

The Manchester **ENTERPRISE**

Outdated tax law punishes hard-working Americans

Letters to the Editor

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I have been a resident of Michigan for 38 years. My wife is currently running for office in the State Representative race for Washtenaw County 52nd District.

A few years ago, our family was devastated by a quirk in the tax law that imposed huge tax prepayments on expected income, but then failed to provide for a return of those prepayments when the expected income never materialized.

This situation occurred because Congress put in place laws that encourage employee investment and ownership in their companies, by extending capital gains treatment to employees who exercised and held incentive stock options, rather than selling them immediately upon purchase.

However, the alternative minimum tax imposes a prepayment of tax on "phantom" income that in a normal market ends up being proportional when the stock is sold for actual income, but in a down market results in severely disproportional tax burdens, often reaching 300-400 percent of actual income. Thousands of Michigan families and hundreds of thousands of other American families are struggling under this severely unfair and disproportional tax burden caused by the ISO AMT.

Despite the fact that no organization (including the IRS, Treasury and Tax

Courts) or Congressperson is defending this situation as the intent of the law, somehow and for some reason ISO AMT victims are still being "blamed" by some because the law isn't working as intended. All who are suffering from ISO AMT are in fact by definition, people who place such a high value on integrity, that they determined to self-report this tax despite knowing they would owe more tax than they could ever pay, and despite knowing the IRS would never find out if they didn't self-report.

The benefits of encouraging long-term investment in company stock are obvious; they create more incentive to work hard to create long-term value; they discourage quick exercises and sales when the stock is peaking and when the true value of the company may be inflated; and they allow people to use these investments for buying homes, sending children to college, and building a retirement fund. All of these things actually lead to a more prosperous economy and more tax revenue.

This is a situation where people everywhere — average citizens and Congresspersons, should strongly support restoring justice to this situation where the law is unintentionally destroying hard-working, honest American families. For as Martin Luther King once wisely said, "Injustice anywhere threatens justice everywhere."

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