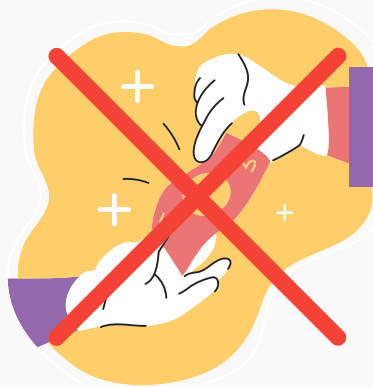


DOUBLE TAXATION SURPRISE HAS UNFAIR, UNINTENDED RESULTS



Pass the End Double Taxation of Successful Consumer Claims Act, S. 766, H.R. 4457

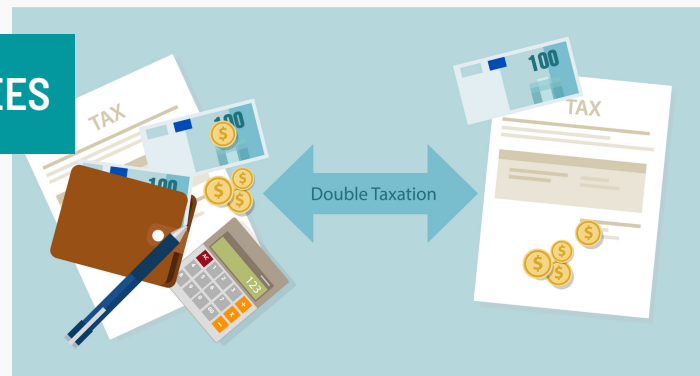


CONSUMERS ARE BEING TAXED ON MONEY THEY NEVER RECEIVE

The IRS wrongly considers recovered legal fees to be taxable income to individuals who win consumer cases. Legal fees are not paid to the individuals in these cases, but directly to their attorneys.

IRS IS DOUBLE TAXING LEGAL FEES

Recovered legal fees are also considered taxable income to the attorneys who actually receive them. As a result, the same set of funds are being taxed twice - once from the consumer and once from the consumer's attorney.



TAXES ON LEGAL FEES ARE AN UNJUSTIFIED TAX HIKE ON ORDINARY AMERICANS

Because they are taxed on money they never receive, consumers are paying more than their fair share in taxes. Some consumers may even pay more in taxes on recovered fees than the remedies they receive from their cases.

TAXES ON LEGAL FEES ARE AN UNWANTED SURPRISE

Consumers should be able to understand their own tax liability. The Tax Code and common sense do not make it clear to consumers that they may be required to pay taxes on income that was never theirs.



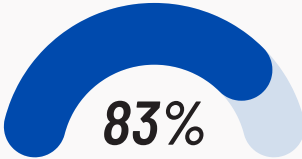
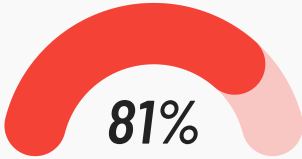


RECOVERED FEES CAN CUT OFF ACCESS TO CRUCIAL HELP FOR WORKING FAMILIES

When a consumer's attorney is awarded fees, those funds are included in the consumer's adjusted gross income, making it look like the consumer has earned much more than they actually have. As a result, some consumers can

lose access to income-dependent programs like the Earned Income Tax Credit and Child Tax Credit which have wide bipartisan support.

AMERICANS STRONGLY SUPPORT FAIR TAXES FOR CONSUMERS



Voters across party lines support changing the tax code to be fairer to American taxpayers. From a 2020 survey of 1,000 likely voters, 81% of Republicans and 83% of Democrats said they would support changing the tax code so individuals are not taxed on their recovered legal fees.

THE LAW TREATS SUBJECT MATTERS DIFFERENTLY

Congress acted in 2004 to clearly create an above-the-line deduction for legal fees awarded in civil rights and employment cases. It removed double taxation consequences, ensuring that only one party would be responsible for paying taxes on the same funds.



LEGISLATION WOULD LIFT THE ILLOGICAL DOUBLE TAX PENALTY

The End Double Taxation of Successful Consumer Claims Act, S. 766, H.R. 4457 would create a permanent above-the-line deduction for legal fees awarded in consumer cases so consumers can exclude them from their income.

Congress should pass *The End Double Taxation of Successful Consumer Claims Act* to ensure consumers are not unfairly double taxed on money they never receive