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Lance Armstrong Payback For Sunday Times 'Libel' That Wasn't

The news that disgraced cyclist Lance Armstrong settled with the [Sunday Times](#) may make you do a double take. It was nine years ago that Armstrong sued the paper after it dared to run an article suggesting he was using performance-enhancing drugs. That was long before he [admitted last year to doping during his career](#), so the paper paid to settle with Armstrong in 2006, forking over £300,000.

Now the bike shoe is on the other foot. This time [Armstrong settles with Sunday Times](#) means it is Armstrong returning money, perhaps much more since the paper had also demanded £720,000 in costs. Terms of the confidential settlement weren't disclosed, but the payback likely means Armstrong has to give back what he got and then some.

For Armstrong, it's surely only one piece of a complex web of money in and money out that's mostly going out these days. And much of it—like the Sunday Times settlement—is money he was once paid for endorsement or other deals that he's being compelled to resolve. Financial and tax-wise, it can't be pretty as he faces a series of payments that many regard as just deserts.



(Photo credit: Todd S Benson)

Whether lawsuit givebacks or returning sponsorship money, giving back could make Armstrong feel empathy for Wall Street where clawbacks were born. The Dodd-Frank Wall Street Reform and Consumer Protection Act ([PL 111-203](#)) and the [Sarbanes-Oxley Act](#) both allow clawbacks. Armstrong can expect a long line of people with their hands out.

Take Tailwind Sports, [SCA Promotions](#), the U.S. Postal Service and even foreign governments, though some think [there's no hope of getting money back from Armstrong](#). Even under the best of circumstances, repayments aren't easy on cash flow. They create big tax problems too, something that often seems to surprise people. But taxes are annual—you file a tax return and each year stands on its own.

If you received income in past years, not everything can simply be undone. See [Sell Then Rescind? IRS Respects Some Do-Overs](#). Sure, but can't Armstrong just claim tax deductions for giving money back when he has to? It isn't that simple.

Deductions only work if you have a high enough income. They don't help if everything is negative as it surely must be for Armstrong. And even if you have enough income, many can only claim a miscellaneous itemized deduction. That means it's subject to a 2% threshold and to the dreaded alternative minimum tax (AMT).

Amending prior tax returns is often no solution either. For one, time is unforgiving, and the Sunday Times suit was settled in 2006, seven years ago. Usually you can amend only within three years of the original filing or within two years after the tax was paid, whichever is later. See [Even The IRS Has Time Limits](#).

Besides, amending prior returns is to address mistakes, not events occurring later. See [5 Simple Rules to Follow When Amending Your Tax Return](#). Armstrong reported income when he had a right to it. Later, it turns out he didn't have that right after all. That means he may be able to rely on [Section 1341](#).

It is a quirky and complex provision in the tax code. It is meant to ameliorate the tax result when you reported income in the past that it turned out really wasn't yours after all. Often, though, even this provision doesn't let you entirely go back.

Armstrong may not even remember all the people he's sued, many of whom were telling the truth. If Armstrong doesn't already know, he's likely to learn that in taxes as in life, you can never entirely go back.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.