

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: 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—114th Cong., 2d Sess.**

**S. 2012**

To provide for the modernization of the energy policy of the United States, and for other purposes.

Referred to the Committee on \_\_\_\_\_ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by \_\_\_\_\_ to the amendment (No. 2593) proposed by Ms. MURKOWSKI

Viz:

1 At the appropriate place, insert the following:

2 **SEC. \_\_\_\_\_. DISALLOWANCE OF DEDUCTION FOR PUNI-**  
3 **TIVE DAMAGES.**

4 (a) DISALLOWANCE OF DEDUCTION.—

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

7 (A) by redesignating paragraphs (1) and

8 (2) as subparagraphs (A) and (B), respectively,

9 (B) by striking “If” and inserting:

10 “(1) TREBLE DAMAGES.—If”, and

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

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

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

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

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

16 **“SEC. 91. PUNITIVE DAMAGES COMPENSATED BY INSUR-**  
17 **ANCE OR OTHERWISE.**

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

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

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

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

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

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