

what I think is a good bill even better. Again, introduction is the first step in this process. I am committed to working together to find consensus on this legislation and fix the serious, but solvable challenges facing the Postal Service.

By Ms. COLLINS (for herself and Mr. CARDIN):

S. 2059. A bill to amend the Internal Revenue Code of 1986 to exclude from gross income amounts received on account of claims based on certain unlawful discrimination and to allow income averaging for backpay and frontpay awards received on account of such claims, and for other purposes; to the Committee on Finance.

Ms. COLLINS. Mr. President, I rise to introduce the Civil Justice Tax Fairness Act of 2015. I am very pleased to be joined by my colleague from Maryland, Senator CARDIN, in introducing this bipartisan bill.

This bill would change the taxation of awards received by individuals that result from judgments in or settlements of employment discrimination and civil rights cases, and would apply to victims in cases including racial discrimination, sexual discrimination, and whistleblower discrimination. These changes would correct an inequity in current law and are designed to promote the fair and equitable settlement of such claims.

In 2003, I introduced the Civil Rights Tax Relief Act. In 2004, Congress adopted the most important part of that bill, allowing successful plaintiffs in civil rights actions to deduct the portion of their awards covering attorneys' fees from their annual incomes. This provision eliminated the double-taxation of such fees, which are still taxable income to the attorney. Two important provisions from my 2003 bill, which I will describe in a moment, have yet to be addressed, and the bill we introduce today would enact them.

The primary purpose of the bill we are introducing today is to remedy an unintended consequence of a 1996 law, which made damage awards that are not based on "physical injuries or physical sickness" part of a plaintiff's taxable income. Because most acts of employment discrimination and civil rights violations do not cause physical injuries, this provision has had a direct and negative impact on plaintiffs who successfully prove that they have been subjected to intentional employment discrimination or other intentional violations of their civil rights.

Our bill would remedy the unfair method of taxation of civil rights victims' settlements and court awards with respect to "frontpay" and "backpay," and with respect to the taxation of noneconomic damages. By way of background, I should explain that awards of compensation attributable to the difference between what the employee was paid and the amount he or she should have been paid are known as "backpay." "Frontpay" represents the

future wages and benefits that would have been paid had the former employee not been terminated or had the employee not been forced to resign.

Our bill contains two important reforms: First, award amounts for frontpay or backpay would continue to be included as taxable income, but would be eligible for income averaging according to the time period covered by the award. This correction would allow individuals to pay taxes at the same marginal rates that would have applied to them had they not suffered discrimination. Income averaging more fairly takes into account the person's financial standing apart from the lump sum of the award.

Second, the bill would also allow plaintiffs to exclude non-economic damages, amounts awarded for pain, suffering or other health effects, from their income, to treat employment and civil rights claims the same as claims that involve a physical injury.

The Civil Justice Tax Fairness Act would encourage the fair settlement of employment discrimination claims. Our legislation would allow both plaintiffs and defendants to settle claims based on the damages suffered, not on the excessive taxes that are now levied—taxation that adds insult to a civil rights victim's injury and serves as a barrier to the just settlement of civil rights claims.

I invite my colleagues to join Senator CARDIN and me in support of this bipartisan, common sense legislation.

Mr. President, I ask unanimous consent that a letter of support be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NATIONAL EMPLOYMENT LAWYERS  
ASSOCIATION,  
SEPTEMBER 16, 2015.

Re: Introduction of the Civil Justice Tax Fairness Act

Hon. SUSAN M. COLLINS,  
U.S. Senate,  
Washington, DC.

DEAR SENATOR COLLINS: On behalf of the National Employment Lawyers Association (NELA) we commend and thank you for your leadership in introducing the Civil Justice Tax Fairness Act of 2015 (CJTFA). Your interest in this bill demonstrates the kind of vision that is increasingly rare—the vision that it is possible to find solutions to pressing problems that are beneficial to both America's workers and employers.

Founded in 1985, NELA is the largest professional membership organization in the country comprised of lawyers who represent employees in labor, employment, and civil rights disputes. NELA advances employee rights and serves lawyers who advocate for equality and justice in the American workplace. With 69 circuit, state, and local affiliates, NELA has a membership of over 4,000 attorneys working on behalf of those who have faced illegal treatment in the workplace. There has been unanimity among our members for nearly 20 years that passage of the Civil Justice Tax Fairness Act is a top legislative priority.

The CJTFA has significant ramifications for people who have been harmed by illegal treatment in their workplace. No one starts a new job with any thought that they will

find themselves in a subsequent legal dispute with their employer, yet this is unfortunately a reality for America's workers. The CJTFA, which has been known as the Civil Rights Tax Fairness Act and the Civil Rights Tax Relief Act in prior Congresses, is a "win-win" for both employees and business. Previous versions of the CJTFA garnered widespread support by a broad-based coalition of business, civil rights, and legal organizations such as the U.S. Chamber of Commerce (USCC), the Society for Human Resource Management (SHRM), the Leadership Conference on Civil and Human Rights (LCCHR), and the American Bar Association (ABA). At present, we have the support of the ABA and we know that many other organizations will be joining us in the near future.

The CJTFA will correct current inequities in tax treatment of settlements and awards received by individuals in employment and civil rights cases. Under current law, those who suffer noneconomic damages as a result of unfair employment practices pay taxes; those who suffer noneconomic damages as a result of physical injuries (such as from car accidents) do not. The CJTFA will correct this unfairness by excluding from gross income non-economic damages received in civil rights and employment cases.

Similarly, employees who have not lost wages pay taxes at the rates applicable to the actual wages they earned in each year. But if they receive back or front pay in a settlement or award, they must pay taxes on lump sum recoveries that represent multiple years of such pay—a patently unfair practice. The CJTFA will correct this unfairness by taxing lump sum recoveries as if they were received in the year earned and by providing an exemption from the alternative minimum tax (AMT) for any resulting tax benefit.

By making settlements less expensive and easier to achieve, the CJTFA will reduce the number of employment and civil rights cases that go to trial, freeing up valuable court resources for other matters. The CJTFA not only benefits the parties to employment disputes, but also America's taxpayers who must bear the costs associated with a less efficient judicial system.

On behalf of our 69 affiliates, 4,000 members, and the hundreds of thousands of employees they represent, we are extremely pleased that you are championing this important bipartisan, bicameral legislation. We look forward to working closely with you and your staff to gain passage of the CJTFA in the 114th Congress.

Sincerely,

TERISA E. CHAW,  
Executive Director.

SUBMITTED RESOLUTIONS

SENATE RESOLUTION 257—CONGRATULATING CAPTAIN KRISTEN GRIEST AND FIRST LIEUTENANT SHAYE HAVER ON THEIR GRADUATION FROM RANGER SCHOOL

Ms. COLLINS (for herself, Ms. MIKULSKI, Ms. AYOTTE, Ms. BALDWIN, Mrs. BOXER, Mrs. CAPITO, Mrs. ERNST, Mrs. FEINSTEIN, Mrs. FISCHER, Mrs. GILLIBRAND, Ms. HEITKAMP, Ms. HIRONO, Mrs. MCCASKILL, Ms. MURKOWSKI, Mrs. MURRAY, Mrs. SHAHEN, Ms. STABENOW, Mr. WARREN, Mr. PERDUE, Mr. MURPHY, Mr. KIRK, Mr. TESTER, Mr. FLAKE, Mr. REED, Mr. DONNELLY, Mr. GRASSLEY, Mr. BLUMENTHAL, Mr. ISAKSON, Mr.