

Amnesty is the Best Policy...

Oregon Tax Amnesty Available Until November 19, 2009

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On July 14, 2009, Governor Kulongoski signed SB 880 into law. In so doing, Oregon has joined a number of other states offering tax amnesty programs. The program is designed to encourage corporate and individual taxpayers who need to file or amend a return for a prior tax year to file the necessary returns and pay any taxes due.

The advantages to applying for amnesty protection under this law are clear. For taxpayers who comply with all provisions of the program, it allows for waiver of the 25% penalty associated with the unpaid portion of tax and 50% of the interest due. The waiver also includes waiver of criminal penalties. Since tax penalties can be sizeable, this benefit will be attractive to many taxpayers.

The types of tax that are eligible for the program are:

- Corporate income or excise taxes
- Personal income taxes
- Self-employment taxes (Lane County or Tri-Met)
- Trust and estate taxes

Amnesty is not available for tobacco taxes, employer withholding taxes or other taxes not specifically stated as being included.

The program applies to all tax years beginning prior to January 1, 2008, for which the Oregon Department of Revenue (ODOR) could issue a notice of deficiency. Taxpayers who have been issued a notice from an Oregon taxing authority for the same tax year prior to October 1, 2009, are not eligible.

Taxpayers who participate in the program are still subject to the 25% penalty on any portion of their ultimate tax liability that is not voluntarily disclosed.

After verifying that no notices have been received for the applicable tax year(s), the taxpayer must:

1. Submit an application with the ODOR on the approved form during **the amnesty period which**

runs from October 1 through November 19, 2009.

A separate application must be made for each tax type and year for which amnesty is sought.

If the taxpayer wishes to enter into an installment payment agreement, application must be made by marking a checkbox on the face of the amnesty application.

2. The taxpayer must file all tax returns and amended returns for all applicable years by January 19, 2010. Filers are instructed to write "Amnesty" across the top of each return to alert the tax jurisdiction that the return is being submitted under the program.
3. Pay the tax due and 50% of accrued interest either:
 - a. With the tax returns as submitted, or
 - b. Pursuant to an installment agreement as entered into during the amnesty period in conjunction with application into the amnesty program. All tax and interest due under the installment agreement must be paid on or before March 31, 2011.

Payment options vary depending on the type of tax due (personal income tax, corporate income tax, estate tax, etc.).

With the benefits of tax amnesty come some drawbacks:

- Taxpayers who have applied to pay their tax in installments must remain in compliance with the installment payment agreement in order remain eligible for the waiver of penalties and 50% of the interest due. If the taxpayer fails in any way to comply with all provisions of the agreement, all taxes, penalties and interest will become immediately due and payable unless the ODOR determines that failure to comply was due to reasonable cause.
- Taxpayers who have participated in the amnesty program waive the right to request a refund of any

tax paid pursuant to the program, even if a refund would otherwise be due. Taxpayers also waive their right to appeal any tax reported or paid in connection with the program.

- The rules of the program are inflexible and include stringent deadlines. Taxpayers who fail to comply with all of the requirements and deadlines will be denied amnesty and will be assessed the full amount of tax, penalties and interest.

The Oregon Department of Revenue has a helpful website (see www.oregontaxamnesty.com) dedicated to tax amnesty. The site includes answers to common questions about the program, the tax amnesty application, and a link to a complete copy of SB 880. Plus, there's a useful interest calculator tool that even works for taxpayers who will be making installment payments.

A final word...

The state is hoping that offering tax amnesty will be a win-win situation for all parties. Taxing authorities are optimistic that the increase in revenue generated from returns filed under the program will more than offset the foregone tax, penalties and interest they might have collected on audit. Taxpayers will benefit from the chance to pay the tax due

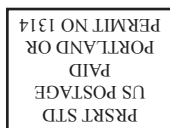
without the additional burden of penalties and half the interest.

Any taxpayer considering the program should seek professional tax advice before contacting the ODOR, and should be aware the ODOR may share the information with the Internal Revenue Service or other taxing jurisdictions.

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This bulletin is a summary and is not intended as tax or legal advice. You should consult with your tax advisor to obtain specific advice with respect to your fact pattern.

Based on the most recent "best practice" standards for tax advisors issued by the Treasury Department, commonly referred to as Circular 230, we wish to advise you that this bulletin has not been prepared to be used, and cannot be used, to provide assurance that penalties which may be assessed by the IRS or other taxing authority (including specifically section 6662 understatement penalties) will not be upheld.



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