

Legal Funding Impacts Taxes, On Funding & Later Settlement

“Lawyers and clients often need cash. There is also the element of risk. Lawyers and clients may want to lay off some of the risk of a case on someone else, and the litigation finance industry generally offers non-recourse money.” advises Robert W. Wood in the *Taxes section of Forbes*.

He explains that “Lawyers may seek funding, the clients alone may seek it, or each may get some, depending on how the deal is structured. But one of the most consistent questions is how taxes will be handled, and that depends on the documents. Financing documents vary materially, so one can’t answer the tax questions without reviewing them. Fundamentally, is this a loan? Is it a sale of a portion of the claim, or of a portion of the fees?”

“These may sound like simple questions, but they can be difficult to answer.”

Read the Forbes article.