Taxpayers Whipsawed by the Alternative Minimum Tax Now Have Forum to Assert Claims for Tax Refunds and Tax Abatements

Court Decision Major Setback for IRS

SEATTLE, WA, and WASHINGTON, D.C., February 3, 2004 – Reversing nearly 75 years of established tax litigation precedent, a recent decision made in U.S. Tax Court represents a victory for American taxpayers everywhere and particularly those who have been hit with crushing Alternative Minimum Tax (AMT) liabilities. The ruling in Montgomery vs. Commissioner of Internal Revenue Service will require the IRS to radically alter its heavy-handed treatment of taxpayers who are being subjected to lien and levy proceedings and who have a basis for challenging the underlying tax liability asserted by the IRS.

The attorneys representing the plaintiff argued before the U.S. Tax Court that the IRS must consider a taxpayer's amended tax return attempting to correct the amount of taxes originally reported prior to imposing an IRS lien or levy action. Further, the Court stated that because the IRS has failed to provide due process, a taxpayer can present to the Tax Court arguments that would result in a tax refund to the taxpayer, not merely an abatement of the claimed tax.

"This Court decision sets a significant legal precedent in the area of taxpayers' rights. Individual taxpayers like our client will now have a voice for presenting compelling evidence that could result in tremendous tax relief," said Don Paul Badgley, founding partner, Badgley Mullins Law Group.

Currently, a taxpayer in the collections process with the IRS is forced to interact with the Collections Branch to address lien and levy issues and separately with the Examinations Branch to receive consideration of an amended return. Caught in this bureaucratic trap, taxpayers face extreme hardship, leading many into forced bankruptcy even before the IRS has had a chance to review their amended returns.

Experts predict that the IRS will be forced to make a sweeping change to its collection procedures as a result of this case.

"We are heartened by this court decision. It will have a tremendous impact on taxpayers who are facing liens and asset seizures for their inability to pay taxes on paper profits when they exercised their stock options. The AMT has dealt an incredible blow to middle-class taxpayers and is expected to ensnare at least 1 in 3 Americans over the next 6 years," said Jeff Chou, co-founder of ReformAMT (www.reformamt.org**).**

About Isaacson Law Firm www.isaacsonlawfirm.com and Badgley Mullins Law Group www.badgelymullins.com: Based in Bellevue, WA, and Seattle, WA, respectively, the firms advise clients on tax refund and abatement strategies associated with the exercise of their stock options. The firms represent many clients who work for high-tech companies, including Ariba, Cisco Systems, Commerce One, EMC, InfoSpace, Intel, i2 Technologies, Microsoft, Network Appliance, RealNetworks Redback Networks, Verisign, Veritas, and Yahoo!, among others.

For the full-length report on this decision, please visit:
http://ustaxcourt.gov/InOpHistoric/Montgomery.TC.WPD.pdf