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What's Good About A \$105,000 Parking Ticket? Fixing It For \$4,500

Parking tickets can be costly, especially if you get so many they impound your car. Even then, most people don't end up cracking the \$100,000 mark. Jennifer Fitzgerald of Chicago ran up \$105,000 in tickets after her ex-boyfriend left her car in an O'Hare airport employee lot in 2009.

The now-very-expensive car accumulated a whopping 678 tickets before it was finally towed. And while Ms. Fitzgerald wasn't able to "fix" the ticket in the traditional sense, she didn't pay the \$105,000 either. She settled with the City of Chicago for \$4,500.



Photo credit: Wikipedia

The struggling U.S. Post Office must have done OK too. After all, Ms. Fitzgerald continued receiving tickets even after the State of Illinois revoked her car's licence plates. According to court records, Ms. Fitzgerald claimed that she was unable to gain access to the parking lot. In the end, she sued the city to clear the tickets and penalties.

Her lawyer, Robin Omahana, said the City "had a little egg on their face with writing so many tickets on one car." See [Chicago settles \\$100K parking ticket](#)

[case for less than \\$4,500](#). In fact, she ended up paying even less than the \$4,500. The terms of the settlement call for her ex-boyfriend Brandon Preveau to reimburse her to the tune of \$1,600. Ms Fitzgerald is to pay the rest on a monthly plan. See [Bill For Three Years In Airport Parking? \\$106,000](#).

Can she reduce her out-of-pocket even further by deducting the fine on her taxes? It depends. Most payments in business are deductible, even punitive damages. See [Can Rolls-Royce Deduct Bribes? How About Fines?](#)

However, the tax code says you can't deduct "any fine or similar penalty paid to a government for the violation of any law." See [IRC Section 162\(f\)](#). That includes criminal and civil penalties, and sounds pretty absolute. Nevertheless, many companies are able to deduct fine-like settlements by some clever line-drawing.

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.

These rules are often criticized. Take Exxon's \$1.1 billion Alaska oil spill settlement, which actually cost Exxon only \$524 million after taxes. More recently, BP has been criticized over its tax deductions for its Gulf oil spill settlements with private parties and the government. See [BP, Oil, and Deducting Punitive Damages](#). Still, 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. See [Tax Deductions for Damage Payments: What, Me Worry?](#) Of course, it doesn't look like Ms. Fitzgerald was worried about tax deductions. And the parking ticket would need to have a business connection to be deductible. At \$4,500, with \$1,600 coming from her ex, it probably wasn't worth the effort. But next time you have to pay a \$105,000 fine, it might be worth considering.

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.