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When I was researching [my article](#) about Dennis Hastert's indictment on charges that he improperly withdrew large sums of money from a bank, one question I had was whether any tax was owed on the payments Mr. Hastert was said to have made.

For tax purposes, were the payments gifts? Fees? A settlement? Hush money? Any of these options would have tax implications — implications that could provide additional justification for the prosecution, since one of the key motivations of anti-money laundering laws is to prevent people from evading taxation by making large payments in cash.

Tax experts I spoke with agreed that the payments would constitute a settlement or extortion. In either case, the responsibility for reporting the payments would lie not with Mr. Hastert but with the payments' recipient, identified in the indictment as "Individual A."

"The legal requirement to be a gift is that it's made out of detached and disinterested generosity," said Michael Graetz, a tax law professor at Columbia. So, if events occurred as described by government prosecutors, these payments were not gifts.

however

The tax law of extortion is surprisingly simple: Proceeds from extortion are taxable income. That's what the Supreme Court held in a 1952 decision, [Rutkin v. United States](#).

While extortion payments would be taxable for Individual A, they would actually be partly deductible for Mr. Hastert, said Paul Caron, a tax law professor at Pepperdine University. It's right there in I.R.S. Publication 17, Chapter 25: You get to deduct losses because of theft, to the extent those losses exceed 10 percent of your adjusted gross income. Blackmail and extortion [count as theft](#).

But to claim the deduction, Mr. Hastert would have to convince the I.R.S. or a court he had been extorted, which could be difficult.

"Sometimes judges will find a way to disallow deductions for what they find unsavory behavior," said Joe Kristan, a tax accountant with the Roth C.P.A. firm. He noted a case in which a divided [Ninth Circuit panel denied a tax deduction](#) for extortion to a man who said he paid hush money to his mistress.

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