

So-Called Tax ‘Amnesty’ Program Traps Good Faith Taxpayers with Huge Penalties



The state’s much-publicized tax “amnesty” program creates a trap for good faith taxpayers who are trying to pay their taxes.

The program forces amnesty seekers to pay their taxes by a certain date with increased penalties, even though their tax liability is not settled due to, for example, a federal audit yet to be completed.

These new penalties send the wrong message to businesses that are seeking to invest in California.

Amnesty and the subsequent penalties should be directed at taxpayers who willfully refuse to pay the taxes to be owed. When tax liability has yet to be resolved, it is ridiculous for government to impose such penalties.

So far, the Franchise Tax Board (FTB) has failed to take action on requests from the California Chamber of Commerce and other business organizations to administer the tax “amnesty” program in a way that doesn’t make it a tax trap for taxpayers who are making good faith attempts to comply with tax requirements.

At an FTB hearing last week, the Chamber and others explained their concerns that the breadth of the so-called

amnesty programs handle similar issues.

The FTB’s inaction hurts the “amnesty” program and the state’s economy. If not improved, the program unfairly and severely penalizes all taxpayers — not just those who intentionally fail to file or underreport taxes.

Any tax uncertainty gives businesses cause to delay or even halt plans to invest in jobs in California, thus slowing the state’s economic recovery.

At the request of the FTB, the Chamber is working with the California Taxpayers Association on outlining for the board how to resolve the negative fallout from the amnesty program through the administrative process.

But time is short. The deadline for filing for the amnesty program is March 31.

For the good of the tax amnesty program and the state’s economy, the FTB would be wise to move quickly to remove the unintended tax traps from the program.

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Commentary By Allan Zarembert

tax “amnesty” program will not only catch numerous taxpayers unaware, but also will expose extreme financial penalties to taxpayers who are doing their best to pay and report taxes accurately.

Rather than taking action to remove the unintended negative consequences of the “amnesty” program, the FTB instead instructed its staff to look for more information about how other states with

California Chamber to Host Central American Ambassadors

The California Chamber of Commerce will be hosting in March the ambassadors of the six nations included in the proposed U.S.-Central American Free Trade Agreement (CAFTA).

The ambassadors, on a visit arranged by the U.S. Chamber of Commerce, will speak at a California Chamber International Luncheon Forum in Sacramento on March 8, and the Chamber’s International Trade Breakfast in Los Angeles on March 11.

Trade Agreement

The CAFTA was signed on May 28, 2004 in Washington, D.C. On August 5, 2004, representatives from the United States and the Dominican Republic signed an agreement formally including the Dominican Republic in the agreement. Upon implementation, more than 80 percent of U.S. exports will be able to

enter the Dominican Republic and CAFTA countries duty-free, with all products having duty-free access in 10 years.

The six nations represented by the CAFTA will be the second largest U.S. export market in Latin America, behind Mexico. The United States exported nearly \$11 billion in goods to the five Central American countries included in CAFTA in 2003, more than U.S. exports to Russia, India and Indonesia combined.

Two-way trade was more than \$23 billion. With the Dominican Republic added to the CAFTA-5, total two-way trade increases to \$32 billion. The CAFTA is awaiting U.S. Congressional approval.

Featured Speakers

The six visiting ambassadors who will be featured speakers at the March 8 International Luncheon Forum in

Sacramento and the March 11 International Trade Breakfast in Los Angeles are:

- Ambassador H.E.F. Tomás Duenas, Costa Rica;
- Ambassador Flavio Dario Espinal, Dominican Republic;
- Ambassador Rene Antonio León Rodríguez, El Salvador;
- Ambassador Jose Guillermo Castillo, Guatemala;
- Ambassador Mario Canahuati, Honduras;
- Ambassador Salvador Stadthagen, Nicaragua.

More Information

For more information or to sign up for either event, please visit the Chamber’s website at www.calchamber.com.

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