

PROPOSAL FOR A BILL TO FORGIVE OUR TAXES

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Summary:

Over 12 million homeowners have lost their homes to foreclosure or have lost money by selling underwater homes in short sales, while many millions more once successful people have lost jobs or businesses due to the economic upheaval of the last five years. But after getting back on their feet or turning to a bankruptcy to start over, millions are suddenly faced with a big tax bill due to selling their homes or past earnings from the job or business they no longer have. This tax can prevent them from starting over, since a federal or state tax can't normally be discharged in a bankruptcy for three years from the date the tax is due – i.e.: April 15, 2013.

Accordingly, this proposed bill is designed to relieve these former homeowners and successful employees and businesspeople of their taxes, so they can truly start over, either through a bankruptcy or a petition explaining why they deserve this forgiveness. Under this bill, state and federal taxes will be subjected to the usual discharge provisions in a bankruptcy, so they will be treated like other debts. For example, in a Chapter 7 bankruptcy will be permitted to keep up to \$23,000 in assets to start again, and when the bankruptcy is approved, the taxes will be discharged along with the other debts. Alternatively, if a once successful individual chooses not to seek a bankruptcy, since he or she has only limited or no debts to discharge, but is not earning enough to pay a large tax bill based on previous earnings, then he or she can file a petition for tax forgiveness based on special considerations.

This bill is proposed in order to help the many once successful ex-homeowners and business and professional people get back on their feet, so they can begin contributing to the economy and society again, without facing the burden of ruinous taxes hanging over them based on their past successes after they have become victims of the Great Recession. This is the right thing to do to help these victims of economic reverses through no fault of their own, and this change in policy will help heal the deep rifts in society that have developed because of the economic upheavals and technological transformation of the past decade. This forgiveness will also help to avert a coming economic disaster for formerly middle-class individuals faced with the prospect of homelessness because the collection of tax funds from their jobs or bank accounts could wipe out their remaining resources.

The Current Legal Situation Making This Bill Necessary

This proposed bill has been developed because the current tax and bankruptcy laws may result in an economic disaster for once successful people experiencing hard times through no fault of their own due to the added tax burden based on their previous success or forced sale of their home.

This huge tax bill can haunt former homeowners, because even if the house is underwater and the sale proceeds after paying off a mortgage and equity line are small, the tax bill can be huge if the house has increased substantially in value from when it was purchased. That's because the capital gains from a sale are based on the original purchase price plus the cost of any improvements less a home office depreciation and the total sale price, less the commission and cost of the sale. For a person who has to sell a house due to economic conditions and can't buy another house, where any capital gains taxes are rolled into the purchase of the new house, these taxes would seem to add insult to injury. Homeowners sell their house to avoid a foreclosure and eviction, only to be hit by a big tax bill, which they now can't pay. They can't afford the payment because the tax bill is either much larger than their current assets or they have so little left that they are close to the edge, so paying the tax bill could leave them with almost nothing. Then, having another month or two of low earnings, illness, or injury could deplete whatever they have left, forcing them and their family into homelessness.

This quandary occurs for homeowners because the basic rule for the sale of a home is that an individual can exclude up to \$250,000 in profit from the sale of a main home (or \$500,000 for a married couple) as long as he or she has lived there for at least two years, with a few exceptions, such as moving due to a change in employment. Then, after a few deductions and exclusions are included, the profit is the selling price, less the cost basis and the exclusion for an individual or married couple. The tax is based on that – a law in place since 1997.

That formula can work well for someone who bought a home recently, so there hasn't been much inflation and the \$250,000 or \$500,000 exclusion can take care of any profit. But if someone has lived in his or her home for a long time – say a decade or more, the house can have substantially increased in value, so even though it is underwater and an individual has to sell due to an inability to pay a mortgage, he or she can face a substantial tax bill and can't pay that either. Then the bill can prevent the opportunity to go bankrupt and start again free of past debts, since the taxes normally remain for three years.

A similar problem faces an individual who has been successful in a previous year, but then loses a job or business or has an unexpected illness or injury in the following year, resulting in a sudden drop in income. But the tax bill is based on the earnings for the previous year and can't be discharged for three year, so the person faces the same problem of not being able to go bankrupt to start again free and clear.

Thus, in both cases, a former homeowner or once successful individual can be trapped by a tax bill, because the basic rule for discharging a federal or state income tax debt is that you have to meet five basic conditions: The taxes have to be income taxes, there can be no fraud or willful evasion, the debt must be at least two to three years old, depending on when the return was

originally due or filed, and the debt must have been assessed by the IRS at least 240 days before filing your bankruptcy petition or not assessed yet.

Who Is Proposing this Bill and Why

This bill is being proposed by Gini Graham Scott, a once successful writer of over 50 books and an independent film writer and producer of over 50 short films. She developed the bill after having to sell her home in Oakland in May 2012 to avoid a foreclosure and then got a large tax bill she couldn't pay. She had to sell her home, because upheavals in the publishing and writing business due to the Great Recession and new technologies led to reductions in her income, and she had been drawing on her credit cards to supplement her reduced income. Then, after pressures on the banking industry resulted in a tightening of credit, the Bank of America, Wells Fargo, and CitiCard reduced her credit by \$40,000, though she had been paying her monthly credit card bill regularly. As a result, she had to sell her house, because she was down to her last \$500 and had nearly maxed out her credit cards.



After she experienced the mortgage modification nightmare of repeatedly sending in paperwork that got lost or transferred to someone new for nearly two months, a real estate agent she knew offered to sell her house and found a buyer within a few days. At the time, it seemed like the perfect way out, since she would gain about \$60,000 from the sale, enough to pay for a rental in San Francisco with 6 months of rent in advance, since her credit was shot from the default. Then, she figured she could start turning things around and build her business back up again.

What Scott did not realize is that she would get an \$8,000 tax bill a year later, after gaining a small profit from her house after paying off her mortgage and equity line, since her house had inflated in value after nearly 17 years. In filing her federal and state taxes, she included a letter explaining why she couldn't pay. A copy of this letter is attached or available on request.

This experience led her to look at the tax and bankruptcy laws that affect millions of citizens. These include homeowners who similarly facing foreclosure and eviction, are considering bankruptcy, and have lived in a house with a much higher value than when they purchased it. They could suddenly be hit with a big tax bill which they can't pay after they sell their house, and then will be facing this tax bill for three years. Then, she realized these laws not only affect homeowners but any individual who has been very successful in their work or business, but suddenly experiences an economic downturn reducing or eliminating their income so they are now struggling to survive and have to face a tax bill they can't pay or discharge for three years.

Obtaining Citizen Support for the Bill

In support of this bill, Gini Graham Scott is working on increasing citizen awareness about this tax problem and what might be done to fix the program. To this end, she has announced the formation of a new organization: “Forgive Our Taxes” or (FOT), dedicated to help former homeowners and previously successful individuals have their taxes forgiven if they successfully file for a bankruptcy or file a petition to have their taxes forgiven by showing a good cause of why they can’t pay now due to a much reduced income. 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.

To build this organization, Gini Graham Scott has set up a website – www.forgiveourtaxes.com – and is setting up a Meetup Group and groups on Facebook, LinkedIn, Twitter, GooglePlus and other social media to build awareness and gain national support.

Who Is Gini Graham Scott

Gini Graham Scott has published over 50 books and 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 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.

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 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.

A More Extensive Bio for Gini Graham Scott

GINI GRAHAM SCOTT, Ph.D., J.D., is a nationally known writer, consultant, speaker, and seminar/workshop leader, specializing in business and work relationships, professional and personal development, social trends, popular culture, lifestyles, and criminal justice. She has published over 50 books on diverse subjects. Samples of her writing are at www.changemakerspublishingandwriting.com and www.ginigrahamscott.com. She has recently become a HuffPost regular columnist, commenting on social trends, new technology, and everyday life at www.huffingtonpost.com/gini-graham-scott.

She also writes books and book proposals, articles, scripts, and other materials for clients, and writes books and does workshops on writing and promoting books and films. These include: *SELL YOUR BOOK, SCRIPT OR COLUMN; THE COMPLETE GUIDE TO USING LINKEDIN TO PROMOTE YOUR BUSINESS OR YOURSELF; DOING YOUR OWN PR*; and *THE COMPLETE GUIDE TO WRITING, DIRECTING AND PRODUCING A LOW-BUDGET SHORT FILM*. Her books for clients include books on work and business, professional and personal development, self-help and relationships, psychology, sales, marketing, and money, health and beauty, memoirs, crime, social trends, and popular culture, novels, and specialty books. Her scripts include book adaptations and screenplays from original ideas.

She recently established Changemakers Publishing featuring books on self-help, work, business, psychology, and social trends. She has published over 30 POD and E-Books in various formats, and has licensed several dozen books for foreign sales, including the UK, Russia, Hungary, Lithuania, Korea, Spain, and Japan. She is founder and director of Changemakers Publishing and Writing and Changemakers Productions and has taught classes at several colleges, including Cal State University, East Bay, and Notre Dame de Namur University.

Her latest books on business relationships and professional development include: *WANT IT, SEE IT, GET IT!; DISAGREEMENTS, DISPUTES AND ALL-OUT WAR; 30 DAYS TO A MORE POWERFUL MEMORY; A SURVIVAL GUIDE TO MANAGING EMPLOYEES FROM HELL; A SURVIVAL GUIDE FOR WORKING WITH BAD BOSSES*; and *A SURVIVAL GUIDE FOR WORKING WITH HUMANS* (all from AMACOM).

Her books on social trends and popular culture include: *THE VERY NEXT NEW THING* (ABC-CLIO), *PLAYING THE LYING GAME* (ABC-CLIO), *AMERICAN MURDER* (Greenwood), *HOMICIDE BY THE RICH AND FAMOUS* (Berkley and Greenwood), *HOMICIDE: 100 YEARS OF MURDER IN AMERICA* (Contemporary), *YOU THE JURY* (Seven Locks), *CAN WE TALK? THE POWER AND INFLUENCE OF TALK SHOWS* (*Plenum*), *MIND YOUR OWN BUSINESS: THE BATTLE FOR PERSONAL PRIVACY* (*Plenum*), *THE POWER OF FANTASY* (Citadel), and *PRIVATE EYES* (Paladin, with Sam Brown). Her books on marketing include: *LET'S HAVE A SALES PARTY* (ASJA Press), *BUILDING A WINNING SALES TEAM* (Probus), *SUCCESS IN MLM* (Prentice Hall) and *GET RICH IN PERSONAL SELLING* (Self-Counsel).

Scott has received national media exposure for her books, including appearances on *Good Morning America*, *Oprah*, *Montel Williams*, and *CNN*. She has been the producer and host of a talk show series, *CHANGEMAKERS*, featuring interviews on various types of change. Additional information is at www.changemakersradio.com.

Scott's screenplays, mostly in the crime, legal thriller, and sci-fi genres, include several in development with trailers, business plans, and interested directors and talent: *DEAD NO MORE*, *COKE AND DIAMONDS*, *DEADLY AFFAIR*, *THE NEW CHILD*, *NEW IDENTITY*, *OUT OF CONTROL*, and *THE SUICIDE PARTY*. She produced, directed, wrote, cast, and sometimes directed over 50 short films, featured at www.youtube.com/changemakersprod and on her website: www.changemakersproductions.com.

She received a PhD in Sociology from the University of California, Berkeley, a JD from the University of San Francisco Law School, and MAs in Anthropology; Mass Communications & Organizational/Consumer/Audience Behavior, and Popular Culture and Lifestyles from Cal State, East Bay. She will be getting an MS in Recreation and Tourism at Cal State, East Bay in the Spring 2013.