



TAX ALERT

NJ Tax Amnesty Program

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As part of an effort to raise revenue, the State of New Jersey has recently enacted a tax amnesty program. This amnesty program provides businesses and individuals a limited window of opportunity to cure New Jersey unpaid tax liabilities on relatively favorable terms.

Important details about the program include:

- The amnesty period will start on May 4, 2009 and ends on June 15, 2009.
 - Penalties, recovery fees and one half of the interest due as of May 1, 2009 are waived for outstanding tax liabilities which are eligible for amnesty.
 - Eligible New Jersey tax liabilities are those which are due on or after January 1, 2002 and before February 1, 2009.
 - Outstanding tax liabilities associated with pending criminal tax cases are not eligible to participate in the program.
 - Payment must be made in full during the amnesty period and the taxpayer must waive all rights to later challenge the assessment.
- The State has established an amnesty website at: <http://www.state.nj.us/treasury/taxation/amnesty2009.shtml>

Once the amnesty period is over on June 15, 2009, in addition to resuming full interest, collection charges and existing penalties, the State will impose an additional five percent penalty. Unlike other penalties which can be abated when demonstrating reasonable cause, this post amnesty five percent penalty cannot be reduced.

What's the Benefit?

Since the tax liability itself is not reduced, taxpayers may question the value of amnesty. Frequently, the Division of Taxation will audit multiple years at once. In some cases, the interest and penalty charges will exceed the tax due. Therefore, the ability to eliminate penalties and one half of interest costs is a material benefit to taxpayers.

Furthermore, the post amnesty "stick" of a non-abatable five percent penalty also strengthens the value of the amnesty program to taxpayers.

Who Should Take Advantage of Amnesty?

Out of state businesses which have nexus to New Jersey but have never filed tax



returns in New Jersey are clear candidates to participate in amnesty.

New Jersey-based businesses should perform a self audit and look for exposure areas. Businesses with possible tax due should consider filing back tax returns under the amnesty program. For example, the New Jersey Division of Taxation often focuses on the use tax liabilities of business taxpayers (sales tax due on out of state purchases). If a taxpayer has never filed a use tax return, the statute of limitations has not yet started and the Division of Taxation is able to examine any prior year. Business taxpayers who believe they would owe use tax if the Division performed an audit should consider using amnesty as an opportunity to fix this problem at a lower cost than if the State performed a tax audit.

Individuals who have erroneously omitted income from their New Jersey return or not filed prior year returns should also consider using this opportunity to remediate these matters.

Limited Window – Act Now

The New Jersey amnesty program will only last until June 15, 2009. Therefore, it is critical that taxpayers prepare now for this opportunity. Furthermore, taxpayers currently under audit or faced with collections activity by the New Jersey Division of Taxation should contact our office as soon as possible.

The above represents a summary of this program and does not address all of the details contained in the new legislation. For clarification or more information on these and other tax matters, contact your W&G tax advisor at 732-846-3000.

Any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.