

115TH CONGRESS
1ST SESSION

S. 2115

To amend the Internal Revenue Code of 1986 to disallow any deduction for punitive damages, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 9, 2017

Mr. LEAHY (for himself, Mr. BLUMENTHAL, Mr. REED, Mrs. GILLIBRAND, and Ms. HASSAN) 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 disallow any deduction for punitive damages, and for other purposes.

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. DISALLOWANCE OF DEDUCTION FOR PUNITIVE**
4 **DAMAGES.**

5 (a) DISALLOWANCE OF DEDUCTION.—

6 (1) IN GENERAL.—Section 162(g) of the Inter-
7 nal Revenue Code of 1986 is amended—

8 (A) by redesignating paragraphs (1) and

9 (2) as subparagraphs (A) and (B), respectively;

10 (B) by striking “If” and inserting:

1 “(1) TREBLE DAMAGES.—If”; and

2 (C) by adding at the end the following new
3 paragraph:

4 “(2) PUNITIVE DAMAGES.—No deduction shall
5 be allowed under this chapter for any amount paid
6 or incurred for punitive damages in connection with
7 any judgment in, or settlement of, any action be-
8 tween private parties.”.

9 (2) CONFORMING AMENDMENT.—The heading
10 for section 162(g) of such Code is amended by in-
11 sserting “OR PUNITIVE DAMAGES” after “LAWS”.

12 (b) INCLUSION IN INCOME OF PUNITIVE DAMAGES
13 PAID BY INSURER OR OTHERWISE.—

14 (1) IN GENERAL.—Part II of subchapter B of
15 chapter 1 of the Internal Revenue Code of 1986 is
16 amended by adding at the end the following new sec-
17 tion:

18 **“SEC. 91. PUNITIVE DAMAGES COMPENSATED BY INSUR-**
19 **ANCE OR OTHERWISE.**

20 “Gross income shall include any amount paid to or
21 on behalf of a taxpayer as insurance or otherwise by rea-
22 son of the taxpayer’s liability (or agreement) to pay puni-
23 tive damages.”.

1 (2) REPORTING REQUIREMENTS.—Section 6041
2 of such Code is amended by adding at the end the
3 following new subsection:

4 “(h) SECTION TO APPLY TO PUNITIVE DAMAGES
5 COMPENSATION.—This section shall apply to payments by
6 a person to or on behalf of another person as insurance
7 or otherwise by reason of the other person’s liability (or
8 agreement) to pay punitive damages.”.

9 (3) CONFORMING AMENDMENT.—The table of
10 sections for part II of subchapter B of chapter 1 of
11 such Code is amended by adding at the end the fol-
12 lowing new item:

“Sec. 91. Punitive damages compensated by insurance or otherwise.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to damages paid or incurred on
15 or after the date of the enactment of this Act.

○