



Alaska State Legislature

Senate Majority Web: <http://www.akrepublicans.org>

Sponsor: Senator Bert Stedman
Current Version: HCS CSSB 300 (JUD)
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Fact Sheet for: Senate Bill 300

Short Title: Attorney's Liens

Summary:

- Amends State law to clarify that the federal tax on court awarded fees becomes the responsibility of the attorney – not the prevailing client.
- Brings Alaska lien law into line with the Oregon law, which the 9th Circuit has held is effective in eliminating double taxation of attorney's fees.

Benefits:

- Prevents the IRS from taxing two Alaskans on the same income.
- Ensures that Alaskan taxpayers receive favorable federal tax treatment with regard to court awarded attorney's fees until such time as the U.S. Congress addresses the issue.
- Solves the tax injustice that currently exists in Alaska that discourages victims of discrimination from taking regress through the courts.
- Recognizes that court awarded fees that pass through to one's attorney are income to the attorney. The attorney is therefore responsible for paying federal tax on that income.

Background:

SB 300 evolved not from the legal profession, but from the advocacy work of the accounting profession on behalf of Alaskan taxpayers. Certified Public Accountants recognized the injustice of the current law and sought a legislative solution. SB 300 in no way changes the tax status of attorneys, or gives them any new leverage over their clients. SB 300 has been favorably reviewed by a broad range of practicing Alaskan attorneys who represent all sides of many kinds of disputes.