The Mabra Firm in Atlanta Discusses Taxability of Auto Accident Insurance Settlements

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Atlanta, Georgia - October 18, 2022 -
The Mabra Law Firm, an Atlanta-based personal injury law firm, has updated its blog with a post explaining the taxability of auto accident insurance settlements. The blog post discusses the emotional, physical, and financial consequences of an accident for the victim.

The top auto accident law firm represents accident victims in fighting their compensation claims. The blog post highlights different factors that determine the taxability of auto accident insurance settlements.

In the blog post, Atlanta car accident lawyers share the relevant IRS rule that applies to physical injury or sickness in an auto accident settlement, which states that any settlement, judgment, award, or other payment received for personal physical injury or physical sickness is exempt from taxation. The best auto accident attorney in Atlanta emphasizes that the IRS rule does not apply to property damage or other damages, including mental anguish, emotional distress, or punitive damages.

The Mabra Firm distinguishes between a taxable and non-taxable settlement. It states that any amount received for medical bills is not taxable, while anything received for property damage will be taxed. According

to the top personal injury lawyers in Atlanta, the IRS considers medical expenses to be a personal physical injury or physical sickness, while property damage is not.

The best Atlanta accident law firm explains that states will tax settlements received for property damage but not for personal injury or physical sickness. An accident victim also does not need to pay state taxes on any portion of an insurance settlement spent on repairing or replacing their car or other property damaged in the accident.

The Mabra Firm explains the fact that a settlement for personal injury or physical sickness is generally taxable in most states, suggesting that car accident victims should consult with a tax professional in their state to determine the specific tax treatment of the settlement. The top personal injury law firm further clarifies that interest earned on a settlement is taxable, whereas auto insurance settlements for medical bills are tax-exempt.

The Mabra Firm?s Atlanta auto accident lawyers represent accident victims in their injury settlement case and share a few tips to reduce the tax owed on their car insurance settlement. Their attorneys mention that accident victims can structure their settlement in a way that the portion meant for personal injury or physical sickness is paid out over a period of time instead of in a lump sum.

This can reduce the taxes owed, as the accident victim will then be taxed only on the portion of the settlement received each year. Additionally, this type of structuring can help deduct medical expenses from the taxable portion of the settlement.

According to the Atlanta personal injury law firm, the classification of damages in the settlement can help reduce the taxes owed. The Mabra Firm answers more of the frequently asked questions about auto insurance settlements.

They explain that interest earned on car accident settlement is generally taxable under Publication 4345 (Rev. 11-2021) by the IRS. The blog post further explains that punitive damages in an insurance settlement are typically not taxable.

However, punitive damages received in addition to compensatory damages may be taxable. According to The Mabra Law Firm, a cash settlement received from the at-fault driver?s insurance company is typically taxable, but a settlement received for property damage is not considered taxable income.

The best auto accident lawyers in Atlanta are available now to help victims of accidents. Any accident victim injured in an auto accident due to another driver?s negligence deserves the best settlement for their pain and suffering.

Accident victims can contact experienced personal injury attorneys with The Mabra Law Firm to file a claim with the insurance company and negotiate a fair settlement. It is easy to schedule a free consultation with the best personal injury attorneys in Atlanta on The Mabra Law Firm?s website.

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The Mabra Law Firm

The Mabra Firm LLC is a personal injury law firm based in Atlanta, Georgia that helps victims of auto accidents, truck accidents, motorcycle accidents, and other catastrophic injuries.

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