ 33.7 million

(a) On October 13, 2006, we announced a $200.0 million multi-year share repurchase program.

In fiscal 2008, we repurchased 3,486,946 shares of our common stock totaling $99.0 million under the current $200.0 million multi-year share repurchase program. As of April 30, 2008, we have repurchased 5,581,535 shares of our common stock totaling $166.3 million under our $200.0 million multi-year share repurchase program.

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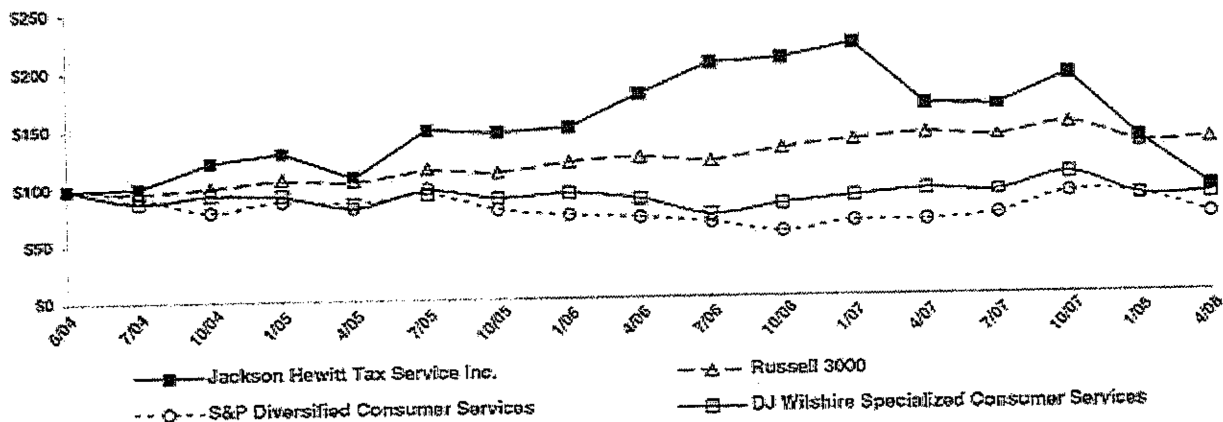
Performance Graph

The following graph assumes $100 invested on June 22, 2004, the date of the Company's IPO, and compares (a) the percentage change in the Company's cumulative total stockholder return on the Common Stock (as measured by dividing (i) the sum of (A) the cumulative amount of dividends, assuming dividend reinvestment, during the period commencing June 22, 2004, and ending on April 30, 2008, and (B) the difference between the Company's share price at the end and the beginning of the periods presented by (ii) the share price at the beginning of the periods presented) with (b) (i) the Russell 3000® Index; (ii) the Standard & Poor's Diversified Consumer Services Index; and (iii) the Dow Jones Wilshire Specialized Consumer Services Index.



	6/04	7/04	10/04	1/05	4/05	7/05	10/05	1/06	4/06
Jackson Hewitt Tax Service Inc.	$100.00	$100.87	$122.14	$129.95	$107.81	$148.64	$145.66	$149.28	$177.03
Russell 3000	$100.00	$ 97.06	$100.59	$106.11	$104.30	$113.48	$111.25	$119.55	$123.16
S&P Diversified Consumer Services	$100.00	$ 93.33	$ 79.49	$ 89.27	$ 85.94	$ 93.09	$ 79.44	$ 73.84	$ 71.02
DJ Wilshire Specialized Consumer Services	$100.00	$ 88.38	$ 93.94	$ 92.22	$ 82.10	$ 96.43	$ 89.23	$ 92.66	$ 87.06

	7/06	10/06	1/07	4/07	7/07	10/07	1/08	4/08
Jackson Hewitt Tax Service Inc.	$202.99	$206.60	$219.13	$165.87	$164.67	$190.43	$135.62	$ 92.82
Russell 3000	$119.31	$129.46	$136.41	$140.99	$138.50	$148.28	$132.22	$133.72
S&P Diversified Consumer Services	$ 65.78	$ 57.10	$ 65.78	$ 66.12	$ 71.34	$ 89.04	$ 85.95	$ 68.80
DJ Wilshire Specialized Consumer Services	$ 73.14	$ 81.70	$ 87.43	$ 92.77	$ 91.03	$105.09	$ 85.92	$ 86.28

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ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth our selected historical consolidated financial data as of and for each of the years in the five-year period ended April 30, 2008. You should read this information in conjunction with the information under "Part II. Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part I. Item 1—Business" and our historical consolidated financial statements and the related notes thereto included elsewhere in this Form 10-K. Our historical consolidated statement of operations data and consolidated balance sheet data as of and for each of the years in the five-year period ended April 30, 2008 has been derived from our audited consolidated financial statements. Our historical consolidated financial statements as of April 30, 2008 and 2007 and for each of the years in the three-year period ended April 30, 2008 have been included under "Part II. Item 8—Financial Statements and Supplementary Data."

Our results of operations and cash flows for the period from May 1, 2004 through our IPO date and for the fiscal year ended April 30, 2004 reflects the historical results of operations and cash flows of the business divested by Cendant in our IPO. As a result, the accompanying Consolidated Financial Statements may not necessarily reflect our results of operations and cash flows in the future or what our results of operations and cash flows would have been had we been a stand-alone public company during these periods.

	Fiscal Year Ended April 30,				
	2008	2007	2006	2005	2004
Consolidated Statements of Operations Data (Dollars in thousands, except per share amounts)					
Total revenues	$278,505	$293,196	$275,410	$232,487	$205,615
Selling, general and administrative(1),(2),(3),(4),(5)	$ 48,895	$ 35,792	$ 39,723	$ 30,397	$ 30,500
Interest expense(6)	$ 14,402	$ 9,972	$ 8,301	$ 6,700	$ 373
Write-off of deferred financing costs(7)	$ —	$ 108	$ 2,677	$ —	$ —
Net income	$ 32,427	$ 65,380	$ 57,961	$ 49,951	$ 42,960
Earnings per share(8):					
Basic	$ 1.09	$ 1.97	$ 1.61	$ 1.33	$ 1.15
Diluted	$ 1.09	$ 1.93	$ 1.59	$ 1.32	$ 1.15

	As of April 30,				
	2008	2007	2006	2005	2004
Consolidated Balance Sheet Data (in thousands):					
Total assets	$600,065	$573,541	$588,082	$675,089	$725,942
Long-term debt(6),(8),(9)	$231,000	$127,000	$ 50,000	$175,000	$ —
Stockholders' equity(8),(9)	$236,517	$303,490	$387,923	$396,237	$655,096

	Fiscal Year Ended April 30,				
	2008	2007	2006	2005	2004
Other Consolidated Data:					
Cash dividends declared per share	$ 0.72	$ 0.48	$ 0.32	$ 0.21	$ —

(1) In fiscal 2008 and fiscal 2007, we incurred $5.9 million and $0.5 million of expenses, respectively, in connection with the Internal Review.

(2) In fiscal 2008, we incurred $6.1 million in management severance expenses, including a $5.7 million charge related to the departure of our former Chief Executive Officer.

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(3) In fiscal 2007, we incurred $1.9 million in litigation related expenses in connection with the previously disclosed settlement of the California Attorney General and Pierre Brailsford matters regarding the origination of RALs between 2001 and 2005; in fiscal 2006, we accrued $3.8 million in litigation related expenses in connection with the California Attorney General matter. In fiscal 2004, we incurred a litigation settlement charge of $10.4 million in connection with the settlement of franchisee litigation related to RALs.

(4) In fiscal 2005, we incurred a stock-based compensation charge of $4.5 million related to the issuance to employees of vested stock options and common stock in exchange for Cendant stock options and RSUs that were held by such employees prior to our IPO.

(5) Following our IPO in June 2004, we began to incur incremental costs as a result of being a public company such as additional insurance and stock-based compensation.

(6) Interest expense increased in fiscal 2005 primarily due to the issuance of $175.0 million of five-year floating-rate senior unsecured notes (the "$175 Million Notes") in connection with our IPO. The $175 Million Notes were repaid in June 2005. Thereafter, interest expense was primarily attributable to borrowings under our credit facility.

(7) In fiscal 2006, we incurred a non-cash charge of $2.7 million related to the write-off of deferred financing costs associated with the repayment of the $175 Million Notes and termination of our $100.0 million five-year revolving credit facility (the "$100 Million Credit Facility"). This facility was replaced with an amended credit facility.

(8) In fiscal 2008, fiscal 2007 and fiscal 2006, we repurchased 3,486,946, 4,415,348 and 2,538,197 shares of our common stock, respectively, totaling $99.0 million, $142.3 million and $61.3 million under our current and previous share repurchase programs.

(9) In connection with our IPO in June 2004, we paid a special dividend to Cendant in the amount of $306.9 million (the "Special Dividend"). The $175.0 million cash portion of the dividend was funded entirely from the net proceeds of the $175 Million Notes issuance and the remaining $131.9 million represents the cancellation of a receivable due from Cendant.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements beginning on page 48 in this Annual Report on Form 10-K.

Overview

We manage and evaluate the operating results of our business in two segments:

- Franchise operations: This segment consists of the operations of our franchise business, including royalty and marketing and advertising revenues, financial product fees and other revenues; and
- Company-owned office operations: This segment consists of the operations of our company-owned offices for which we recognize service revenues primarily for the preparation of tax returns.

Revenues that we earn consist of the following components:

Franchise operations revenues:

- *Royalty revenues:* We earn royalty revenues from our franchisees. Our franchise agreements require franchisees to pay us a royalty fee of 15% of their revenues (12% for most territories sold before mid-year 2000). In fiscal 2008, our average royalty rate was 13.5%. Franchisees earn revenues from the preparation of tax returns and from related products and services. We recognize royalty revenues upon the completion of paid tax returns by our franchisees.
- *Marketing and advertising revenues:* In addition to royalty revenues, franchisees pay us a marketing and advertising fee equal to 6% of their revenues. We recognize marketing and advertising revenues upon the completion of paid tax returns by our franchisees.
- *Financial product fees:*

  Tax Season 2008

  In September and October 2007, we entered into the following agreements:

  - Program Agreement (the "Republic Program Agreement"), dated September 19, 2007, with Republic Bank & Trust Company ("Republic");
  - Technology Services Agreement (the "Republic Technology Agreement"), dated September 19, 2007, with Republic;
  - Amended and Restated Program Agreement (the "Amended and Restated SBB&T Program Agreement"), dated September 21, 2007, with Santa Barbara Bank & Trust ("SBB&T");
  - Amended and Restated Technology Services Agreement (the "Amended and Restated SBB&T Technology Agreement"), dated September 21, 2007, with SBB&T;
  - Amended and Restated Program Agreement (the "Amended and Restated HSBC Program Agreement"), dated October 8, 2007, with HSBC Taxpayer Financial Services Inc. ("HSBC"); and
  - Amended and Restated Technology Services Agreement (the "Amended and Restated HSBC Technology Agreement"), dated October 8, 2007, with HSBC.

  The Republic Program Agreement, the Amended and Restated SBB&T Program Agreement and the Amended and Restated HSBC Program Agreement are collectively referred to as the "Program Agreements." The Republic Technology Agreement, the Amended and Restated SBB&T Technology Agreement and the Amended and Restated HSBC Technology Agreement are collectively referred to as the "Technology Agreements."

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Under the Program Agreements, Republic, SBB&T and HSBC offer, process and administer certain financial products, including refund anticipation loans ("RALs"), through Jackson Hewitt Tax Service locations. In connection with the Program Agreements, each financial product provider pays us a fixed annual fee. Pursuant to the Technology Agreements, we provide certain technology support in connection with these programs. Under the Technology Agreements, we receive a fixed annual fee as well as variable payments tied to growth in the programs.

During tax season 2008, Republic, SBB&T and HSBC collectively provided financial products to the entire network of Jackson Hewitt Tax Service offices. During tax seasons 2009 and 2010, we expect that Republic and SBB&T will collectively provide financial products to the entire network of Jackson Hewitt Tax Service offices. SBB&T provided a majority of the financial products in the 2008 tax season and we expect that SBB&T will provide the majority of the financial products in each of the tax seasons 2009 and 2010.

Tax Seasons 2007 and 2006

In tax seasons 2007 and 2006, under the financial product agreements with HSBC and SBB&T that were executed in 2006, we earned a fixed annual fee under such Program agreements as well as a variable payment under the respective Technology Agreements upon the attainment of certain contractual growth thresholds.

Beginning in tax season 2006, we have earned the fixed annual fees under such agreements during the third and fourth fiscal quarters and the variable payment primary during the fourth fiscal quarter.

Additional financial products offered by us include the *ipower*® Card and Gold Guarantee® product. Revenues from the Gold Guarantee product are earned ratably over the product's life, which approximates 36 months.

- *Other financial product revenues:* Beginning in January 2006, we no longer earned other financial product revenues related to RALs provided to our customers. Prior to January 2006, other financial product revenues represented a portion of the net finance fees paid by customers to SBB&T and HSBC from the facilitation of RALs that exceeded uncollected loans provided by SBB&T and HSBC. Additionally, we earned revenues with respect to RALs provided by SBB&T and HSBC in prior years.
- *Other revenues:* Other revenues include ancillary fees we earn from franchisees, including a $2.00 fee per tax return prepared paid by franchisees for the processing of each electronically-transmitted tax return. We recognize revenues from processing fees at the time the tax returns are filed. In fiscal 2008, over 90% of all tax returns filed by our franchisees were filed electronically. Other revenues also include revenues that we earn from the sale or transfer of our franchise territories. Such revenues are recognized when all material services or conditions relating to the sale have been performed, generally upon completion of a mandatory training program for new franchisees.

Company-owned office operations revenues:

- *Service revenues:* Service revenues include only revenues earned at our company-owned offices and primarily consist of fees that we earn directly from our customers for the preparation of tax returns. We recognize service revenues upon the completion of tax returns by our company-owned offices.

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Notable Events in Fiscal 2008

Internal Review Concluded

On September 20, 2007, we reached an agreement with the IRS resolving its examination of our internal tax return preparation compliance systems and processes. In connection with closing the audit, we agreed to make a voluntary compliance payment of $1.5 million, which is included in selling, general and administrative expenses in the Consolidated Statements of Operations.

In September 2007, the Department of Justice ("DOJ") announced that it had reached a settlement of the civil injunction suits it had filed in April 2007 against a franchisee and other named defendants operating in four states based upon allegations involving fraudulent tax return preparation ("DOJ Lawsuits"). We were not named as a defendant in these suits. In October 2007, the franchisee named in the DOJ Lawsuits exited the Jackson Hewitt system.

We retained outside counsel to conduct an internal review (the "Internal Review") of the allegations set forth in the DOJ Lawsuits and of our policies, practices and procedures in connection with such tax return preparation activities. The Internal Review's examination determined that there was no corporate involvement in the allegations made against the franchisee. It also resulted in recommendations which were implemented for the 2008 tax season and enhanced certain systems and processes, including the development of additional compliance requirements such as enhanced monitoring tools and increased training of franchisees and tax return preparers.

Acquisitions

On October 4, 2007, we acquired substantially all of the assets of the tax return preparation businesses in the Atlanta, Chicago, and Detroit markets (collectively, the "October 4, 2007 Acquisitions") from the franchisee named in the DOJ Lawsuits, and we are operating these stores as company-owned locations. Total consideration under the terms of the purchase agreements for the Acquisitions is $19.1 million in cash, with the remaining fifty percent due July 2008.

In addition to the above acquisitions, in fiscal 2008, we acquired 12 other tax return preparation businesses for a total purchase price of $8.5 million.

Management Changes

On October 9, 2007, the employment of Michael D. Lister, formerly Chief Executive Officer and Chairman of the Board of Directors, was terminated without cause. Upon termination, Mr. Lister also resigned as a director and Chairman of the Board. Michael C. Yerington, formerly President and Chief Operating Officer, was promoted to President and Chief Executive Officer and Mark L. Heimbouch, formerly Chief Financial Officer, was promoted to Chief Operating Officer. In order to fill the vacancy created by Mr. Lister's departure, our Board of Directors elected Mr. Yerington as a Class III director to serve until the annual meeting of our stockholders in 2010 or until his successor is elected and duly qualified or until his earlier resignation or removal. The Board of Directors separated the roles of Chairman and Chief Executive Officer. Margaret Richardson, former Commissioner of Internal Revenue and current member of the Company's Board of Directors, was named Non-Executive Chair of the Board.

Effective January 2, 2008, Daniel P. O'Brien was hired as our Executive Vice President, Chief Financial Officer and Treasurer.

Economic Stimulus

In February 2008, President Bush signed into law the Economic Stimulus Act of 2008. The new law allows a refundable credit against tax to low and middle-income individuals for 2008. We prepared 0.63 million ESP tax returns in 2008, which were tax returns filed by customers that had no legal requirement to file a tax return but

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filed a tax return solely to receive an economic stimulus payment from the Internal Revenue Service ("IRS"). We have presented certain tax return data excluding the impact of ESP tax returns in order to help investors compare, on an equivalent basis, our financial results for fiscal 2008 as compared to prior years.

Our consolidated results of operations are set forth below and are followed by a more detailed discussion of each of our business segments, as well as a detailed discussion of certain corporate and other expenses.

	Fiscal Year Ended April 30,		
	2008	2007	2006
		(In thousands)	
Consolidated Results of Operations:			
Revenues			
Franchise operations revenues:			
Royalty	$ 76,549	$ 83,060	$ 76,234
Marketing and advertising	33,994	37,159	34,685
Financial product fees	71,496	80,011	74,458
Other financial product revenues	—	—	5,518
Other	9,934	12,776	12,986
Service revenues from company-owned office operations	86,532	80,190	71,529
Total revenues	278,505	293,196	275,410
Expenses			
Cost of franchise operations	35,383	33,435	31,179
Marketing and advertising	48,388	44,247	40,977
Cost of company-owned office operations	65,886	51,706	47,084
Selling, general and administrative	48,895	35,792	39,723
Depreciation and amortization	13,233	12,266	11,428
Total expenses	211,785	177,446	170,391
Income from operations	66,720	115,750	105,019
Other income/(expense):			
Interest income	1,835	1,856	1,924
Interest expense	(14,402)	(9,972)	(8,301)
Write-off of deferred financing costs	—	(108)	(2,677)
Other	—	—	520
Income before income taxes	54,153	107,526	96,485
Provision for income taxes	21,726	42,146	38,524
Net income	$ 32,427	$ 65,380	$ 57,961

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The following table presents selected key operating statistics for our franchise and company-owned office operations.

	Fiscal Year Ended April 30,			
	2008	2008(1)	2007	2006
Operating Statistics				
Offices:				
Franchise operations	5,763	5,763	5,778	5,379
Company-owned office operations	1,000	1,000	723	643
Total offices—system	6,763	6,763	6,501	6,022
Tax returns prepared (in thousands):				
Franchise operations	2,995	2,942	3,229	3,246
Company-owned office operations	461	451	420	412
Total tax returns prepared—system	3,456	3,393	3,649	3,658
Average revenues per tax return prepared:				
Franchise operations(2)	$189.15	$191.98	$191.82	$178.06
Company-owned office operations(3)	$187.69	$191.23	$190.74	$173.82
Average revenues per tax return prepared—system	$188.96	$191.88	$191.69	$177.58
Financial products (in thousands)(4)	3,108	3,108	3,412	3,350
Average financial product fees per financial product(5)	$ 23.00	$ 23.00	$ 23.45	$ 22.23

(1) Excludes the impact of ESP tax returns.
(2) Calculated as total revenues earned by our franchisees, which does not represent revenues earned by Jackson Hewitt, divided by the number of tax returns prepared by our franchisees (see calculation below). We earn royalty and marketing and advertising revenues, which represent a percentage of the revenues received by our franchisees.
(3) Calculated as tax return preparation revenues and related fees earned by company-owned offices (as reflected in the Consolidated Statements of Operations) divided by the number of tax returns prepared by company-owned offices.
(4) Consists of RALs, assisted refunds and Gold Guarantee products.
(5) Calculated as revenues earned from financial product fees (as reflected in the Consolidated Statements of Operations) divided by number of financial products.

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Calculation of average revenues per tax return prepared in Franchise Operations:

	Fiscal Year Ended April 30,			
	2008	2008(1)	2007	2006
		(Dollars in thousands, except per tax return prepared data)		
Total revenues earned by our franchisees(A)	$566,562	$564,875	$619,319	$578,019
Average royalty rate(B)	13.53%	13.53%	13.41%	13.19%
Marketing and advertising rate(C)	6.00%	6.00%	6.00%	6.00%
Combined royalty and marketing and advertising rate(B plus C)	19.53%	19.53%	19.41%	19.19%
Royalty revenues(A times B)	$ 76,549	$ 76,428	$ 83,060	$ 76,234
Marketing and advertising revenues(A times C)	33,994	33,892	37,159	34,685
Total royalty and marketing and advertising revenues	$110,543	$110,320	$120,219	$110,919
Number of tax returns prepared by our franchisees(D)	2,995	2,942	3,229	3,246
Average revenues per tax return prepared by our franchisees(A divided by D)	$ 189.15	$ 191.98	$ 191.82	$ 178.06

Amounts may not recalculate precisely due to rounding differences.

(1) Excludes the impact of ESP tax returns.

Fiscal Year Ended April 30, 2008 as Compared to the Fiscal Year Ended April 30, 2007

Total Revenues

Total revenues decreased $14.7 million, or 5%, primarily due to a decrease in the number of tax returns prepared by our network, lower financial product fees earned under our agreements with SBB&T, HSBC and Republic and lower territory sales as compared to fiscal 2007. Excluding ESP tax returns, our network of franchised and company-owned offices prepared 3.39 million tax returns in fiscal 2008 (3.46 million total tax returns), a decline of 7% as compared to fiscal 2007 (a decline of 5% for total tax returns). These reductions were partially offset by service revenues of $15.2 million earned at the 182 company-owned offices we added in fiscal 2008 through acquisitions.

Excluding ESP tax returns, average revenues per tax return prepared remained essentially flat as compared to last year (a decrease of 1% for total returns). Customer retention was just under 58% in fiscal 2008 as compared to just over 60% in fiscal 2007. Same store tax return volume decreased approximately 9% excluding ESP tax returns (and was down 7% for all tax returns).

Contributors to the overall decline in the number of tax returns prepared were as follows:

(i) *Lack of a pre-season product to help attract customers into our stores in the January and early February timeframe.* We not only lacked a pre-season product but we also underestimated the retention impact this would have on our early season results. For the first month of the 2008 tax season, we were down approximately 300,000 tax returns as compared to the first month of last tax season (on a day over day comparative basis). Although we experienced growth in the late season, we were not able to completely overcome our slow start.

(ii) *The continued negative publicity surrounding the DOJ Lawsuits and the ineffectiveness of marketing messages.* We experienced continued weakness in our brand, more so than our research predicted in certain markets that were impacted by the DOJ Lawsuits. Additionally, our overall marketing messages and programs did not succeed in creating customer demand throughout the tax season.

(iii) *The impact of our increased compliance efforts.* As a result of the Internal Review, a variety of enhancements in the areas of tax return preparation compliance and monitoring were implemented during the year. However, the time and effort put forth in the implementation likely had some negative impact on the tax return levels in tax season 2008.

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Furthermore, an important element of our location strategy is that the maturation of our offices from which the average number of tax returns prepared per office increases as offices age. Our retail-partner locations typically prepare fewer tax returns as they tend to be smaller in size than typical storefront locations. Due to the factors discussed above, the average number of tax returns prepared per office presented in the table below decreased in most age categories as compared to fiscal 2007. The following table includes, for fiscal 2008, the average number of tax returns prepared by offices in our network, including the percentage of retail-partner locations as a percentage of total offices by age category, based upon the number of years in our network:

Number of Years in our Network	Offices as a % of Total Offices	Retail-Partner Locations as a % of Total Offices By Age	Average Number of Tax Returns Prepared per Office Excluding ESP Tax Returns (Total Offices)	Average Number of Tax Returns Prepared per Office—All Tax Returns (Total Offices)
1	8%	27%	228	234
2	10%	15%	267	273
3	10%	18%	315	322
4	10%	32%	366	374
5	11%	41%	438	448
6	8%	26%	493	504
7+	43%	22%	651	662
	100%			

Please see Franchise Results of Operations and Company-Owned Office Results of Operations for additional highlights.

Total Expenses

Total operating expenses increased $34.3 million, or 19%. Highlights were as follows:

Cost of franchise operations: Cost of franchise operations increased $1.9 million, or 6%, primarily due to (i) higher Gold Guarantee program costs of $0.5 million; (ii) a $0.4 million charge related to the termination of franchise agreements in connection with the October 4, 2007 Acquisitions; and (iii) higher amortization of development advances of $0.3 million.

Marketing and advertising: Marketing and advertising expenses increased $4.1 million, or 9%, primarily as a result of having committed to higher spending prior to the beginning of the 2008 tax season in anticipation of higher franchisee revenues.

Cost of company-owned office operations: Cost of company-owned office operations increased $14.2 million, or 27%, primarily due to increased facilities expenses of $6.0 million and increased labor expenses of $5.0 million incurred to support the higher number of company-owned stores. Additionally, the provision for uncollectible accounts receivable, net, increased $3.1 million.

Selling, general and administrative: The increase in selling, general and administrative expenses of $13.1 million, or 37%, was primarily due to (i) management severance of $6.1 million including a $5.7 million charge related to the departure of our former Chief Executive Officer; (ii) higher Internal Review expenses of $5.4 million which includes higher professional fees of $3.9 million and a $1.5 million voluntary compliance payment to the IRS; (iii) higher external legal fees (unrelated to the Internal Review) of $1.5 million; (iv) higher consulting fees of $0.7 million incurred to support our strategic initiatives; (v) higher stock-based compensation of $0.7 million due to the additional equity awards granted in fiscal 2008; (vi) higher personnel related expenses of $0.6 million; and (vii) higher technology related expenses of $0.4 million. These expenses were partially

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offset by the absence of a $1.9 million in litigation related expenses (in connection with the previously disclosed settlement of the California Attorney General and Pierre Brailsford matters regarding the origination of RALs between 2001 and 2005) and lower commission expense of $1.2 million primarily resulting from the decrease in the number of territories sold.

Other Income/(Expense)

Interest expense: Interest expense increased $4.4 million, or 44%, primarily due to a higher average debt balance resulting from the cumulative impact of share repurchase programs. Our average cost of debt was 5.6% and 6.2% in fiscal 2008 and 2007, respectively.

Fiscal Year Ended April 30, 2007 as Compared to the Fiscal Year Ended April 30, 2006

Total Revenues

Total revenues increased $17.8 million, or 6.5%, primarily due to an increase in the average revenues per tax return prepared by our network, higher financial product fees in connection with our agreements with SBB&T and HSBC and cumulative growth and higher pricing per product in our Gold Guarantee program. Average revenues per tax return prepared increased 8% primarily as a result of stronger pricing. The increase in financial product fees was largely related to the attainment of certain contractual growth thresholds and higher fixed fees under our agreements. Customer retention was approximately just over 60% in fiscal 2007. Same store tax return volume decreased approximately 4% in fiscal 2007.

Our network of franchised and company-owned offices prepared 3.65 million tax returns in fiscal 2007, a decline of 0.2% as compared to fiscal 2006. Contributing to the overall decline were the increased competitive environment, due in part to various pre-season loan products in the marketplace, and the shift in taxpayer filings from early season to late season, compounded by the negative publicity in early April 2007 surrounding the announcement by the DOJ of the DOJ Lawsuits.

The following table includes, for fiscal 2007, the average number of tax returns prepared by offices in our network, including the percentage of retail-partner locations as a percentage of total offices by age category, based upon the number of years in our network:

Number of Years in our Network	Offices as a % of Total Offices	Retail-Partner Locations as a % of Total Offices By Age	Average Number of Tax Returns Prepared per Office (Total Offices)
1	11%	17%	245
2	11%	19%	302
3	12%	32%	376
4	12%	42%	454
5	9%	26%	533
6	6%	23%	612
7+	39%	22%	755
	100%		

Please see Franchise Results of Operations and Company-Owned Office Results of Operations for additional highlights.

Total Expenses

Total operating expenses increased $7.1 million, or 4%. Highlights were as follows:

Cost of franchise operations: Cost of franchise operations increased $2.3 million, or 7%, primarily due to the cumulative growth in our Gold Guarantee program over the past three years, including higher program costs, which are charged ratably over the product's life, which approximates 36 months.

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Marketing and advertising: Marketing and advertising expenses increased $3.3 million, or 8%, primarily in line with the increase in marketing and advertising revenues.

Cost of company-owned office operations: Cost of company-owned office operations increased $4.6 million, or 10%, primarily due to increased labor and facilities expenses incurred to support the new offices opened during the previous year to support customer demand. Despite this increase, cost of operations decreased as a percentage of the related service revenues from operations due to a continued focus on strategic initiatives implemented two years prior.

Selling, general and administrative: Selling, general and administrative decreased $3.9 million, or 10%, primarily due to (i) $6.0 million in lower incentive compensation expenses; and (ii) a $1.9 million reduction in litigation related expenses ($1.9 million in fiscal 2007 in connection with the previously disclosed settlement of the California Attorney General and Pierre Brailsford matters regarding the origination of RALs between 2001 and 2005 compared to $3.8 million in fiscal 2006 accrued in connection with the California Attorney General matter). These decreases were partially offset by (i) $1.3 million in higher stock-based compensation as we granted additional stock options in the first quarter of fiscal 2007 for which the associated cost is recognized over the four-year vesting period following the grant date; (ii) a $1.2 increase in salary and commission expense; (iii) a $0.9 million increase in outsourced technology-related service costs; (iv) $0.8 million in higher external legal fees; and (v) $0.5 million in Internal Review expenses.

Other Income/(Expense)

Interest expense: Interest expense increased $1.7 million, or 20%, primarily due to higher interest rates. Our average cost of debt was 6.2% and 5.5% in fiscal 2007 and 2006, respectively.

Write-off of deferred financing costs: In fiscal 2006, we incurred a non-cash charge of $2.7 million related to the write-off of deferred financing costs associated with the repayment of the $175 Million Notes and the replacement of our $100 Million Credit Facility.

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Segment Results and Corporate and Other

Franchise Operations

At the core of our business strategy is the growth and development of our franchise system. We derive a significant portion of our revenues during the third and fourth fiscal quarters from royalty and marketing and advertising fees. The number of tax returns prepared by our franchise system represented 87% of the total number of tax returns prepared by our network in fiscal 2008.

	Fiscal Year Ended April 30,		
	2008	2007	2006
		(In thousands)	
Results of Operations:			
Revenues:			
Royalty	$ 76,549	$ 83,060	$ 76,234
Marketing and advertising	33,994	37,159	34,685
Financial product fees	71,496	80,011	74,458
Other financial product revenues	—	—	5,518
Other	9,934	12,776	12,986
Total revenues	191,973	213,006	203,881
Expenses:			
Cost of operations	35,383	33,435	31,179
Marketing and advertising	40,464	37,159	34,691
Selling, general and administrative	3,776	3,945	3,448
Depreciation and amortization	9,791	9,408	8,706
Total expenses	89,414	83,947	78,024
Income from operations	102,559	129,059	125,857
Other income/(expense):			
Interest income	1,445	1,352	1,121
Income before income taxes	$104,004	$130,411	$126,978

Fiscal Year Ended April 30, 2008 as Compared to the Fiscal Year Ended April 30, 2007

Total Revenues

Total revenues decreased $21.0 million, or 10%, primarily for the same reasons discussed in the Consolidated Results of Operations. The number of tax returns prepared by our franchise operations decreased 7% as compared to fiscal 2007.

Royalty and marketing and advertising: Royalty revenues decreased $6.5 million, or 8%, and marketing and advertising revenues decreased $3.2 million, or 9%, primarily due to the decrease in total revenues earned by our franchisees as a result of the decline in the number of tax returns prepared and the sale of certain franchise operations to our company-owned segment during the year.

Financial product fees: Revenues earned under our agreements with SBB&T, HSBC and Republic decreased $8.4 million, or 11%, primarily due to lower fees, including a reduction in variable payments related to the lower number of tax returns prepared. In fiscal 2008, financial product fees in connection with the financial product agreements were $61.3 million as compared to $69.2 million in fiscal 2007. Franchisees facilitated the sale of 2.7 million financial products in fiscal 2008 as compared with 3.0 million in fiscal 2007.

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Other revenues: Other revenues decreased $2.8 million, or 22%, primarily due to the decrease in territory sales as compared to fiscal 2007. Other revenues included the sale of 130 territories in fiscal 2008 as compared to 205 in fiscal 2007. The Company believes that the decline in territory sales was primarily related to negative publicity surrounding the DOJ Lawsuits.

Total Expenses

Total operating expenses increased $5.5 million, or 7%. Highlights were as follows:

Cost of operations: Cost of operations increased as discussed in the Consolidated Results of Operations.

Marketing and advertising: Marketing and advertising expenses increased $3.3 million, or 9%, for the reasons discussed in the Consolidated Results of Operations. Franchise operations typically recognize marketing and advertising expenses equal to 6% of total revenues earned by our franchisees. In fiscal 2008, we incurred $6.5 million, or 19%, of expenses in excess of our 6% obligation as a result of having committed to higher spending prior to the beginning of the 2008 tax season in anticipation of higher franchisee revenues.

Fiscal Year Ended April 30, 2007 as Compared to the Fiscal Year Ended April 30, 2006

Total Revenues

Total revenues increased $9.1 million, or 4%, primarily for the same reasons discussed in the Consolidated Results of Operations. Average revenues per tax return prepared increased 8% while the number of tax returns prepared by our franchise operations decreased 0.5% as compared to fiscal 2006. Highlights were as follows:

Royalty and marketing and advertising: Royalty revenues increased $6.8 million, or 9%, and marketing and advertising revenues increased $2.5 million, or 7%, primarily due to the increase in total revenues earned by our franchisees. Additionally, we benefited from an increase in the average royalty rate we earn, which was 13.41% in fiscal 2007 as compared to 13.19% in fiscal 2006, as the segment included more territories at the 15% royalty fee rate.

Financial product fees: Financial product fees increased $5.6 million, or 7%, as discussed in the Consolidated Results of Operations. In fiscal 2007, financial product fees earned in connection with the financial product agreements were $69.2 million as compared to $65.0 million in fiscal 2006. Gold Guarantee revenues increased by $1.3 million to $9.8 million in fiscal 2007. Franchisees facilitated the sale of 3.0 million financial products in fiscal 2007 as compared with 2.9 million in fiscal 2006.

Other financial product revenues: Other financial product revenues, which were related to RALs, were eliminated beginning in January 2006 under the financial products agreements that were executed in 2006.

Other revenues: Other revenues included fees generated from the sale of 205 territories in fiscal 2007, consistent with fiscal 2006.

Total Expenses

Total operating expenses increased $5.9 million, or 8%. Highlights were as follows:

Cost of operations: Cost of operations increased as discussed in the Consolidated Results of Operations.

Marketing and advertising: Marketing and advertising expenses increased $2.5 million, or 7%, in line with the increase in marketing and advertising revenues. Franchise operations recognized marketing and advertising expenses equal to 6% of total revenues earned by our franchisees.

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Company-Owned Office Operations

Complementing our franchise system are our company-owned offices. The number of tax returns prepared by our company-owned offices represented 13% of the total number of tax returns prepared within our network in fiscal 2008.

	Fiscal Year Ended April 30,		
	2008	2007	2006
	(In thousands)		
Results of Operations:			
Revenues			
Service revenues from operations	$86,532	$80,190	$71,529
Expenses			
Cost of operations	65,886	51,706	47,084
Marketing and advertising	7,924	7,088	6,286
Selling, general and administrative	3,834	3,395	3,623
Depreciation and amortization	3,442	2,858	2,722
Total expenses	81,086	65,047	59,715
Income from operations	5,446	15,143	11,814
Other income/(expense):			
Other	—	—	520
Income before income taxes	$ 5,446	$15,143	$12,334

Fiscal Year Ended April 30, 2008 as Compared to the Fiscal Year Ended April 30, 2007

Revenues

Service revenues from operations increased $6.3 million, or 8%, due to revenues of $15.2 million earned at the 182 offices we added in fiscal 2008 through acquisitions, partially offset by a reduction in revenues attributed to the lower number of tax returns prepared at the same locations we operated last year and at offices added through organic growth in fiscal 2008.

Excluding ESP tax returns, average revenues per tax return prepared were essentially flat (down 2% for all tax returns due to lower pricing associated with ESP tax returns). Company-owned offices facilitated the sale of approximately 427,000 financial products in fiscal 2008 as compared with 421,000 in fiscal 2007.

Total Expenses

Total expenses increased $16.0 million, or 25%. Highlights were as follows:

Cost of operations: Cost of operations increased as discussed in the Consolidated Results of Operations.

Marketing and advertising: Marketing and advertising expenses increased $0.8 million, or 12%, primarily due to the same reasons discussed in the Consolidated Results of Operations. Company-owned office operations recognized marketing and advertising expenses approximately equal to 6% of tax preparation revenues. In addition, company-owned office operations also recognized regional and local marketing and advertising expenses.

We are taking steps to improve our cost position and operational efficiency in this segment following the significant decline in operating margins experienced in fiscal 2008.

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Fiscal Year Ended April 30, 2007 as Compared to the Fiscal Year Ended April 30, 2006

Revenues

Service revenues from operations increased $8.7 million, or 12%, primarily due to an increase of 10% in the average revenues per tax return prepared as well as an increase of 2% in the number of tax returns prepared. Average revenues per tax return prepared increased primarily as a result of stronger pricing. Company-owned offices facilitated the sale of 421,000 financial products in fiscal 2007 as compared with 402,000 in fiscal 2006.

Total Expenses

Total expenses increased $5.3 million, or 9%. Highlights were as follows:

Cost of operations: Cost of operations increased as discussed in the Consolidated Results of Operations.

Marketing and advertising: Marketing and advertising increased $0.8 million, or 13%, and was closely tied to growth in the business.

Corporate and Other

Corporate and other expenses include unallocated corporate overhead supporting both segments, including legal, finance, human resources, real estate facilities and strategic development activities, as well as stock-based compensation.

	Fiscal Year Ended April 30,		
	2008	2007	2006
		(In thousands)	
Expenses(a)			
General and administrative	$ 24,554	$ 21,979	$ 26,044
Stock-based compensation	4,778	4,122	2,808
Litigation related expenses	—	1,873	3,800
Internal Review expenses	5,845	478	—
Severance	6,108	—	—
Total expenses	41,285	28,452	32,652
Loss from operations	(41,285)	(28,452)	(32,652)
Other income/(expense):			
Interest income	390	504	803
Interest expense	(14,402)	(9,972)	(8,301)
Write-off of deferred financing costs(b)	—	(108)	(2,677)
Loss before income taxes	$(55,297)	$(38,028)	$(42,827)

(a) Included in selling, general and administrative in the Consolidated Statements of Operations.
(b) Fiscal 2006 charge represents a non-cash charge associated with the repayment of the $175.0 million five-year floating-rate senior unsecured notes and the termination of the $100.0 million five-year revolving credit facility.

Fiscal Year Ended April 30, 2008 as Compared to the Fiscal Year Ended April 30, 2007

Loss from Operations

Loss from operations increased $12.8 million, or 45%, primarily due to (i) management severance of $6.1 million including a $5.7 million charge related to the departure of our former Chief Executive Officer; (ii) higher Internal Review expenses of $5.4 million which included higher professional fees of $3.9 million and a $1.5 million voluntary compliance payment to the IRS; (iii) higher external legal fees (unrelated to the Internal Review) of $1.5 million; (iv) higher consulting fees of $0.7 million incurred to support our strategic initiatives; (v) higher stock-based compensation of $0.7 million due to additional equity awards granted in fiscal 2008; (vi) higher personnel related expenses of $0.6 million; and (vii) higher technology related expenses of $0.4 million. The increase in overall expenses was partially offset by the absence of a $1.9 million in litigation related expenses which was recognized in fiscal 2007.

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Other income/(expense)

Interest expense increased as discussed in Consolidated Results of Operations.

Fiscal Year Ended April 30, 2007 as Compared to the Fiscal Year Ended April 30, 2006

Loss from Operations

Loss from operations decreased $4.2 million, or 13%, primarily due to lower performance bonus expenses of $6.0 million and lower litigation related expenses of $1.9 million. Partially offsetting the overall decrease was (i) higher stock-based compensation of $1.3 million; (ii) higher outsourced technology-related service expenses of $0.9 million; (iii) higher external legal fees of $0.8 million; (iv) higher salary expense of $0.6 million; and (v) Internal Review expenses of $0.5 million.

Other income/(expense)

Interest expense increased and write-off of deferred financing costs decreased as discussed in Consolidated Results of Operations.

Liquidity and Capital Resources

Historical Sources and Uses of Cash from Operations

Seasonality of Cash Flows

The tax return preparation business is highly seasonal resulting in substantially all of our revenues and cash flow being generated during the period from January 1 through April 30. Following the tax season, from May 1 through December 31, we primarily rely on excess operating cash flow from the previous tax season and our credit facility to fund our operating expenses and to reinvest in our business to support future growth. Given the nature of the franchise business model, our business is generally not capital intensive and has historically generated strong operating cash flow from operations on an annual basis.

Credit Facility

On May 21, 2008, we amended our five-year unsecured credit facility (the "Amended and Restated $450 Million Credit Facility") to provide for additional flexibility in connection with the allowable maximum consolidated leverage ratio under the credit facility covenants. Borrowings under the $450 Million Credit Facility are to be used to finance working capital needs, general corporate purposes, potential acquisitions and repurchases of our common stock.

The maximum consolidated leverage ratio was amended from 3.0:1.0 to (i) 3.5:1.0 for the fiscal quarters ending July 31, 2008 through January 31, 2009; (ii) 3.15:1.0 for the fiscal quarters ending April 30, 2009 through October 31, 2009; and (iii) 3.0:1.0 for the fiscal quarters ending January 31, 2010 through July 31, 2011. Additionally, the credit facility was amended to include limitations with regard to share repurchases and acquisitions. We are restricted from repurchasing shares until we achieve a consolidated leverage ratio of 2.5:1.0 or lower for two consecutive fiscal quarters. Thereafter, achievement of a consolidated leverage ratio of 3.0:1.0 or below is required for continued share repurchases. We are also limited to annual acquisitions of $15.0 million when the consolidated leverage ratio, as defined, is greater than 3.0:1.0. As of April 30, 2008, our consolidated leverage ratio, as defined, was 2.8:2.0. Furthermore, Eurodollar borrowings will bear interest at LIBOR plus a

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credit spread ranging from 0.50% to 2.00% per annum; Base Rate borrowings will bear interest at the Prime Rate plus a credit spread up to 1.00%; and the annual fee now ranges from 0.10% to 0.40% of the unused portion of the credit facility.

In the future, we may require additional financing to meet our capital needs. Our liquidity position may be negatively affected by unfavorable conditions in the market in which we operate. In addition, our inability to generate sufficient profits during tax season may unfavorably impact our funding requirements.

Sources and Uses of Cash

Operating activities

In fiscal 2008, we received $45.8 million less cash from operations as compared to fiscal 2007 due to the following:

- Lower franchise operations revenues of $21.0 million primarily due to a decrease in the number of tax returns prepared by our network and lower financial product fees;
- Higher costs of approximately $11.0 million associated with incremental labor and facilities to support the new company-owned offices opened during the past year;
- Payments of $6.3 million associated with the Internal Review (primarily accrued in fiscal 2008):
- Higher interest payments on our credit facility of $4.0 million due to increased borrowings; and
- Payment of $3.5 million in severance primarily attributable to our former Chief Executive Officer's departure from the Company.

Partially offsetting the factors discussed above were:

- Lower performance bonus payments as we paid $8.3 million in fiscal 2008 (accrued in fiscal 2007) as compared to $15.8 million last year (accrued in fiscal 2006); and
- Lower litigation settlement related payments of $7.6 million (accrued prior to fiscal 2008).

In fiscal 2007, we received $33.3 million less cash from operations as compared to fiscal 2006 primarily due to the following:

- Higher income tax payments of $16.3 million primarily due to the timing of estimated tax payments and the increase in operating income between years;
- Higher performance bonus payments as we paid $15.8 million in fiscal 2007 (accrued in fiscal 2006) as compared to $9.1 million in fiscal 2006 (accrued in fiscal 2005);
- Higher litigation settlement related payments as we paid $7.8 million in fiscal 2007 as compared to $2.2 million in fiscal 2006; and
- Higher marketing and advertising payments primarily due to the reduction of $3.8 million in our marketing and advertising constructive obligation accrued through April 30, 2006.

Partially offsetting the factors discussed above were the increase in net income of 13% and the timing of payments received from franchisees.

Investing activities

In fiscal 2008, we used $13.9 million more cash for investing activities as compared to fiscal 2007 due to the following:

- Cash paid for the acquisition of tax return preparation businesses increased $13.8 million; and

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- Net funding provided to franchisees increased $2.6 million.

Partially offsetting the overall increase in net cash used in investing activities were lower capital expenditures of $2.5 million as last year included leasehold improvements and new equipment purchases associated with the relocation of our technology headquarters to a new building and lower capitalized software development costs.

In fiscal 2007, we used $0.7 million more cash for investing activities as compared to fiscal 2006 due to the following:

- Cash paid for the acquisition of tax return preparation businesses increased $1.9 million; and
- Net funding provided to franchisees increased $0.3 million.

Partially offsetting the overall increase in net cash used in investing activities were lower capital expenditures of $1.8 million primarily due to lower build out costs and new equipment purchases associated with the relocation of our technology and corporate headquarters to new buildings (our technology headquarters in Florida relocated in fiscal 2007 and our corporate headquarters in New Jersey relocated in fiscal 2006).

Financing activities

In fiscal 2008, we used $76.1 million less cash for financing activities as compared to fiscal 2007 primarily due to the following:

- Higher net borrowings under our Amended and Restated $450 Million Credit Facility of $27.0 million;
- Reduced spending of $43.4 million on the repurchase of shares of our common stock; and
- Higher proceeds of $8.5 million resulting from the exercises of stock options.

Partially offsetting the overall decrease in net cash used in financing activities were higher quarterly dividend payments to stockholders of $5.5 million for which the quarterly payments were increased to $0.18 per share in fiscal 2008 as compared to $0.12 per share in fiscal 2007.

In fiscal 2007, we used $118.6 million less cash used for financing activities as compared to fiscal 2006 primarily due to the repayment of our $175 Million Notes in June 2005 partially offset by (i) higher spending on the repurchase of shares our common stock of $81.0 million and (ii) higher quarterly dividend payments to stockholders of $4.3 million.

Future Cash Requirements and Sources of Cash

Future Cash Requirements

Over the next 12 months, our primary cash requirements will be the funding of our operating activities (including capital expenditure requirements, contractual obligations and commitments), fund acquisitions, provide funding to franchisees for office expansion, repay debt outstanding, make periodic interest payments on our debt outstanding and pay quarterly dividends as described more fully below.

- *Restructuring*—In fiscal 2009, we will take steps to improve our cost structure and operating efficiency, which will include recognizing employee severance benefits associated with workforce reductions and contract termination costs to exit leases on underperforming offices.
- *Marketing and advertising*—We receive marketing and advertising payments from franchisees to fund our budget for most of these expenses. Marketing and advertising expenses include national, regional

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and local campaigns designed to increase brand awareness and attract both early season and late season customers. Such expenses are seasonal in nature and typically increase in our third and fourth fiscal quarters when most of our revenues are earned. We are making significant changes to our marketing effort for the 2009 tax season, with the overriding goal of bringing more new customers into our stores and improving our same-store sales performance, profitability and customer retention.

- *Company-owned offices*—Our company-owned offices complement our franchise system and are focused primarily on organic growth through the opening of new company-owned offices within existing territories as well as increasing office productivity. We also continue to pursue selective acquisition opportunities for our company-owned office segment in economically attractive, high growth markets adjacent to our current operations. Under the terms of the purchase agreements in connection with the October 4, 2007 Acquisitions, the remaining balance of the purchase price, approximately $9.55 million, is due in July 2008. Furthermore, under the May 2008 amendment to our credit facility, we are limited to annual acquisitions of $15.0 million when our consolidated leverage ratio, as defined, is greater than 3.0:1.0. Expenses to operate our company-owned offices begin to increase during the third fiscal quarter and peak during the fourth fiscal quarter primarily due to the labor costs related to the seasonal employees who provide tax return preparation services to our customers.
- *Capital expenditures*—We anticipate spending on capital expenditures in fiscal 2009 primarily for information technology upgrades to support our growth, which includes personnel related payments capitalized for the development of internal use software.
- *Franchisee funding*—We anticipate providing franchisees with funding for Conversions and to open new storefront offices as we look to build a stronger distribution system.
- *Debt repayment*—As of May 31, 2008, we had $243.0 million outstanding under our Amended and Restated $450 Million Credit Facility. We anticipate generating operating cash flow next tax season to partially repay these outstanding borrowings.
- *Quarterly dividend*—On June 3, 2008, our Board of Directors declared a quarterly cash dividend of $0.18 per share of common stock, payable on July 15, 2008, to common stockholders of record on June 30, 2008. We currently intend to make quarterly cash dividend payments of $0.18 per common share in fiscal 2009.

Future Sources of Cash

We borrow against our credit facility to fund operations with increases particularly during the first nine months of the fiscal year. Beginning in the fourth fiscal quarter, we expect our primary source of cash to be cash provided by operating activities, primarily from the collection of accounts receivable from our franchisees and from the providers of financial products to our customers.

We plan to target and will seek to maintain a capital structure that is consistent with a low investment grade credit profile, broadly modeled in the BBB area. We have no near-term intention to seek a formal credit rating, and, given our size, we may have difficulty receiving an investment grade rating from the major rating agencies; however we use this profile for guidance. We believe that targeting this capital structure profile over the long-term will result in an appropriate balance between the needs of equity and debt providers, between financial risk and financial flexibility for our Company, while providing a prudent use of leverage to minimize Jackson Hewitt's weighted average cost of capital. As we assess our future dividend and share repurchase strategies, we plan to do so within the context of maintaining this targeted capital structure.

Seasonality of Operations

Given the seasonal nature of the tax return preparation business, we have historically generated and expect to continue to generate substantially all our revenues during the period from January 1 through April 30. In fiscal

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2008, we earned 95% of our revenues during this period. We historically operate at a loss through the first eight months of each fiscal year, during which we incur costs associated with preparing for the upcoming tax season. Additionally, the aggregate net loss in the off-season period historically has increased period over period as a result of our prior year office expansion in the company-owned segment, anticipated growth in the business and the cumulative effect of our share repurchase programs on interest expense.

Contractual Obligations

The following table presents future contractual obligations due by fiscal period as of April 30, 2008:

	2009	2010-2011	2012-2013 (In thousands)	2014 and Thereafter	Total
Long-term debt(1)	$ —	$231,000	$ —	$ —	$231,000
Operating lease commitments	10,519	18,458	5,172	925	35,074
Purchase obligations(2)	3,111	1,012	338	—	4,461
Total	$13,630	$250,470	$ 5,510	$ 925	$270,535

(1) Accrued interest under the Amended and Restated $450 Million Credit Facility was $0.94 million as of April 30, 2008. Borrowings outstanding under the $450 Million Credit Facility were $243.0 million as of May 31, 2008.

(2) In connection with certain marketing, technology-related and other services.

Critical Accounting Policies

In presenting our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the amounts reported therein. Events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our Consolidated Financial Statements were the most appropriate at that time. The following critical accounting policies may affect reported results resulting in variations in our financial results both on an interim and fiscal year basis.

Goodwill

We test goodwill for impairment annually in our fourth fiscal quarter, or more frequently if circumstances indicate impairment may have occurred. We reviewed the carrying value of our goodwill by comparing the carrying value of our reporting units to their fair value. When determining fair value, we utilized various assumptions, including projections of future cash flows. A change in these underlying assumptions would cause a change in the results of the tests and, as such, could cause fair value to be less than the respective carrying amount. In such event, we would then be required to record a charge, which would impact results. An adverse change to our business would impact our consolidated results and may result in an impairment of our goodwill. The aggregate carrying value of our goodwill was $414.9 million as of April 30, 2008. See "Part I. Item 1—Financial Statements—Notes to Consolidated Financial Statements—Note 4 — Goodwill and Other Intangible Assets" for more information on goodwill.

Other Indefinite-Lived Intangible Assets

We test indefinite-lived intangible assets for impairment annually in our fourth fiscal quarter, or more frequently if circumstances indicate impairment may have occurred. Indefinite-lived intangible assets are carried at the lower of cost or fair value. If the fair value of the indefinite-lived intangible asset is less than

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the carrying amount, an impairment loss would be recognized in an amount equal to the difference. An adverse change to our business would impact our consolidated results and may result in an impairment of our indefinite-lived intangible assets. The aggregate carrying value of our indefinite-lived intangible assets was $83.0 million as of April 30, 2008. See "Part I. Item 1—Financial Statements—Notes to Consolidated Financial Statements—Note 4—Goodwill and Other Intangible Assets" for more information on indefinite-lived intangible assets.

Long-Lived Assets

Definite-lived intangible assets and long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. We test for impairment based on a comparison of the asset's undiscounted cash flows to its carrying value and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 defers the implementation of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted the remainder of SFAS No. 157 beginning May 1, 2008 and do not expect its adoption to have a material impact on our Consolidated Financial Statements. The aspects that have been deferred by FSP FAS 157-2 will be effective for us beginning May 1, 2009 and we are currently assessing the potential impact of its adoption on our Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective for us beginning May 1, 2008. The adoption of SFAS 159 is not expected to have a material impact on our Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interests in the acquiree, and the goodwill acquired. SFAS 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for us as of May 1, 2009 and will then be applied prospectively to business combinations that have an acquisition date on or after May 1, 2009. We are currently assessing the potential impact on our Consolidated Financial Statements of adopting SFAS 141R.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 161"), which modifies and expands the disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation and requires quantitative disclosures about fair value amounts and gains and losses on derivative instruments. It also requires disclosures about credit-related contingent features in derivative agreements. SFAS 161 is effective for us beginning February 1, 2009. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The principal impact of SFAS 161 will be to require us to expand our disclosure regarding our derivative and hedging activities.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have entered into interest rate swap agreements with financial institutions to convert a notional amount of $100.0 million of floating-rate borrowings into fixed-rate debt, with the intention of mitigating the economic impact of changing interest rates. Under these interest rate swap agreements, the first $50.0 million of which became effective in October 2005 and the remaining $50.0 million in November 2007, we receive a floating interest rate based on the three-month LIBOR (in arrears) and pay a fixed interest rate averaging from 4.4% to 4.5%. These interest rate swap agreements were determined to be cash flow hedges in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137, No. 138 and No. 149.

In connection with extending the maturity date under the amended and restated credit facility, in October 2006 we entered into interest rate collar agreements to become effective after the initial interest rate swap agreements terminate. The interest rate collar agreements were entered into with financial institutions to limit the variability of expense/payments on $50.0 million of floating-rate borrowings during the period from July 2010 to October 2011 to a range of 5.5% (the cap) and 4.6% (the floor). These interest rate collar agreements were determined to be cash flow hedges in accordance with SFAS No. 133, as Amended.

We have financial market risk exposure related primarily to changes in interest rates. As discussed above, we attempt to reduce this risk through the utilization of derivative financial instruments. A hypothetical 1% change in the interest rate on our floating-rate borrowings outstanding as of April 30, 2008, excluding our $100.0 million of hedged borrowings whereby we fixed the interest rate, at an average ranging from 4.4% to 4.5%, would result in an annual increase or decrease in income before income taxes of $1.3 million. The estimated increase or decrease is based upon the level of variable rate debt as of April 30, 2008 and assumes no changes in the volume or composition of debt.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Jackson Hewitt Tax Service Inc.
Parsippany, NJ

We have audited the accompanying consolidated balance sheets of Jackson Hewitt Tax Service Inc. and subsidiaries (the "Company") as of April 30, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended April 30, 2008. Our audits also included the financial statement schedule listed in Item 15a. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Jackson Hewitt Tax Service Inc. and subsidiaries at April 30, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 15 to the consolidated financial statements, effective May 1, 2007, the Company adopted FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109.*

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of April 30, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 30, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, NJ
June 30, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Jackson Hewitt Tax Service Inc.
Parsippany, NJ

We have audited the internal control over financial reporting of Jackson Hewitt Tax Service Inc. and subsidiaries (the "Company") as of April 30, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended April 30, 2008 of the Company and our report dated June 30, 2008 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* on April 30, 2008.

/s/ DELOITTE & TOUCHE LLP

Parsippany, NJ
June 30, 2008