[redacted]
Janesville, Wisconsin 53545
March 30, 1994

Mr. Brian Lamb
C-Span
400 N. Capitol N.W.
Washington D. C. 20001-1511

Dear Mr. Lamb,

Sometime in late Januaryor early February you had an IRS representative on one of your programs.

A caller who had left the military on a "buy-out" asked how the "buy-out" money would be taxed, since he had no instructions.

The IRS man gave an 800 number to call for information. My son, who had questioned the employer tax treatment of proceeds of an auto industry "buy-out" earlier, called the 800 number but didn't receive an answer to the caller's question.

There is some background history here. The auto industry buy-out was treated by the employer as severence pay. It was taxed as "wages" in the year paid. There has been lengthy correspondence over a 3 year period with IRS, which has produced evasive responses. It boiled down to a refusal by the IRS to act on a request for a private letter ruling.

About 2 years after the ruling requestwas made, there was some general publicity about military"buy-outs" This was in the Fall of 1992. Les Aspin was the Congressional Representative from the First District here in Wisconsin, and I requested information about how these "buy-outs" would be taxed. Since Mr. Aspin had an office here in Janesville, I made the request verbally here in town. I never got a response.

A little more history. My son's request for a private letter ruling was based on a careful analysis of the the union contract JOBS program, part of which was the <u>buy-out</u>, which I had made.

The essential basis of my analysis was that the "buy-out" was the sale of seniority rights to a future job, with the surrender of a number of contract benefits earned over 15 years of employment.

There were 30+ pages of contract language implementing the JOBS program, and neither the word "wages" or "severance appears once. The term used was BENEFITS.

Anyhow, in the "downsizeing trend which is continuing, including the military, the word "buy-out" occurs frequently. There has to be a lot of money involved, and it would seem that the IRS should establish some definite and uniform rules so that people are treated fairly. My reaction is that its a "hot potato" that no one wants to touch.

There is an interesting and disturbing sidelight (to me, at least) about severance pay. Top executives of a recently merged Wisconsin

Bank are receiving a multi-million"severance" package. IRS rules for at least 30+ years have taxed severance pay; but in this situation,the merged bank agrees to pay the the income tax to be levied on the severence pay.

Anyhow, to the best of my knowledge, the IRS has not dealt with the tax liability of military "buy-outs. It seems content to let each employer make their own rules as evidenced by the W-2 submitted by the employer. Maybe there are separate rules for "golden parachutes".

Sincerely yours,

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P.S. - I think your coverage of Congress is making a major contribution to understanding of our government

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