

New California law authorizes the Franchise Tax Board to aggressively combat the use of abusive tax shelters and transactions by adding new registration and reporting requirements for promoters and organizers of potentially abusive tax shelters. As a tax professional, these new Registration and List of Investors Requirements apply to you if you:

- Participated in the organization of a potentially abusive tax shelter.
- Advised a potentially abusive tax shelter.-
- Provided an opinion on a potentially abusive tax shelter.
- Promoted a potentially abusive tax shelter.-
- Sold a potentially abusive tax shelter.
- Managed a potentially abusive tax shelter.

Your responsibilities to report, register, and maintain investor lists for potentially abusive tax shelters are described below. You can get detailed information by clicking on the respective links shown below.

Registration Requirements

Beginning January 1, 2004, if you participate in one of the above noted activities, you must register California related¹ tax shelters with the Franchise Tax Board by the first day the tax shelter interests are offered for sale. Additionally, by **April 30, 2004**, you must register California related tax shelters with the Franchise Tax Board if your clients invested in any transaction:

- after February 27, 2000 that became a federal listed transaction at any time, or
- after September 1, 2003 that became a California listed transaction at any time.

List of Investors Requirements

If you must maintain a list of investors for federal purposes, you must now maintain a list of investors in California related tax shelters or transactions for the Franchise Tax Board. Generally, you must provide this list to the Franchise Tax Board upon request. However, by **April 30, 2004**², you must provide investor lists to the Franchise Tax Board if your client invested in any transaction:

- after February 27, 2000 that became a federal listed transaction at any time, or
- after September 1, 2003 that became a California listed transaction at any time.

Penalties

If you do not comply with these provisions, you may be subject to substantial penalties including:

Failure to Register Tax Shelter	\$15,000
Failure to Register Listed Transaction (greater of)	\$100,000 or 50% of gross income
Intentional Disregard to Register Listed Transaction (greater of)	\$100,000 or 75% of gross income
Failure to Maintain/Provide Investor List for Reportable Transactions	\$10,000 per day
Failure to Provide Investor List for Listed Transactions (greater of)	\$100,000 or 50% of gross income
Promoter penalty	50% of gross income
Preparer penalty	\$1,000 per return
Preparer penalty - Willful or Reckless Conduct	\$5,000 per return

You can also find more information about the new tax shelter provisions and [Voluntary Compliance Initiative](#) program on our website, or by calling us at (916) 845-3232.

¹ California related tax shelters include those that are organized in California, do business in California, derive income from California sources, or have at least one California investor.

² After April 30, 2004, you must provide this information by the later of 60 days after (1) the investors enter the transaction, or (2) the transaction becomes listed.