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Senate Passes Bill to Stop Double Taxation *SB 300 clarifies responsibility for court awarded fees*

(Juneau)—Alaskans would no longer be taxed twice by the federal government for court awarded attorney's fees under legislation that unanimously passed the Senate today.

"Alaska is not the only state affected by this issue. It would be better addressed by Congress, but until that happens, this bill protects the interest of Alaska tax payers," said Sitka Republican Bert Stedman, sponsor of [Senate Bill 300](#).

Because of a peculiarity in Alaskan law, Alaskans who win in civil court pay federal income tax on phantom income. Currently, Alaskans who win in civil court are taxed on the gross award, including the fees that pass through to their attorney. The federal government is taxing that money twice, once as income to the client and again as income to the client's attorney. Incredibly, there is no federal tax deduction to offset this inequity. It's even possible for someone to win in court but come out with a net loss after paying legal bills and taxes.

SB 300 amends State law to clarify that the federal tax on court awarded fees are the responsibility of the attorney, not the prevailing client. This change makes the attorney responsible for paying the federal tax and prevents the Internal Revenue Service from taxing two Alaskans on the same income. The bill addresses non-personal injury civil suits such as those involving racial, sexual, age or other discrimination; wrongful job termination; and employee-employer disagreements.

This conforms Alaska lien law to Oregon law, which the Ninth Circuit Court has determined is effective in eliminating double taxation of attorney's fees.

Sen. Stedman introduced SB 300 at the request of accounting professionals who recognized the injustice of the current law.

The bill does not change an attorney's tax status, and has been favorably received by a broad range of practicing Alaskan attorneys representing all sides of many types of disputes.

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