



November 17, 2005

Honorable William M. Thomas  
Chairman  
U.S. House Committee on Ways and Means  
1102 Longworth House Office Building  
Washington DC 20515

*Subject: Relief for Severe AMT Tax Inequity Suffered by America's Workforce*

Dear Chairman Thomas:

The American Benefits Council urges your support for legislative relief for tens of thousands of taxpayers in America's workforce, many of whom are *suffering under tax rates exceeding 300 percent of their taxable income*. Bipartisan legislation (H.R. 3385) introduced by your fellow committee members Rep. Sam Johnson and Richard Neal, and co-sponsored by fifteen Ways and Means members, would provide relief for Americans who are suffering greatly from an unjust and unintended application of the AMT tax as applied to incentive stock options. Further, H.R. 3385's revenue-generating compliance provisions ensure everyone is paying their fair share of tax, thereby generating revenue while restoring equity.

The economic meltdown from 1999-2003 left many employees who exercised ISOs, with tax bills on "phantom income" greatly exceeding not only the intended rate (i.e. capital gains rate on an actual value received from the stock) but even greatly exceeding their entire income. What was intended to be a prepayment of tax on future income, has – because that income evaporated – *become a life-time interest free loan to the government*.

Employees across the country are facing tremendous stress and in some cases financial disaster, totally undermining what was intended by Congress to be an incentive for them to work hard for their company's success. Hardworking Americans are losing their homes, children's education funds, retirement funds, and having their wages garnished by the IRS for years.

This was not intended by the original law, nor is it fair or just to tax people on money they never received and will never receive. *In addition to being just plain wrong, it doesn't make sense to let this continue*. In today's competitive global marketplace,

allowing an unintended application of a law to destroy an important aspect of compensation for small entrepreneurial and large high-tech employees and employers, hinders economic growth and undermines America's competitive edge. The IRS's aggressive collection action against ISO AMT victims for tax payments on money these people never received needs to stop immediately, and the overpayments already paid should be returned as expeditiously as possible.

We strongly encourage you to support H.R. 3385. The American Benefits Council thanks you for your attention to this critical matter of fairness for all Americans, and requests your support in every way possible for this important legislation.

Please contact me at 202-289-6700 or [jjacobson@abcstaff.org](mailto:jjacobson@abcstaff.org) if you have any questions or if we can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Jacobson", written in a cursive style.

Jan Jacobson  
Director, Retirement Policy  
American Benefits Council