

110TH CONGRESS
1ST SESSION

S. 814

To amend the Internal Revenue Code of 1986 to allow the deduction of attorney-advanced expenses and court costs in contingency fee cases.

IN THE SENATE OF THE UNITED STATES

MARCH 8, 2007

Mr. SPECTER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow the deduction of attorney-advanced expenses and court costs in contingency fee 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. DEDUCTION OF ATTORNEY-ADVANCED EX-
4 PENSES AND COURT COSTS IN CONTINGENCY
5 FEE CASES.**

6 (a) IN GENERAL.—Section 162 of the Internal Rev-
7 enue Code of 1986 (relating to trade or business expenses)
8 is amended by redesignating subsection (q) as subsection
9 (r) and by inserting after subsection (p) the following new
10 subsection:

1 “(q) ATTORNEY-ADVANCED EXPENSES AND COURT
2 COSTS IN CONTINGENCY FEE CASES.—There shall be al-
3 lowed as a deduction under this section any expenses and
4 court costs paid or incurred by an attorney the repayment
5 of which is contingent on a recovery by judgment or settle-
6 ment in the action to which such expenses and costs relate.
7 Such deduction shall be allowed in the taxable year in
8 which such expenses and costs are paid or incurred by the
9 taxpayer.”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to expenses and costs paid or in-
12 curred after the date of the enactment of this Act, in tax-
13 able years beginning after such date.

