

Speltz family Testimony
Before the House Committee on Ways and Means, Subcommittee on Oversight
Washington, DC June 2004

Members of the Committee. My name is Ron Speltz and I am writing on behalf of my wife June, and our three children. We appreciate the opportunity to discuss the hardships we are suffering due to an outdated and complicated portion of the tax code called Alternative Minimum Tax.

In December of 1992 I took a job as a service technician with a small start up telecommunications firm in Cedar Rapids, Iowa called McLeodUSA. The company gave ISOs to the employees to give the employees a true sense of ownership and interest in the profitability of the company. My wife and I saved all the options I received to build a nest egg for our future. In 2000 we decided it was time to exercise (purchase) some of the options we had saved in order to build a home for our growing family. We consulted with financial advisors and were told that based on the tax laws we should exercise the options and hold them for one year. During that year the market started to tumble along with the value of our stock. We lost our investment and when we filed our taxes in April of 2001 we were struck with a state tax of \$52,944 and a federal tax of \$210,000. Our family income at that time was under \$71,000. As unbelievable as having a tax bill that was almost four times our income may be the IRS collections department made it very clear they intended to collect. We used the proceeds from the sale of our first house along with cash loans to pay the state tax bill in full and begin payments of \$17,000 per month to the federal debt. After paying over \$80,000 in federal tax all of our resources were totally wiped out and we had incurred a huge debt.

We met with a local IRS collections officer who reviewed our case and at first couldn't believe it would be possible to be taxed on income we hadn't received. He had to consult with his supervisor to confirm the return was correct by law. After he reviewed our financial statements he could see there was no way we would ever be able pay the tax and directed us to inter into the OIC program. We contacted our House and Senate representative's offices and were given the same direction. We filed our OIC and offered the IRS the only remaining asset we had, the \$4,750 cash value of a life insurance policy. After over nine months of going back and forth with the OIC specialist assigned to our case, the OIC we had filed was formally rejected and a lien was placed on our house. Our OIC has been reviewed by Nina Olson, The National Taxpayer Advocate in DC, and although she agrees our case is unfair it is within the guidelines of the current flawed law. We've filed for a hearing before the U.S. Tax Court and are awaiting our pending trial.

Beyond the debt with the bank and the remaining AMT debt, we have incurred a huge amount of legal fees while fighting our case. The stock that we were billed \$263,000 in taxes on was sold for \$2,200 to pay some of the legal bills. The bank that the cash loans were taken out with is currently garnishing the states legal maximum from my paycheck because we have defaulted on the loans. We had to take our children out of the Catholic school they were attending and are living in a house we can no longer afford but can't sell. My wife was a full time at-home mother and has had to go back to work. We can

no longer contribute to 401ks or college funds for our children. We can't afford the little things in life as this tax has taken us from a comfortable middle class life and forced us into bankruptcy. The IRS may still be able to collect on the equity of our house and will foreclose on the lien thus driving us out of our home. The strain on our lives is beyond measure.

Every person from the IRS collections agent to the members of Congress that has reviewed our case is astonished at how unfairly we have been treated by an outdated piece of tax code. No one has been able to help us with this situation and we beg of this Committee to please help right this huge wrong.