



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Wednesday, Oct. 6, 2004

Grassley Advances Civil Rights Tax Reform

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today won near-final passage of reforms to end unfair taxation in civil rights cases.

“Tax relief gets the headlines, but part of tax relief is tax fairness,” Grassley said. “It’s clearly a fairness issue to make sure people don’t have to pay income taxes on income that was never theirs in the first place. That’s common sense.”

Grassley was the lead Senate negotiator working on a House-Senate conference committee to reconcile differences between each chamber’s manufacturing tax and trade bill. Today, the conference committee is close to finishing its work. By 5 p.m., the conferees will finish voting on the final conference report. If they approve it, as expected, their action will clear the conference report for consideration in each chamber later this week. Grassley secured the inclusion of the civil rights provision in the conference report, which can’t be amended.

Grassley has long worked to end a tax law fluke that forces plaintiffs who win settlements in civil rights cases and other lawsuits to pay income taxes on parts of the settlements they never see – in some cases even owing thousands of dollars more than they win. Several Iowa lawyers have written to Grassley out of concern for their clients in these cases.

The Grassley provision will, in effect, exclude from a plaintiff’s taxable income legal fees in certain civil rights suits, including those alleging job-related discrimination, and other lawsuits.

“If we don’t fix this law, it could have a chilling effect on discrimination cases,” Grassley said. “Legitimately wronged people could have little recourse. An out-of-whack tax system is in danger of negating the value of discrimination lawsuits.”