

Option 2 allows you to voluntarily comply while maintaining your appeal rights, allowing you discretion to file a claim for refund for amounts paid under the VCI. In exchange, we waive all penalties that apply to the use of the abusive tax shelter or transaction except for the accuracy-related penalty.

Can I participate in the VCI if I do not have the ability to pay now?

Yes. The VCI requires you to fully pay the tax liabilities and interest for all years you participate in the VCI. However, if the Franchise Tax Board determines you are unable to pay now, based on full disclosure of all your assets and income sources, you may be able to pay the tax and interest in installments over time and qualify for penalty relief under the VCI.

Assistance for persons with disabilities:

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments, please call TTY/TDD (800) 822-6268.

What if I need forms or additional information about the VCI program?

Contact Information

Internet

www.ftb.ca.gov

Email

vci@ftb.ca.gov

Telephone

(916) 845-3232

Monday - Friday, 9:00 a.m. to 4:00 p.m.

VCI Participation Agreement Form

- Available online at www.ftb.ca.gov
- Call us at (916) 845-3232

Form FTB 622 for Individuals

Form FTB 621 for Business Entities

**Remember, you must act by
April 15, 2004.**

State of California

Abusive Tax Shelters: Need a way out?

**January 1, 2004
to
April 15, 2004**

VCI
Voluntary **Compliance** Initiative

It's the right choice!

www.ftb.ca.gov

What is the Voluntary Compliance Initiative?

The Voluntary Compliance Initiative (VCI) allows a limited time for taxpayers, who used abusive tax shelters or transactions to underreport their income or tax liability, to amend their returns and obtain a waiver of various penalties. The VCI applies to tax year 2002 and prior tax years.

The VCI begins January 1, 2004, and ends April 15, 2004.

What is an abusive tax shelter or transaction?

Abusive tax shelters or transactions are plans or arrangements devised for the principal purpose of avoiding tax. They include, but are not limited to, listed transactions identified by the Internal Revenue Service (IRS) or the Franchise Tax Board.

Can I participate in the VCI?

You can participate if you used an abusive tax shelter or transaction to underreport your income or tax liability. You cannot use the VCI if you were eligible to participate in the IRS Offshore Voluntary Compliance Initiative (Rev. Proc. 2003-11).

How do I participate in the VCI?

To participate in the VCI, obtain a *Participation Agreement* form from our Website at www.ftb.ca.gov, or call (916) 845-3232 to order the form. Complete the form and attach it to your amended return. Your amended return must report all income and loss without regard to the abusive tax shelter or transaction. You must amend your return and pay all taxes and interest by April 15, 2004.

Why should I participate in the VCI?

You can save a significant amount of money in penalties and avoid possible criminal prosecution. Potential penalties and interest can be substantial. The chart below highlights potential savings for those participating in the VCI:

Payment due with VCI	
Tax	\$100,000
Interest	30,585
Total	\$130,585

Payment due without VCI	
Tax	\$100,000
Interest	30,585
Penalties	145,585
Total	\$276,170

What penalties can I avoid if I participate in the VCI?

The penalties you may avoid include:

Noneconomic Substance Transaction Understatement Penalty	20% or 40% of the underpayment
Accuracy-Related Penalty	20% or 40% of the underpayment
Interest-Based Penalty	Additional 100% of the interest due on the deficiency
Fraud Penalty	Equal to 75% of the underpayment

What are my options under the VCI?

You can choose one of two options under the VCI. Both options require you to amend your California income or franchise tax return to eliminate the abusive tax shelter or transaction and pay tax and interest due.

Option 1 allows you to voluntarily comply without appeal rights. We will waive all penalties that apply to the use of the abusive tax shelter or transaction. Under this option, you cannot file a claim for refund for amounts paid under the VCI related to the abusive tax shelter or transaction.