SENATE TAXATION
EXHIBIT NO. 7
DATE 1.15.09
BILL NO. SB 128

January 11, 2009

To: The State of Montana Legislatures

SUBJECT: Request for Legislative Action concerning the State of Montana, Department of Revenue being allowed to follow the IRS guidelines for tax relief for INNOCENT SPOUSES.

My name is Dennis Almendinger. I have lived my entire life in Avon Montana and for the last 27 years I have been married to Peggy Almendinger. Last year Peggy was found guilty of embezzling $250,000 from Powell County and was sentenced to 10 years in the Montana Woman's prison in Billings.

I was not aware that she had been taking this money for several years and spending the funds on several additions she had including gambling and alcohol. Her arrest devastated my family and I ended up divorcing her. I can't put into words how hard this entire ordeal was.

The pain and humiliation I suffered was brought to another level 6 months ago when I received a bill from the Montana Department of Revenue for $16,000 because they wanted me to pay taxes on the money my wife had embezzled. I was in shock because I don't have that kind of money and I didn't know why I should have to pay taxes on what my wife stole, I didn't benefit from her action I was just part of a long line of victims of her actions.

I contacted my accountant and he said the IRS has a rule that they will not make a spouse pay taxes if the person can qualify under the INNOCENT SPOUSE regulations. The main requirement is that the innocent spouse can not have received any of the ill-gotten funds. Secondly they have to have become separated or divorced from their spouse and they had to have filed joint returns.

Powell County had already investigated me and they determined I wasn't part of the embezzlement. My accountant contacted the IRS and that generated a thorough 2-month audit of every dime I received and spent from 2000 to 2007. I spent full time during that time coming up with the records.

I just was notified last week that my records were clear and I was allowed an exemption from any IRS taxes since I was qualified as an innocent spouse.

Both the county and now the Federal IRS had cleared me and still the State of Montana is trying to collect $16,000 from me because the state does not honor the IRS on this matter. I wrote the Director of the Department of Revenue, Dan Bucks and he understood my dilemma and agreed to postpone further collection activity on my case until this issue could be brought up to you, the legislatures.

I certainly pled with you to honor the IRS guidelines on this matter of the innocent spouse. I was a victim of this terrible crime that cost me the privilege of a normal

life and it cost me my wife of 27 years and it is just not right to have the state not be allowed to follow the relief afforded US citizens under the Federal guidelines. Only you can stop this insanity of charging a grieving spouse taxes on the event that ruined their life.

The legislature simply has to put their approval on following Federal guidelines on this the same way most other tax cases are followed in Montana and that is to allow for innocent relief provided all Federal requirements are meet.

Thank you, Dennis Almendinger

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