



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO Box 1673
Sacramento CA 95812-1673
Telephone (916) 845-3232 Fax (916) 845-0415

Abusive Tax Shelters: Need a Way Out?

March 2004

Taxpayer Name
Address
Address

California obtained thousands of abusive tax shelter leads from the IRS, states, and other sources of information. These leads identified taxpayers, promoters, and tax schemes involved in sheltering income. We have reason to believe that you may have participated in a potentially abusive tax shelter to avoid paying income tax. Participating in abusive tax shelters exposes you to substantial risks of increased penalties and interest. However, you can save money by taking advantage of the Voluntary Compliance Initiative (a one-time offer to avoid these penalties). To participate, you must complete three simple steps by **April 15, 2004**:

1. Complete an amended return and Voluntary Compliance Participation Agreement Form,
2. Pay the taxes and interest,
3. Mail the tax forms and payment (except for EFT payments) to: **VCI, Franchise Tax Board, PO Box 1673, Sacramento, CA 95812-1673**

New California law provides substantial penalties ranging from 20 percent to 75 percent of the underpayment and a penalty equal to 100 percent of the interest charged on any deficiency assessment. The law allows the Franchise Tax Board eight years (instead of only four years) to issue deficiency assessments on tax shelters.

You can participate in the Voluntary Compliance Initiative for tax years 2002 and prior. To obtain more information about this one-time offer, you can:

- Read the enclosed brochure.
- 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. (PST).

This letter constitutes formal notification of the Voluntary Compliance Initiative pursuant to California Revenue and Taxation Code Section 19751(e). If you 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.

Winston Mah, Chief
Audit Division
Enc. VCI Brochure and Participation Agreement Form