Joint Venture's Tax Policy Group's Position on the Alternative Minimum Tax (AMT) and Incentive Stock Options

Joint Venture: Silicon Valley Network
99 Almaden Blvd. #700
San Jose, CA
95113-1605
408/271-7213
www.jointventure.org/

Position

An unprecedented number of taxpayers across the country face staggeringly high tax bills for the year 2000 because of having exercised incentive stock options (ISOs) and having held the stock as encouraged by Congress when it created ISOs. The inclusion of the spread from the exercise of ISOs in calculating alternative minimum tax (AMT) creates significant tax problems for option holders and discourages the use of what should be a useful tool for recruiting and retaining employees.

We realize that more than one solution exists to this problem and that none are entirely ideal in terms of revenue costs and implementation. We understand the budgetary constraints facing lawmakers, yet we urge Congress, at a minimum, to pass legislation that will provide some relief to the many taxpayers caught in the collision of a flaw in the tax system (i.e., the ISO rule that encourages holding stock for over a year yet subjects the spread to AMT immediately) with the uniquely volatile stock market of the past year. We strongly encourage Congress to create a solution to this problem.

Why this issue is important to Joint Venture: Silicon Valley Network

Stock options have been and continue to be a crucial factor in growing high tech industries. Circumstances of the past year have highlighted a flaw in the system caused by tax rules that encourage employees to hold stock in their company, yet at the same time punish them for doing so via the relatively unknown AMT. These rules fail to recognize the cashless nature of stock options and do not account for quick significant drops in stock value, but instead reward Uncle Sam based on value that no longer exists while leaving employees to deal with tremendous tax burdens. A system is definitely in need of correction when many individuals who typically are in low to mid-range tax brackets end up with tax liabilities that in some cases, exceed their net worth.

This problem needs to be fixed to provide appropriate relief to individuals unduly penalized by a flawed system, to prevent undue windfalls to the U.S. Treasury at the expense of low-equity individuals, and to help ensure that stock options can continue to help grow high tech and other industries.

For More Information

Please see the attached paper that discusses in more detail the circumstances that created this problem, the policy reasons justifying a remedy, and a number of potential legislative solutions, including some that could be implemented prospectively and still provide some relief for taxpayers facing unduly high tax liabilities for 2000.

Joint Venture: Silicon Valley Network (www.jointventure.org) is a non-profit dynamic model for regional rejuvenation. Its vision is to build a sustainable community collaborating to compete globally. Joint Venture brings people together from business, government, education, and the community to identify and act on regional issues affecting economic vitality and quality of life.

The Tax Policy Group consists of individuals from high tech industries, government, and academia who analyze various state and federal tax rules and proposals to consider the impact to local governments and high tech industries. The Group's current tax analysis work encompasses international tax reform, worker classification, R&D incentives, major federal tax reform, incentives for donations of technology to K-14, and sales tax issues of electronic commerce. The Group works to promote better understanding of tax and fiscal issues of significance to the Silicon Valley economy, through distribution of its reports and quarterly *Tax and Fiscal Newsletter*, sponsorship of seminars and discussion forums, and submission of testimony to legislators and tax administrators.

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Joint Venture's Tax Policy Group's Position Paper on AMT and Incentive Stock Options (ISOs)[1]

I. Overview to the Issue

A. The Importance of the Issue to High Tech Industries

Employee stock ownership is a well-known and common trait of high technology companies. Such ownership has helped contribute to the success of high tech industries by preserving more cash for R&D work and building employee commitment to the projects and risks by making them stakeholders in the outcomes.

Recent surveys on stock option practices among public and private companies show that high tech start-ups use incentive stock options (ISOs) more than any other group of companies. The National Center for Employee Ownership (NCEO) 2000 Survey reports that 80% of private technology companies grant ISOs, either alone or in combination with non-qualified options, to new hires.[2] ISOs help these ventures attract and retain employees by offering tax incentives to employees who exercise and hold the stock.

B. Why is this Issue so Critical Today?

While Silicon Valley is the home of many high technology companies, any region with a high concentration of technology companies will likely have employees suffering from the inappropriate treatment of ISOs under the AMT system. This is not a new issue and tax professionals routinely hear isolated stories of individuals who pay AMT bills that are so high the taxpayer will likely never recover the AMT paid through the AMT credit mechanism. However, the year 2000 presented the following unique combination of factors, causing many individuals below the executive ranks to incur huge AMT bills:

1. Over the last decade, more and more companies have adopted broad-based stock option plans where all or almost all employees are granted ISOs, rather than only senior management.

2. The Internet and telecommunications boom spawned an unprecedented number of start-up companies over the last few years. These start-ups overwhelmingly favor the use of ISOs as a means of attracting and motivating employees, and many of these companies grant options to most, if not all of their employees.

3. Even non-high tech companies increasingly turned towards ISOs in recent years, as opposed to the less tax-favored non-qualified stock options (NSOs), as a way to help compete in tight labor markets.[3]

4. The stock market, especially the technology-driven NASDAQ, posted record highs in the spring of 2000, and then collapsed over the next 12 months, astounding even seasoned professionals. Many of the high-flying technology companies saw their stock value drop 80% - 90% during this period. Unfortunately, many employees exercised their ISOs close to or at the market's peak, resulting in phenomenally large spreads (the difference between the exercise price and the market price on exercise date). While such spreads did not result in any ordinary tax (part of the "incentive" in incentive stock options), they did create very large AMT liabilities for many employees for which no withholding is required upon exercise, and for which the employee may have no cash to pay without selling the stock thereby losing the "incentive" effect of the ISOs.

5. The relatively unknown AMT caught many employees by surprise. Other employees were aware of the AMT but thought they could claim a full credit for the AMT once they sold the stock acquired by exercise of ISOs. Others were naïve in thinking that the value of the shares they held would rebound in 2001, in time to sell the stock and pay their AMT liability for 2000. Some employees who would have sold by the end of the year in order to eliminate the AMT had trading black-outs that prevented selling before year-end.

   During the 2001 tax filing season, there were several stories published in the newspapers of employees who found out that they had an AMT liability that exceeded the current value of the ISO stock and perhaps even the value of all of their assets. For example, one story published in the *San Jose Mercury News* on March 16, 2001[4] describes a 48-year-old, single mother with an AMT bill of $350,000, whose stock was worth half that amount at the time the story was written. Even if she were to sell her stock and cash out both her 401(k) account and the equity in her 1,600 square foot suburban home in San Diego, she would still be short $175,000. The same story describes an engineer with a $355,000 AMT bill from exercising ISOs. This employee learned of the AMT liability prior to the end of 2000, but could not sell due to a 180-day "lock-up" following her employer's initial public offering. (The so-called "lock-up" is a contractual restriction prohibiting sales of stock that generally applies to all employees of high tech start-ups upon the initial public offering). With her stock trading for roughly half of what she owed in taxes, she was faced with tapping into her limited savings, her 401(k), and her home equity. Another Nashville, TN employee was unable to sell his shares to avoid an AMT bill because his company's stock was so thinly traded.

II. Background Information on Incentive Stock Options (ISOs)

See the Appendix for a basic discussion of how ISOs work and how they compare to non-qualified stock options.

III. More on the Current Problem: The Case for Relief[5]

The AMT add back for ISOs was not intended to impact rank and file employees: The AMT was intended to make sure that high income taxpayers paid their fair share of taxes. It is clear from the Committee Reports relating to the creation of ISOs in 1981 that Congress anticipated that ISOs would be used to reward the executives and managers of companies.[6] Thus, in creating the special tax incentives for ISOs Congress did not anticipate rank and file employees, with lower salaries and less financial sophistication in general, to be caught in the AMT trap caused by exercising ISOs.

The imposition of AMT on individuals discourages the very behavior that Congress wanted to encourage with the creation of ISOs: In 1984, the Senate Finance Committee noted the goal of ISOs to "encourage employee ownership of the stock on an employer's business" by allowing for "the deferral of tax until an employee disposes of the stock received through the exercise of an employee stock option".[7] To encourage individuals to hold shares with the promise of capital gains tax rates and then turn around and tax them at exercise, on income they never realized, under the little-known and less-understood AMT system (at tax rates of 26% or 28%) is perverse and leads to disrespect for the tax system.

AMT paid due to ISOs deserves special relief over general AMT reform: As a matter of fairness, it's hard to argue that taxpayers who exercise ISOs deserve relief over other middle-income taxpayers that fall into AMT because of state income taxes or too many personal exemptions. However, there is a big difference. The AMT paid because of adding back personal exemptions or state taxes may amount to several thousand dollars and be infuriating. It will, however, only cause a marginal increase in the individual's rate of tax. AMT paid because of ISOs can be hundreds of thousands or even millions of dollars and can be devastating. It can cause a tax liability that is many times the taxpayer's total income. One grass roots organization, reformamt.org, estimates that over 60% of its members are facing bankruptcy.

Many employees are either unaware of the AMT or assumed that, as a tax on the wealthy, AMT couldn't possibly affect them: Prior to recent months, it was easy to find articles on the virtue of ISOs due to the fact that they are not subject to tax until the shares are sold. Indeed, if the advice even mentioned AMT, it was generally to note only that AMT *might* apply. Many employees exercised their ISOs and held the stock upon the advice of advisors and colleagues, without any knowledge of the extent of the risks they were taking. Thus, while some argue that these taxpayers simply made a bad investment decision, many of those in trouble now did so unwittingly.

The AMT on ISOs is truly a tax on paper profits: Unlike non-qualified stock options (NSOs) granted to employees, there is no tax withholding required upon the exercise of ISOs since the exercise does not generate ordinary taxable income. Companies are not required to withhold on a potential AMT liability and in fact, the AMT liability cannot be determined without taking into account many variables unique to each taxpayer, including knowing whether the taxpayer will hold the shares past year-end. The required withholding on NSOs at the time of exercise means that employees have paid all, or most of their tax due at the time of exercise, oftentimes through a sale of some of the shares just acquired. If the remaining shares later decline in value, the individual recognizes a loss, but generally will not be caught in the double bind that hit so many ISO holders – that of owing a tax based on a value they never realized and holding shares that are not even worth the tax they owe.

Congress did not intend the AMT paid on ISOs to result in a long-term, or even permanent, double-tax: The add back of the ISO spread in the AMT system is a deferral adjustment, meaning that it results in a credit which can offset future years' regular tax liabilities. In theory, once the shares are sold, the taxpayer should only pay the regular tax liability arising on the sale of the shares. However, if the AMT liability is large enough it can take taxpayers years or even a lifetime to claim the credit. This is because the AMT credit can only be used to reduce a taxpayer's regular tax down to what their tentative minimum tax liability is in the carryforward year. In addition, because of an anomoly in the code dealing with how the AMT credit (also known as the Minimum Tax Credit or MTC) is calculated, selling the shares for less than the value on the date of exercise severely limits the ability to claim the credit. (We offer a limited solution for this anomoly in alternative 4 of Section IV directly below.) In some cases, individuals will not be able to claim the full MTC in their lifetime. The result is a permanent double-tax, clearly not the intent of Congress.

For example, assume the 48-year-old woman in the San Jose Mercury News story above will be able to use approximately $5000 of her $350,000 minimum tax credit annually, due to the limit within the current law (a reasonable expectation under current law). Under this scenario, it would take 70 years to fully utilize her credit.

IV. Proposals for Addressing the Problem

The Joint Committee on Taxation, the National Taxpayer Advocate, the American Institute of CPAs (AICPA), the Tax Section of the American Bar Association (ABA) and Tax Executives Institute (TEI) have all called for the repeal of the individual AMT. As stated by the ABA Tax Section in testimony before the Senate Finance Committee on April 26, 2001:

> "There is no more urgent priority for change in the tax law than repeal of the individual AMT. The individual AMT no longer serves the purpose for which it was enacted, produces enormous complexity, and has unintended consequences for many taxpayers."[8]

We call attention to the strong call for outright repeal made by these well-respected tax agencies and organizations because this call highlights the significant problems with the AMT. We realize though that outright repeal will not occur soon due to the cost. Also, prospective repeal would not solve the problems for the year 2000 for many individuals caught in the ISO trap. Outright repeal of the AMT is a longer term goal which we encourage Congress to undertake. Meanwhile, we strongly urge that modifications be made to the AMT to address the problem explained in this report. As noted earlier, more than one solution exists and none are entirely ideal in terms of possible revenue costs and implementation. Yet, for the reasons listed earlier, a solution is needed. To assist in finding an appropriate remedy, we offer some solutions to deal specifically with the AMT problem caused by the exercise of ISOs, and some observations on each possible solution.

1. **Allow for an alternate valuation date for AMT purposes (H.R. 2794 and S. 1324):** This short-term solution would provide that the value used to calculate the AMT addback be no more than the value of the ISO shares as of April 15, 2001 or the actual sales price if the stock was sold before April 15, 2001. This solution would provide a great deal of relief to taxpayers who exercised and held in 2000 (as they were encouraged to do by the very rules established for ISOs), only to see their share values plummet by April 2001. One advantage of this approach is that it would not force taxpayers to sell their shares in order to gain some

relief. This solution is a targeted short-term one in that it provides relief only for the year 2000.

2. **Eliminate the AMT addback for ISOs retroactive to 2000 (H.R. 1487):** A simple solution would be to eliminate the add back of the ISO spread within the AMT system. However, this appears to be an expensive fix based on current revenue estimates and we recognize that passing relief retroactive to a prior tax year can be difficult.

3. **Eliminate the AMT addback for ISOs prospectively:** An alternative to retroactive relief would be to eliminate the add back of the ISO spread on a go-forward basis and allow for an accelerated recovery of any unclaimed AMT credit that results from exercising ISOs in a prior year (suggestions for which are discussed below).

4. **Eliminate the capital loss limitation for sales of ISO shares within the AMT system:** The capital loss limitation for sales of ISO stock within the AMT system is a truly draconian rule, with an impact that Congress most likely did not intend. This limitation doubly penalizes individuals who sell their ISO shares for less than the value on the date of exercise by dramatically reducing the amount of the AMT credit that can be used in the year of sale and future years. Eliminating this limitation for sales of ISO stock would allow a much faster recovery of the AMT credit, by essentially allowing taxpayers to reduce their federal income tax liability to zero in the year the ISO shares are sold and all future years until the AMT credit is recovered. This change would make the system more fair by reducing the double-tax impact of the current AMT system for ISOs.

5. **Treat the negative AMT adjustment on sale of ISO shares as an ordinary adjustment:** This is a variation of alternative to #4 above. Treating the adjustment upon a sale of the ISO shares as an ordinary adjustment within the AMT system would not only allow for a faster recovery of the AMT credit in the year the shares are sold, but would also provide for limited refunds of previously paid AMT through carryback refund claims to prior years, if open by the statute of limitations. This alternative creates complexity for taxpayers because the carryback claims are complicated and would likely require professional assistance.

6. **Allow for a refund of AMT paid upon sale of the ISO stock:** Allow the AMT credit generated from the AMT paid in the year the ISO was exercised (2000) to be fully refundable in the year the ISO stock is sold. This would enable the individual to immediately recover the AMT paid in the earlier year rather than wait, in some cases, a lifetime, to be able to use the credit due to the limitation that the credit may not reduce the individual's tax liability below their tentative minimum tax. This solution could be limited by only allowing it to apply to individuals who exercised ISOs in 2000 and sold the stock in 2001.

   (Note that proposals #4 - #6 only provide relief upon the sale of the ISO stock, which is counter-productive to encouraging ownership of stock by employees. They do, however provide for an important, albeit limited escape hatch for employees that exercise and hold, only to see their stock value plummet while their AMT is fixed based on paper profits as determined by the higher exercise-date value.)

7. **Reduce the AMT rate on ISOs to 20%:** Reducing the AMT tax rate on ISOs to 20% (instead of the current 26% or 28%) makes sense since that is the rate of tax that is ultimately expected to apply to the sale of ISO stock after employees meet the required holding periods. This solution would not help those who exercised prior to enactment without some sort of

retroactive adjustment and should be combined with one of the alternatives above to allow the recovery of AMT paid based on a higher value at time of exercise.

8. **Allow sales of ISOs within one year of exercise to eliminate AMT:** Under the ISO rules, if an individual sells the ISO stock within one year of exercise or two years of grant, the actual gain on sale is taxed at ordinary rates (as opposed to the more favorable long-term capital gains rates). This is referred to as a "disqualifying disposition". If the individual sells within the same year as exercise, there is no AMT addback, even though the shares may have declined in value from the date of exercise. One partial solution would be to allow individuals to make a disqualifying disposition even in the subsequent year and still avoid the AMT add back. Again, special provisions would need to be made to provide relief for individuals who exercised ISOs in 2000.

9. **Increase and index the thresholds above which the AMT applies:** This idea has been proposed by many and would achieve broad relief for ISO holders and the ever-increasing number of middle-income taxpayers caught in AMT due to the disallowance of personal exemptions, state taxes and other itemized deductions within the AMT system. This would also speed the recovery of AMT previously paid as a result of exercising ISOs without requiring the sale of the ISO shares. Unfortunately, this solution would only provide very limited relief to individuals facing large AMT bills for year 2000 exercises who then saw their stock values plummet.

10. **Provide more opportunities for administrative relief:** A potential exists for administrative relief, but appears to need Congressional sanction. The tax laws governing tax administration could be changed such that relief could be granted on a case-by-case basis for individuals working with the IRS under special rules for effective tax administration. Another alternative, possibly in combination with the rules for effective tax administration would direct the IRS to take into account future AMT credits when working out payment plans for individuals facing large AMT bills.

V. Conclusion

The AMT/ISO issue is not new. The year 2000, however, highlighted the disastrous impact of the AMT provisions on middle-income individuals in a rapidly declining stock market. Never before have so many individuals been caught in the bind of the AMT to the tune of so many millions of dollars.

This problem needs to be fixed to provide appropriate relief to individuals unduly penalized by a flawed system, to prevent undue windfalls to the U.S. Treasury at the expense of low-equity individuals, and to help ensure that stock options can continue to help grow high tech and other industries. We strongly encourage Congress to create a solution to this unfortunate problem.

Appendix[9]

Comparison of Incentive Stock Options and Non-Qualified Stock Options

The following is a broad overview of the basic tax concepts that apply to U.S. taxpayers who receive stock options granted by U.S. companies, for services rendered. It does not address the tax consequences for non-U.S. taxpayers or the company issuing the options. This outline assumes that the stock received upon exercise is **not restricted** within the meaning of IRC section 83. If there are restrictions on the stock received upon exercise, the tax consequences will differ significantly from that described in this appendix.

Terms:

Grant Date - This is the date the stock options are granted to you by the company. This date generally is reset if the terms of the stock option are changed; e.g. **exercise price** is lowered**.**

Exercise Price - This is the price you have to pay to purchase a share of stock under the terms of the option agreement.

Vesting Date - This is the date that you earn the right to exercise your options. For example, your shares may vest over four years, starting after one year. In this case, on each anniversary of the **grant date** you earn the right to exercise one fourth of your options.

Exercise Date - This is the day you exercise your stock options by paying the **exercise price** to purchase the shares in which you are **vested**.

Fair Market Value - This is the true value of the stock at any given date, usually determined by the price at which the stock is trading for on an established exchange. For a private company, the fair market value should be determined by an independent third party appraisal. If the company does not have an outside appraisal performed, the Board should establish the value using appropriate methods and current information.

Spread on Exercise Date - This is the difference between the exercise price (what you pay for the stock) and the fair market value (what the stock is worth) at the time you exercise your stock options. This is often referred to as the **bargain element**.

Sale Date - This is the day you sell the shares of stock you had previously purchased on the exercise date.

Spread on Sale Date - This is the difference between the exercise price (what you paid for the stock) and the fair market value (what the stock is worth) on the day you sell your shares.

Incentive Stock Options - (**ISOs**) These are stock options that qualify for special tax treatment by meeting a number of special rules, the details of which are not included in this memo. One of the key requirements is that the **exercise price** is at least equal to the **fair market value** at the date of grant. ISOs are contrasted with **Nonstatutory Stock Options** in the following table.

Nonstatutory Stock Options – (NSOs; also referred to as NQOs, as in nonqualified) These are stock options that do not meet all the rules for **ISOs**. They are less tax favored, but generally more flexible.

Comparison of Tax Consequences
Incentive Stock Option vs. Nonstatutory Stock Options

Event	Incentive Stock Options	Nonstatutory Stock Options
Grant Date: For example, you are granted the right to purchase 1,000 shares at $1.50 per share vesting over 4 years.	The grant of an incentive stock option is not a taxable event.	The grant of a nonstatutory stock option is almost always not a taxable event. For this comparison, we'll assume it is not a taxable event.
Vesting Date: For example, after one year you have the right to purchase 250 shares.	Vesting is not a taxable event.	Vesting is not a taxable event.
Exercise Date: For example, you pay $1,500 and purchase all 1,000 shares when they are worth $13.50 each, i.e. $13,500, for a spread of $12,000. (This discussion assumes the shares received upon exercise are not restricted under the tax law.)	**ISOs:** The exercise of ISOs is not a taxable event for regular tax. However, the spread or bargain element is a tax preference item for the alternative minimum tax (AMT), unless you exercise and sell your ISO stock within the same year, in which case AMT does not apply.	**NSOs**: The spread at exercise ($12 per share) is compensation income, reportable on your W-2 and subject to income and payroll tax withholding. You get tax basis in the stock equal to the Fair Market Value on the exercise date, i.e. $13.50 per share. AMT does not apply to NSOs
Sale Date: For example, you hold the shares for a while and then sell them for $15.00 each; i.e. you sell the stock for $15,000 that had cost $1,500, for a gain of $13,500.	If you meet the holding rules below, the entire spread ($13,500) on the date of sale is taxed as a capital gain. Regardless of how long you hold the stock, you get a credit for any alternative minimum tax you may have paid upon exercise, but you may not be able to use it all in any given year.	The difference between the sale price, i.e. $15.00 and tax basis of $13.50 is a capital gain. (You already paid tax on the $12 per share spread at exercise.) For sales after 12/31/97, you must hold the shares for more than one year to get long term capital gain treatment. You could also have a loss, if so, it would be a capital loss.
Special ISO Holding Rule:	You must hold your ISO shares for more than one year from the date of exercise and two years from the grant date before you sell them; in order to have the entire spread taxed as a capital gain. Meeting these holding periods converts the spread (i.e. the bargain element on the date of exercise) from ordinary income to long term capital gains, taxed at a lower rate.	An earlier sale turns the tax treatment of an ISO into that of an NSO. The spread on exercise date (or the spread on sale, if less) is taxed as compensation, reportable on your W-2, but only in the year of sale. If the sale occurs in a year after the year of exercise, you still are subject to alternative minimum tax in the year of exercise (based on the spread at exercise).

[1] The views expressed in this paper represent the collective views of the Tax Policy Group within Joint Venture: Silicon Valley Network. The primary draftsperson of this paper was Ellie Kehmeier of Deloitte & Touche LLP; substantive contributions and review were provided by Bill Barrett, Applied Materials; and Annette Nellen, San José State University.

[2] Current Practices in Stock Option Plan Design, Second Edition published by the National Center for Employee Ownership. Description and overview available at: http://nceo.org/pubs/current.html.

[3] The National Association of Stock Plan Professional's (NASPP) 2000 Stock Plan Design and Administration Survey reported that 62% of responding companies grant ISOs and that almost half of these companies grant them down to non-exempt level employees. This is up from the 47% of companies that reported granting ISOs in NASPP's 1998 survey.

[4] See: http://www.siliconvalley.com/docs/opinion/money/option031601.htm.

[5] Note: The material in this section was previously submitted for use by Congresswoman Lofgren's office by Ellie Kehmeier, the primary draftsperson of this policy paper.

[6] Tax favored incentive stock options ("ISOs") were first established by the Economic Recovery Tax Act of 1981 ("ERTA"). At the time, the Joint Committee on Taxation wrote: "The Congress believed that reinstitution of a stock option provision will provide an important incentive device for corporations to attract new management and to retain the service of executives who might otherwise leave, by providing an opportunity to acquire an interest in the business. Encouraging the management of a business to have a proprietary interest in its successful operation will provide an important incentive to expand and improve the profit position of the companies involved. The provision is designed to encourage the use of stock options for key employees without reinstituting the alleged abuses which arose with the restricted stock option provisions of prior law." *See* General Explanation of the Economic Recovery Tax Act of 1981 [Joint Committee Print], Public Law 97-34, 97th Congress; H.R. 4242; JCS-71-81

[7] The establishment of ISOs is also addressed in the Deficit Reduction Act of 1984. The Committee on Finance elaborates on the Deficit Reduction Act stating: "The committee believes that the deferral of tax until an employee disposes of the stock received through the exercise of an employee stock option will encourage employee ownership of the stock of an employer's business, and thus the employee will have a proprietary interest in its successful operation." *See* Explanation of Provisions Approved by the Committee on March 21, 1984 Committee on Finance United States Senate, [Committee Print]; 98th Congress 2d Session; Senate Print 98-169.

[8] See http://www.abanet.org/tax/pubpolicy/2001/tes010426simpl/1.html.

[9] The information in the Appendix was prepared by Deloitte & Touche LLP; used with permission.