



Civil Rights Tax Relief Act

Senator Susan Collins (R-ME) and Representative Deborah Pryce (R-OH) have introduced the Civil Rights Tax Relief Act (S.557, HR 1155), a bill which would amend the Internal Revenue Code of 1986 by permitting individuals receiving back-wage awards to be taxed over the number of years for which the award was designed to compensate.

Important Features of the Civil Rights Tax Relief Act:

- The bill would restore real remedies for discrimination cases by eliminating taxes on emotional distress awards.
- The bill would average the income from discrimination settlements over the number of years covered by back-pay awards, rather than imposing taxes on the total award in the year it was received.
- The bill would end the double-taxation of attorneys' fee awards, meaning individuals bringing civil rights cases would not have to pay taxes on money they do not receive.

Why is the Civil Rights Tax Relief Act needed?

- Currently discrimination awards (back wages, non-physical injuries and emotional distress) are not exempt from federal taxation. This policy discriminates against civil rights plaintiffs because their awards are subject to taxation whereas awards for other plaintiffs (ie. personal injury) are tax free.
- Under current law, back pay awards are considered taxable income. Therefore, plaintiffs who win damage awards are often pushed into the highest income-tax bracket for the year they recover their damages. This bill would average the income out over the years that recipients are paid their rewards, thereby allowing those individuals recovering back pay awards to be paid over the number of years for which the award was designed to compensate.
- Many plaintiffs, including women who are discriminated against in the workplace depend on their settlement money for financial security and retirement and cannot afford to have their awards taxed heavily. Under current law, the government and attorneys often receive a higher percentage of discrimination awards than the person who was discriminated against.