



To the Members of the Connecticut Joint Banking Committee,

I write to you in regards to Raised Bill No. 5572—a bill on small loan licenses currently under your consideration—which would, in Section 1, improperly deem proceeds of a personal injury lawsuit or workers’ compensation case as income. This classification would go against standing determinations on the federal level and current law in Connecticut.

At the federal level, the proceeds of a personal injury or workers’ compensation claim are not to be claimed as income according to the Internal Revenue Service (IRS). IRS Publication 525 (2015) (published January 16, 2016) expressly instructs those who receive such compensation to not report such it as “income”. It includes the following explicit direction to recipients of such compensation: “Do not include in your income compensatory damages for personal physical injury or physical sickness....”

Further, Connecticut’s bankruptcy laws provide a \$22,975 exemption for personal injury award settlements, even when assets are being liquidated. The Connecticut law does not see this asset as income.

Therefore, we respectfully request that the terms defining lawsuit proceeds as “future income,” as set forth in Section 1 (11) of the bill, be stricken before any further action is taken.

Thank you for your consideration.

Regards,

Eric Schuller, President
Alliance for Responsible Consumer Legal Funding (ARC)