

Statement of Kevin R Frank March 15, 2005
To the President's Advisory Panel on Federal Tax Reform
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PRESIDENT'S ADVISORY
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I am in a very bad situation because of the tax liabilities that were generated in year 2000. Because of the economic down turn of the telecommunication industry, I was laid off from Cisco in March of 2000. This situation forced me to execute the NQ stock options I had accumulated over the 5+ years I had worked at Cisco. or lose them forever.

I did not know that the single act of executing stock options becomes a taxable event in the eyes of the IRS. I did not sell stock; I did not receive any cash; I did not realize any gain whatsoever in the transaction -- not a single dime!

Because of the complexity of the tax forms, I paid a CPA \$900 to prepare my taxes and tell me I owed \$1.7 million in taxes for the year 2000 even though I make less than \$100,000 a year! How can this be? The CPA office that prepared my taxes commented to me:

"This is the most unfair and unfortunate tax return our office has ever prepared. Many officers have verified the accuracy of your return and we believe it to be correct."

I was a habitual saver and lived a very meager lifestyle. At the time I executed the NQ stock options, I lived in a 1,400 sqft house with my wife a dog and a cat. I drove a 1979 F100 pickup, no air, manual steering, 3 speed on the column, 160,000 miles -- worth about \$600. My wife drove a 1987 Olds Cutlass with 224,000 miles. I did not live the life of our executives -- I was just an engineer trying to save for a brighter future.

The Cisco stock that I bought declined more than 80%. I sold everything and took out multiple loans to pay the IRS. Because of my prior savings, my meager lifestyle, and the kindness of my bank; the IRS received the money April of 2001. My bank has given me two interest only loans. Today I live in a 60 X 14 trailer by myself. My wife and I divorced in 2004. I still drive the same Ford pickup (over 200,000 miles now). 70% of my salary goes to maintaining these loans, which I have been paying for over 4 years now.

This unfortunate situation has taken my financial future from me. I am addressing this letter to you so that you may know how this stealth tax is destroying the lives of so many common people, like me. It is just plain wrong to tax people on all of their assets when they have realized no financial gain whatsoever.

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