# Taxes and Settlement Funds

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A personal injury accident takes a physical, financial, and emotional toll, so you're likely feeling some relief as you're reaching a settlement on your claim. Your Orlando personal injury attorney has been a skilled advocate in protecting your interests, whether you were the victim of a motor vehicle accident, slip and fall incident, medical malpractice, or related incident. However, there are many factors to consider when you'll be receiving a large sum of money. The settlement phase is the ideal time to bring in a Certified Public Accountant (CPA) to assist with tax matters and other issues that will impact your future.

Understand Tax Implications of Settlement Funds

The default rule in the Internal Revenue Code is that any money that you receive is taxable, subject to specific exemptions or deductions. One exception to this rule applies when you recover compensation as settlement of a personal injury claim. Some of the amounts are not taxable because you wouldn't be receiving them if the accident had never happened. Damages to compensate you for medical expenses are included in this category, because – if not for someone else's negligence – you would never have incurred bills for treatment of injuries and other medical conditions.

You should note that, with passage of the Tax Cuts and Jobs Act, there are strict rules on types of compensation aren't taxable after a personal injury settlement. Only monetary damages for physical injuries are non-taxable, so amounts for emotional distress would trigger tax liability. A CPA can help you understand how different types of compensation are classified.

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Help with Tax Allocation in Settlement Documents

A CPA can provide valuable assistance during settlement negotiations as you're discussing how different amounts are allocated to various aspects of your claim. There are several factors that will determine whether or not your funds will be taxable, and a financial professional can describe:

- How the type of personal injury claim affects tax treatment;
- Which amounts are not subject to taxes because they are compensation for physical or visible injuries;
- When amounts should be reported as taxable because they are punitive or related to emotional distress;
- How your lost wages are affected by tax laws; and,
- Other considerations.

In addition, a CPA can help during negotiations if you'll be receiving a structured settlement. These arrangements offer advantages over a lump sum payment because you can spread your tax liability out over several years. When you receive a single payment, the amount could lead to a huge tax bill and put you in a higher tax bracket. Plus, a structured settlement gives you steady, reliable cash flow – which is a great benefit for victims who continue to suffer long-term effects from a personal injury accident.

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A Professional CPA Can Guide You in Handling Taxes and Settlement Funds

You can rely on a personal injury attorney to represent your interests with the legal side of your claim, but you'll need advice from an experienced CPA and financial planner regarding your settlement. Though you may have felt helpless as the victim of someone else's negligence, you do have control over how you move forward.

Guest Article written by Benenati Law Firm, your personal injury law office.
For more information, or if you need to contact a personal injury attorney you can contact Benenati Law Firm by clicking on the following link: https://www.777injury.com/