



# SALT WATCH

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## States Continue Offering Amnesty to Aid Taxpayers, Build Revenue

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### Overview

As previously reported in SALT Watch Vol. 2010-1, many states are finding success in offering state tax amnesty programs as a way of generating cash and encouraging taxpayer compliance. Tax amnesty programs allow taxpayers to conduct a self-audit and require little involvement in the calculation of the tax by the respective state revenue and taxation departments.

It's no secret states are being forced to continue operating on tighter than usual budgets, while also attempting to scale back services.

Pennsylvania, New York and Massachusetts all offered amnesty programs in the first half of 2010. Pennsylvania has announced that more than 60,000 individuals and businesses participated in the program. Now it's time for the second wave.

### Florida

The state of Florida announced earlier in the summer the Florida Tax Amnesty Days program running from July 1, 2010 through September 30, 2010. The program, originally announced in H.B. No. 5801, covers most state and local tax liabilities originally due before July 1,

2010. Penalty will be waived for participation in the program, and interest will be assessed at a reduced rate. If the liability being reported through the amnesty program was previously unknown to the state, or the taxpayer responds to a Letter of Inquiry, performs a self-audit, or self-analysis, half of the interest will be waived. However, even those taxpayers who have already been contacted by the state will have one quarter of their interest waived.

To be eligible for Florida's amnesty program, a taxpayer's liability cannot already be covered by a settlement or installment payment agreement, nor can the taxpayer be under criminal investigation for violating Florida revenue law.

All necessary returns, including any amended returns, must be filed with the Department of Revenue and outstanding liabilities must be paid with applicable interest in full by September 30, 2010.

### New Mexico

The New Mexico State legislature, which hasn't made such an offering since 1999, approved a state tax amnesty program earlier this year to assist in better balancing an already tight budget. The program was announced June 7, 2010



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and is being termed New Mexico Tax Relief and billed as a stress/pain relieving medicine.

Taxpayers must apply for the program by September 30, 2010.

Amnesty will be given to individuals and businesses who disclose unpaid taxes that were due before 2010. As a result, all penalties associated with those taxes will be waived. Furthermore, similar to the proposed program in Illinois but something many states have been reluctant to offer, if outstanding liabilities are paid within 180 days of the taxpayer's resulting assessment, no interest will be due. However, interest will accrue from the due date of the tax for liabilities unpaid in the 180-day window.

### Illinois

Illinois spent a lot of time going back and forth about the most appropriate way to tackle the state's mounting deficit, deciding against tax increases or spending cuts. The only option left would appear to be an amnesty program. As a result, Illinois Governor Patrick Quinn signed Senate Bill 377, Public Act 96-1435 into law on August 16, 2010

creating the New Amnesty Law set to run from October 1, 2010 through November 8, 2010.

Taxpayers making payment of any outstanding debt for the period June 30, 2002 through July 1, 2009 will receive full abatement of penalties and interest for that time period. However, interest and penalties will double for tax debts owed during the amnesty period but not paid through participation in the amnesty program.

### Maine

Maine is offering tax amnesty available to taxpayers from September 1, 2010 to November 30, 2010. The amnesty offering is split into two initiatives: the "short-term initiative" (liabilities assessed as of December 30, 2009) and the "five-year initiative" (liabilities that were assessed as of June 30, 2005).

Taxpayers eligible for the "short-term initiative" are eligible to receive a waiver of ninety-five percent of the assessed penalty only. Taxpayers who qualify under the "five-year initiative" are eligible for a waiver of ninety-five percent of the penalty and interest. Furthermore, taxpayers are also eligible to participate in the program even if the taxpayer has

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an existing tax debt currently pending administrative or judicial proceeding.

### Nevada

On June 30, 2010, Nevada Governor Jim Gibbons announced a tax amnesty program to run from July 1, 2010 through September 30, 2010. The 2010 Tax Amnesty Program will cover eligible taxes due and payable prior to July 1, 2010, and provides for the waiver of penalty and interest if payment of the outstanding liability is made before the end of the amnesty period.

Nevada Sales and Use Tax, Modified Business Tax, and the Business License Fee, along with a number of other taxes administered by the Nevada Department of Taxation, are all covered under the amnesty program. Additionally, the program is made available to both previously registered and previously unregistered business taxpayers.

### Kansas

The Kansas Department of Revenue also announced its own tax amnesty program effective September 1, 2010 through October 15, 2010. The Kansas amnesty program will apply to tax liabilities due and unpaid for tax periods ending on or

before December 31, 2008. Both interest and penalty will be forgiven under amnesty if the liability is paid in full by the end of the program's date. The last time Kansas offered amnesty to taxpayers was 2003.

It's important that all taxpayers are aware of the potential for harsher or increased penalties assessed by state taxation and revenue departments if state tax liabilities are discovered once the amnesty programs expire. GBQ SALT professionals are available to perform an exposure analysis of all tax liabilities in any one of the states previously mentioned. Don't let these taxpayer-friendly opportunities pass you by.

For more information, contact:

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