

State Sen. Baldwin: Pushes IRS to challenge abusive tax deductions by opioid companies

Posted on Friday, Apr 16, 2021

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WASHINGTON, D.C. – U.S. Senator Tammy Baldwin joined a group of colleagues, led by Maggie Hassan (D-NH), a member of the Senate Finance Committee, and Ron Wyden (D-OR), Chairman of the Committee, in urging the Internal Revenue Service (IRS) to challenge any abusive tax deductions that opioid companies may take for settlements that they are paying out related to their role in fueling the opioid epidemic.

The Senators' letter follows recent reporting indicating that, after being sued by state or local governments for harmful practices, opioid companies are planning to manipulate the tax code in order to claim billions of dollars in tax benefits. The Senators are calling on the IRS to use the full extent of its authority under recent regulations to challenge these tax schemes. *"We strongly encourage the IRS to fully enforce the tax code by challenging any erroneous interpretations of these recent regulations that opioid companies may use in an attempt to claim tax deductions for legal settlement expenses,"* **wrote the Senators.**

In addition to Senators Baldwin, Hassan and Wyden, the letter was signed by Senators Brian Schatz (D-HI), Chris Van Hollen (D-MD), Sheldon Whitehouse (D-RI), Angus King (I-ME), Debbie Stabenow (D-MI), Mark Warner (D-VA), Catherine Cortez Masto (D-NV), Jack Reed (D-RI), and Bob Menendez (D-NJ).

The letter is part of Senator Baldwin's ongoing efforts to hold opioid companies accountable for their role in fueling the opioid epidemic. [In November 2020, Senator](#)

[Baldwin pushed the Department of Justice](#) to hold opioid maker Purdue Pharma and its owners, the Sackler family, accountable in settlement negotiations as the company goes through federal bankruptcy. [In September 2020](#), Baldwin led her colleagues in sending a letter to Judge Robert D. Drain, urging him to reject Purdue Pharma's proposal to pay President and CEO Craig Landau a bonus of up to \$3.5 million.

Read the Senators' full letter to the IRS [here](#) or below. An online version of this release is available [here](#).

Dear Commissioner Rettig:

We write to urge the Internal Revenue Service to use the full extent of its authority to challenge any abusive tax deductions claimed by opioid companies for expenses related to legal settlements regarding these companies' role in fueling the opioid crisis.

Recent reporting indicates that four companies involved in the multi-district opioid litigation collectively plan to claim billions of dollars in tax deductions for expenses related to a pending \$26 billion settlement with state and local governments,^[1] which sued these companies for their role in fueling the opioid epidemic. Similarly, in 2019, a judge ordered one of these companies to pay \$572 million to the State of Oklahoma for misleading marketing of its opioid products.^[2] Based on this reporting, we are concerned that opioid wholesalers and drug companies may mischaracterize legal settlement expenses in order to claim tax deductions under tax code section 162(f), which allows the deduction of restitution payments.

In January 2021, the IRS published TD 9946, final regulations regarding the deductibility of legal settlement expenses under section 162(f). We strongly

encourage the IRS to fully enforce the tax code by challenging any erroneous interpretations of these recent regulations that opioid companies may use in an attempt to claim tax deductions for legal settlement expenses.

We thank you for your attention to this important issue.