



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

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Help Erase State Budget Deficits

On April 10, 2003 Senator Jon Kyl and John Cornyn introduced S. 887, the Intermediate Sanctions Compensatory Revenue Adjustment Act of 2003 (ISCRAA). The legislation enacts sorely needed reform to the gross abuse of attorney contingent fee agreements. In addition, once enacted the legislation will restore approximately \$9 billion to the states from the state tobacco settlement. Americans for Tax Reform (ATR) strongly supports passage of S. 887

The enormous fees commanded by plaintiff's attorneys are driving the current mass-tort litigation crisis. Because these fees are so hideously disproportionate to the actual work and effort done by plaintiff's attorneys, these lawyers continue to pursue speculative lawsuits that often do not have a legitimate foundation. Thus, one favorable decision can produce substantial profits.

Contingent fee agreements can play a responsible role in the civil justice system. These fees can ensure that plaintiffs with **legitimate** claims have the opportunity to retain legal representation when they are harmed. However, many plaintiffs' lawyers have taken advantage of the system to evade their obligation to charge a reasonable fee thus hurting their clients – who are the real victims in this process.

The ISCRAA enforces the attorney client ethics rules of all 50 states that no lawyer may charge an excessive or unreasonable fee. The legislation allows attorneys fees of no more than 500% of reasonable hourly rates in lawsuits resulting in judgments greater than \$100 million.

One of the greatest benefits of the ISCRAA is the immediate financial assistance it will provide to individual states. Because the bill applies to the fees still being paid in the state tobacco settlement, S. 887 returns \$9 billion to the states. In fact, even the smallest state Wyoming recoups \$15 million.

The Intermediate Sanctions Compensatory Revenue Adjustment Act cleans up the civil justice system and curbs the temptation of trial lawyers to abuse contingency fee agreements by charging their clients exorbitant fees for very little effort. The reform is necessary and long past due, and as a bonus, ISCRAA helps provide financial relief to the many states in need.