

# Ask The Lawyer

## New York State Tax Amnesty: YOUR "GET OUT OF TAX TROUBLE FREE" CARD

by **Richard E. Scrimale**

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The current New York State budget includes a limited Tax Amnesty Program. Clearly, the events of September 11<sup>th</sup> greatly affected the state's coffers. The State Legislature and the Governor needed to find new sources of revenue to offset the significant costs and expenses related to September 11<sup>th</sup>.

For whatever reason, some taxpayers fail to comply with their filing and payment obligations. For instance, some inadvertently miss the filing deadline and, thereafter, intend to file their returns. But it becomes a lower and lower priority the further they are from the deadline. Other instances have people filing their return but don't have the funds to pay the tax in full. Finally, there may be certain one-time transactions that taxpayers do not realize requires a filing and payment. For example, the acquisition of assets of a business may result in taxable sales for sales and use tax purposes. The failure to file a casual sales tax return and pay the sales tax due on the transaction may have been a mere oversight.

During the budget negotiations, the Assembly, Senate and Governor were under pressure to preserve the tax cuts from previous years in order to support the economy and not cause any additional deterioration to the economy. Such negotiations resulted in the Tax Amnesty Program, viewed to be a large one-time source of revenue and, hopefully, a future source of steady revenue from the people who voluntarily enter the program to obtain compliance with New York State tax law.

### Tax Amnesty Program

The Tax Amnesty Program, as adopted, applies to specific taxes as well as specific tax reporting periods. It applies to personal income, corporate franchise (income), sales and use, estate and various Article 9 corporations and utility taxpayers. Secondly, the program only applies to taxpayers with outstanding liabilities through December 31<sup>st</sup>, 2000. But if the underlying tax requires the filing of a quarterly return, then the tax amnesty period will apply to tax liabilities occurring on or before February 28<sup>th</sup>, 2001. In addition, the amnesty period applies for tax liabilities that require the filing of an annual return on the last day of February each year occurring on or before February 28<sup>th</sup>, 2001. Finally, the tax amnesty period applies to the estates of those who died on or before February 1<sup>st</sup>, 2000.

### Benefits

As long as the taxpayer complies with the Tax Amnesty Program's requirements, the Commissioner of the Department of Taxation and Finance must waive all applicable penalties relating to the tax. In addition, the

Department must reduce the applicable interest rate on the outstanding balance by 2%.

### Eligible Taxpayers

The Tax Amnesty Program is available for taxpayers with outstanding liabilities for the applicable tax periods. It does not apply to those who have more than 500 employees or whose combined filing group has more than 500 employees in the United States. Finally, those who received benefits under a previous amnesty program are not eligible under this program.

### Requirements

In order to obtain the benefits of the Tax Amnesty Program, the taxpayer must submit the applicable tax return, payment of the stated tax liability and the related interest. In addition, if a taxpayer has an existing installment payment agreement with the Department of Taxation and Finance, any outstanding balance must be paid in full.

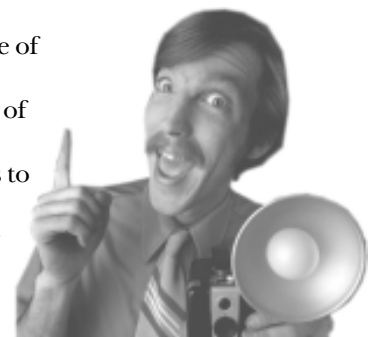
The Department is formulating the details of the Tax Amnesty Program which will be released on its web site ([www.tax.state.ny.us](http://www.tax.state.ny.us)). It should be noted that the state's budget calls for the program to be completed by April 30<sup>th</sup>, 2003, the end of the current fiscal year.

Anyone eligible to receive benefits under this Tax Amnesty Program should first contact their tax advisor to determine the amount of the benefit and proceed with the submission requirements. □

## Small-Biz Snapshot

Small-business owners were asked what they would do if first-class postage rose to 40 cents for a letter and 24 cents for a post card by the end of the year:

- 59.3% Maintain volume of first-class mail
- 20.2% Reduce volume of first-class mail
- 2.1% Shift from letters to post cards
- 13.8% Shift to cheaper forms of mail, such as third-class
- 4.5% Don't know



Source: National Federation of Independent Business