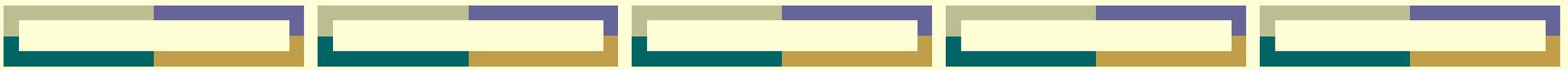




California's Efforts to Combat Abusive Tax Avoidance Transactions

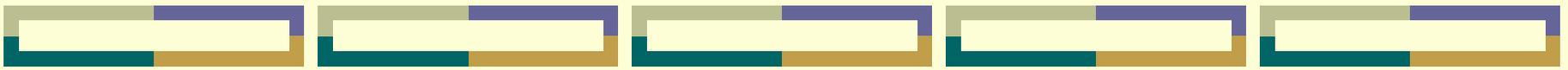
Debbie Langsea
California Franchise Tax Board
June 7, 2004



“You can’t underestimate how many of
America’s greatest minds are being
devoted to what economists would all say
is totally useless economic activity.”

Peter Cobb, former Deputy Chief of Staff,
Joint Committee on Taxation





Past, Present and Future of Tax Shelters

- Tax Shelter Generations
 - Lost Revenues
 - Legislation
 - Administration Costs
 - Initiatives
 - Enforcement Actions
- 



The California Program

- Compliance Strategy
 - Education/Publicity Outreach
 - Working Partnerships
 - Voluntary Compliance
 - Enforcement Activity
- 



Compliance Strategy

- Tax Shelter Audits
 - Voluntary Compliance
 - Federal Actions
 - Legislation
 - Fiscal Responsibility
- 

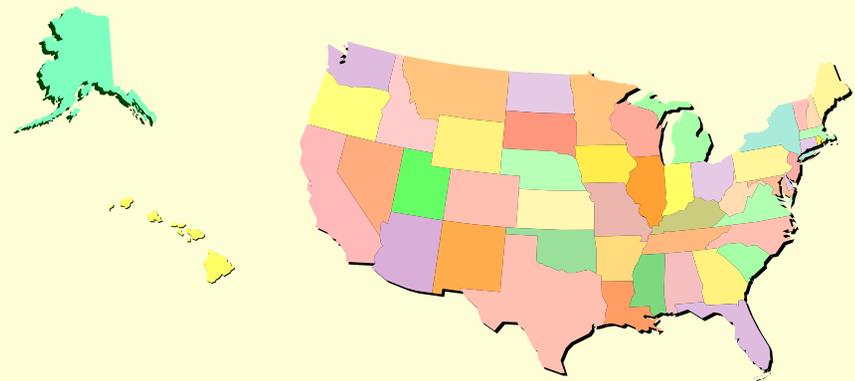


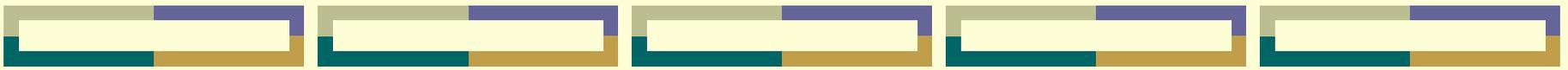
Education/Publicity Outreach

- News conferences, press releases
 - Symposium, presentations
 - Internet, e-mail, telephone
 - Letters, publications
 - FTB testifies at U.S. Senate Hearings
- 

Working Partnerships

- IRS Memorandum of Understanding
- States Memorandum of Agreement





Voluntary Compliance Initiative

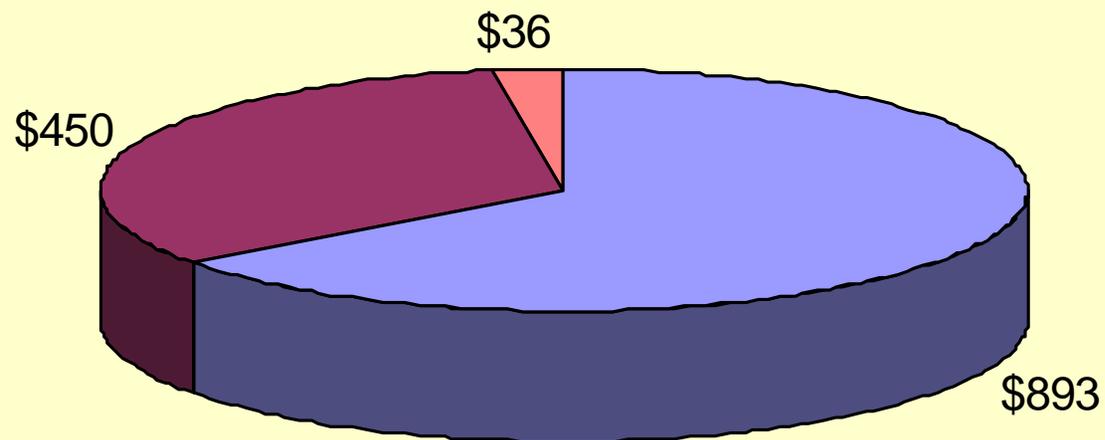
California's 106-Day Program:
\$1.3 Billion Tax Revenues

- 1,200 Taxpayers
- 2,100 Tax Years



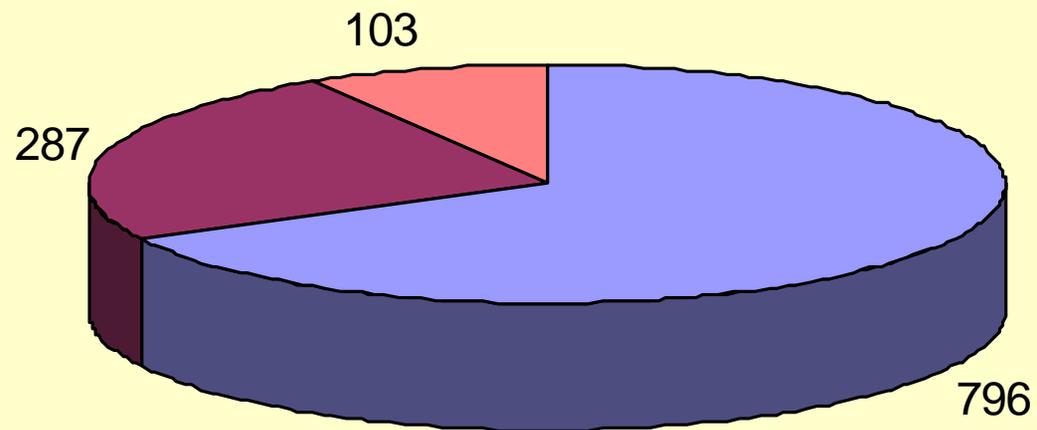
VCI by Total Revenue

(in Millions)



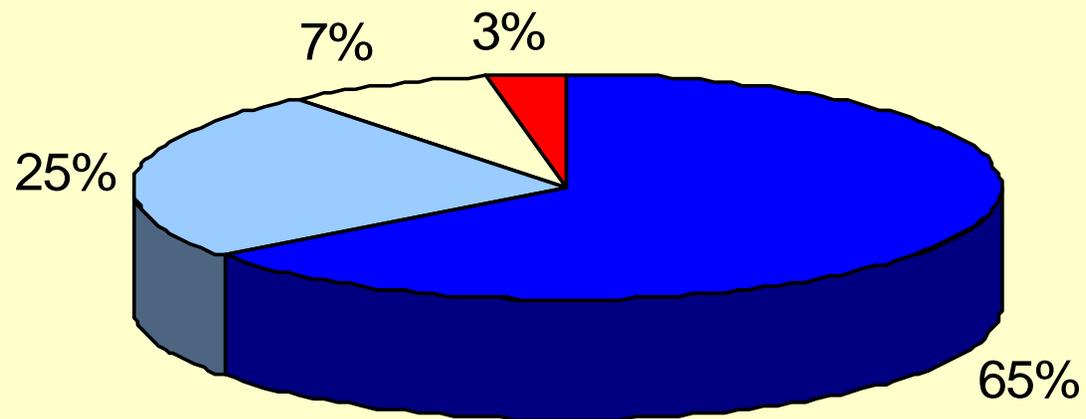
■ PIT ■ CORP ■ Pass Through

VCI by Taxpayers



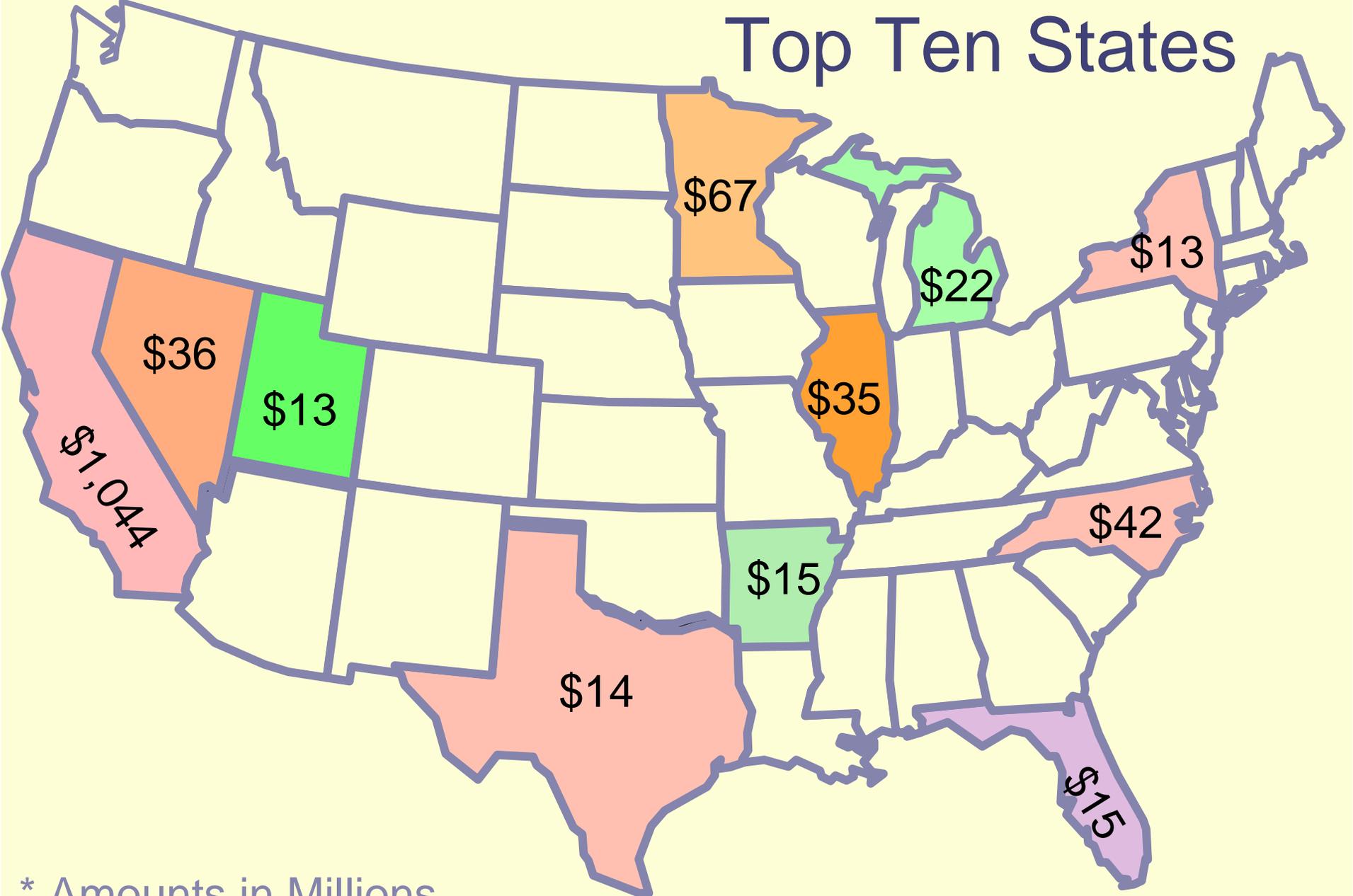
■ PIT ■ CORP ■ Pass Through

VCI Options by Revenue



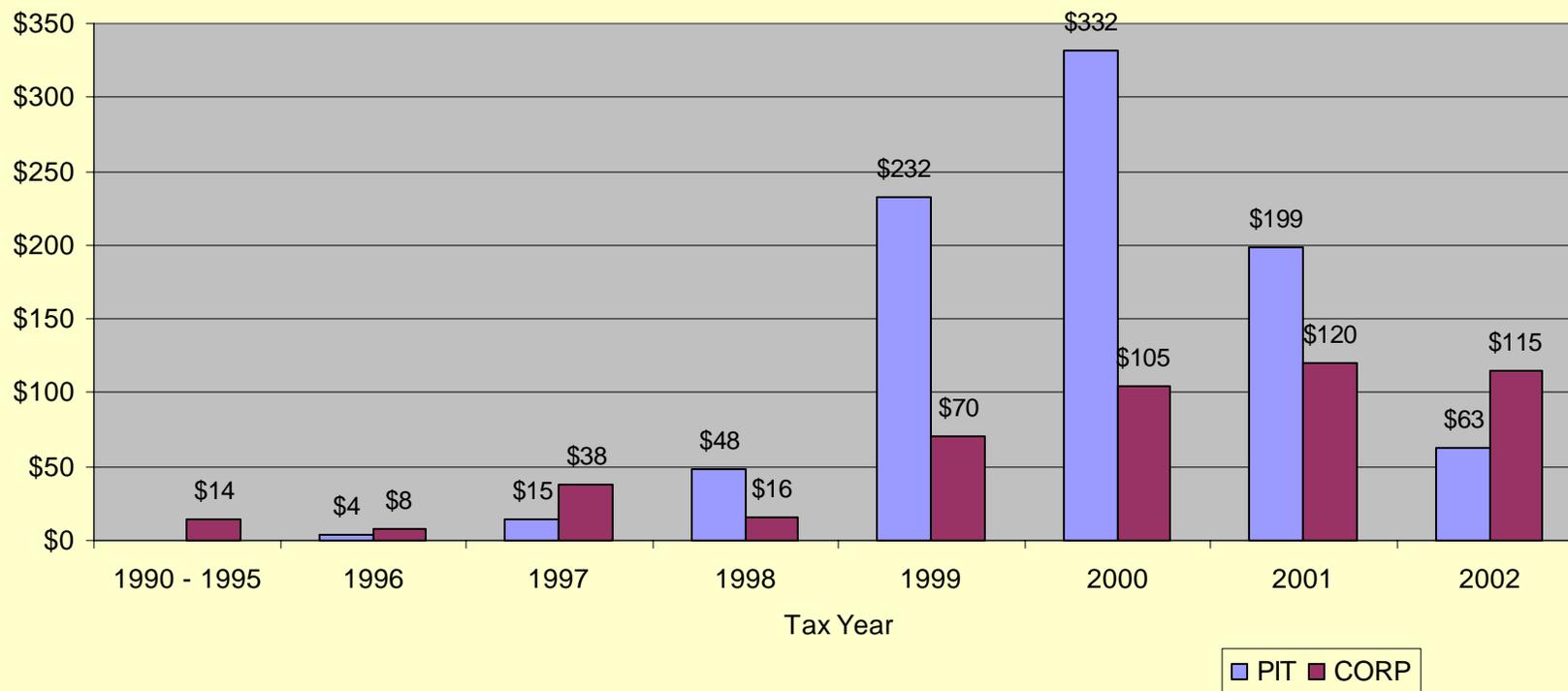
■ Right to File Claim ■ No Appeal Rights □ Pending Federal ■ Claim for Refund

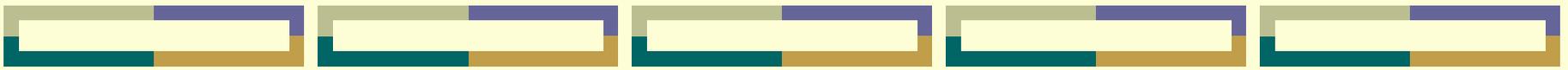
Top Ten States



* Amounts in Millions

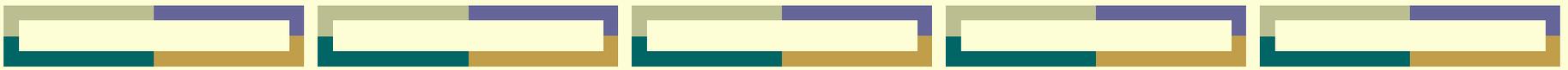
VCI Returns by Tax Year





Enforcement Activity

- Information exchange with IRS and States
 - Reporting and disclosures requirements
 - Investor and Promoter Audits
 - Subpoenas
 - Legislation
- 



“Significant resources, both in the private sector and the Government, are currently being wasted on this uneconomic activity.

Private sector resources used to create...complex sheltering transactions...and the IRS must expend significant resources to address and combat these transactions.”

Jonathan Talisman,

Acting Assistant Secretary for Tax Policy

Testimony before House Comm Ways & Means



Questions?

See our website: www.ftb.ca.gov