

Connecticut Tax Alert

April 2009

TAX AMNESTY PROGRAM BEGINS MAY 1 AND ENDS JUNE 25, 2009

Public Act No. 08-1 (November 24 special session) establishes a two-month amnesty program that will run from May 1, 2009 to June 25, 2009, during which period delinquent taxpayers may come forward and pay unpaid state tax liabilities without incurring penalties and at a reduced interest rate. The amnesty program, which is being offered for the fourth time in the last 20 years, is similar to programs currently in place in Massachusetts and New York, and is projected to raise a minimum of \$40 million. Prior amnesty programs in 1990, 1995 and 2002 generated \$90 million, \$46.1 million and \$22 million in back taxes, respectively.

Eligibility

Any person or entity who either failed to file a return or under-reported virtually any Connecticut tax that is administered by the Department of Revenue Services ("DRS") for any period ending on or before November 30, 2008, is generally eligible. Amnesty is not available for taxpayers who are (1) currently under audit by the DRS (those under audit may not file an amnesty application for the tax period and tax type under audit but may file for amnesty for other periods or tax types), (2) currently under criminal investigation by the DRS or (3) a party to any civil or criminal litigation that is pending on November 25, 2008, in any court of the United States or Connecticut for failure to file, failure to pay, or for fraud in relation to any tax imposed by Connecticut. Examples of eligible taxes for which amnesty applies include the corporation business tax, the gift tax, the income tax, the sales and use tax and the withholding tax.

Relief Provisions

If accepted into the amnesty program, the DRS will not seek criminal prosecution and all civil penalties (currently ranging from 10 to 25 percent) will be waived, provided the taxpayer pays all taxes and interest then due. In addition to waiving all penalties, taxpayers would only be responsible for 75 percent of the interest due (a reduction of the rate from 1 percent to 0.75 percent per month). All liabilities must be paid in full by June 25, 2009. The waiver of a penalty or reduction of interest resulting from the amnesty program does not entitle a party to a refund or credit of an amount previously paid. Please note that, in the case of nonfilers, or in situations involving fraud, amnesty would apply to all periods as Connecticut law generally does not provide for a statute of limitations for such taxpayers or matters. Nonfilers should consult with a tax advisor to determine whether it would be more advantageous for them to file an application under the DRS Voluntary Disclosure Program because of the potential opportunity to negotiate a shorter look-back period.



If an amnesty application is accepted by the DRS, the acceptance constitutes an express and absolute relinquishment of all administrative and judicial rights of appeal that have not run or otherwise expired. Likewise, no payments made through the amnesty program will be refunded or credited, even if the taxpayer's amnesty application is denied.

If an applicant fails to pay all amounts due to Connecticut for an affected taxable period, any amnesty granted by the program will be invalidated. Any person who willfully delivers or discloses fraudulent or false information shall be ineligible for the tax amnesty program, and in addition to any other penalty provided by law, may be fined up to \$5,000, be imprisoned for 1 to 5 years, or both.

Filing

All amnesty applicants must file an application electronically using the Amnesty Taxpayer Service Center. Business applicants must make full payment using a credit card at the time the application is filed. Individual applicants may request a payment voucher and are permitted to mail in the payment with the voucher, if desired. Payment must be made in full by June 25, 2009. Payments not made by that date will preclude participation in the Tax Amnesty Program.

MUNICIPAL TAX AMNESTY PROGRAM

Public Act No. 08-2 (November 24 special session) authorizes Connecticut municipalities (including any town, consolidated town and city, consolidated town and borough, special district, or any unconsolidated city) to establish a one-time amnesty program that may be in effect until December 31, 2009. Municipalities may allow full or partial forgiveness of interest, penalties, fines, costs or other fees due on any municipal taxes or other delinquent payments. The maximum duration of any municipal amnesty program is 90 days, and such program may only apply to periods before the program was instituted. Taxpayers should contact a municipality directly to determine if the municipality is conducting a local amnesty program.

FURTHER INFORMATION

If you have you any questions regarding either the Connecticut or municipal amnesty programs, or would like additional information, please call (860) 251-5000 to speak to any member of our [Tax Practice Group](#).

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