



SALT WATCH

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Amnesty Opportunities Available to Aid Taxpayers

Overview

As more states continue to feel the pinch on budgets resulting from the extended economic downturn, state taxation and revenue departments have aimed to make it easier for taxpayers to come forward with outstanding tax liabilities. The majority of states offer a voluntary disclosure program, allowing eligible taxpayers the opportunity to come forward anonymously to submit prior-period tax obligations from a limited look-back period, while avoiding some interest and penalties. Some states, however, also offer taxpayers a second option under a state tax amnesty program.

State Tax Amnesty

State tax amnesty programs are designed to include a certain number of years and are typically available for most tax types, but only for a limited window of time. Under an amnesty program, states generally offer taxpayers interest and penalty abatements that are most often better than those offered under a voluntary disclosure program. In exchange for participation in an amnesty program, a taxpayer may be required to agree to timely file and pay all taxes for all future periods. The majority of amnesty programs are available to all taxpayers whether or not already registered for a particular tax type with the state, including cases where the taxpayer has already been notified or

contacted by the state.

Although not always well publicized, many states have recently increased the availability of the amnesty opportunity. New Jersey, Connecticut and Maine recently ended tax amnesty periods; currently, there are amnesty opportunities available or upcoming in Pennsylvania, New York and Massachusetts. Additionally, Illinois Republicans have proposed an amnesty program through a recent House Bill.

Pennsylvania's Amnesty Program

From April 26th, 2010 through June 18th, 2010, the Pennsylvania Tax Amnesty Program will allow taxpayers to come forward with delinquent tax payments. All penalties and one-half of the interest due will be waived. Individuals and businesses with Pennsylvania tax delinquencies as of June 30, 2009 are eligible to participate in the Pennsylvania Tax Amnesty Program. Non-filed tax returns or reports, as well as unpaid, under-reported or un-established taxes, whether known or unknown to the Department of Revenue, constitute eligible delinquencies. Most tax types are covered under the Amnesty Program. However, taxes, interest and penalties collected under the International Fuel Tax Agreement owed to other states or provinces are not eligible for amnesty.



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Participant Requirements

A participating taxpayer in the Amnesty Program must do each of the following during the amnesty period:

- File an online Amnesty Return with the Pennsylvania Department of Revenue;
- Make payment of all taxes and one-half of the interest due on the amnesty return;
- File complete tax returns for all required tax periods for which the taxpayer previously has not filed a tax return; and
- File complete amended returns for all required periods for which the taxpayer underreported a tax liability.

Additionally, a participating taxpayer must agree to waive the right to protest or appeal tax amnesty returns filed under the Amnesty Program.

Post Amnesty Enforcement

Payment of all taxes and interest eligible for the Amnesty Program must be received by the last day of the amnesty period, June 18, 2010. At the conclusion of the amnesty period, a 5% non-participation penalty will be imposed on all un-paid tax, penalty and interest not paid in full.

In the event an amnesty program is offered in the future, a taxpayer participating in the 2010 Amnesty Program will be prohibited

from participating in future amnesty programs.

New York

On December 2, 2009, the New York legislature authorized a limited tax amnesty program similar to Pennsylvania's to encourage eligible taxpayers to pay older unpaid tax liabilities of at least three years old. There will be reductions in penalties and interest for those who choose to come forward under the program. The program began January 15th and runs through March 15th. In order to receive the reduced penalty and interest, full payment of liabilities must be made by March 15th.

Massachusetts

Legislation was also signed in Massachusetts authorizing a two-month tax amnesty program, beginning on a date yet to be determined, but ending no later than June 30, 2010. Failure to file penalties as well as timely filing penalties will be waived for taxpayers who file all outstanding returns. Details of the program will be decided by the Revenue Commissioner, including potential look-back periods and the particular tax types and periods covered. An additional penalty will be assessed to eligible taxpayers in the future who fail to come forward under this program before June 30, 2010.

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Illinois

The House Revenue and Finance Committee of the Illinois General Assembly is currently reviewing a bill that would allow Illinois taxpayers to pay late taxes without penalty for a limited time. This program proposes to abate interest and penalties on taxes due after June 2002 if those taxes are paid during the amnesty period. The money collected through this program would go to the Monetary Award Program Reserve Fund for college students.

GBQ SALT professionals are available to assist in understanding the eligibility requirements of these programs and the potential liabilities for your company in any of the aforementioned states.

For more information, please contact:

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