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Taxation via Litigation Bill is Bad for Business



Stop the Taxation via Litigation Bill
S3034

This morning Senate Budget and Appropriations Committee is holding a hearing on a [bill that would raise taxes on companies and individuals that have been ordered to pay punitive damages.](#)

“There’s a reason no other states have a tax like this - it’s a terrible idea,” said Marcus Rayner, President of the New Jersey Civil Justice Institute. “It is bad for business from the get-go because it is a tax increase. But it is also bad for our state’s business climate in the long-term since it puts the state in the position of benefiting financially from excessive litigation. It is hard to imagine the state working to curb lawsuit abuse when the taxes on litigation are being used to fill budget gaps.”

This legislation would significantly increase the cost of doing business in New Jersey compared to other states at a time when we should be looking for ways to increase our economic competitiveness. In addition, taxation via litigation discourages the state from seeking to improve New Jersey’s horrific legal climate since doing so would decrease tax revenue.

Under current law, businesses are able to deduct punitive damages they have paid out. [S3034](#), which is being sponsored by [Sen. Sweeney \(D-3\)](#), would make punitive damages taxable. Businesses would be hit by a double whammy - forced to pay tax on money that has already been redistributed by the judicial system.

The bill would also tax defendants, both companies and individuals, on money paid to plaintiffs on the defendant's behalf. As it is currently drafted, the bill would tax insurance policy holders on the punitive damages paid out by the insurance company to plaintiffs on the policy holder's behalf.

The New Jersey Civil Justice Institute opposes this bill because taxing damages will drive up the cost of doing business in New Jersey and disincentivize legal reform.

[Click here to read NJCJI’s written testimony on this legislation.](#)

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