



A Dash of SALT

Arizona's Upcoming Amnesty Program

This month's state and local tax (SALT) column summarizes Arizona's upcoming "tax recovery" program.

Arizona Governor Doug Ducey recently signed SB 1471, which requires the Arizona Department of Revenue (Department) to conduct an amnesty program, officially known as the "tax recovery program," for a two-month period from September 1, 2015 through October 31, 2015.

Benefits of Arizona's Amnesty Program

The Department is required to waive all civil penalties and interest for tax liabilities that have been or could be assessed during the "liability period" for taxpayers who comply with the requirements of the program.

Tax Types Included in Arizona's Amnesty Program

Arizona's amnesty program applies to all taxes and surcharges administered or collected by the Department, except luxury and withholding taxes.

Tax Periods that Arizona's Amnesty Program Applies To

The "liability period," or period that the amnesty program applies to, differs based on the filing period for different types of taxes collected by the Department.

For taxpayers filing annual returns, like income tax returns, the program applies to all taxable periods ending before January 1, 2014.

For all other taxpayers, the program applies to any taxable period ending before February 1, 2015.

The Requirements Taxpayers Must Satisfy to Participate in Arizona's Amnesty Program

To qualify for Arizona's amnesty program, taxpayers must submit a

"complete and correct application" on a form that the Department will provide. The application must identify the tax liability, the qualifying period, and other information that the Department may require when it develops the application form.

Taxpayers must include the appropriate tax returns and reports with the application, including amended returns and reports, if appropriate. If the application is based on an established yet unpaid tax liability, the taxpayer must include a copy of the latest billing notice.

The application must be filed during the two-month amnesty period and include payment of the tax that is due.

Taxpayers who already paid any penalties or interest during the liability period are not eligible for a credit or refund for such payments as part of the program.

Some Taxpayers Cannot Participate in Arizona's Amnesty Program

The following types of taxpayers are not allowed to participate in the program:

- Taxpayers who entered into a closing agreement with the Department for the tax period covered by the application;
- Taxpayers who were a party to a criminal investigation or proceeding that was pending on January 1, 2015; and
- Taxpayers who have been the subject of past tax-related criminal investigations that resulted in a conviction, a guilty plea, or a plea of no contest are not allowed to participate in the program.



One Downside to Arizona's Amnesty Program

By submitting applications to participate in the program, taxpayers forfeit all administrative and judicial appeal rights related to the tax liabilities included in the application.

Practice Tip! – Savvy CPAs who represent taxpayers that may benefit from Arizona's upcoming amnesty program will make such clients aware of the program and help them determine whether it is in their best interest to participate in the program, and give up their appeal rights by doing so, or to continue challenging any outstanding alleged tax obligations. **AZ CPA**

James G. Busby, Jr. is a state and local tax attorney and CPA at The Cavanagh Law Firm. Busby previously worked in the SALT departments at Arthur Andersen and Deloitte & Touche. Before entering private practice, he was in charge of all transaction privilege (sales) tax audits at the Arizona Department of Revenue. A Dash of SALT™ is provided for educational and informational purposes only and does not constitute legal counseling or other professional services. If you have any questions, please contact the author at (602) 322-4146 or JBusby@CavanaghLaw.com.