

Tax Amnesty
California Society of CPAs 2005 Liaison Meeting

I. Background

The Tax Amnesty Program as enacted by SB 1100 has been successful in that the revenue has exceeded the projected goal of \$555 million.

The Tax Amnesty Program ran accepted applications from February 1, 2005 through March 31, 2005. Taxpayers who applied were provided the opportunity to resolve any unpaid tax balances from 2002 and prior while avoiding most penalties, fees, or criminal prosecution. All prior year returns and amounts owed to FTB were due by May 31, 2005. If the balance due could not be paid, the taxpayer could request an installment agreement and be granted until June 30, 2006 to pay-in-full.

II. Results

From an operational standpoint, the following stats are provided:

- 173,000 applications (plus Protective Claims)
- 116,000 returns
- 23,000 Amnesty Installment Agreements
- 640,000 contacts by Public Service staff via phone, correspondence or in the field offices
- 300,000 visits to the Amnesty website

However, there were some unintended consequences. AB 911 provides relief for taxpayers and was signed by the governor.

1. Allow underpayments for amnesty-eligible years to be offset by overpayments from other years for purposes of computing the amnesty penalty. (*effective immediately*)
2. Establish a 20-year statute of limitations to collect income or franchise tax balances due from taxpayers, and thereafter extinguish the liability to pay such balances by abating the tax. (*effective July 1, 2006*)
3. Allow the FTB to extinguish certain inactive taxpayer debts (i.e. less than \$250, permanent financial hardship, accounts older than 30 years, and certain decedent persons). (*effective immediately*)
4. Repeal the provision of law that requires taxpayers that participate in amnesty to pay any tax due for the 2005 and 2006 taxable years to avoid having the benefits of amnesty revoked and the amnesty penalty imposed. (*effective immediately*)
5. Allow taxpayers to file a claim for refund of the amnesty penalty on grounds limited to whether the penalty was properly computed. (*effective immediately*)

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6. Make technical clarifications of certain amnesty provisions.

The department has established a team to implement this new legislation.

III. Status

We are in the final stages of the amnesty program.

Beginning September 1, a summary of Tax Amnesty Program information was made available on the FTB website (www.ftb.ca.gov). We added additional FAQ's to the website to assist external customers with penalty and notice-type questions. This summary also includes detailed charts of protective claims by taxpayer group, claims status, and amounts paid by corporations.

Beginning September 1, the department implemented a four-month pilot that allows individual taxpayers to pay their debts over five years versus three years. In addition, business entities may now enter into formal installment agreements.

Most of the taxpayers who did not participate in amnesty have received a Notice of State Income Tax Due that included the 50% interest-based penalty. Phone calls have been minimal and the majority of calls are related to an explanation of the bill and how the penalty was calculated.

Business entity participants that failed to complete their amnesty requirements will be contacted in November. Individuals that failed to complete their amnesty requirements will be contacted in January.

IV. Additional Information

- Oldest tax year applied for - 1947
- One TP applied for 12 tax years
- Apps received from a foreign country address – 500
- Most apps received from another state:
 - PIT – Nevada, Texas and Arizona
 - BE – New York, Texas and Nevada