

105TH CONGRESS
2D SESSION

H. R. 3907

To amend the Internal Revenue Code of 1986 to provide for a 95 percent income tax rate on attorneys' fees paid in connection with the settlement (as part of the tobacco settlement agreement dated June 20, 1997) of any action maintained by a State.

IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1998

Mr. BRYANT 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 a 95 percent income tax rate on attorneys' fees paid in connection with the settlement (as part of the tobacco settlement agreement dated June 20, 1997) of any action maintained by a State.

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 "Attorneys' Anti-enrich-
5 ment Act of 1998".

1 **SEC. 2. 95 PERCENT RATE OF TAX ON TOBACCO SETTLE-**
 2 **MENT ATTORNEYS' FEES.**

3 (a) IN GENERAL.—Subchapter A of chapter 1 of the
 4 Internal Revenue Code of 1986 (relating to determination
 5 of tax liability) is amended by adding at the end the fol-
 6 lowing new part:

7 **“PART VIII—CERTAIN ATTORNEYS' FEES**
 8 **RELATED TO TOBACCO SETTLEMENT**

“Sec. 59B. Certain attorneys' fees related to tobacco settlement.

9 **SEC. 59B. CERTAIN ATTORNEYS' FEES RELATED TO TO-**
 10 **BACCO SETTLEMENT.**

11 “(a) IMPOSITION OF TAX.—In addition to any other
 12 tax imposed by this subtitle, there is hereby imposed a
 13 tax equal to 95 percent of the excess of—

14 “(1) the amount of tobacco settlement-related
 15 attorneys' fees which would (but for subsection (e))
 16 be includible in the gross income of the taxpayer for
 17 the taxable year, over

18 “(2) the deductions properly apportioned or al-
 19 located to such fees.

20 “(b) TOBACCO SETTLEMENT-RELATED ATTORNEYS'
 21 FEES.—For purposes of this section, the term ‘tobacco
 22 settlement-related attorneys' fees’ means attorneys' fees
 23 paid in connection with the settlement of an action main-
 24 tained by a State against 1 or more tobacco companies
 25 to recover tobacco-related medicaid expenditures or for

1 other causes of action involved in the settlement agree-
2 ment dated June 20, 1997, whether such fees are paid
3 under any court order, settlement agreement, contingency
4 fee arrangement, arbitration procedure, alternative dis-
5 pute resolution procedure (including mediation), or other
6 arrangement.

7 “(c) NO ADDITIONAL INCOME TAX.—For purposes
8 of this chapter, gross income shall not include any tobacco
9 settlement-related attorneys’ fees, and no deduction shall
10 be allowed which is properly apportioned or allocated to
11 such fees.”

12 (b) CLERICAL AMENDMENT.—The table of parts of
13 subchapter A of chapter 1 of such Code is amended by
14 adding at the end the following new item:

“Part VIII. Certain attorneys’ fees related to tobacco settlement.”

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years ending after June
17 20, 1997.

18 **SEC. 3. REVENUES APPROPRIATED BACK TO STATES PAY-**
19 **ING ATTORNEYS’ FEES.**

20 There is hereby appropriated (from amounts in the
21 Treasury not otherwise appropriated) to each State which
22 paid any attorneys’ fees which are subject to tax under
23 section 59B of the Internal Revenue Code of 1986 an
24 amount equal to the revenues received in the Treasury

1 under such section 59B which are attributable to attor-
2 neys' fees paid by such State.

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