

JACKSON HEWITT TAX SERVICE INC.

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**

(as amended and restated on July 11, 2006)

I. Purpose of the Compensation Committee

The Board of Directors (the "Board") of Jackson Hewitt Tax Service Inc. (the "Company") has constituted and established a Compensation Committee (the "Compensation Committee") with authority, responsibility, and specific duties as described in this Compensation Committee Charter, subject to and in accordance with any applicable provisions set forth in the By-Laws of the Company, which provisions are incorporated by reference herein. The purpose of the Compensation Committee is to discharge the Board's duties with respect to compensation of the Company's directors and executive officers and oversight of the management of the Company's various long-term bonus and incentive compensation plans.

II. Composition of the Compensation Committee

The Compensation Committee shall consist of not less than three members. Each member of the Compensation Committee shall be appointed by the Board upon the recommendation of the Corporate Governance Committee and shall satisfy the independence requirements for members of the Compensation Committee of the Company under the New York Stock Exchange rules.

Members of the Compensation Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws.

Vacancies on the Compensation Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. The members of the Compensation Committee may be removed by a majority vote of the independent directors then in office.

III. Authority and Responsibilities of the Compensation Committee

The Compensation Committee's primary responsibility is to assure that the senior management of the Company and its subsidiaries are compensated effectively in a manner consistent with the stated compensation strategy of the Company, internal equity considerations, competitive practice, and the requirements of the appropriate regulatory bodies.

The Compensation Committee shall also communicate to shareholders the Company's compensation policies and the reasoning behind such policies as required by the Securities and Exchange Commission.

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More specifically, the Compensation Committee shall be responsible for the following:

Review from time to time and approve the Company's stated compensation strategy to ensure that management is rewarded appropriately for its contributions to Company growth and profitability and that the Company's executive compensation strategy supports organization objectives and shareholder interests.

Review annually and determine the individual elements of total compensation for the Chief Executive Officer consistent with the Company's compensation strategy and objectives and communicate in the annual Compensation Committee Report, or similar report as required by applicable law or securities exchange regulation, to shareholders the factors and criteria on which the Chief Executive Officer's compensation for the last year was based, including the relationship of the Company's performance to the Chief Executive Officer's compensation.

Review and approve the individual elements of total compensation for the senior management of the Company (other than the Chief Executive Officer) and communicate in the annual Compensation Committee Report, or similar report as required by applicable law or securities exchange regulation, to shareholders the specific relationship of corporate performance to executive compensation.

Assure that the Company's annual and long-term bonus and incentive compensation plans are administered in a manner consistent with the Company's compensation strategy as to participation, target annual incentive awards, corporate financial goals, actual awards paid to senior management, and total funds reserved for payment under the compensation plans.

Make recommendations to the Board with respect to incentive compensation plans and equity-based plans and approve, subject, where appropriate, to submission to shareholders, all new equity-related incentive plans for senior management.

Review, issue and/or approve all grants of stock options and other equity awards.

If appropriate, hire experts in the field of executive compensation to assist the Compensation Committee with its reviews.

Review and approve any employment agreements for senior management of the Company.

Such other duties and responsibilities (i) as may be assigned to the Compensation Committee, from time to time, by the Board and/or the Chairman of the Board, (ii) as set forth in the By-Laws of the Company, or (iii) as designated in the plan documents of any Company plan.

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IV. Meetings of the Compensation Committee

The Compensation Committee shall meet regularly prior to, or following, meetings of the Board. Meetings of the Compensation Committee may be called by the Chairman of the Compensation Committee or the Chairman of the Board.

The Compensation Committee shall report regularly to the Board, at a minimum, after each meeting of the Compensation Committee, and shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

The members of the Compensation Committee shall select a chair who will preside at each meeting of the Compensation Committee and, in consultation with the other members of the Compensation Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting. A majority of the members of the Compensation Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum. The act of a majority of the Compensation Committee members present at any meeting at which a quorum is present will be the act of the Compensation Committee. In addition, at the first meeting of the Compensation Committee and at each first meeting held in each successive year, the chair, in consultation with the other members of the Compensation Committee, shall propose a list of items to be addressed by the Compensation Committee during the coming year.

The Compensation Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Compensation Committee, attend any meeting of the Compensation Committee to provide such pertinent information as the Compensation Committee requests.

The chair shall ensure that the agenda for each upcoming meeting of the Compensation Committee is circulated to each member of the Compensation Committee as well as to each other director in advance of the meeting, and that the list of items to be addressed by the Compensation Committee during the coming year is circulated to each member of the Compensation Committee as well as to each other director not later than ten business days after the first meeting of the Compensation Committee each year. The chair, subject to the approval of a majority of the members of the Compensation Committee, shall have the authority to change the agenda to respond to any matters that warrant attention.

V. Evaluation of the Compensation Committee

The Compensation Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Compensation Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be

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within its scope and shall recommend any proposed changes to the Board. The Compensation Committee shall address all matters that the Compensation Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Compensation Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Compensation Committee were adequate for the Compensation Committee to complete its work in a thorough and thoughtful manner.

VI. Investigations and Studies; Outside Advisers

The Compensation Committee may conduct or authorize investigations into or studies of matters within the Compensation Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary. The Compensation Committee shall have the sole authority to retain and terminate a compensation consultant to assist the Compensation Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by the Company.