

109TH CONGRESS
1ST SESSION

H. R. 2755

To amend the Internal Revenue Code of 1986 to provide for the income tax treatment of legal fees awarded or received in connection with non-physical personal injury cases.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2005

Mr. ANDREWS introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for the income tax treatment of legal fees awarded or received in connection with nonphysical personal injury cases.

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 “Victims Tax Fairness
5 Act of 2005”.

1 **SEC. 2. LEGAL FEES AWARDED OR RECEIVED IN CONNEC-**
2 **TION WITH NONPHYSICAL PERSONAL INJURY**
3 **CASES.**

4 (a) INCLUSION IN GROSS INCOME.—Part II of sub-
5 chapter B of chapter 1 of the Internal Revenue Code of
6 1986 (relating to items specifically included in gross in-
7 come) is amended by adding at the end the following new
8 section:

9 **“SEC. 91. LEGAL FEES AWARDED OR RECEIVED IN CONNEC-**
10 **TION WITH NONPHYSICAL PERSONAL INJURY**
11 **CASES.**

12 “Gross income includes amounts awarded to or re-
13 ceived by the taxpayer, whether by suit or agreement, on
14 account of nonphysical personal injury which are des-
15 ignated for attorneys’ fees and costs.”.

16 (b) DEDUCTION FOR LEGAL FEES AWARDED OR RE-
17 CEIVED IN CONNECTION WITH NONPHYSICAL PERSONAL
18 INJURY CASES ALLOWED WHETHER OR NOT TAXPAYER
19 ELECTS TO ITEMIZE.—Subsection (a) of section 62 of
20 such Code (relating to general rule) is amended by redес-
21 ignating paragraph (19) (relating to costs involving dis-
22 crimination suits, etc.) as paragraph (20) and by insert-
23 ing after such paragraph (20) the following new para-
24 graph:

25 “(20) LEGAL FEES AWARDED OR RECEIVED IN
26 CONNECTION WITH NONPHYSICAL PERSONAL INJURY

1 CASES.—Attorneys’ fees and costs awarded to or
2 paid by the taxpayer, whether by suit or agreement,
3 on account of nonphysical personal injury.”.

4 (c) CLERICAL AMENDMENT.—The table of sections
5 for part II of subchapter B of chapter 1 of such Code
6 is amended by adding at the end the following new item:

 “Sec. 91. Legal fees awarded or received in connection with nonphysical personal injury cases.”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply with respect to judgments and set-
9 tlements entered after the date of the enactment of this
10 Act.

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