

113TH CONGRESS
2D SESSION

H. R. 4324

To require adequate information regarding the tax treatment of payments under settlement agreements entered into by Federal agencies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 2014

Mr. CARTWRIGHT (for himself, Mr. NUGENT, Ms. LOFGREN, Mr. COLE, Mrs. LUMMIS, and Mr. ENYART) introduced the following bill; which was referred to the Committee on Oversight and Government Reform, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To require adequate information regarding the tax treatment of payments under settlement agreements entered into by Federal agencies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Truth in Settlements
5 Act of 2014”.

1 **SEC. 2. INFORMATION REGARDING SETTLEMENT AGREE-**
2 **MENTS ENTERED INTO BY FEDERAL AGEN-**
3 **CIES.**

4 (a) REQUIREMENTS FOR SETTLEMENT AGREE-
5 MENTS.—

6 (1) IN GENERAL.—Chapter 3 of title 5, United
7 States Code, is amended by adding at the end the
8 following:

9 **“§ 307. Information regarding settlement agreements**

10 “(a) DEFINITIONS.—In this section—

11 “(1) the term ‘covered settlement agreement’
12 means a settlement agreement (including a consent
13 decree) that—

14 “(A) is entered into by an Executive agen-
15 cy;

16 “(B) relates to an alleged violation of Fed-
17 eral civil or criminal law; and

18 “(C) requires the payment of a total of not
19 less than \$1,000,000 by one or more non-Fed-
20 eral persons;

21 “(2) the term ‘entity within the Federal Gov-
22 ernment’ includes an officer or employee of the Fed-
23 eral Government acting in an official capacity; and

24 “(3) the term ‘non-Federal person’ means a
25 person that is not an entity within the Federal Gov-
26 ernment.

1 “(b) INFORMATION TO BE POSTED ONLINE.—

2 “(1) REQUIREMENT.—

3 “(A) IN GENERAL.—Subject to subpara-
4 graph (B), the head of each Executive agency
5 shall make publicly available in a searchable
6 format in a prominent location on the Web site
7 of the Executive agency—

8 “(i) a list of each covered settlement
9 agreement entered into by the Executive
10 agency, which shall include, for each cov-
11 ered settlement agreement—

12 “(I) the date on which the par-
13 ties entered into the covered settle-
14 ment agreement;

15 “(II) the names of the parties
16 that settled claims under the covered
17 settlement agreement;

18 “(III) a description of the claims
19 each party settled under the covered
20 settlement agreement;

21 “(IV) the amount each party set-
22 tling a claim under the covered settle-
23 ment agreement is obligated to pay
24 under the settlement agreement;

1 “(V) the total amount the set-
2 tling parties are obligated to pay
3 under the settlement agreement; and

4 “(VI) for each settling party, the
5 amount the settling party is obligated
6 to pay that has been designated as a
7 civil penalty or fine, or otherwise spec-
8 ified as not tax deductible under the
9 covered settlement agreement; and

10 “(ii) a copy of each covered settlement
11 agreement entered into by the Executive
12 agency.

13 “(B) CONFIDENTIALITY PROVISIONS.—The
14 requirement to disclose information or a copy of
15 a covered settlement agreement under subpara-
16 graph (A) shall apply to the extent that the in-
17 formation or copy (or portion thereof) is not
18 subject to a confidentiality provision that pro-
19 hibits disclosure of the information or copy (or
20 portion thereof).

21 “(2) PERIOD.—The head of each Executive
22 agency shall ensure that—

23 “(A) information regarding a covered set-
24 tlement agreement is publicly available on the
25 list described in paragraph (1)(A)(i) until at

1 least the date that is 5 years after the date of
2 the covered settlement agreement; and

3 “(B) a copy of a covered settlement agree-
4 ment made available under paragraph (1)(A)(ii)
5 is publicly available until—

6 “(i) at least the date that is 1 year
7 after the date of the covered settlement
8 agreement; or

9 “(ii) for a covered settlement agree-
10 ment under which a non-Federal person is
11 required to pay not less than \$50,000,000,
12 at least the date that is 5 years after the
13 date of the covered settlement agreement.

14 “(c) PUBLIC STATEMENT.—If the head of an Execu-
15 tive agency determines that a confidentiality provision in
16 a covered settlement agreement, or the sealing of a covered
17 settlement agreement, is required to protect the public in-
18 terest of the United States, the head of the Executive
19 agency shall issue a public statement stating why such ac-
20 tion is required to protect the public interest of the United
21 States, which shall explain—

22 “(1) what interests confidentiality protects; and

23 “(2) why the interests protected by confiden-
24 tiality outweigh the public’s interest in knowing

1 about the conduct of the Federal Government and
2 the expenditure of Federal resources.

3 “(d) REQUIREMENTS FOR WRITTEN PUBLIC STATE-
4 MENTS.—Any written public statement issued by an Exec-
5 utive agency that refers to an amount to be paid by a
6 non-Federal person under a covered settlement agreement
7 shall—

8 “(1) specify which portion, if any, of the
9 amount to be paid under the covered settlement
10 agreement by a non-Federal person—

11 “(A) is a civil or criminal penalty or fine
12 to be paid for a violation of Federal law; or

13 “(B) is expressly specified under the cov-
14 ered settlement agreement as not deductible for
15 purposes of the Internal Revenue Code of 1986;
16 and

17 “(2) describe in detail any actions the non-Fed-
18 eral person shall take under the covered settlement
19 agreement—

20 “(A) in lieu of payment to the Federal
21 Government or a State or local government; or

22 “(B) in addition to such a payment.

23 “(e) REPORTING.—

24 “(1) IN GENERAL.—Not later than January 15
25 of each year, the head of an Executive agency that

1 entered into a covered settlement agreement during
2 the previous fiscal year shall submit to each com-
3 mittee of Congress with jurisdiction over the activi-
4 ties of the Executive agency a report indicating—

5 “(A) how many covered settlement agree-
6 ments the Executive agency entered into during
7 that fiscal year;

8 “(B) how many covered settlement agree-
9 ments the Executive agency entered into during
10 that fiscal year had any terms or conditions
11 that are required to be kept confidential; and

12 “(C) how many covered settlement agree-
13 ments the Executive agency entered into during
14 that fiscal year for which all terms and condi-
15 tions are required to be kept confidential.

16 “(2) AVAILABILITY OF REPORTS.—The head of
17 an Executive agency that is required to submit a re-
18 port under paragraph (1) shall make the report pub-
19 lically available in a searchable format in a promi-
20 nent location on the Web site of the Executive agen-
21 cy.”.

22 (2) TECHNICAL AND CONFORMING AMEND-
23 MENT.—The table of sections for chapter 3 of title
24 5, United States Code, is amended by adding at the
25 end the following:

“307. Information regarding settlement agreements.”.

1 (b) SECURITIES REPORTING.—

2 (1) IN GENERAL.—Each issuer of securities
3 that is required to file annual or other periodic re-
4 ports with the Commission under section 13 or
5 15(d) of the Securities Exchange Act of 1934 (15
6 U.S.C. 78m, 78o(d)) shall describe in such a report
7 any claim filed for a deduction under the Internal
8 Revenue Code of 1986 during the reporting period
9 that relates to a payment required under a covered
10 settlement agreement.

11 (2) DEFINITIONS.—As used in this sub-
12 section—

13 (A) the term “Commission” means the Se-
14 curities and Exchange Commission;

15 (B) the term “covered settlement agree-
16 ment” has the meaning given that term in sec-
17 tion 307 of title 5, United States Code, as
18 added by subsection (a); and

19 (C) the term “issuer” has the same mean-
20 ing as in section 3 of the Securities Exchange
21 Act of 1934 (15 U.S.C. 78c).

22 (c) REVIEW OF CONFIDENTIALITY OF SETTLEMENT
23 AGREEMENTS.—Not later than 6 months after the date
24 of enactment of this Act, the Comptroller General of the
25 United States shall submit to Congress a report regarding

1 how Executive agencies (as defined under section 105 of
2 title 5, United States Code) determine whether the terms
3 of a settlement agreement or the existence of a settlement
4 agreement will be treated as confidential, which shall in-
5 clude recommendations, if any, for legislative or adminis-
6 trative action to increase the transparency of Government
7 settlements while continuing to protect the legitimate in-
8 terests that confidentiality provisions serve.

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