

My wife and I are among many American taxpayers who have been severely impacted by the Alternative Minimum Tax (AMT) and its treatment of Incentive Stock Options (ISOs).

I live and work in Illinois. I am a sales manager for Network Appliance, a high-tech company based in Sunnyvale, CA. As part of our compensation and to provide incentives to create corporate value, Network Appliance grants employees ISOs. In the year 2000, my ISOs were eligible to be exercised, so, following the advice of a "financial expert", my wife and I exercised the options and held the stock.

Then, in 2001, the value of our stock plummeted with the rest of the NASDAQ. However, due to an unintended consequence of the AMT's treatment of ISOs, we were still liable for over \$900,000 in federal income tax based on the value of the stock at exercise (purchase, not sale) even though we realized no gain. The combined effects of a tax based on money we never received and the dramatic fall in the value of our Network Appliance stock left us with a tax liability that was greater than all our assets.

Over the next several years, we tried to reach a reasonable compromise with the IRS on our incredible tax liability, which was more than three times our savings and home equity. In the hopes of putting this unintended consequence of the AMT behind us, we attempted to settle our liability with the IRS in the Offer in Compromise (OIC) program. However, our OICs with the IRS were all rejected, and we were put on an installment payment plan that put a tremendous burden on myself, my wife, and our four young children. Despite the fact that the plan did not allow us to cover monthly expenses, we were compliant with this agreement for three and a half years (42 months).

In January 2006, our case file was transferred from the central Chicago IRS office to a new office and a new revenue officer. This new case officer initiated very aggressive collection actions by canceling our installment agreement, seizing our bank accounts, and garnishing 80-90% of my wages. We have since been notified that the IRS will soon seize our home.

Obviously, this hardship has put a tremendous emotional strain on our family, especially my wife. From her perspective, we are losing everything we ever had to create a tax credit that we'll never be able to use. The anxiety and uncertainty is affecting our health and relationship, and our children are picking up on the stress.

Until the events of 2001 that led to our disproportionate tax liability, we had always been honest, compliant taxpayers. My wife and I are educated professional people who believe in the opportunities that living in our country affords. We have worked hard throughout our careers to build the life and the financial security we had. That life and security have been ripped away. In our short term future, we don't know how we'll live, or where we'll live, or how we'll afford to live. In our long term future, we have no way to save for our children's education, our healthcare needs, or retirement.

Clearly, the AMT's treatment of ISOs is an unintended consequence of a poorly written tax law created almost 40 years ago. We are hopeful that this unfortunate and unintended consequence of the AMT can be corrected, and that our elected Leadership will recognize that the AMT and its impact on families like ours is unfair and distorted. We are also hopeful that the passage of legislation, such as HR 3385, will be a good first step to provide relief for families in our situation.

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