

IRS News Release

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IRS: PCB Settlement Proceeds May Be Taxable

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BIRMINGHAM – A class action lawsuit filed by thousands of people in the Anniston area was recently settled with the company agreeing to pay in excess of \$600 million, plus legal fees. Settlement proceeds received by plaintiffs may be taxable, depending on several factors.

Taxpayers will need to know the basis of any property involved to know whether settlement damages received for loss of use or loss in value are taxable.

Generally, basis is the amount of your investment in a property. The basis of property you buy is usually its cost, however, your basis in some assets cannot be determined by cost. Also, certain events that occur during your period of ownership may increase or decrease your basis, resulting in an "adjusted basis". Taxpayers can refer to IRS Publication 551, *Basis of Assets*, for more information.

Settlement damages received for the loss of use or loss in value of property that do not exceed the recipient's basis in that property generally will be not taxable. Such damages received that exceed the recipient's basis normally will be taxable.

Damages received for physical injury are generally excluded from income and are not taxable. However, all damages received for emotional stress or mental anguish on or after August 21, 1996, in excess of the out of pocket costs for the treatment of emotional stress or mental anguish are taxable.

All amounts received for punitive damages are taxable.

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Taxpayers who have questions about this issue may contact the IRS toll-free at 1-800-829-1040.