The Honorable Charles Schumer  
Democratic Leader  
United States Senate  
322 Hart Senate Office Building  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker of the House  
United States House of Representatives  
1236 Longworth House Office Building  
Washington, DC 20515

The Honorable Mitch McConnell  
Republican Leader  
United States Senate  
317 Russell Senate Office Building  
Washington, DC 20510

The Honorable Kevin McCarthy  
Republican Leader  
United States House of Representatives  
2468 Rayburn House Office Building  
Washington, DC 20515

Subject: H.R. 5376, Sec. 138518, Expenses in Contingency Fees Cases

Dear Leader Schumer, Speaker Pelosi, Leader McConnell and Leader McCarthy:

On behalf of the Health Coalition on Liability and Access (HCLA), a coalition of associations and businesses representing physicians and other health care providers, hospitals, medical liability insurers, employers, and health care consumers, we are writing to urge you to remove Sec. 138518, Expenses in Contingency Fees Cases, from the Build Back Better Act (H.R. 5376).

The Internal Revenue Service generally bars lawyers working on a contingency fee basis from deducting litigation-related expenses until a case resolves. In such arrangements, attorneys advance the costs of a lawsuit in return for a share — typically 30% to 40% — of the client’s eventual settlement or award. If there is no recovery, the attorneys can then deduct these expenses.

However, in a significant reversal from this policy, Sec. 138518 would amend 26 U.S. Code § 62 and allow attorneys working on a contingency fee basis to deduct any expenses paid or incurred in the course of pursuing and litigating a lawsuit — even though the expenses may ultimately be reimbursed. According to the Joint Committee on Taxation, the result would be a loss of $2.5 billion in federal revenue, with no discernable value to the taxpayers.

As members of HCLA have long stated, our legal system is in dire need of reforms to better ensure access to justice. We support initiatives to resolve liability claims without resorting to
litigation, to speed the resolution of claims, and to ensure victims are reasonably compensated. Unfortunately, Sec. 138518 would accomplish none of these worthwhile goals, and in fact, would provide no substantive benefit to either claimants or defendants in the litigation process.

We, therefore, urge you to remove Sec. 138518 from H.R. 5376.

Thank you for your consideration.

Sincerely,

Michael C. Stinson, Chair
Medical Professional Liability Association

Katie O. Orrico, Vice Chair
American Association of Neurological Surgeons
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