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FOR IMMEDIATE RELEASE

Major Civil Rights Tax Case Filed With Supreme Court

December 13, 2007, WASHINGTON, D.C. – Today, The U.S. Supreme Court was asked to hear a key civil rights tax appeal which could affect thousands of past and future victims of civil rights offenses and whistleblower retaliation. In *Murphy v. IRS*, the U.S. Court of Appeals for the District of Columbia Circuit reversed its own original ruling in deciding that court awards for damages such as emotional distress and loss of reputation are taxable as income.

The case was brought by Marrita Murphy, an environmental whistleblower who won her case before Department of Labor, and was awarded compensatory damages to vindicate her rights under six federal environmental whistleblower statutes. Murphy filed suit when the IRS demanded that she pay taxes on the "make-whole" award as if it were income. After having her case dismissed, Murphy filed an appeal.

After full briefing and oral argument, the Appeals court initially held that Murphy's award was not income and the tax on her damages violated the U.S. Constitution. Then, under pressure from the Bush Administration, the judges decided to rehear the case. In this ruling, *Murphy II*, the D.C. Circuit reversed its own previous decision, declaring that non-physical compensatory damages **are** taxable as gross income.

For the first time the issue of whether compensatory damages for non-physical injuries are taxable income is squarely before the Supreme Court. This is a major issue impacting all cases in which any person obtains compensatory damages for a mental distress or illness, or for physical problems resulting from or associated with emotional distress.

David K. Colapinto, General Counsel for the National Whistleblower Center and attorney for Marrita Murphy said he is requesting that the Supreme Court review the issue because "The D.C. Circuit's reversal stands reality on its head."

Colapinto went on to say that, "The D.C. Circuit's decision in the Murphy case is the first time that any court has construed the tax code to imply an 'excise' tax on the 'privilege' of utilizing the 'legal system' to vindicate a federal statutory right."

"However, Congress did not pass a special tax demanding payment from people who use the legal system to prevent retaliation against whistleblowers or to vindicate civil rights. It was error for the D.C. Circuit to imply such a tax," he added.

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