

05-20-05 - Speltz Family from Iowa

Subject: Iowa Family Appeals to Senate Finance Committee for Assistance with ISO-AMT Nightmare

Comments: Dear Honorable Chairman Mack & Honorable Vice-Chairman Breaux we urgently request your support and President Bush's help with righting this terrible policy. We've enclosed below our recent letter to the Senate Finance Chairman Grassley and Ranking Member Baucus.

Letter to the Senate Finance Leadership Honorable Chairman Charles Grassley
Honorable Ranking Member Max Baucus

To the Honorable Senator Grassley and Honorable Senator Baucus :

Dear Sirs, I am writing to you on behalf of my family because we desperately need your help. We have been grossly over-assessed by a flaw in the tax code and we need you to please step forward and help save our family. In the year 2000 our taxable income was \$105,461. For that same year we received an Alternative Minimum Tax of \$206,191 from the Federal and \$46,792 from the State of Iowa. A total tax of \$252,893 for a gain that we NEVER made. In December of 1992 I joined a small telecommunications start-up in Iowa called McLeodUSA. As part of the employees compensation the company provided stock options. We had saved all the options vested over the eight years in part to try and provide for our three daughters education, possibly build a home, and for our retirement. In 2000 we were ready to start building our home so we spoke to our financial and tax advisers to determine the best way to convert the stock. Based on the current tax laws, they told us to exercise the options and hold them for a year so we would benefit long-term capital gains on the income. We exercised the stock but did NOT sell it. As the home was nearing completion we had our taxes done by an accountant and received an astronomical tax bill. The stock value had plummeted so we borrowed money from a local bank to try to pay the tax. We paid the State tax in full and \$94,484 of the Federal in payments. Our local IRS collections agent reviewed our case and told us there was no way we could pay the remainder off and instructed us to enter into the IRS's Offer In Compromise program. They said the OIC program was put in place to solve impossible situations just like ours. After waiting for 8 months we were finally assigned to an OIC Specialist. The OIC Specialist has utilized the formulas and guidance that our government has put into place and has informed us that we had been rejected from the OIC program. He told us that I have three things going against me, I am not old, I am not disabled, and I have been too consistent. I have been too consistent because I've been employed and paying income tax since I was fourteen years old. I've never filed bankruptcy. I've never defaulted on a loan. According to the archaic computations the IRS used, our family should only have housing and utility costs of \$1,067 per month, our actual monthly is far greater than that for a family of 5. Based on their allotment we are supposed to be able to pay \$2,366 per month to settle the debt and a lien has been placed on our home. There is no way we will be able to pay this amount. We have appealed our case with the US Tax Court but have been rejected by the Court also. Both the IRS and the Court say it's up to congress to fix this. We desperately need Senate Finance to place a "stay" on the IRS collections pending the Sam Johnson ISO AMT remedial legislation

that will correct this horrible wrong. Our story is a legitimate case that can't be disputed as being horribly wrong. I beg of your help. I have been nothing but honest to the letter of the law in paying taxes my entire life. It seems incredible to me that I should be financially destroyed by a tax that is so unjust.

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