

## **FAIRBANKS DAILY NEWS MINER:**

### **Small victory for spill victims**

#### **Legislation will lower taxes on damage awards in Exxon case**

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Some might deride it as a “rider” or even an “earmark,” but the financial bailout act signed by the president last week carries a welcome piece of legislation for Alaskans.

The addition will allow recipients of the Exxon Valdez oil spill punitive damages to average that income over three years when paying federal taxes. This ensures their tax rates won't jump up and they can keep more of the money. Unfortunately, this legislation is not as critical as it once was, because the U.S. Supreme Court in June awarded only one-tenth the damages initially approved by lower courts, and the resulting smaller awards will put few people in top tax brackets.

The first checks, which average about \$15,000, were expected to go out early this month to approximately 33,000 litigants. The checks could almost double in size if Exxon is required to pay interest, an issue that is still in court.

In addition to permitting income-averaging, the legislation approved last week allows award recipients to put the money in retirement accounts or plans and exempts them from other taxes.

Sen. Lisa Murkowski and Rep. Don Young introduced this legislation in early 2007 after it became apparent that the Supreme Court would issue a final decision in the case. Murkowski had some success moving the legislation forward in the Senate, but the House leadership wasn't sympathetic. They couldn't be persuaded to accept the loss in federal tax revenue that the legislation might cause. Placing the legislation on the bailout bill was a clear success for the Alaska delegation.

Most of the people who will receive a settlement payment from Exxon are not wealthy and send a low to moderate percentage of their income to the federal government. The awards could boost their tax rates in the year they receive the money.

Allowing such a result would add insult to injury. These folks have waited almost two decades for this case to end. Many of the original litigants have died. At times across the years, many had been hoping for awards 10 times higher, based on earlier court decisions. These folks shouldn't be hit with a one-time tax rate that doesn't reflect their real living conditions.