

Subject Line: Author Starts New Forgive Our Taxes Organization After Sending Letter to IRS about Being Unable to Pay the Tax Bill After Forced to Sell Her Home in Default – *from Gini Graham Scott*

SUMMARY: Author Gini Graham Scott has created a new Forgive Our Taxes organization after sending a letter to the IRS and State Franchise Board explaining why she couldn't pay her big tax bill after selling her home rather than face foreclosure and why current tax law makes it impossible to start over through a bankruptcy, because a tax debt can't be discharged for three years. In creating this organization, Scott expresses the plight of millions of homeowners and other once successful people hurt by the Great Recession, who face another hurdle to starting again, because of high taxes based on their past success, though they are struggling now.

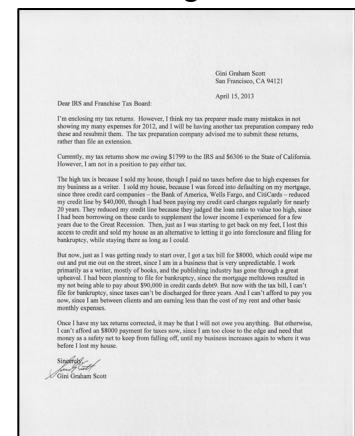


Gini Graham Scott has just founded the Forgive Our Taxes organization to work towards a bill to forgive the taxes of former homeowners struggling to get back on their feet after selling their homes under threat of foreclosure and others with high taxes based on past successes who have lost their jobs or businesses. She was inspired to create the organization after sending a letter to the IRS describes the devastating consequences of being hit by this tax bill after thinking she could start again with the small proceeds from selling her house. Then she discovered the big tax bill, since taxes are not based on the proceeds from a sale, but on the difference between the sales price and the original purchase price of the home, less the cost of the sale. Thus, any long-term homeowner is likely to face this problem because of the increased value of the house, even if it was underwater when sold. As she wrote in her letter to the IRS:

“Currently, my tax returns show me owing \$1799 to the IRS and \$6306 to the State of California. However, I am not in a position to pay either tax.

“The high tax is because I sold my house, though I paid no taxes before due to high expenses for my business as a writer. I sold my house, because I was forced into defaulting on my mortgage, since three credit card companies – the Bank of America, Wells Fargo, and CitiCards – reduced my credit line by \$40,000, though I had been paying my credit card charges regularly for nearly 20 years. They reduced my credit line because they judged the loan to value ratio too high, since I had been borrowing on these cards to supplement the lower income I experienced for a few years due to the Great Recession. Then, just as I was starting to get back on my feet, I lost this access to credit and sold my house as an alternative to letting it go into foreclosure and filing for bankruptcy, while staying there as long as I could.

But now, just as I was getting ready to start over, I got a tax bill for \$8000, which could wipe me out and put me out on the street, since I am in a business that is very unpredictable. I work



primarily as a writer, mostly of books, and the publishing industry has gone through a great upheaval. I had been planning to file for bankruptcy, since the mortgage meltdown resulted in my not being able to pay about \$90,000 in credit card debts. But now with the tax bill, I can't file for bankruptcy, since taxes can't be discharged for three years. And I can't afford to pay you now, since I am between clients and am earning less than the cost of my rent and other basic monthly expenses.

It may be that once I have my tax returns corrected by another tax preparer, I will not owe you anything. But otherwise, I can't afford an \$8000 payment for taxes now, since I am too close to the edge and need that money as a safety net to keep from falling off, until my business increases again to where it was before I lost my house."

As Scott observed in sending this letter, placing such taxes on homeowners already forced to sell their homes due to the foreclosure mess and Great Recession is like sticking a knife into an already open wound or kicking a boxer down on the mat, since such homeowners are already in a financial bind due to the economic upheaval. Then, the following year, they are hit with a double whammy tax bill – and they can't even use a bankruptcy to clear their debts, since the taxes can't be discharged for three years. So for anyone struggling to survive after the economic meltdown, the taxes owed to the IRS and state can be what pushes them under.

The big problem occurs for anyone who sells a house worth substantially more than the original purchase price, even though the house is in default or underwater, since the taxable amount is figured on the difference between the current sale price and the original sales price, less allowable deductions, such as \$250,000 for an individual or \$500,000 for a couple. The taxes aren't based on what one clears from the sale after the mortgage and equity line are deducted. Likewise, once successful individuals who have lost their job or their business due to the economic upheaval may be haunted by taxes on past earnings they can't discharge in a bankruptcy for three years, making it hard for them to get back on their feet and start again.

In response to this situation, Scott has announced the formation of a new organization: "Forgive Our Taxes" or (FOT) to help former homeowners and others who might otherwise qualify for a bankruptcy have their taxes forgiven when they do a bankruptcy filing or submit a qualifying petition describing their situation. This way, they can find a way to start again, without the specter of a huge bill haunting them for the rest of their life.

Scott's experience in dealing with the mortgage mess is described in her book: *Living in Limbo: From the End to New Beginnings*. http://www.amazon.com/Living-Limbo-Beginnings-Survived-Mortgage/dp/1480059978/ref=sr_1_7?ie=UTF8&qid=1354213613&sr=8-7&keywords=living+in+limbo+-+Gini+Graham+Scott Now she is considering another book dealing with taxes and bankruptcy, and the millions of homeowners facing this problem. The crisis also inspired a series of short documentaries: *Middle Class Homeless: Families in Trouble* <http://www.youtube.com/watch?v=TBi-PC0xg-k> and *Middle Class Homeless: The Crisis*, <http://www.youtube.com/watch?v=O2cTACN-iNA>, as well as two music videos: *Bad, Bad Banks* <http://www.youtube.com/watch?v=2sdw2IAuZYo> and *Credit Card Rap*. http://www.youtube.com/watch?v=a2cV9QRP_UE.

Gini Graham Scott is the founder of Changemakers Publishing and Writing <http://www.changemakerspublishingandwriting.com>. Besides publishing over 30 books through Changemakers Publishing, the company helps others write, publish, and promote their own books. Scott received a PhD in Sociology from the University of California in Berkeley, a JD from the University of San Francisco Law School, and MAs in Anthropology, Mass Communications and Organizational/Consumer/Audience Behavior and Popular Culture and Lifestyles at California State University, East Bay. She is getting an additional MS in Recreation and Tourism in 2013. She has spoken about the topics of her books to many groups and the media, including appearances on Good Morning America, Oprah, and CNN.

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