

**REVENUE:** Revenue statement issued

**FISCAL:** Minimal fiscal impact; no statement issued

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**Action:** Do pass with amendments and be printed engrossed

**Vote:** 4-0-1

**Yeas:** Burdick, Monroe, Starr, Deckert

**Nays:**

**Exc.:** G. George

**Prepared By:** Chris Allanach, Economist

**Meeting Dates:** 2/14, 3/8, 3/15, 3/22

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**WHAT THE BILL DOES:** Defines "listed transaction" and "reportable transaction". Requires taxpayers who engage in, are associated with, or receive a tax benefit from a reportable transaction to report that transaction to the Department of Revenue, beginning with tax year 2007; creates a penalty for failing to report the use of such transactions. Creates a 60% penalty for understatement of tax due to the use of a listed transaction; the penalty applies to listed transactions discovered or reported on or after January 1, 2008. Creates a 100% penalty for promoters of a tax shelter. Opens closed tax years going back to 1999.

**ISSUES DISCUSSED:**

- The efforts of the workgroup
- The restrictions on opening closed tax years
- The definition of "listed transaction"

**EFFECT OF COMMITTEE AMENDMENTS:** Removes the general tax amnesty program. Removes withholding on employer sponsored retirement plans. Removes the allowance of disclosure of tax information to local governments, Modifies the definition of "listed transaction." Defines "transaction without economic substance." Removes requirement and related penalty for material advisors to file report with the Department of Revenue. Removes requirement and related penalty for promoters registered in other states to register with the Department of Revenue. Modifies penalty structure related to listed transactions. Removes the timed voluntary compliance initiative. Opens old tax years for the purpose of audits related to listed transactions only

**BACKGROUND:** Senate Bill 480 from 2005 addressed the issues of a voluntary compliance initiative and tax amnesty but was in committee at adjournment sine die. In mid-2007 the Department of Revenue will be conducting an administrative voluntary compliance initiative in conjunction with the Multi-State Tax Commission and roughly 30 other states. A workgroup on this bill discussed the value of an additional VCI and determined that the most effective approach would be to create additional tools that would enhance the response to the planned administrative VCI. Those tools are contained in this bill.

4/3/2007 12:01:34 PM

*This summary has not been adopted or officially endorsed by action of the committee.*