



June 22, 2026

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, D.C. 20510

CC:

The Honorable Jason Smith
Chairman
House Ways and Means Committee
1139 Longworth HOB
Washington D.C. 20515

The Honorable Mike Crapo
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-62

Dear Speaker Johnson and Leader Thune:

Congress has an opportunity to close a tax loophole that benefits third-party litigation financiers at the expense of American prosperity. As organizations committed to protecting taxpayers, consumers, and free-market principles, we urge you to address this issue in any potential reconciliation bill or year-end legislative vehicle to ensure that litigation financiers cannot illegitimately claim special treatment under the current tax code.

Third-party litigation financing (TPLF) has grown into a multi-billion-dollar industry in which outside investors provide capital in exchange for a share of future settlements or judgments. These financiers – many of whom are foreign – take the position that their profits qualify for capital gains treatment, even though they are not investing in productive assets, building businesses, or creating jobs. The practice is wholly extractive to the U.S. economy.

Litigation financiers are simply, and inappropriately, asserting capital gains treatment for windfall profits in order to reduce, or in the case of foreign financiers, eliminate their U.S. tax liability on income generated through American courts. Congress never intended the capital

gains preference to apply to litigation speculation or gambling, nor should taxpayers be expected to subsidize it.

The cost of this loophole is very real and is shouldered by American taxpayers and consumers. [A recent study](#)¹ found that the practice costs the average American household more than \$600 per year. Additionally, litigation financing that attempts to game our legal system encourages more lawsuits, drives up legal costs, and increases pressure on businesses to settle claims. Those costs ultimately work their way through the economy in the form of higher prices and higher costs, with Americans bearing the burden.

The rapid expansion of the opaque, \$16 billion third-party litigation funding market has turned the U.S. legal system [into a geopolitical weapon against the domestic energy sector](#).² Capitalizing on tax loopholes and minimal disclosure requirements, foreign adversaries and environmental activists are quietly underwriting a massive surge in lawsuits against American producers. This funding serves as a tool of malign foreign influence, designed to stymie U.S. energy production, evade international sanctions, and force the disclosure of proprietary data, ultimately weakening American infrastructure to benefit foreign economic competitors.

Congress should ensure that profits earned through litigation financing are taxed as ordinary income rather than afforded preferential capital gains treatment. Current proposals will protect donor privacy and ensure that traditional not-for-profit public-interest litigation will continue to be advanced by many conservative organizations.

Closing this tax loophole, which currently benefits a narrow group of investors at the expense of taxpayers, consumers, and businesses, would create an estimated \$3.5 billion pay-for, which Congress can use to put money back into the pockets of hard-working Americans. This is a common-sense solution for policymakers seeking to promote economic growth and enhance affordability for American consumers.

We stand ready to support Congress on policies that protect taxpayers, encourage productive investment, and reduce unnecessary costs on American consumers and businesses, and we look forward to working with you.

Sincerely,

Thomas Pyle
President
American Energy Alliance

Steve Moore
Chairman and Co-founder
Unleash Prosperity

¹ The Impact of Third-Party Litigation Funding on U.S. Business Activity and Consumers Report 2026 — Cala, Citizens Against Lawsuit Abuse, Dec. 2025, cala.com/the-impact-of-third-party-litigation-funding-on-us-business-activity-and-consumers-report-2026.

² Stevens, Alexander. Policy Brief: Third-Party Litigation Funding - IER, Institute for Energy Research, 5 May 2026, www.instituteforenergyresearch.org/big-green/policy-brief-third-party-litigation-funding/.

Grover Norquist
President
Americans for Tax Reform

Phil Kerpen
President
American Commitment

Daniel C. Turner
Founder and Executive Director
Power the Future

John Hinderaker
President
Center of the American Experiment

Tirzah Duren
President and CEO
American Consumer Institute

Isaac Orr
Vice President of Research
Always On Energy Research

Craig Rucker
President
Committee For A Constructive Tomorrow

Timothy Lee
Senior Vice President of Legal and Public
Affairs
Center for Individual Freedom

James L. Martin
Founder and Chairman
60 Plus Association

George Landrith
President
Frontiers of Freedom Institute

Saulius “Saul” Anuzis
President
American Association of Senior Citizens

David Williams
President
Taxpayers Protection Alliance

Andrew Langer
President
Institute for Liberty

Eric Ventimiglia
Executive Director
Pinpoint Policy Institute

Paul Gessing
President
Rio Grande Foundation

Yaël Ossowski
Deputy Director
Consumer Choice Center

Gerard Scimeca
Chairman
Consumer Action for a Strong Economy

Jon Sanders
Director of the Center for Food, Power, & Life
The John Locke Foundation

Seton Motley
President
Less Government