May 19, 2025

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, D.C. 20510

Dear Speaker Johnson and Leader Thune,

We, the undersigned consumer, free-market, and taxpayer organizations, write to urge the U.S. Congress to consider measures that would correct the tax treatment of third-party litigation funding (TPLF), which currently allows unscrupulous foreign investors to reap massive tax-free profits at the expense of U.S. businesses and working families. Congress should not pass up the opportunity to use the current reconciliation bill to address this problem and achieve the first federal tort reform win in decades.

As you may know, TPLF is when an entity not involved in a lawsuit provides funding for plaintiffs in exchange for a significant share of the proceeds from any settlement or judgment. TPLF essentially invites sophisticated investors – mostly foreign – to use the U.S. court system like a casino to enrich themselves out of view of the American public.

The problem is only getting worse. According to a Westfleet Advisors 2024 Litigation Finance Market Report, TPLF has exploded to a $16.1 billion market annually, which doesn't even include mass tort law firm financing. Unfortunately, it's American consumers and taxpayers who get stuck with the bill in the form of a hidden "tort tax." A 2024 study by the U.S. Chamber of Commerce's Institute for Legal Reform found that costs and compensation from the U.S. tort system amounted to $4,207 per American household each year.

While disclosure is one potential remedy to the TPLF challenge, Congress should close the loophole in the U.S. tax code that invites sophisticated foreign funders from countries like China and Russia to profit from frivolous lawsuits in the U.S. court system. The Americans for Tax Reform (ATR) has identified this tax fix on a list of "Good Reforms that Raise Revenue for Trump's Tax Cuts." ATR has noted, "TPLF funders pay a lower tax rate on their portion of a court award than actual plaintiffs while foreign TPLF 'investors' can leverage this tax treatment to avoid any U.S. tax obligation from using the U.S. court system to target U.S. companies with lawsuits."

We urge Congress to reform the tax code in the reconciliation bill to remove the favorable tax treatment afforded to TPLF funders and make them pay the same U.S. tax rate as the actual plaintiffs who are awarded money from any damages. The Joint Committee on Taxation estimates that if enacted, the provision would raise $3.5 billion over 10 years. This measure would also cut the tort tax paid by working families and serve as a deterrent to foreigners funding frivolous lawsuits against U.S. companies to tie them up in court and use proprietary information obtained from discovery to gain a competitive advantage. It's a win-win-win for the American People, businesses, and economy.

Thank you for your prompt attention to this urgent matter. We stand ready to assist you in advancing this and other policies that put money back into the pockets of U.S. taxpayers and working families.

Sincerely,

Steve Pociask
Chief Executive Officer
American Consumer Institute

James L. Martin
Founder/Chairman
60 Plus Association

Tim Chapman
President
Advancing American Freedom

Saulius "Saul" Anuzis
President
American Association of Senior Citizens

Grover Norquist
President
Americans for Tax Reform

Jeffrey Mazzella
President
Center for Individual Freedom

Phil Melin
Executive Director
Citizens Against Lawsuit Abuse

Gerard Scimeca
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Consumer Action for a Strong Economy

Yaël Ossowski
Deputy Director
Consumer Choice Center

Hon. J. Kenneth Blackwell
Chairman
Council for National Policy Action

George Landrith
President
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Cameron Sholty
Executive Director
Heartland Impact

Andrew Langer
President
Institute for Liberty

Seton Motley
President
Less Government

Pete Sepp
President
National Taxpayers Union

David Williams
President
Taxpayers Protection Alliance

James Taylor
President
The Heartland Institute

Dr. Robert McClure
President and CEO
The James Madison Institute

cc: House Ways and Means Committee
Senate Finance Committee