



## Tax Amnesty Is Back in Arizona

*The State of Arizona's 2016 amnesty program offers significant benefits to most individuals and corporations with past-due taxes.*

**By: Douglas John and Shaun Kuter**

Once again, Arizona taxpayers with many types of past-due state and local taxes will have an opportunity to participate in a tax amnesty program, thanks to legislation signed into law by Governor Ducey in May 2016. Last year's program netted the State \$55.5 million in past due taxes. This year's Tax Recovery Program is even more useful because, for the first time, taxpayers may pay the liability off over three years.

**Benefits.** For taxpayers with an outstanding tax liability and the means to pay the tax in the next three years, the program offers a valuable opportunity to become compliant. The benefits of being granted amnesty are significant:

- The Department of Revenue is required to abate or waive all civil penalties and interest without the need for a taxpayer to show reasonable cause or the absence of neglect.
- The Department may not bring an administrative, civil or criminal action against a taxpayer for failure to comply with state tax laws for the audit period.

However, a taxpayer who files an application for amnesty waives all administrative and judicial appeal rights for the period covered by the amnesty, although not for future periods.

**Participation.** The 2016 amnesty program offers taxpayers a two-month application window, from September 1 through October 31, and covers two distinct time periods:

- For annual tax filings, such as income tax, the program is available for any taxable period ending before January 1, 2014.
- For those taxes filed monthly or quarterly, such as transaction privilege tax, the program is available for tax periods ending before February 1, 2015.

The tax amnesty applies to many state tax obligations, including individual and corporate income tax, transaction privilege (TPT) tax, use tax, severance tax, and partnership tax. It even applies to local privilege excise taxes, such as city TPT, that are

administered by the Department of Revenue. It does not apply to luxury tax, withholding tax, property tax, or estate tax.

**Eligibility.** The amnesty program is available to most individuals and entities with past-due taxes, whether or not under audit. There are, however, certain limitations on eligibility. A taxpayer is ineligible for the program if the taxpayer:

- is or has been a party to a criminal tax investigation, proceeding or litigation; or
- is a party to a closing agreement for the tax periods included in a recovery application.

The program is even open to individuals who have insufficient information to file past due income tax returns. The Department of Revenue has authorized a gross income tax return that allows these individuals to estimate their tax liability based solely on their income.

This year, in contrast to previous years, the Department of Revenue is allowing taxpayers the option of paying the entire amount by October 31, 2016, or paying at least one-third of the liability by that date and paying the remainder over the next two years. This gives taxpayers who need a little time in coming up with the amount owed a manageable payment solution. Taxpayers who elect to pay over three years still get the benefit of having all interest and penalties waived.



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