

June 11, 2025

The Honorable Thom Tillis
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Kevin Hern
U.S. House of Representatives
171 Cannon House Office Building
Washington, DC 20515

Dear Senator Tillis and Representative Hern:

We, the undersigned businesses and trade associations, write to express our strong support for the *Tackling Predatory Litigation Funding Act* (S. 1821/H.R. 3512), your legislation to correct the tax treatment of third-party litigation funding (TPLF). We encourage you to include this important legislation in the pending reconciliation package. By closing the current loophole that allows U.S. both domestic and foreign litigation funders to pay the capital-gains or other tax-advantaged rate—or no U.S. tax at all—on litigation payouts, your legislation will help curb abusive lawsuits and level the playing field for American companies.

TPLF has exploded in recent years as private investment funds chase outsized returns—often averaging 25 percent—by financing meritless or purely speculative claims. By the end of 2024, investors had committed some \$16.1 billion to U.S. commercial litigation. These arrangements not only drive-up legal costs for businesses (costs ultimately borne by workers, consumers, and shareholders) but also invite foreign capital—sometimes from sovereign wealth funds—to treat our courts as a low-risk casino, profiting at the expense of American enterprise.

Today, the tax code's silence on the treatment of investment returns from litigation funding encourages investors in litigation to claim their returns qualify as capital gains and enables foreign investors to avoid U.S. tax obligations. Meanwhile, plaintiffs and their attorneys pay at the ordinary income rate for any litigation awards – up to 37 percent. Your legislation would eliminate this inequity by requiring all litigation funders to pay an appropriate tax on their earnings. The Joint Committee on Taxation estimates this change would raise roughly \$3.5 billion over ten years that could be used to fund other priorities in the pending reconciliation package that would increase domestic economic growth and job creation.

By aligning the tax treatment of litigation funders with that of plaintiffs, your legislation would remove the current incentive that encourages excessive litigation rather than productive investment in job-creating enterprises. It would also help ensure that foreign adversaries cannot bankroll lawsuits against U.S. companies without contributing their fair share to the U.S. Treasury.

We urge you to include this important legislation in the pending reconciliation package. Thank you for your leadership on this important issue. We stand ready to assist you in advancing this measure and broader tort-reform efforts.

Sincerely,

AdvaMed
Allstate
Allied World Insurance Company
American Coatings Association
American Family Insurance
American Hotel & Lodging Association
American Property Casualty Insurance Association
American Tort Reform Association
American Trucking Association
Americans for Litigation Tax Fairness
Bayer
Chubb
CNA
Comcast
Corteva Agriscience, LLC
Crum & Forster
Exxon Mobile Corporation
Florida Justice Reform Institute
Hudson Insurance Company
Hudson Excess Insurance Company
Independent Insurance Agents & Brokers of America
Intel Corporation
Johnson & Johnson
Liberty Mutual
Meat Institute
National Association of Manufacturers
National Association of Mutual Insurance Companies
National Cattlemen's Beef Association
Odyssey Reinsurance Company
Reinsurance Association of America
RiverStone Claims Management, LLC
Sentry Insurance Company
Shelter Insurance
State Farm Mutual Automobile Insurance Company
The Hartford
Travelers
Tyson Foods
Uber Technologies, Inc.
U.S. Chamber of Commerce
Westfield Insurance