

## STATE TAX AMNESTY PROGRAMS - TAX ALERT

**Tax amnesty** is a limited-time opportunity for a specified group of taxpayers to pay a defined amount, in exchange for forgiveness of a tax liability (including interest and penalties) relating to a previous tax period or periods and without fear of criminal prosecution. In some cases, legislation extending amnesty also imposes harsher penalties on those who are eligible for amnesty but do not take it. State tax amnesty programs have been around for many years, but more states have used them recently due to shrinking state tax collections.

The following states have tax amnesty programs that are either currently in effect or will be in the near future.

### Alabama

**Operation Clean Slate** –The Alabama Department of Revenue will temporarily waive penalties and not seek criminal prosecution for delinquent taxpayers who come forward and pay what they owe in state taxes. The program runs from **February 1 through May 15, 2009** and covers all tax types administered by the Department. Taxpayers who are already under investigation or have been contacted by the Department are not eligible. All returns must be filed and tax paid by the May 15, 2009 deadline.

### Arizona

The Arizona Department of Revenue has announced a tax amnesty program that will run from **May 1, 2009 through June 1, 2009**. The program applies to all taxes collected or administered by ADOR except for estate taxes and property taxes. Under the program, eligible taxpayers may qualify for a waiver of all or part of the penalties that otherwise would apply and for a reduced interest rate for some past tax periods. However, taxpayers considering this option should proceed with caution because, by applying for tax amnesty under this program, they waive all administrative and judicial appeal rights with respect to tax paid under the program.

### Connecticut

The Connecticut Tax Amnesty Program runs from **May 1, 2009 to June 25, 2009**. It provides an opportunity for eligible individuals and businesses to avoid penalties and criminal prosecution and to pay a reduced interest rate. New Jersey Governor Jon Corzine has signed a bill creating a 45-day New Jersey state tax amnesty period that will end no later than June 15, 2009. Presumably the program will begin on or about May 1, allowing the New Jersey Division of Taxation some time after the April 15 filing deadline to gear up for the program.



Under the program, taxpayers who pay outstanding state tax liabilities for tax returns due on or after January 1, 2002 and prior to February 1, 2009, plus one-half of interest owed as of May 1, 2009, will not have to pay the other half of the interest owed, nor will they be liable for collections costs or civil or criminal penalties. Taxpayers under criminal investigation for a state tax matter are ineligible for the program. On the other hand, taxpayers involved with civil tax audits are eligible.

### **Louisiana**

Governor Bobby Jindal announces that he is proposing legislation for a Tax Amnesty period during fiscal year 2009-2010 for a two-month period to be determined by the Secretary of Revenue. Applicable years for this amnesty will include all periods since the last amnesty in 2001 – July 1, 2001 through December 30, 2008. During the Governor's proposed tax amnesty period, the state will waive 100 percent of the accrued penalties owed on unpaid taxes and 50 percent of the interest, if the taxpayer pays 100 percent of the owed tax and 50 percent of the accrued interest.

### **Massachusetts**

This amnesty is designed to benefit individual taxpayers who have previously received notice from DOR of an outstanding tax liability. Only taxpayers who receive the special amnesty tax bills will be eligible for the amnesty program, which will be available for unpaid personal income tax, personal use tax and cigarette excise liabilities for tax years ending on or before Dec. 31, 2007. The amnesty will run from **March 1 to April 30**.

### **New Jersey**

The New Jersey Division of Taxation has announced a Tax Amnesty program to run from **May 4 to June 15, 2009**. The amnesty shall apply only to State tax liabilities for tax returns due on or after January 1, 2002 and prior to February 1, 2009 and shall not extend to any taxpayer who at the time of payment is under criminal investigation or charge for any State tax matter, as certified by a county prosecutor or the Attorney General to the director. The program will offer a waiver of all penalties, referral cost fees, and one-half of the balance of the interest that remains due as of May 1, 2009, provided payment of all tax owed and one-half of the balance of the interest that remains due is paid in full during the amnesty period. In addition, all filing requirements must be satisfied for delinquent returns.

### **Virginia**

A new law authorizes an amnesty program to be administered by the department between **July 1 and June 30, 2010**, covering most taxes administered by the department. Under the program, the department will waive all civil and/or criminal penalties assessed or assessable, and one-half of the interest assessed or assessable, which are the result of nonpayment, underpayment, non-reporting or underreporting of tax liabilities.



At the conclusion of the amnesty period, any remaining amnesty-qualified liabilities will be assessed a 20% penalty. This penalty will be in addition to all other penalties, including the 6% per month late payment penalty (with a maximum of 30%), and the 20% penalty assessed after the State's 2003 amnesty program, if applicable. Therefore, if an amnesty-eligible taxpayer failed to participate in the State's 2003 amnesty program and the current amnesty program, such taxpayer could face penalties of up to 70% in the future.

**Actions:** Clients should review their records to determine whether they can benefit from one of these tax amnesty programs.

The tax professionals at **Paradigm Tax Group** can work with the various Departments of Revenue to minimize your tax liabilities. **Paradigm Tax Group** is a national consulting firm specializing exclusively in providing taxpayers of commercial, industrial, multi-residential, and special purpose properties with full-range property assessment and tax management services. We began as a "Big 4" National Property Tax Services Practice and we are now an independent firm. We have a strategic national reach with [21 offices](#) across the United States. Check out our website at <http://www.paradigmtax.com> for more information.

Should you have any questions regarding this *Sales Tax Alert* or how **Paradigm Tax Group** can assist you with these or any other state and local tax issues, please contact Holly Unck at (602) 427-4059 or [hunck@paradigmtax.com](mailto:hunck@paradigmtax.com).

***Tax professional standards statement***

*This document supports the marketing of professional services by Paradigm Tax Group, LLC. It is not written tax advice directed at the particular facts and circumstances of any person. Persons interested in the subject of this document should contact Paradigm Tax Group, LLC or their tax advisor to discuss the potential application of this subject matter to their particular facts and circumstances. Nothing herein shall be construed as imposing a limitation on any person from disclosing the tax treatment or tax structure of any matter addressed. To the extent this document may be considered written tax advice, in accordance with applicable professional regulations, unless expressly stated otherwise, any written advice contained in, forwarded with, or attached to this document is not intended or written by Paradigm Tax Group, LLC to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code or any state or local tax code.*

