



Connecticut Tax Amnesty

On November 25, 2008, Governor M. Jodi Rell signed into law a bill enacted by the Connecticut General Assembly addressing in part the state's currently projected \$300 million budget deficit. The most significant provision is a tax amnesty program, which allows taxpayers to report and pay previously unreported liabilities without penalty and with reduced interest. The state expects the tax amnesty program to generate \$40 million in additional revenue. Connecticut joins a growing number of states, including Massachusetts, that have recently enacted tax amnesty provisions in an effort to infuse additional revenue into the state's coffers. This will be Connecticut's fourth tax amnesty since 1990.

Eligible Taxpayers, Taxes and Periods

The current Connecticut tax amnesty program is almost identical to Connecticut's 2002 tax amnesty. A person or entity owing any Connecticut tax, except for the Motor Carrier Road Tax, for any period ending on or before November 30, 2008, is eligible. The tax liability may be due to a taxpayer not filing a return or due to underreporting of tax on a filed return.

Factors Preventing a Taxpayer from Participating in Amnesty

Any taxpayer that has previously received an audit examination notice from the Connecticut Department of Revenue Services is not eligible for amnesty for the period covered by the audit notice. Additionally, amnesty is not available to taxpayers that are the subject of a criminal investigation or a party to any civil or criminal litigation pending on November 25, 2008, in any U.S. federal or Connecticut court for failure to file, failure to pay, or fraud.

Amnesty "Pros"

All applicable civil penalties (ranging from 10 to 25 percent) will be waived and the department will not seek criminal prosecution of any taxpayer that files an application that is accepted and pays all taxes and interest due. For those applicants that pay their taxes in full by June 25, 2009, the interest rate is reduced from 1.0% to 0.75% per month from the date the tax was originally due.

Amnesty "Cons"

Taxpayers filing amnesty applications will give up the right to administrative and judicial review and forfeit all rights to apply for a refund or credit of taxes paid under amnesty. Any taxpayer that willfully delivers or discloses any fraudulent or false application will be ineligible to participate in the tax amnesty program and may be further subject to a fine of not more than \$5,000 or imprisonment of one to five years, or both.

Applicants must file amnesty applications with the Department of Revenue Services between May 1, 2009, and June 25, 2009.

Municipal Amnesty Authorized

A related provision allows Connecticut municipalities to establish by ordinance a one-time amnesty program for persons owing any tax, assessment, fee, fine, or other payment. Upon the adoption by the municipality's legislative body, the municipal amnesty program may provide for full or partial forgiveness of interest, penalties, fines, costs, or other fees due. The municipality may conduct its amnesty program for any 90-day period that expires on or before December 31, 2009.

Summary

Connecticut's tax amnesty program presents an opportunity for both individuals and businesses that have Connecticut tax exposure to satisfy that liability without penalty and with discounted interest. If you have questions concerning the existence of a tax liability, the potential amount of a liability or the procedure about Connecticut's amnesty program, please call (860) 275-8200 to speak to any member of our State Tax Group:

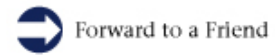
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