



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
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Abusive Tax Shelters: Need a Way Out?

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New California law authorizes the Franchise Tax Board to aggressively combat abusive tax shelters and transactions by adding substantial penalties, along with new registration and reporting requirements for both investors and promoters of abusive tax shelters.

The law also provides an opportunity for taxpayers who underreported their income or tax liability using abusive tax shelters and transactions to amend their returns and limit the risk of penalties, before we step-up our enforcement activities. These penalties are substantial and can range from 20 percent to 75 percent of the underpayment, and include an added penalty equal to 100 percent of the interest charged on any deficiency assessment.

This opportunity to come forward, which by statute is called the Voluntary Compliance Initiative, applies to tax year 2002 and prior tax years. It is effective through April 15, 2004. **To participate in the Voluntary Compliance Initiative** or get more information about the new abusive tax shelter and transaction penalties, read the enclosed brochure, or:

- Visit our Voluntary Compliance Initiative Website at **www.ftb.ca.gov**.
- Email us at vci@ftb.ca.gov.
- Call our Voluntary Compliance Initiative hotline at (916) 845-3232, Monday – Friday, 9:00 a.m. to 4:00 p.m.

This letter constitutes formal notification of the Voluntary Compliance Initiative pursuant to California Revenue and Taxation Code Section 19751(e). If you invested in an abusive tax shelter, and do not participate in this initiative, you cannot avoid the abusive tax shelter and transaction penalties by filing an amended return after April 15, 2004. If you **did not** invest in any abusive tax shelter or transaction, please disregard this letter.

Winston Mah, Chief
Audit Division