

111TH CONGRESS
1ST SESSION

S. 437

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

FEBRUARY 13, 2009

Mr. SPECTER (for himself, Mr. GRAHAM, Mr. LEAHY, Mr. WYDEN, Mr. CRAPO, Mr. MARTINEZ, and Ms. LANDRIEU) 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

1 (r) and by inserting after subsection (p) the following new
2 subsection:

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

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

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