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THE TAX LAWYER

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### Man Gets \$58,000 Speeding Ticket For Going 14 mph Above Limit

In most countries, taxes are progressive, so the more you make, the higher your taxes. In contrast, most parking and speeding tickets are about what you did, not about how much you earn. But in [Finland, you might pay for speeding based on the size of your fortune](#). That is what happened to Mr. Reima Kuisla, a Finnish businessman who was fined 54,024 euros (about \$58,000) for speeding. He wasn't even going terribly fast, although his clocked 64 miles per hour did exceed the posted 50 mph limit.

The whole idea of a [progressive fine based on one's income](#) may seem odd. The \$58,000 speeding ticket is reminiscent of a Chicago car parked at O'Hare airport that ran up a whopping \$105,000 in tickets. It wasn't *one* ticket, but an accumulated 678 tickets before the car was finally towed. Still, one [good thing about a \\$105,000 parking ticket was fixing it for \\$4500](#). A lawsuit ended up whittling down the \$105,000 to a much more modest \$4,500. Depending on how you look at it, at the price of airport parking, that was actually a small [bill for three years of airport parking](#).



And in that way, it *might* make sense to have speeding infractions calculated according to income. After all, that is one theory on which punitive damages in civil cases are calculated. Otherwise, how can you know the right punishment that will sting? It at least would help to level the playing field. That might be especially so if you consider that many high income persons think about tax write-offs. It seems likely that some high rollers would try to deduct the fines on their taxes.

Whether you can deduct a fine on your taxes depends. Most payments in business are deductible, and that even includes punitive damages. However, the tax code says you can't deduct "any fine or similar penalty paid to a government for the violation of any law." The tax code so states in [section 162\(f\)](#). The prohibition on a deduction includes both criminal and civil penalties, and it sounds pretty absolute. Nevertheless, many taxpayers are able to deduct fine-like settlements by some clever line-drawing. It works like this.

If a fine or penalty is intended to be *punitive*, it is probably nondeductible. But if the fine is *remedial* in nature, it may be deductible despite a "fine or penalty" name. Environmental payments and other payments to governmental entities are often deducted this way. If a parking fine is the estimated cost of storage, for example, it may be deductible. If a speeding ticket is meant to approximate the cost of likely damage to the road, perhaps ditto for the speeding ticket.

These rules are often criticized. Some catastrophic liabilities have resulted in big tax deductions, and it rubs many people the wrong way. Take Exxon's \$1.1 billion Alaska oil spill settlement. It ended up actually costing Exxon only \$524 million after taxes. More recently, BP has drawn criticism over its tax deductions for its Gulf oil spill settlements with private parties and the government. After [BP's environmental disaster, the idea that it was deducting](#) it seemed to add insult to injury.

The reality is that the tax law is sufficiently ambiguous that it is sometimes possible to settle with a government agency and to deduct it, at least in part. The chances are even better if the settlement agreement addresses this point. A settlement agreement might even specify that a fine is meant to be remedial rather than punitive in character.

Of course, whether you end up with a very expensive speeding ticket or a high priced parking ticket, you had better have a business connection in order to have a prayer that paying the ticket might give rise to a tax deduction. But next time you have to pay a \$58,000 ticket, it might be worth considering.

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