

Statement of:

**Joseph Cena & Dawn Hasegawa**

**Individual Taxpayers**

To:

**President's Advisory Panel**

**on Federal Tax Reform**

Regarding:

**Complexities and Unfairness of**

**Alternative Minimum Tax (AMT)**

**Applied to Incentive Stock Options (ISOs)**

Submitted:

**March 18, 2005**

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2005 APR 21 A 10: 56  
PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

**Cena- Hasegawa Family Statement  
To President Bush's Advisory Panel  
on Federal Tax Reform  
Washington, D.C.**

I write to thank you President Bush and honorable Chairman Mack, Vice-Chairman Breaux and the Panel for taking on the difficult task of simplifying our tax code. I respectfully enlist your support and ask you to please act for the sake of thousands of families who are being financially decimated (mine included), and for the sake of the general US economy that is being adversely affected, to help hard working taxpayers regain faith in the IRS and to repeal one of the most egregious applications of Tax Policy ever enacted: the dreaded and stealthy **Alternative Minimum Tax (AMT)**.

This woefully outdated policy forced my family into a **2000% tax bracket** in 2000 and required us to provide an **interest free loan to the Treasury** that will take us **433 years** to receive back, irrespective of economic gain!!

**A little bit about us:**

My family has lived and worked in California for 25 years. Our home is a 55-year old, 1,245 sq ft, 3 bedroom ranch home in Cupertino California. We have a 8-year old son, Justin. My wife, Dawn, is a unionized Registered Nurse of 23 years who is currently working in the Stanford University Hospital Emergency Room. Both of us are approaching our fifties, and our living parents require our financial support, which we are unable to provide in our current situation. As you will easily understand, our experience with the AMT has been very stressful on our family and we have come close

to divorce over this!

I started my career in the electronic manufacturing sector working on programs for the Department of Defense, the first MRI unit, and other dynamic technological areas of industry. I proceeded to Stanford University where I consulted on exciting projects such as the Hubble Telescope, Sun-Net, the Rel-Gyro project (Testing Einstein's Theories), and helped the founders of Cisco Systems. From there it was back into High-Tech in 1994-2001 at Synopsys, and Network Appliance. Both firms offered stock options, and were on hyper growth paths of 50-100% growth year over year. I typically worked 10-14 hours per day, 5-6 days a week.

While I was a Customer Service Manager at Network Appliance, I was diagnosed with a life threatening disability and in December 2000, I started chemotherapy treatment. In spring 2001, while undergoing chemo, our accountant informed us that we were subject to a parallel tax called AMT and we were responsible for \$2.1 million in tax to the IRS and California FTB.

I was shocked to learn that the tax imposed had absolutely no correlation to actual economic gain; and that it would actually be an **overpayment of \$1.4 million!!!** How is it possible that a law that was enacted in 1969, to snare 155 ultra wealthy people who didn't pay taxes, is now forcing tens of thousands of hard working citizens and entrepreneurs to legally **pre-pay a tax** and making it nearly **impossible** for them to recoup the overpayment in their, or their children's lifetime? To add insult to injury, the taxpayers who overpaid their taxes to the government do not earn interest on their own money even though Congress has established such safeguards for consumers requiring banks, escrow companies, landlords and others to provide interest income even on funds

held in trust for a short term.

Many are being driven into bankruptcy over phantom gains. I am certain that Congress did not intend to drive people to bankruptcy when it created the AMT in 1969 or altered it in 1986.

Under the regular tax system if a taxpayer overpays, he or she receives a refund in a lump sum, not so under AMT.

Let me try and illustrate how the ISO-AMT might work if applied to the regular tax system, a system more people are familiar with.

**Regular Tax Example:**

Suppose after your very first year of employment (twenty something) the Government's regular tax system required you to prepay (interest-free) all of your taxes for the rest of your potential working career based on an projection of how much you might earn during your lifetime (100-500k est for most) If you can't pay in advance you will be charged interest & penalties and or forced to have your wages attached, assets frozen or declare bankruptcy.

If you are able to prepay, and when, or if you retire, if there is any prepaid tax leftover Treasury will return it at rate of about \$3,000 a year. When you and your spouse pass away, any overpayment not yet refunded does not pass to their estate it is held with the US Treasury. There is no interest paid to you while the pre-payment is being held in the Treasury some 40- 50years.

**Impact on Us and the US economy by not having our tax credit returned:**

Other than perhaps homeland security, there is no more important issue affecting my family than the AMT. My illness is now in remission. My wife and I had wanted to have more children, but we discovered we are medically unable. We then thought to adopt but we are financially unable to do so. I was laid-off during my disability in 2001 and have been out of work for three years. My unemployment has run out, and we need the money. For example, my wife's 1991 Nissan truck has 129,000 miles and needs replacing. It would help us tremendously even if all we received was the interest on our credit.

I've have drawn up few business plans for "start-ups," one a consumer wireless application, another a real estate venture and others. If I had my credit back I would put it to use to try and launch these businesses and help contribute to our economy -- putting people back to work --people who would be paying income tax!!

Thank you for your time and consideration, I hope that with your help Congress & President Bush will enact a fair and principled reform to the ISO-AMT provisions and help us grow the economy.

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