



INDIANA TAX AMNESTY
FINAL REPORT
INDIANA DEPARTMENT OF REVENUE

INDIANA TAX AMNESTY

FINAL REPORT

TABLE OF CONTENTS

Executive Summary	3
Legislative History	
The Act	4
Fiscal Impact Statement.....	4
Program Research and Strategic Planning	5
Implementation of Indiana Tax Amnesty	
Identification of Delinquent Taxpayers	5
GRC.....	6
Training.....	7
Public Relations	7
Customer Service Activity.....	8
Outcomes and Results of Indiana Tax Amnesty	
Amnesty Participation Taxpayer Interest.....	8
Dollars Collected	9
Collections by Tax Year.....	10
Collections by Tax Type	12
Collections by County	14
Collections by State	15
Legal Division Settlements.....	17
Administrative Costs of the Indiana Tax Amnesty Program.....	17
Post -Amnesty Collection Initiatives.....	18
Appendices	
Appendix A -- HEA 1104	19
Appendix B -- Regulations	25
Appendix C -- Business Plan.....	31
Appendix D -- Amnesty Notice of Tax Due	59

EXECUTIVE SUMMARY

Respectfully Submitted by Commissioner John Eckart

July 1, 2006

The collection of tax revenue is an essential part of state government's ability to improve the quality of life for its citizens. However, Indiana entered 2005 with \$1.3 billion in uncollected taxes, with some liabilities dating back more than three decades. This revenue shortfall was a significant contribution to the state's budget deficit. To assist in rectifying this situation, Gov. Mitch Daniels signed legislation into law on May 12, 2005, authorizing Indiana's first-ever tax amnesty program. The program kicked off on Sept. 15, 2005, and officially ended on June 15, 2006.

The program, known as Indiana Tax Amnesty, was an undeniable success.

As of June 30, 2006, the Indiana Department of Revenue had collected actual cash of more than \$244 million. The amnesty program was originally targeted to collect \$65 million.

Many factors contributed to the success of the program, but the most decisive contribution was a collective dedication from the Department of Revenue employees. From answering taxpayer questions, to processing payments, to providing technology tools and training, to communicating with practitioners and the news media, it took an intense and unified commitment to bring in almost four times the original amnesty collection target. It would be remiss to leave out mention of the Department employees that were not directly assigned to Indiana Tax Amnesty. They also contributed to its success by ensuring that other functions of the Department, separate from the amnesty program, were operating effectively. Due to this department-wide employee commitment, Indiana Tax Amnesty was successfully implemented without adding any additional employees to the state's payroll.

However, despite the strong success of the Indiana Tax Amnesty program, there is still much work to be done. Currently the Department is working in partnership with three expert collection agencies to collect on more than 850,000 tax bills, some dating back decades, from citizens that were eligible for, but did not participate in the amnesty program, or who defaulted on amnesty payment plans.

The following report provides an overview of how the state of Indiana implemented one of the most successful amnesty programs in the United States, and provides a summary on the post-amnesty collection efforts currently under way.

LEGISLATIVE HISTORY

The Act -- House Enrolled Act (HEA) 1104 (see Appendix A) was signed by Gov. Mitch Daniels on May 12, 2005. The bill was originally introduced on Jan. 4, 2005, by Rep. Eric Turner. The bill was passed by the Ways and Means Committee on Jan. 6, 2005, and passed the House of Representatives by a vote of 61-37.

The bill was amended in the Senate Tax and Fiscal Policy committee on Feb. 15, 2005, and was further amended on second reading in the Senate on Feb. 28, 2005. The bill passed the Senate on March 1, 2005, by a vote of 40-8. The House of Representatives concurred with the Senate amendments on April 25, 2005.

The bill required the Department to establish a tax amnesty program for all listed taxes, and stated that the program would last eight business weeks and would conclude no later than June 30, 2006. The bill provided that any liability that was due and payable for a period ending before July 1, 2004, would be eligible for amnesty. A liability was due and payable if the Department had issued an assessment of the listed tax and a demand for payment as a jeopardy assessment, or a demand for payment was issued prior to a warrant being issued.

Taxpayers were permitted to file an original return or an amended return in which the taxpayer reported a liability for a listed tax or the taxpayer filed a written statement of liability for a listed tax.

The program provided that if a taxpayer paid all listed taxes due for a taxable year, the Department would be required to:

1. Abate and not seek to collect any interest, penalties, collection fees or costs that would otherwise be applicable;
2. Release any liens imposed;
3. Not seek any civil or criminal prosecution against any individual or entity;
4. Not issue, or, if issued, shall withdraw an assessment, a demand notice, or a warrant for payment.

The bill provided that if a taxpayer was eligible for amnesty and did not pay the tax that was due and payable for a tax period, or did not comply with the payment plan agreement established with the Department, the penalty that had been originally assessed would be doubled after amnesty.

The legislation also established a provision that if a taxpayer participated in this amnesty, they would not be eligible to participate in any future tax amnesty that the state of Indiana might provide.

The legislation provided that the double penalty provision would not apply if a taxpayer had:

1. Filed an original tax appeal in the tax court;
2. A legitimate hold on making the payment as a result of an audit, bankruptcy, protest, or taxpayer advocate action;
3. Established a payment plan with the Department before the effective date of the act (May 12, 2005), or
4. Verified that they never received notice of the outstanding tax liability.

The Department was given authority to adopt emergency rules to carry out the amnesty program. Those rules were adopted on Sept. 9, 2005. (See Appendix B.)

FISCAL IMPACT STATEMENT

The fiscal impact statement from the Legislative Services Agency stated the following:

When other states' recent tax amnesty program collections are compared with 2003 annual tax revenues, the programs collect, on average, 0.92 percent of total tax revenues. Indiana's 2003 tax revenues were \$11.2 billion. Using the average collection rate, a tax amnesty program in Indiana may collect \$103 million. Based on the minimum and maximum collection rates experienced in other states, collections in Indiana may range from \$20 million to \$269 million.

The State Budget Agency determined that the tax amnesty program would generate a minimum of \$65 million, and used that amount in the proposed surplus statement for fiscal year ending June 30, 2006.

RESEARCH and STRATEGIC PLANNING

Prior to implementing the Indiana Tax Amnesty program, the Department selected an internal leadership team, conducted benchmarking research with ten other states that had previously implemented successful amnesty programs, and developed a business plan to act as a roadmap for success.

Tax Amnesty Leadership -- On March 1, 2005, Commissioner Eckart established an internal Strategy and Implementation Committee, which met weekly and was led by the Department's deputy commissioner, the taxpayer advocate, and the administrator of tax policy. These individuals made up the committee leadership team, and together, brought more than 77 years of Department experience to the program. The primary responsibility of the leadership team was to oversee and track progress in implementing the Indiana Tax Amnesty business plan (see Appendix C).

The committee's overall goals were to:

- o Identify and collect the maximum level of outstanding receivables allowed under the tax amnesty statute; and
- o Promote and attain the highest standards of customer satisfaction and professionalism while implementing the program.

To meet these goals, the committee leadership team established the business rules under which amnesty would be administered, determined infrastructure needs, and provided budget oversight. The leadership team also defined reporting needs, finalized vendor contracts, instituted an implementation time table, and resolved issues with the assistance of the commissioner.

Broader committee participation included administrators of information technology, taxpayer services and returns processing, in addition to management from various other divisions. All committee members were responsible for their designated portion of the amnesty implementation, working in close collaboration with the committee leadership team.

Benchmark Research – In June 2005, varying degrees of benchmarking research was conducted with ten states that previously had implemented amnesty programs. Those ten states included: Arizona, California, Illinois, Kansas, Kentucky, Maryland, Michigan, Missouri, Ohio, and South Carolina. In-depth benchmarking was conducted with Illinois and Kentucky. These two states allowed Department leadership to conduct on-site interviews with their staff members about the lessons they had learned in implementing their own amnesty programs. Three crucial lessons were gleaned from the benchmarking research and applied to the Indiana Tax Amnesty program:

1. The vast majority of amnesty collections come in during the last two weeks of amnesty programs.
2. Incorporating an outbound call initiative as early in the program as possible is effective in spurring participation.
3. A punitive public-relations message is not effective and, more likely, to be a deterrent in encouraging amnesty participation.

Business Plan Overview – The Strategy and Implementation Committee developed a business plan that focused on:

- o Delinquent taxpayer identification;
- o Assertive collection outreach (including an outbound call program);
- o Personnel training;
- o Public relations; and
- o Customer service.

To review a copy of the full business plan, see Appendix C.

IMPLEMENTATION

The implementation of Indiana Tax Amnesty focused on identifying delinquent taxpayers, determining the most effective collection strategy, ensuring employees were versed and trained in how to handle taxpayer questions and payments, launching the most effective public-relations campaign possible within the established budget, and ensuring that the highest level of customer service was provided to amnesty participants.

Identification of delinquent taxpayers -- One of the first steps in implementing the Indiana Tax Amnesty business plan was to identify the number and dollar amount of unpaid tax debts, which included all outstanding liabilities for all listed taxes (see Appendix C) due for tax periods ending June 30, 2004, or before. This process revealed that 198,000 delinquent taxpayers collectively owed Indiana approximately \$1.3 billion.

Those taxpayers that were eligible for amnesty, but could decline participation without being penalized included anyone who, prior to the beginning of amnesty, had:

- o Filed a written protest with the Department;
- o Established a payment plan with the Department or a county sheriff; and/or
- o Filed an action in tax court.

These taxpayers were not exempt from paying the outstanding tax debt, but were not charged the double penalty imposed if they did not pay the balance of the liability.

A case file was established for each individual or entity that was eligible for amnesty. Creating “amnesty cases” allowed the Department to group all eligible liabilities for an individual or entity into a single case. More than 200,000 notification letters, representing 254,793 cases and 1,455,033 liability periods, were mailed Sept. 1, 2005. Each notice included the tax type, tax period due, amount of base tax owed, the amount that was owed prior to amnesty, the amount that was due during amnesty, and the amount that would be owed – with double penalty applied -- when the amnesty period was over. The notice also included a payment coupon that the taxpayer could use to pay the outstanding liability (see Appendix D).

Collection outreach – Based on benchmarking research conducted with ten states, and particularly Illinois and Kentucky, the Department determined that a comprehensive outside collection effort was necessary to ensure the success of the amnesty program. Thus, the Department contracted with General Revenue Corporation (GRC), an Indiana-based collection agency, to assist with the amnesty project. The primary goal of GRC was to assist the Department in collecting the \$65 million revenue target from amnesty-eligible taxpayers.

The GRC contract agreement included:

- o **A call center** – A secure call-center space was set up at GRC’s Indianapolis Metroplex facilities in Castleton, housing four Indiana Tax Amnesty project teams and support staff. GRC dedicated 130 full-time employees to the project. The four project teams were assigned, respectively, to in-state delinquencies/nonfilers; out-of-state delinquencies/nonfilers; nonfilers; and exhausted accounts and deep skip tracing. The Department placed one of its own employees on site full time to ensure quality service.
- o **Skip-tracing efforts** – Having the capability to locate debtors who were unreachable due to incorrect telephone numbers and address information contributed significantly to the success of the amnesty program. Skip-tracing efforts helped to locate more than 36,000 delinquent taxpayers, in addition to non-filers.
- o **Direct mail** -- GRC mailed 587,351 follow-up letters to all amnesty-eligible taxpayers after the Department’s initial mailing of more than 200,000 letters in August and September before the amnesty program began. These GRC letters were sent as a reminder about the availability of the program. GRC also issued direct mailings to non-filers and exhausted liabilities, and followed up with extensive mailings to in-state and out-of-state delinquent taxpayers. In all, GRC sent four separate letters to each in-state delinquent taxpayer and three letters to each out-of-state delinquent taxpayer from Sept. 1 – Nov. 15, 2005.
- o **Extended hours of operation** -- GRC provided collection services outside of the Department’s normal business hours, operating from:
 - 8 a.m. - 9 p.m. Monday through Friday;
 - 8 a.m. - 8 p.m. Saturday; and
 - 1 p.m. - 9 p.m. Sunday (out of state calls).This extended availability resulted in answering 27,359 additional inbound calls and placing 168,379 additional outbound calls – beyond what the Department could have accommodated -- throughout the duration of amnesty.
- o **Inbound calling** -- GRC also handled approximately 240,000 inbound calls during the tax amnesty period. Because GRC had established four separate project teams assigned to specific tax situations – and respectively four different toll-free numbers -- inbound calls were directed to the appropriate teams. The GRC follow-up letters also included the respective team telephone number so the call was directly routed to the appropriate work team. In addition, GRC provided back-up call service, should the Department experience a telephone system outage or excessive call volume, and was open for extended hours to accept inbound amnesty calls.
- o **Outbound calling** -- GRC made more than one-million outbound calls during the amnesty period. Approximately 180,000 calls were placed in September; 570,000 in October; and 320,000 in November.

Training – Because Indiana Tax Amnesty would require the assistance of personnel from all Department divisions, training was necessary to ensure consistency and uniformity across the board. Therefore, the Department contracted with an outside vendor to: 1) train personnel on amnesty procedures, such as payment processing and establishing payment plans; and 2) to provide customer-service training. The customer-service training provided a residual benefit beyond amnesty, as it is now being used as a model to train all Department employees that work directly with taxpayers.

The contract included the training of 125 employees for 9 working days. Half of the time was spent on customer service, and one half was learning to accept payments, enter payments into the processing system, creating amnesty cases and establishing payment plans.

Public Relations (PR) – Communicating with various publics was essential to driving amnesty participation. The PR effort began with identifying several stakeholder groups as either primary publics or intercessory stakeholders (those who needed to be informed to effectively and accurately communicate about the amnesty program). Delinquent individual and business taxpayers – in state and out of state -- made up the primary publics, while the intercessory stakeholders included Department employees, the statewide news media, tax practitioners, legislators and other government agencies and offices.

- o **Strategy** – The PR strategy focused on saturating all available communication channels as broadly and often as possible. Of a \$1.5 million budget, \$500,000 was committed to develop the advertising and collateral, while \$1 million was allocated to purchase ad placement in newspapers, television and radio programs throughout all of Indiana -- with a significant portion going to more costly markets like Indianapolis, and border cities with large populations (and high Indiana tax debt) like Gary/Chicago and Louisville.

While in-state news media and advertising helped reach in-state taxpayers, direct mail and contact with tax practitioners (CPAs and tax attorneys) were crucial for reaching out-of-state taxpayers, particularly businesses who rely upon these tax experts.

- o **Message Development** -- Heeding the benchmark research that indicated a punitive message was not effective, the Indiana Tax Amnesty campaign instead offered a “serious message with a light delivery.” The campaign, titled Indiana Tax Amnesty: No Penalties. No Interest. No Problem, used a combination of empathy and subtle humor through a range of clichés to send the message that amnesty was a one-time opportunity to get out from underneath the “burden” of unpaid taxes – and help take the unfair burden off of those taxpayers that pay on time and faithfully.

- o **Tactical execution** -- The following is an outline of key tactics used to drive the success of the amnesty communication:
 - **Employee communication** -- Weekly e-newsletter and commissioner e-mails updating Department employees about amnesty progress.
 - **Advertising** – Television, radio and newspaper ads carried the Indiana Tax Amnesty message.
 - **Other state outreach** – Contacted every department of revenue in the 49 states, requesting that information about Indiana Tax Amnesty be shared on their Web sites, newsletters or other channels of communication (48 agreed to assist).
 - **Practitioner/association outreach** – Contacted bar associations, CPA societies and state chambers of commerce in 30 states (those showing the largest Indiana tax dollars owing), asking for assistance in sharing information with their members about Indiana Tax Amnesty (all agreed and did assist in some form: notices on Web sites, links to Indiana’s Web site, forwarding information to The Wall Street Journal, free ads in associations’ publications, speaking opportunities, etc.). Also met with more than 50 professional and commercial associations.
 - **Indiana agency outreach** – Key state and federal agencies (libraries, bureaus of motor vehicles, IRS, Social Security, etc.) helped distribute more than 69,000 amnesty brochures.
 - **Web site** – Site offering information about amnesty, frequently asked questions, online payment options – including an e-pay site specifically for making amnesty payments, a newsroom, and a Spanish-language Web site.
 - **Media relations** – The Department met with editorial boards of various Indiana newspapers, hosted a kick-off news conference on Sept. 15, 2005, answered reporter’s questions daily, participated in media interviews (television, newspaper and radio) frequently, and provided milestone information for the governor to share at media availabilities.

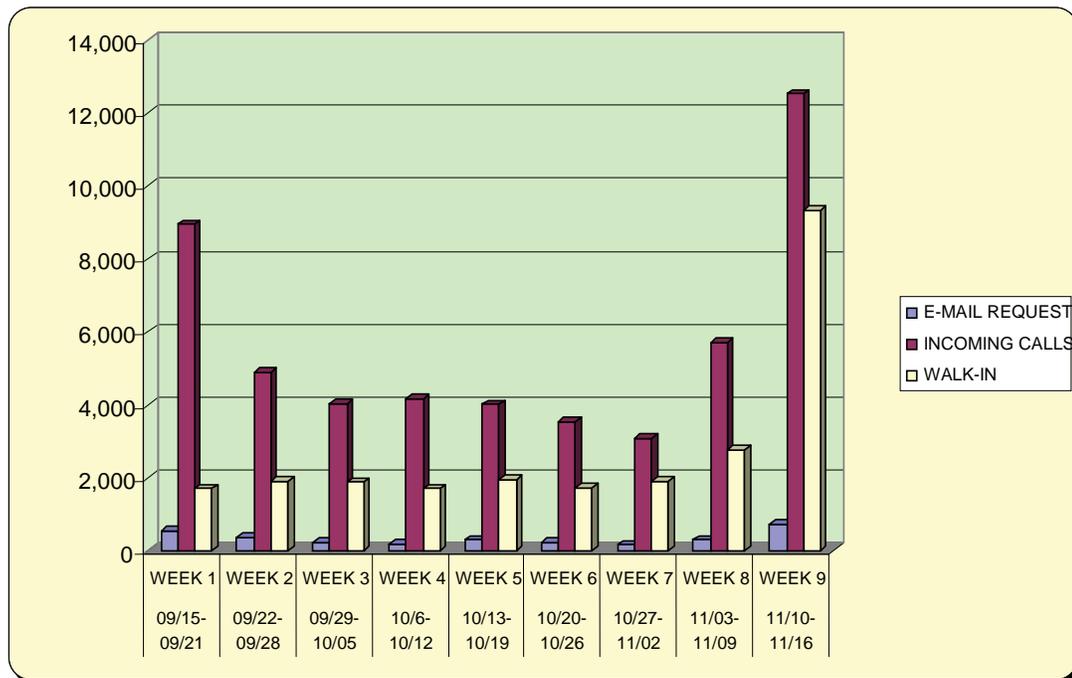
Customer Service – To make calling about amnesty convenient, a special toll-free number was established for incoming amnesty calls. In addition, a special e-mail address was established for taxpayer e-mail questions and correspondence. Customer-service training was also provided to all call-center employees, as well as those at the Indianapolis walk-in center and all Department district offices.

Additionally, the Department offered extended customer service hours during the amnesty program, with the telephone center open from 8 a.m. to 8 p.m., five days a week, and from 8:30 a.m. to 12:30 p.m. on Saturdays.

AMNESTY OUTCOMES and RESULTS

Taxpayer interest – Taxpayer interest in Indiana Tax Amnesty was evident from the start, with more than 3,000 taxpayers contacting the Department the first day of the amnesty program.

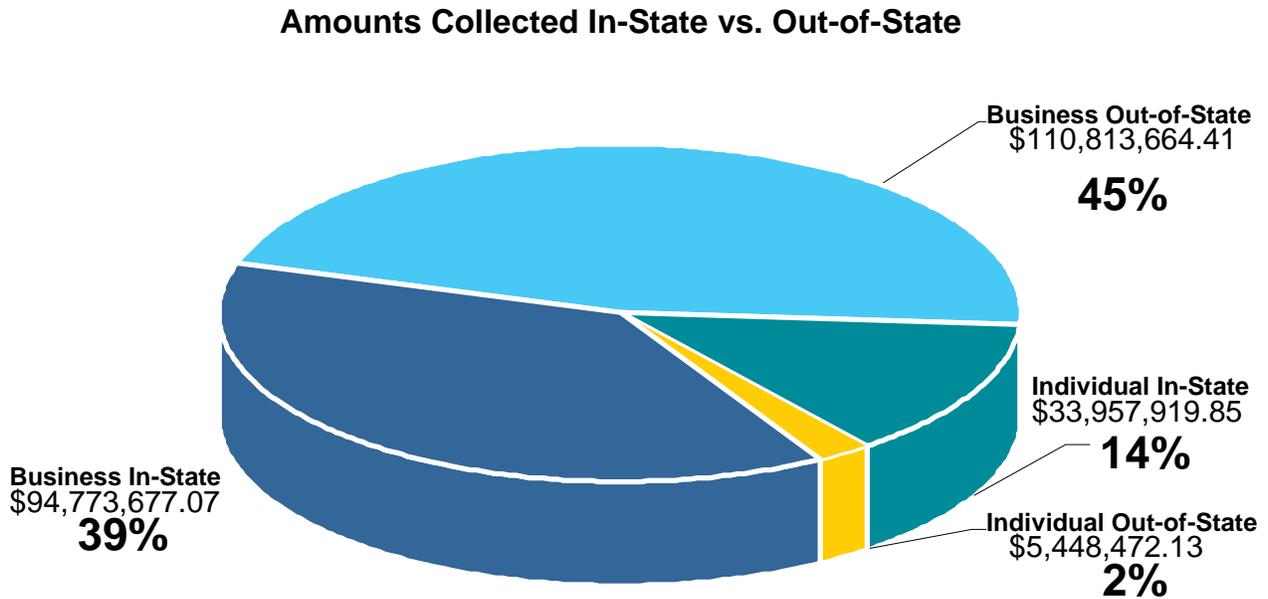
From Sept. 15 – Nov. 15, 2005, more than 50,000 incoming calls came through the toll-free amnesty telephone number, more than 24,000 taxpayers visited the Department’s Indianapolis walk-in and district office locations, and more than 3,000 taxpayers contacted the Department via email about amnesty. Indiana Tax Amnesty followed suit with most other amnesty programs, in that many taxpayers waited until the final two days of the amnesty period to take advantage of the program.



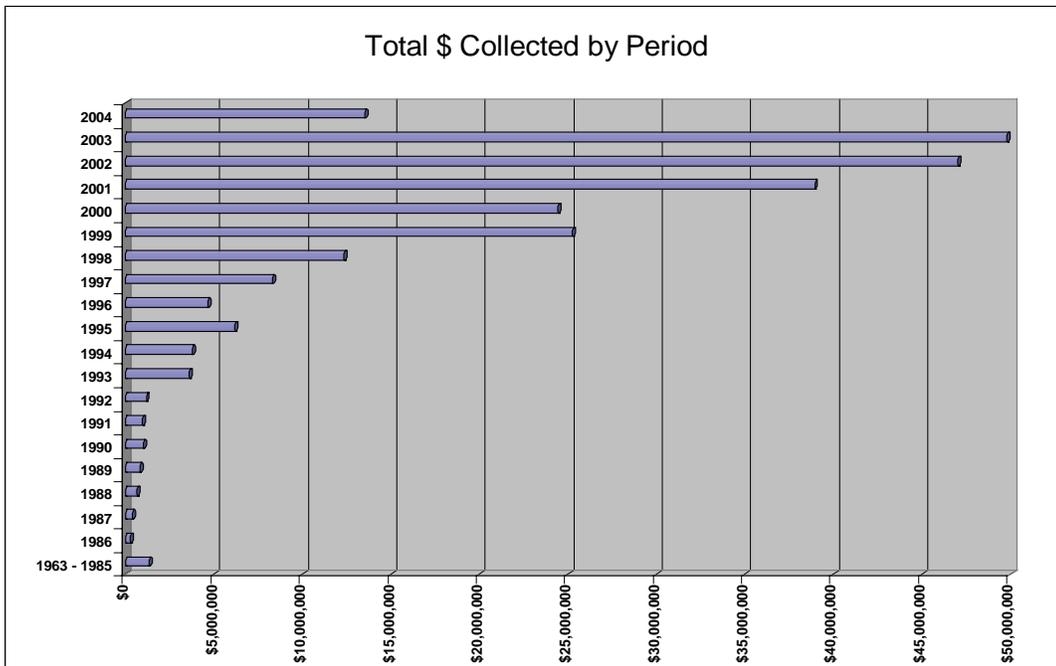
Dollars collected -- As of June 30, 2006 the Indiana Amnesty Program collected a total of \$244,993,733.46 in cash. The breakdown is as follows:

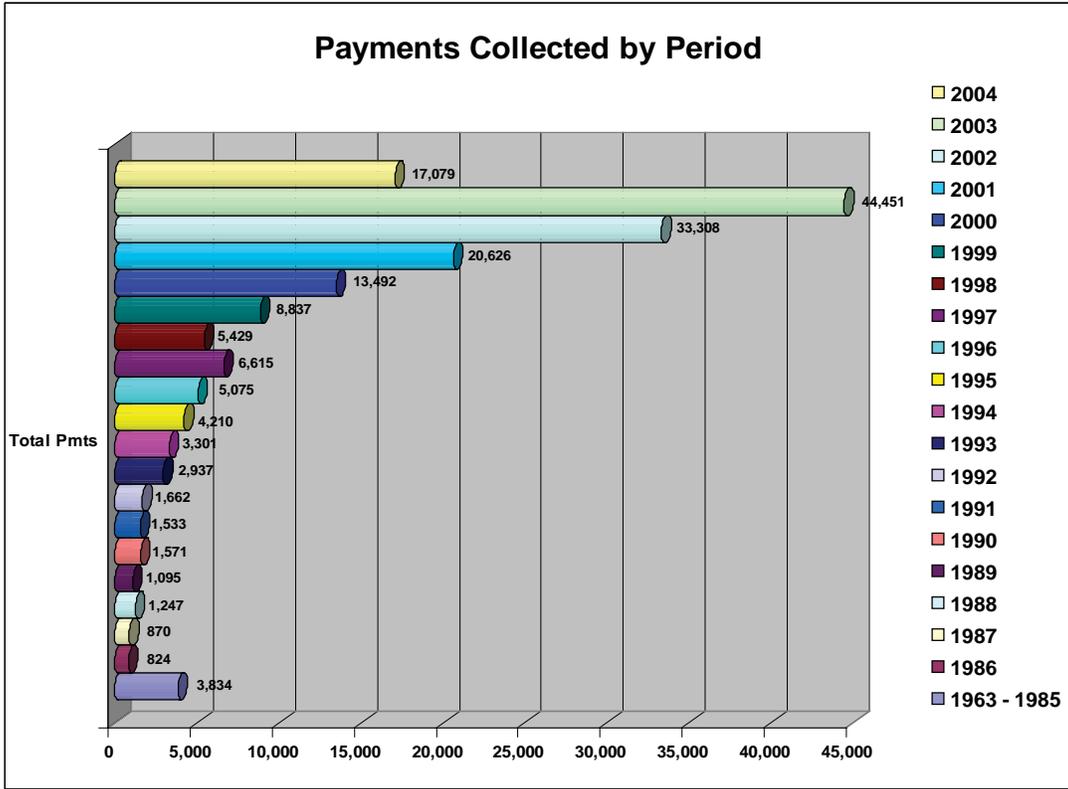
- o Businesses paid \$205,587,341.48 -- which represents 84 percent of the cash collections.
- o Individuals paid \$39,406,391.98 -- which represents 16 percent of the cash collections.
- o 60 percent of amnesty payments were received from individual taxpayers.
- o 40 percent were received from business taxpayers.

The chart below illustrates the in-state versus out-of-state payments and compares individuals to business:

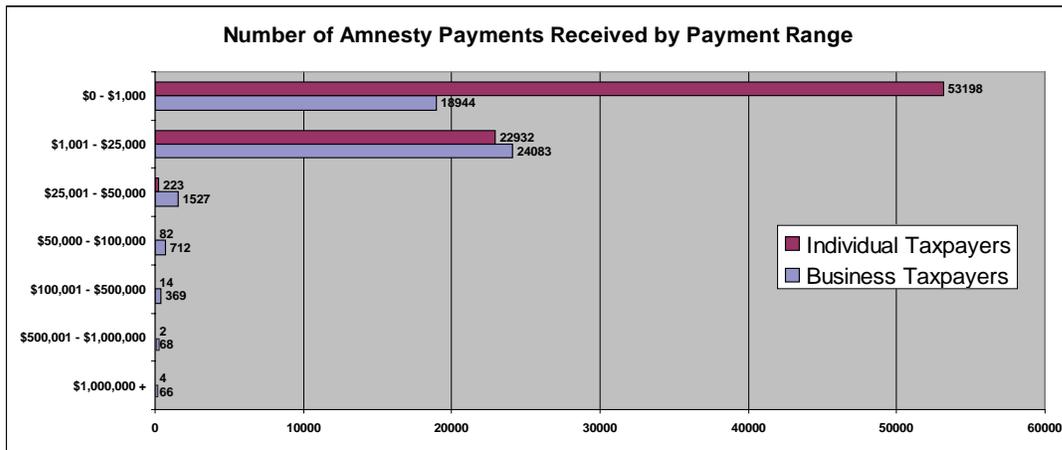


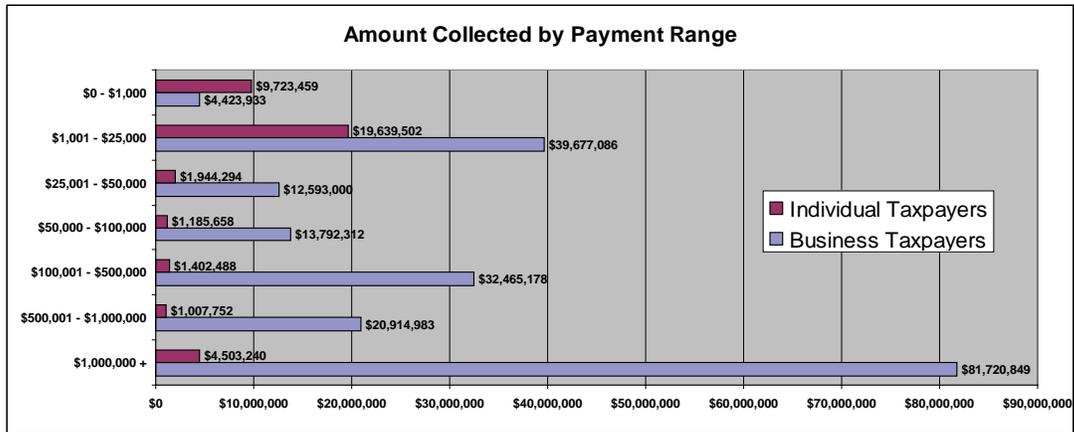
Because all 41 Indiana listed taxes for periods ending prior to July 1, 2004, were eligible for amnesty, payments covered 167,230 liability periods. 88,146 (or 52.7%) of the liability periods were for 2002, 2003 and the first six months of 2004. These liability payment periods represented 44.8 percent of the total revenue that was collected. During the liability periods from 1963 through 1985, \$1,271,271 was collected for 3,784 liability periods. The following charts illustrate payments per tax period:





Amnesty participation – More than 98,000 taxpayers participated in the Indiana Tax Amnesty program. 38 taxpayers paid more than \$1 million during amnesty, while the vast majority of participants paid less than \$1,000.





Collections by tax type -- Every tax type and fee that the Department collects, with the exception of inheritance tax, was included in the amnesty program. The three tax types that yielded the most money from the amnesty program were corporate income tax, individual income tax, and sales tax. The financial institutions tax and the withholding for individual income tax exceeded \$20 million each. Below is a detailed breakdown of the amount of revenue collected per tax type:

Chart: Collections by Tax

Tax Type	Business Total	Individual Total	Grand Total
Aeronautics Excise, Business	\$2,288.08		\$2,288.08
Aeronautics Excise, Individual		\$2,254.66	\$2,254.66
Alternative Fuel User	\$33,900.00		\$33,900.00
Beer Tax	\$1,037.86		\$1,037.86
Bingo	\$53.09		\$53.09
Business Application System	\$5,829.49		\$5,829.49
Cigarette	\$378,814.19	\$738.00	\$379,552.19
Consumer Use	\$3,910,057.21	\$162,601.85	\$4,072,659.06
Controlled Substance		\$281,631.19	\$281,631.19
Corporate Income	\$87,800,026.78	\$1,184.54	\$87,801,211.32
County Innkeeper	\$414,373.31		\$414,373.31
Excise Tax; Individuals		\$77,580.08	\$77,580.08
Fiduciary	\$7,814.22		\$7,814.22
Financial Institutions	\$25,258,175.17		\$25,258,175.17
Food & Beverage	\$355,518.70	\$4,191.08	\$359,709.78
Fuel Dealers	\$7,200.64	\$32,352.16	\$39,552.80
Fuel Users	\$5,480.21		\$5,480.21
Gaming Excise Tax	\$81.92		\$81.92
Hazardous Chemical Fee	\$12,341.91		\$12,341.91
Individual Income	\$24,245.85	\$37,034,126.11	\$37,058,371.96
Int. Registration Plan	\$79,022.64	\$984.24	\$80,006.88
Intangible	\$1,334.97	\$1,832.31	\$3,167.28
Inventory Tax	\$683.54		\$683.54
Motor Car Sur Tax	\$463,707.80	\$1,906.47	\$465,614.27
Motor Carrier Tax	\$127,464.38		\$127,464.38
Motor Fuel	\$1,049,879.93		\$1,049,879.93
Motor Vehicle Rental Excise	\$23,431.13		\$23,431.13
Other Tobacco Products	\$598.16		\$598.16
Out Of State Use	\$1,560,664.42		\$1,560,664.42
Oversize/overweight MH	\$5,246.00		\$5,246.00
Prepaid Sales On Gasoline	\$35,543.56		\$35,543.56

Tax Type	Business Total	Individual Total	Grand Total
Previously Untaxed Fuel	\$42.00		\$42.00
Rail; Commuter or Electric	\$49,248.65		\$49,248.65
Sales	\$60,339,637.60	\$1,054,184.01	\$61,393,821.61
Special Fuel	\$1,563,378.98		\$1,563,378.98
Supplement Highway	\$200.00		\$200.00
Underground Storage	\$671,930.46		\$671,930.46
Utility Receipt Tax	\$62,443.53		\$62,443.53
Waste Tire Management	\$495.50		\$495.50
Wine Tax	\$89,779.58		\$89,779.58
Withholding	\$21,245,370.02	\$750,825.28	\$21,996,195.30
Grand Total	\$205,587,341.48	\$39,406,391.98	\$244,993,733.46

Collections by county -- The amount of collections from Indiana residents and businesses totaled \$128,697,160.70. Taxes were collected from every county in the State of Indiana. The largest amount of collections came from Marion, Tippecanoe, and Hamilton Counties. Below is a breakdown of Indiana Tax Amnesty revenue collected per county:

COUNTY NAME	AMOUNT PAID	COUNTY NAME	AMOUNT PAID
Adams	\$283,672.63	Lawrence	\$770,361.03
Allen	\$5,584,690.70	Madison	\$1,805,879.99
Bartholomew	\$1,813,902.13	Marion	\$21,509,785.16
Benton	\$96,047.38	Marshall	\$1,302,987.82
Blackford	\$165,057.27	Martin	\$124,665.74
Boone	\$1,529,422.18	Miami	\$407,944.57
Brown	\$430,908.59	Monroe	\$2,269,921.53
Carroll	\$214,573.72	Montgomery	\$598,093.38
Cass	\$273,981.19	Morgan	\$939,896.67
Clark	\$1,450,508.47	Newton	\$150,309.69
Clay	\$418,513.42	Noble	\$530,505.40
Clinton	\$298,228.76	Ohio	\$215,186.26
Crawford	\$62,531.19	Orange	\$304,672.43
Daviess	\$285,531.51	Owen	\$374,320.17
De Kalb	\$361,708.37	Parke	\$201,190.69
Dearborn	\$768,868.22	Perry	\$398,101.81
Decatur	\$314,170.95	Pike	\$45,127.41
Delaware	\$1,202,673.64	Porter	\$3,109,926.05
Dubois	\$627,381.68	Posey	\$207,123.90
Elkhart	\$3,815,287.42	Pulaski	\$204,721.47
Fayette	\$201,573.23	Putnam	\$534,022.73
Floyd	\$1,121,322.93	Randolph	\$488,191.21
Fountain	\$184,828.57	Ripley	\$664,674.23
Franklin	\$186,318.11	Rush	\$237,442.34
Fulton	\$292,847.25	Scott	\$280,866.31
Gibson	\$285,674.30	Shelby	\$470,966.99
Grant	\$856,767.69	Spencer	\$272,059.93
Greene	\$283,055.22	St Joseph	\$5,489,385.81
Hamilton	\$9,287,212.32	Starke	\$310,334.92
Hancock	\$1,123,386.08	Steuben	\$339,936.71
Harrison	\$3,091,139.65	Sullivan	\$244,947.25
Hendricks	\$5,888,297.98	Switzerland	\$52,067.45
Henry	\$502,877.00	Tippecanoe	\$8,247,333.95
Howard	\$1,056,639.78	Tipton	\$240,785.84
Huntington	\$548,807.14	Union	\$67,628.36
Jackson	\$716,055.89	Vanderburgh	\$6,461,158.47
Jasper	\$541,189.53	Vermillion	\$103,160.36
Jay	\$133,614.04	Vigo	\$1,514,967.39
Jefferson	\$514,190.19	Wabash	\$388,039.75
Jennings	\$255,975.44	Warren	\$51,281.61
Johnson	\$2,749,018.83	Warrick	\$569,478.56
Knox	\$593,394.73	Washington	\$332,075.95
Kosciusko	\$4,868,973.44	Wayne	\$834,480.93
La Porte	\$1,356,305.72	Wells	\$233,415.30
Lagrange	\$318,827.72	White	\$230,120.82
Lake	\$7,343,980.21	Whitley	\$267,683.95
GRAND TOTAL ALL COUNTIES			\$128,697,160.70

Collections by state -- The amnesty program resulted in collections from every state in the United States, along with the District of Columbia, Puerto Rico and Guam. Payments also were received from businesses and individuals in seven of the ten Canadian provinces.

Other than Indiana, the three states from which the most money was collected were Illinois, Ohio, and Florida. Below is a list of Indiana Tax Amnesty revenue collected per state:

STATE or PROVINCE	AMOUNT PAID
Alabama	\$534,907.29
Alaska	\$5,373.77
Alberta	\$4,404.34
Arizona	\$512,746.51
Arkansas	\$2,180,879.29
British Columbia	\$16,337.53
California	\$4,220,811.20
Colorado	\$229,351.94
Connecticut	\$446,061.74
Delaware	\$137,054.87
District of Columbia	\$10,335.59
Florida	\$11,221,228.22
Georgia	\$2,447,774.49
Guam	\$1,223.03
Hawaii	\$10,897.56
Idaho	\$33,475.29
Illinois	\$17,432,256.13
Indiana	\$128,731,596.92
Iowa	\$158,376.31
Kansas	\$424,712.94
Kentucky	\$4,192,969.07
Louisiana	\$211,048.27
Maine	\$12,044.88
Manitoba	\$205.47
Maryland	\$1,129,524.55
Massachusetts	\$879,957.50
Michigan	\$3,946,259.17
Minnesota	\$1,785,973.69
Mississippi	\$137,472.68
Missouri	\$1,388,435.17
Montana	\$3,630.26
Nebraska	\$10,369.11
Nevada	\$146,499.03
New Hampshire	\$12,447.48
New Jersey	\$8,732,382.03
New Mexico	\$15,589.48
New York	\$5,125,284.63
North Carolina	\$2,615,278.54
North Dakota	\$4,934.62
Ohio	\$13,428,657.04
Oklahoma	\$1,195,376.15
Ontario	\$80,627.62
Oregon	\$95,444.67
Pennsylvania	\$8,604,412.60
Prince Edward Island	\$16.79
Prov Quebec	\$580.39
Puerto Rico	\$2,371.25
Rhode Island	\$16,912.27

STATE or PROVINCE	AMOUNT PAID
Saskatchewan	\$63.69
South Carolina	\$106,449.08
South Dakota	\$2,755.18
Tennessee	\$2,685,179.72
Texas	\$10,872,598.45
Utah	\$11,133.67
Vermont	\$4,774.09
Virginia	\$6,511,044.98
Washington	\$274,069.84
West Virginia	\$25,571.63
Wisconsin	\$1,954,578.97
Wyoming	\$11,004.79
GRAND TOTAL ALL TAXES	\$244,993,733.46

Legal division resolutions -- An advantageous byproduct of the Indiana Tax Amnesty program was the opportunity to eliminate protested liabilities awaiting letters of findings to be issued from the Department. In cooperation with the Office of the Attorney General, the Department was also able to settle several cases that were in litigation.

The Legal Division eliminated more than 400 cases that had been protested or were in litigation. The total amnesty revenue collected due the resolution of these protests amounted to \$83,068,167. The following table lists the number of taxpayers and the total amnesty payments:

DOLLAR RANGE	# OF CASES	TOTAL COLLECTED
\$0-\$9,999	253	\$596,231
\$10,000-\$49,999	70	\$1,565,204
\$50,000-\$99,999	30	\$2,155,184
\$100,000-\$249,999	29	\$4,470,682
\$250,000-\$499,999	18	\$6,787,535
\$500,000-\$999,999	17	\$11,070,863
\$1,000,000 and more	24	\$56,422,467
TOTALS	441	\$83,068,167

Implementation Costs – The total cost to implement the Indiana Tax Amnesty program was slightly more than \$15.5 million – which includes the cost of the GRC contract. Below is a breakdown of the costs. In all, Indiana collected approximately \$16 for every \$1 it invested to implement the amnesty program.

AMNESTY INCREMENTAL COSTS*	
<i>*Shown in thousands</i>	
Computer programming & Training	\$791
Communications	\$69
Printing and mailing	\$88
Marketing--public relations	\$1,204
Equipment	\$124
Administrative overhead	\$119
Non-GRC costs	\$2,397
GRC contract	\$13,183
Total Amnesty Incremental Costs**	\$15,581

** Numbers may not add precisely due to rounding.

POST-AMNESTY COLLECTION INITIATIVES

Indiana Tax Amnesty was offered as a one-time only opportunity for delinquent Indiana taxpayers to pay their base taxes without penalty or interest, or civil or criminal consequences. However, those who were eligible **but** did not participate in amnesty are subject to double penalty, in addition to standard interest on the taxes owed.

Currently the Indiana Department of Revenue is aggressively pursuing more than 850,000 tax bills, totaling more than \$1 billion in unpaid taxes, penalty and interest. Aggressive collection efforts began shortly after June 15, 2006, the date that final amnesty payments were due from taxpayers that had established payment plans prior to Nov. 15, 2005.

In this collection pursuit, the Department has partnered with three collection agencies: General Revenue Corporation (GRC), OSI Collections and Premiere Credit of North America.

- **GRC** is currently pursuing more than 10,000 tax bills, totaling approximately \$28 million owed primarily by taxpayers that now reside out of state, but owe taxes to Indiana.
- **OSI Collections** is pursuing more than 432,000 tax bills, totaling nearly \$527 million owed by in-state and out-of-state taxpayers who did not participate in amnesty, in addition to those that failed to complete their amnesty payment plans.
- **Premiere** is currently pursuing more than 416,000 tax bills, totaling more than \$525 million owed by in-state and out-of-state taxpayers who did not participate in amnesty, in addition to those that failed to complete their amnesty payment plans.

Aggressive collection, in these tax cases, is characterized by using all legal means of collection, including wage garnishment, seizure of property and levying bank accounts. Each collection agency is making multiple contacts with taxpayers in attempts to collect prior to implementing firm legal action. However, each agency is instructed to begin pursuit of legal action at the close of the final contact effort. Below is a breakdown of reported collections per agency, as of the date of this report:

- **GRC** -- To date, GRC has collected on more than \$173,000 of the tax debt presented for collection.
- **OSI Collections** -- To date, OSI has collected on more than \$739,400 of tax debt presented for collection.
- **Premiere** -- To date, Premiere has collected on more than \$885,599 of tax debt presented for collection.

APPENDIX A

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

HOUSE ENROLLED ACT No. 1004

AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-8.1-3-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 17. (a) Before an original tax appeal is filed with the tax court under IC 33-26, the commissioner may settle any tax liability dispute if a substantial doubt exists as to:

- (1) the constitutionality of the tax under the Constitution of the State of Indiana;
- (2) the right to impose the tax;
- (3) the correct amount of tax due;
- (4) the collectibility of the tax; or
- (5) whether the taxpayer is a resident or nonresident of Indiana.

(b) After an original tax appeal is filed with the tax court under IC 33-26, and notwithstanding IC 4-6-2-11, the commissioner may settle a tax liability dispute with an amount in contention of twenty-five thousand dollars (\$25,000) or less. ~~(c)~~ Notwithstanding IC 6-8.1-7-1(a), the terms of a settlement under **this** subsection ~~(b)~~ are available for public inspection.

(c) The department shall establish an amnesty program for taxpayers having an unpaid tax liability for a listed tax that was due and payable for a tax period ending before July 1, 2004. A taxpayer is not eligible for the amnesty program for any tax liability resulting from the taxpayer's failure to comply with

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IC 6-3-1-3.5(b)(3) with regard to the tax imposed by IC 4-33-13. The time in which a voluntary payment of tax liability may be made (or the taxpayer may enter into a payment program acceptable to the department for the payment of the unpaid listed taxes in full in the manner and time established in a written payment program agreement between the department and the taxpayer) under the amnesty program is limited to the period determined by the department, not to exceed eight (8) regular business weeks ending before the earlier of the date set by the department or July 1, 2006. The amnesty program must provide that, upon payment by a taxpayer to the department of all listed taxes due from the taxpayer for a tax period (or payment of the unpaid listed taxes in full in the manner and time established in a written payment program agreement between the department and the taxpayer), entry into an agreement that the taxpayer is not eligible for any other amnesty program that may be established and waives any part of interest and penalties on the same type of listed tax that is being granted amnesty in the current amnesty program, and compliance with all other amnesty conditions adopted under a rule of the department in effect on the date the voluntary payment is made, the department:

- (1) shall abate and not seek to collect any interest, penalties, collection fees, or costs that would otherwise be applicable;
- (2) shall release any liens imposed;
- (3) shall not seek civil or criminal prosecution against any individual or entity; and
- (4) shall not issue, or, if issued, shall withdraw, an assessment, a demand notice, or a warrant for payment under IC 6-8.1-5-3, IC 6-8.1-8-2, or another law against any individual or entity;

for listed taxes due from the taxpayer for the tax period for which amnesty has been granted to the taxpayer. Amnesty granted under this subsection is binding on the state and its agents. However, failure to pay to the department all listed taxes due for a tax period invalidates any amnesty granted under this subsection for that tax period. The department shall conduct an assessment of the impact of the tax amnesty program on tax collections and an analysis of the costs of administering the tax amnesty program. As soon as practicable after the end of the tax amnesty period, the department shall submit a copy of the assessment and analysis to the legislative council in an electronic format under IC 5-14-6. The department shall enforce an agreement with a taxpayer that prohibits the

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taxpayer from receiving amnesty in another amnesty program.

(d) For purposes of subsection (c), a liability for a listed tax is due and payable if:

- (1) the department has issued:
 - (A) an assessment of the listed tax and demand for payment under IC 6-8.1-5-3; or
 - (B) a demand notice for payment of the listed tax under IC 6-8.1-8-2;
- (2) the taxpayer has filed a return or an amended return in which the taxpayer has reported a liability for the listed tax; or
- (3) the taxpayer has filed a written statement of liability for the listed tax in a form that is satisfactory to the department.

SECTION 2. IC 6-8.1-10-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. (a) If a person fails to file a return for any of the listed taxes, fails to pay the full amount of tax shown on his the person's return by the due date for the return or the payment, or incurs a deficiency upon a determination by the department, the person is subject to interest on the nonpayment.

(b) The interest for a failure described in subsection (a) is the adjusted rate established by the commissioner under subsection (c), from the due date for payment. The interest applies to:

- (1) the full amount of the unpaid tax due if the person failed to file the return;
- (2) the amount of the tax that is not paid, if the person filed the return but failed to pay the full amount of tax shown on the return; or
- (3) the amount of the deficiency.

(c) The commissioner shall establish an adjusted rate of interest for a failure described in subsection (a) and for an excess tax payment on or before November 1 of each year. For purposes of subsection (b), the adjusted rate of interest shall be the percentage rounded to the nearest whole number that equals two (2) percentage points above the average investment yield on state money for the state's previous fiscal year, excluding pension fund investments, as published in the auditor of state's comprehensive annual financial report. For purposes of IC 6-8.1-9-2(c), the adjusted rate of interest for an excess tax payment is the percentage rounded to the nearest whole number that equals the average investment yield on state money for the state's previous fiscal year, excluding pension fund investments, as published in the auditor of state's comprehensive annual financial report. The adjusted rates of interest established under this subsection shall take effect on January

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1 of the immediately succeeding year.

(d) For purposes of this section, the filing of a substantially blank or unsigned return does not constitute a return.

(e) Except as provided by ~~IC 6-8.1-5-2(e)(2)~~, **IC 6-8.1-3-17(c) and IC 6-8.1-5-2**, the department may not waive the interest imposed under this section.

(f) Subsections (a) through (c) do not apply to a motor carrier fuel tax return.

SECTION 3. IC 6-8.1-10-12 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 12. (a) This section applies to a penalty related to a tax liability to the extent that the:**

- (1) tax liability is for a listed tax;**
- (2) tax liability was due and payable, as determined under IC 6-8.1-3-17(d), for a tax period ending before July 1, 2004;**
- (3) department establishes an amnesty program for the tax liability under IC 6-8.1-3-17(c);**
- (4) individual or entity from which the tax liability is due was eligible to participate in the amnesty program described in subdivision (3); and**
- (5) tax liability is not paid:**
 - (A) in conformity with a payment program acceptable to the department that provides for payment of the unpaid listed taxes in full in the manner and time established in a written payment program agreement entered into between the department and the taxpayer under IC 6-8.1-3-17(c); or**
 - (B) if clause (A) does not apply, before the end of the amnesty period established by the department.**

(b) Subject to subsection (c), if a penalty is imposed or otherwise calculated under any combination of:

- (1) IC 6-8.1-1-8;**
- (2) section 2.1 of this chapter;**
- (3) section 3 of this chapter;**
- (4) section 4 of this chapter;**
- (5) section 5 of this chapter;**
- (6) section 6 of this chapter;**
- (7) section 7 of this chapter;**
- (8) section 9 of this chapter; or**
- (9) IC 6-6;**

an additional penalty is imposed under this section. The amount of the additional penalty imposed under this section is equal to the

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sum of the penalties imposed or otherwise calculated under the provisions listed in subdivisions (1) through (9).

(c) The additional penalty provided by subsection (b) does not apply if all of the following apply:

(1) The department imposes a penalty on a taxpayer or otherwise calculates the penalty under the provisions described in subsection (b)(1) through (b)(9).

(2) The taxpayer against whom the penalty is imposed:

(A) timely files an original tax appeal in the tax court under IC 6-8.1-5-1; and

(B) contests the department's imposition of the penalty or the tax on which the penalty is based.

(3) The taxpayer meets all other jurisdictional requirements to initiate the original tax appeal.

(4) Either the:

(A) tax court enjoins collection of the penalty or the tax on which the penalty is based under IC 33-26-6-2; or

(B) department consents to an injunction against collection of the penalty or tax without entry of an order by the tax court.

(d) The additional penalty provided by subsection (b) does not apply if the taxpayer:

(1) has a legitimate hold on making the payment as a result of an audit, bankruptcy, protest, taxpayer advocate action, or another reason permitted by the department;

(2) had established a payment plan with the department before the effective date of this section; or

(3) verifies with reasonable particularity that is satisfactory to the commissioner that the taxpayer did not ever receive notice of the outstanding tax liability.

SECTION 4. [EFFECTIVE UPON PASSAGE] The department of state revenue may adopt temporary rules in the manner provided by IC 4-22-2-37.1 for the adoption of emergency rules to carry out the amnesty program provided by IC 6-8.1-3-17(c), as amended by this act. A temporary rule adopted under this SECTION expires on the latest of the following:

(1) The date the temporary rule is superseded by another temporary rule adopted under this SECTION.

(2) The date the temporary rule is superseded by a rule adopted under IC 4-22-2.

(3) December 31, 2006.

SECTION 5. An emergency is declared for this act.

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APPENDIX B

**TITLE 45 DEPARTMENT OF STATE REVENUE
LSA Document #05- 273(E)**

DIGEST

Temporarily adds provisions to explain and implement the Tax Amnesty Program as contained in HEA 1004-2005. Repeal LSA Document #05-188(E), printed at 281R3585. Authority: HEA 1004-2005, SECTION 4. Effective September 9, 2005.

SECTION 1. (a) The definitions in this SECTION apply throughout this document.

(b) "Amnesty period" means the period of September 15, 2005, through November 15, 2005, when a taxpayer can elect to take advantage of the provisions contained in IC 6-8.1-3-17.

(c) "Department" means the department of state revenue.

(d) "Due and payable" means:

(1) the department has issued an assessment of the listed tax and demand for payment under IC 6-8.1-5-3;

(2) the department has issued a demand notice for payment of the listed tax under IC 6-8.1-8-2;

(3) the taxpayer has filed a return or an amended return in which the taxpayer has reported a liability for the listed tax; or

(4) the taxpayer has filed a written statement of liability in the form of an original return for the tax period and has filed an amnesty agreement with the department for the listed tax.

(e) "Listed taxes" means the taxes and fees described in IC 6-8.1-1-1 as in effect on May 12, 2005.

(f) "Taxpayer" means an individual, corporation, trust, estate, financial institution, insurance company, or a partner, shareholder, or member of a pass through entity.

(g) For purposes of liabilities assessed against an individual officer or employee under IC 6-2.5-9-3, IC 6-3-4-8, or IC 6-6-2.5-38, "taxpayer" shall collectively refer to all such individuals who have been assessed as well as the entity that is responsible for collection and remittance of such taxes.

(h) For purposes of liabilities under IC 6-3-4-8.1, IC 6-3-4-8.2, IC 6-3-4-12, IC 6-3-4-13, or IC 6-3-4-15, "taxpayer" shall also refer to the entity responsible for withholding and remitting the taxes.

(i) For purposes of IC 6-3-4-8.5, "taxpayer" shall collectively refer to the entity that incurred the initial tax liability and the transferee of property subject to tax under IC 6-3-4-8.5.

(j) "Tax period" means a reporting period ending on or before June 30, 2004.

SECTION 2. The inheritance tax, estate tax, and generation skipping tax are not subject to the provisions of the amnesty program.

SECTION 3. (a) The department shall establish an amnesty program that applies to unpaid tax liabilities for listed taxes that are due and payable for a tax period ending before July 1, 2004.

(b) Individuals with unpaid individual income tax liabilities are eligible for amnesty if the liability is for a taxable year ending on or before June 30, 2004. This applies to liabilities that are outstanding and due for resident individuals, partial year residents, and nonresidents.

(c) Taxpayers who are liable for sales and withholding taxes for tax periods ending on or before June 30, 2004, are eligible for amnesty on those outstanding liabilities.

(d) Corporations with unpaid tax liabilities are eligible for amnesty if the liability is for a tax period ending on or before June 30, 2004.

(e) Taxpayers that filed a tax return for an amnesty eligible tax period, but underreported the tax liability that was actually due, may participate in the amnesty program by completing an amnesty agreement, filing an amended return for the tax period, and paying the base tax that is due.

(f) Taxpayers that have not filed a tax return, or paid taxes for an amnesty eligible tax period, and have not been assessed by the department may participate in the amnesty program by completing an amnesty agreement, filing the original tax return for the tax period, and paying the base tax that is due.

SECTION 4. (a) The amnesty period is from September 15, 2005, up to and including November 15, 2005.

(b) No extensions of payments are permitted unless the taxpayer has established a payment plan with the department under SECTION 10 of this document.

(c) A payment received by the department before September 15, 2005, for an amnesty eligible tax period is not eligible for the abatement of penalties, interest, and costs, and fees under SECTION 7 [of this document].

SECTION 5. (a) Except as provided in SECTION 6 of this document, a taxpayer with an eligible outstanding tax liability that is due and payable to the department for an eligible tax period is eligible to participate in the amnesty program.

(b) A taxpayer that properly protests a liability in accordance with IC 6-8.1-5-1 is eligible to participate in the amnesty program.

(c) A taxpayer that has a departmental hold on a tax liability payment resulting from an audit, bankruptcy, taxpayer advocate action, criminal investigation, or criminal prosecution is eligible to participate in the amnesty program.

(d) A taxpayer that negotiated a payment plan on or prior to May 12, 2005, with the department, a sheriff, collection attorney, or collection agency is eligible to participate in the amnesty program.

SECTION 6. A tax liability incurred because of a taxpayer's failure to add back the riverboat wagering tax to federal ad-

justed gross income or federal taxable income of the taxpayer is not eligible for the amnesty program. This includes the entity's distributive income passed through to its partners, shareholders, or other members of a pass through entity. The exclusion includes any income taxes attributable to the addback for which a pass through entity is responsible for withholding on behalf of nonresident shareholders or partners.

SECTION 7. (a) A taxpayer that elects to voluntarily take advantage of the amnesty program in a timely manner and complies with all requirements of the department concerning the amnesty program has the assurance that:

- (1) the department shall abate and not seek to collect any applicable interest, penalties, collection fees, or costs related to those tax liabilities that are paid under amnesty;
- (2) the department shall release any liens that are imposed after the full amount of the applicable tax liability is paid;
- (3) the department shall not seek civil or criminal prosecution against any individual or entity that participates in the amnesty program. The provision not to seek any civil or criminal prosecution only applies to tax liabilities that are included in the amnesty program; and
- (4) the department shall not issue or if issued shall withdraw an assessment, a demand notice, or a warrant for payment for liabilities paid under the amnesty program.

(b) A taxpayer that has an outstanding tax liability for taxes related to the International Fuel Tax Agreement (IFTA) that participates in the amnesty program will have penalty and interest abated for the Indiana portion of penalty and interest assessed. The IFTA prohibits Indiana from eliminating another state's penalty and interest assessment.

SECTION 8. (a) A taxpayer that participates in the amnesty program is not eligible to participate in any future amnesty program.

(b) The provision contained in subsection (a) does not apply to an amnesty agreement entered into under Section 402 of the Streamlined Sales and Use Tax Agreement.

SECTION 9. (a) A taxpayer that fails to pay the department the full amount of base tax for a listed tax that is due and payable for a tax period shall have the amnesty agreement voided and will be subject to all penalties, including the additional penalty provided in SECTION 11 of this document, and interest and costs related to the listed tax for the tax period that would be incurred if the taxpayer had not participated in the amnesty program.

(b) Any liability that is not eligible for the amnesty program will not be subject to the additional penalty provided in SECTION 11 of this document.

SECTION 10. (a) A taxpayer that enters into an amnesty payment plan shall comply with a written agreement stating the requirements of the payment plan.

(b) An amnesty payment plan agreement that is entered into by the taxpayer and the department shall require that the full amount of base tax due as established in the agreement must be remitted by June 15, 2006.

(c) An amnesty payment plan shall not be established for a taxpayer if the amount of base tax due is less than five hundred dollars (\$500.00).

(d) If the amnesty payment plan agreement is entered into on or before September 30, 2005, the taxpayer is required to pay twenty percent (20%) of the base tax due at the time of signing the agreement and ten percent (10%) of the base tax on the fifteenth of each month beginning on November 15, 2005, until the balance is paid in full.

(e) If the amnesty payment plan agreement is entered into after September 30, 2005, and on or before November 15, 2005, the taxpayer is required to pay thirty percent (30%) of the base tax due at the time of signing the agreement and ten percent (10%) of the base tax on the fifteenth of each month beginning on December 15, 2005, until the balance is paid in full.

(f) A taxpayer may pay more than the minimum monthly payment provided in the amnesty payment plan agreement.

(g) Payments received that are less than the minimum monthly payment amount provided in the payment plan agreement shall result in default of the amnesty agreement.

SECTION 11. (a) A taxpayer that fails to participate in the amnesty program or does not pay the entire base tax liability for a tax period that is due and payable for a tax period ending before July 1, 2004, shall be assessed a penalty that is double the amount of the penalty originally assessed.

(b) The penalty that is originally assessed is equal to ten percent (10%) of:

- (1) the full amount of tax due if the taxpayer fails to file a return;
- (2) the amount of tax not paid if the taxpayer fails to pay the full amount of tax shown on the taxpayer's return;
- (3) the amount of tax held in trust that is not timely remitted;
- (4) the amount of deficiency as finally determined by the department; or
- (5) the amount of tax due if the taxpayer fails to remit a payment by electronic funds transfer.

(c) The penalty that is originally assessed is equal to twenty percent (20%) if the taxpayer fails to withhold tax for nonresident shareholders that are shareholders in an S Corporation.

(d) The penalty that is originally assessed on a return that shows no tax liability for a taxable year is ten dollars

(\$10) per day for each day that the return is past due up to a maximum of two hundred fifty dollars (\$250).

(e) The penalty that is originally assessed on a return prepared by the department based on best information available is twenty percent (20%) of the unpaid tax.

(f) The penalty that is originally assessed for failure to file a return or failure to make full payment with the fraudulent intent of evading the tax is one hundred percent (100%).

(g) The penalty that is originally assessed for a check where the department is unable to obtain payment on the check when the check is presented for payment through normal banking channels is one hundred percent (100%) of the face value of the check if the taxpayer fails to make the payment by check, certified check, or other guaranteed payment within ten (10) days of being notified by the department that the check has been dishonored.

(h) The penalty that is originally assessed for failure to file an information return (Schedule K-1 of Form IT-20S, IT-41, or IT-65) is ten dollars (\$10) for each failure to file a timely return up to a maximum of twenty-five thousand dollars (\$25,000). The term information return does not include form IT-20FIT, IT-20S, IT20SC, IT-41, or IT-65.

(i) The penalty that is originally assessed on a corporate officer for violations concerning the dissolution of a corporation is thirty percent (30%) of the unpaid tax for failure to take reasonable steps to set aside corporate assets to meet the liability due the department.

(j) The penalty that is originally assessed for selling gasoline in Indiana with the intent to avoid payment of the gasoline tax is fifty percent (50%) of the tax that has not been paid to the department.

(k) The penalty that is originally assessed for failure to remit the special fuel tax is one hundred percent (100%) of the uncollected tax.

SECTION 12. The provision for doubling the penalty as contained in SECTION 11 of this document does not apply if all of the following conditions are present:

(1) The department imposes a penalty on a taxpayer or otherwise calculates the penalty under the provisions described in SECTION 11 of this document.

(2) The taxpayer against whom the penalty is imposed:

(A) timely files an original tax appeal in the tax court; and

(B) contests the department's imposition of the penalty or the tax on which the penalty is based.

(3) The taxpayer meets all other jurisdictional requirements to initiate the original tax appeal.

(4) Either:

(A) the tax court enjoins collection of the penalty or the tax on which the penalty is based; or

(B) the department consents to an injunction against collection of the penalty or tax without entry of an order by the tax court.

SECTION 13. The provision for doubling the penalty as contained in SECTION 11 of this document does not apply if any of the following circumstances apply:

(1) the taxpayer has a legitimate hold on making the payment as a result of an audit, bankruptcy, protest, taxpayer advocate action, criminal investigation, or prosecution;

(2) the taxpayer had established a payment plan with the department by May 12, 2005; or

(3) the taxpayer proves that the taxpayer did not ever receive notice of the outstanding tax liability.

SECTION 14. (a) A taxpayer that has a legitimate hold on making a payment or had established a payment plan with the department by May 12, 2005, may participate in the amnesty program and have penalty, interest, and costs waived by the department.

(b) A taxpayer that claims they never received the notice described in SECTION 15 of this document must prove that the taxpayer never resided or never operated a business at the address to which the notification of the amnesty program was mailed.

SECTION 15. (a) All taxpayers that are eligible for amnesty that have an outstanding tax liability for a listed tax that is due and payable will be notified by first class mail between August 15, 2005, and September 15, 2005, at the last known address of the taxpayer that they are eligible to participate in the amnesty program.

(b) The taxpayer will be notified of all known outstanding tax liabilities that qualify for amnesty by tax type and tax period.

(c) The notification will include the amount of payment required to take advantage of the amnesty program and the amount of tax, penalty, interest, and costs that will be due if the taxpayer does not take advantage of the amnesty program.

SECTION 16. (a) A taxpayer desiring to take advantage of the amnesty program can pay the base tax due by mailing to the department the amount of tax due.

(b) The taxpayer can remit the payment by check, money order, or certified funds through the U.S. mail.

(c) If the taxpayer chooses to remit via the Internet, they can pay with a credit card, debit card, or by eCheck.

SECTION 17. (a) A taxpayer that participates in the amnesty program must agree to all provisions contained in SECTIONS 7 through 9 of this document. The taxpayer acknowledges all terms of the agreement when they sign the coupon

that is to be sent to the department when the taxpayer pays the liability.

(b) A taxpayer that remits and agrees to amnesty through the department's amnesty Web site by clicking on the "I accept the terms of the agreement" checkbox is consenting to the amnesty agreement.

SECTION 18. (a) A taxpayer agreement is completed when the taxpayer signs the amnesty agreement and returns the amnesty payment coupon to the department, or files amended returns to report a previous tax deficiency, or files an initial return if the taxpayer had failed to file and remit for amnesty eligible tax periods.

(b) A taxpayer may appoint a personal representative to sign the amnesty agreement. However, the taxpayer shall complete a Power of Attorney (Form POA-1) giving the representative authorization to sign on behalf of the taxpayer.

SECTION 19. A prerequisite to participation in the amnesty program requires the taxpayer to:

- (1) pay the full amount of a tax liability for a tax period;
- (2) relinquish all rights to protest a tax liability that is being paid; and
- (3) agree not file a claim for refund of the tax paid.

SECTION 20. (a) A taxpayer that has multiple tax liabilities that are eligible for the tax amnesty program shall have any payment applied to the oldest tax liability for which the taxpayer's payment can satisfy the tax liability in full.

(b) The oldest liability shall be determined by the date of the tax period.

(c) The allocation of a payment to the oldest tax liability first may be altered if the taxpayer specifically indicates the allocation of a payment to another liability.

SECTION 21. Any overpayment by a taxpayer during the amnesty period for an amnesty eligible liability that is a computational error may be refunded to the taxpayer at the department's discretion. If the overpayment is not refunded, it shall be credited to the taxpayer.

SECTION 22. If a taxpayer properly protests a proposed assessment of the department, the tax liability protested is eligible for the amnesty program.

SECTION 23. (a) A taxpayer that receives an assessment based on best information available (BIA) that is issued for a tax period that qualifies for amnesty is allowed to pay the amount of the base tax assessed.

(b) If the taxpayer remits an amount that is different than the base tax amount assessed, the taxpayer must file a tax return for the tax period.

(c) A taxpayer that files a return reporting zero (0) tax liability as the result of a BIA assessment shall attach a verification that no tax liability exists.

(d) Verification of no tax liability can be proven by attaching evidence that no tax liability exists. Examples of documents the department will consider acceptable include the following:

- (1) Minutes of the final board of directors meeting.
- (2) Records of bank accounts closed.
- (3) Articles of dissolution.
- (4) Notarized statement of dissolution from an officer of the business.
- (5) Final utility bills.
- (6) Any proof of dissolution filed with the Internal Revenue Service.
- (7) Books and records or any other pertinent information.

SECTION 24. (a) A taxpayer that established a payment plan with the department on or before May 12, 2005, is eligible to participate in the amnesty program.

(b) The taxpayer may pay the remaining balance of the payment plan in full during the amnesty program.

(c) The taxpayer, upon approval of the department, may establish an amnesty payment plan and shall conform to the requirements of SECTION 10 of this document.

(d) If the taxpayer is not able to pay the remaining balance during the amnesty period, or will not be able to pay the remaining balance through an amnesty payment plan, the taxpayer may elect not to participate in the amnesty program without being subject to the double penalty assessment.

SECTION 25. (a) A payment by a taxpayer that is made in anticipation of an audit assessment for a listed tax is not considered an amnesty payment unless the taxpayer is filing an amended return admitting to previous under reporting of a tax liability for the tax period.

(b) A taxpayer that makes a payment as part of an amended return pursuant to the amnesty program cannot file a claim for refund if an audit determines that the taxpayer overpaid the tax liability for the reporting period.

SECTION 26. (a) A taxpayer that has established a payment plan with a sheriff, collection attorney, or collection agency will discontinue making payments as of June 15, 2005, and will be eligible for the tax amnesty program.

(b) A taxpayer that had been on a payment plan will receive an amnesty packet from the department before the amnesty program begins.

(c) A taxpayer may elect to pay the remaining balance to the department during amnesty, and all remaining penalties, interest, and costs will be waived.

(d) If the taxpayer does not pay the balance of tax due, or does not establish a payment plan within the amnesty

program, the taxpayer is subject to the double penalty after the amnesty period ends.

SECTION 27. LSA Document #05-188(E) IS REPEALED.

SECTION 28. This document expires December 31, 2006.

APPENDIX C



INDIANA TAX AMNESTY

No Penalties. No Interest. No Problem.

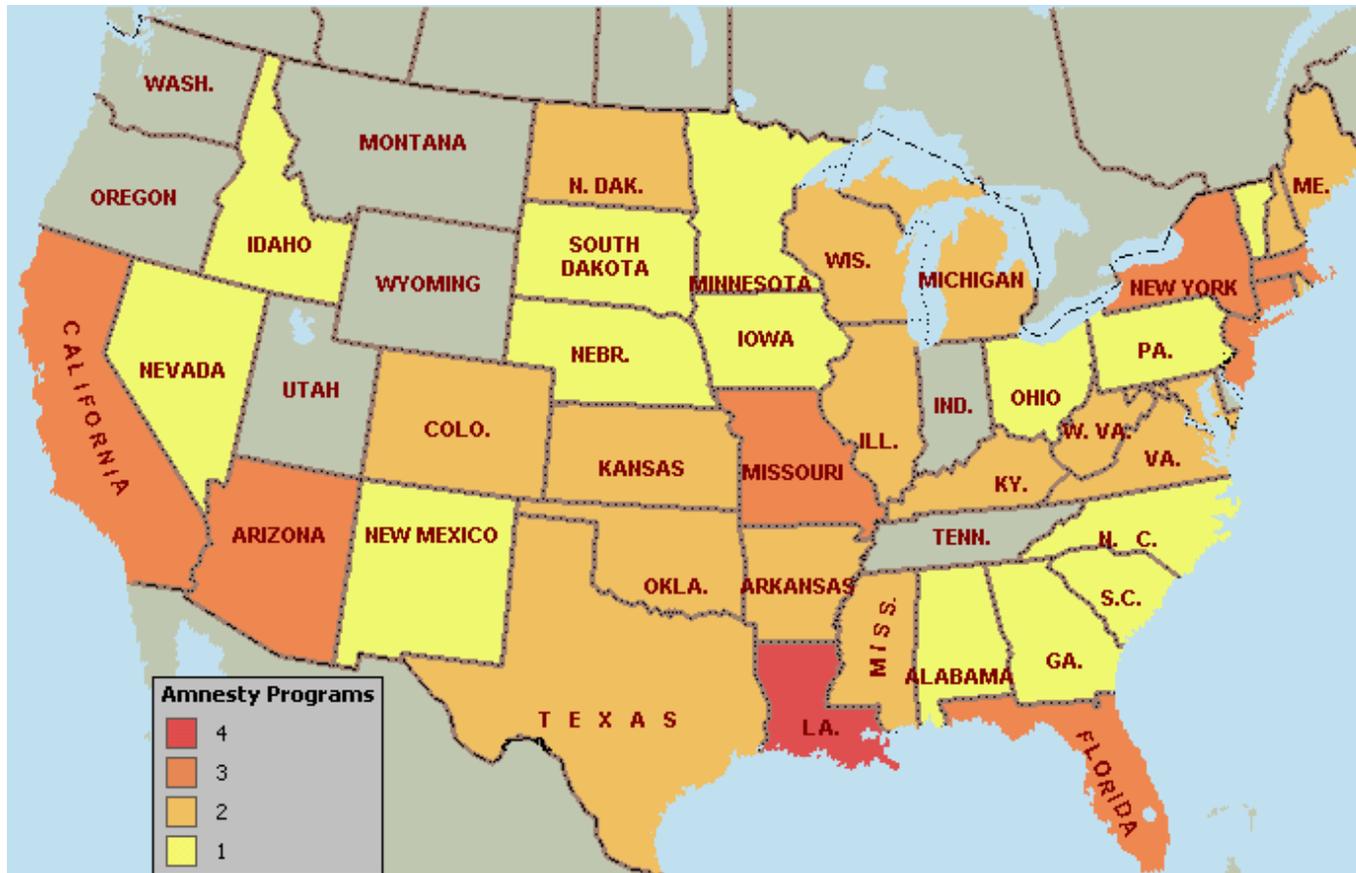
Indiana Department of Revenue

Leadership Team Business Plan

August 10, 2005

Collect all **delinquent taxes** due the
state of Indiana
with
an **improved** tax **collection process**
that
avoids future tax **amnesty** programs.

Tax Amnesty Programs by State



Tax Amnesty Listed Taxes/Fees (40+)

INDIANA TAX AMNESTY



- Adjusted Gross Income Tax
- Alternative Fuel Permit Fee
- Auto Rental Excise Tax
- Beer Excise Tax
- Cigarette Tax
- Commercial Vehicle Excise Tax
- County Adjusted Gross Income Tax
- County Admissions Tax
- County Economic Development Income Tax
- County Food and Beverage Taxes
- County Option Income Tax
- Emergency and Hazardous Chemical Inventory Form Fee
- Fees and Penalties Assessed for Overweight Vehicles
- Financial Institutions Tax
- Food and Beverage Taxes
- Gasoline Tax
- Gross Income Tax
- Hard Cider Excise Tax
- Hazardous Waste Disposal Tax
- Inheritance and Estate Tax

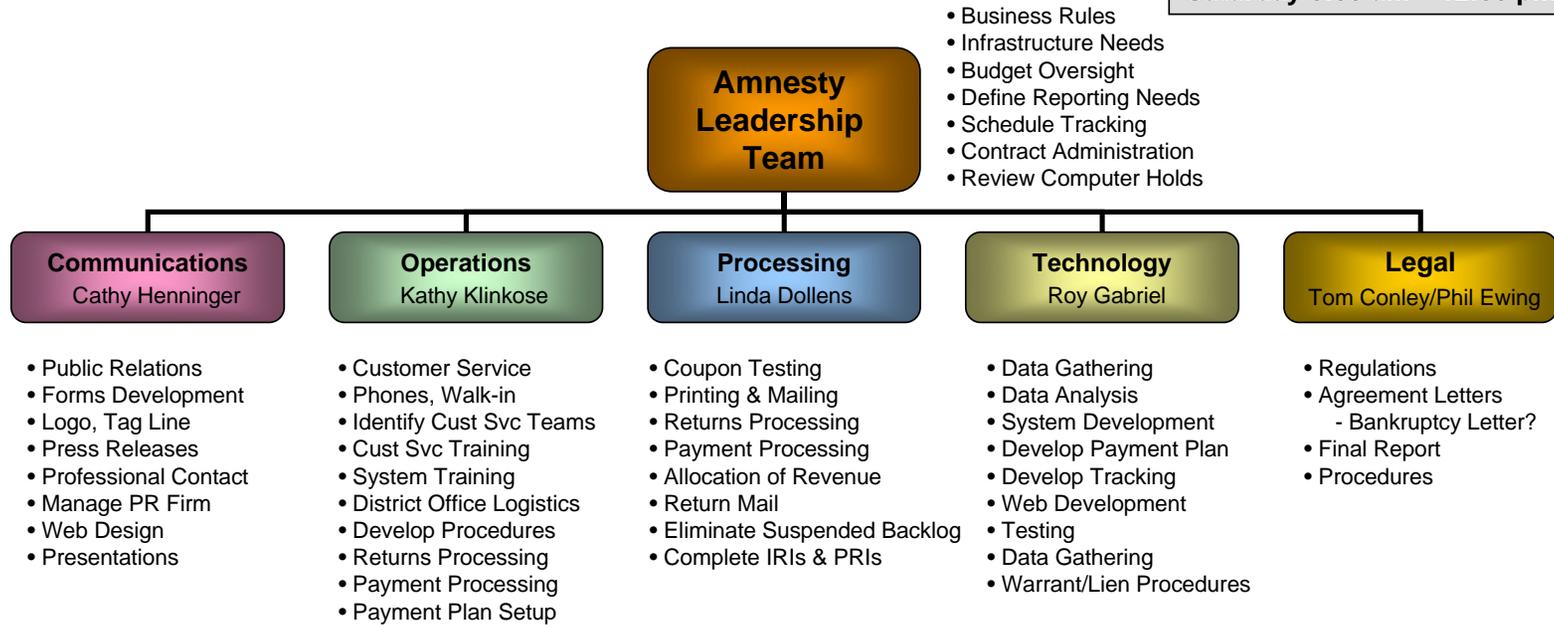
- Innkeeper's Taxes
- Liquor Excise Tax
- Malt Excise Tax
- Motor Carrier Fuel Tax
- Motor Fuel Taxes Collected Thru IFTA
- Motor Vehicle Excise Tax
- Municipal Option Income Tax
- Oil Inspection Fee
- Pari-Mutuel Taxes
- Penalties Assessed for Oversize Vehicles
- Petroleum Severance
- Riverboat Admissions Tax
- Riverboat Wagering Tax
- Solid Waste Management Fee
- Special Fuel Tax
- State Gross Retail and Use Taxes
- Supplemental Net Income Tax
- Underground Storage Tank Fee
- Utility Receipts Tax
- Wine Excise Tax
- And Any other Tax or Fee that the Department is Required to Collect or Administer

**Approximately 200,000
Taxpayers Will Receive
A Direct Mailing**

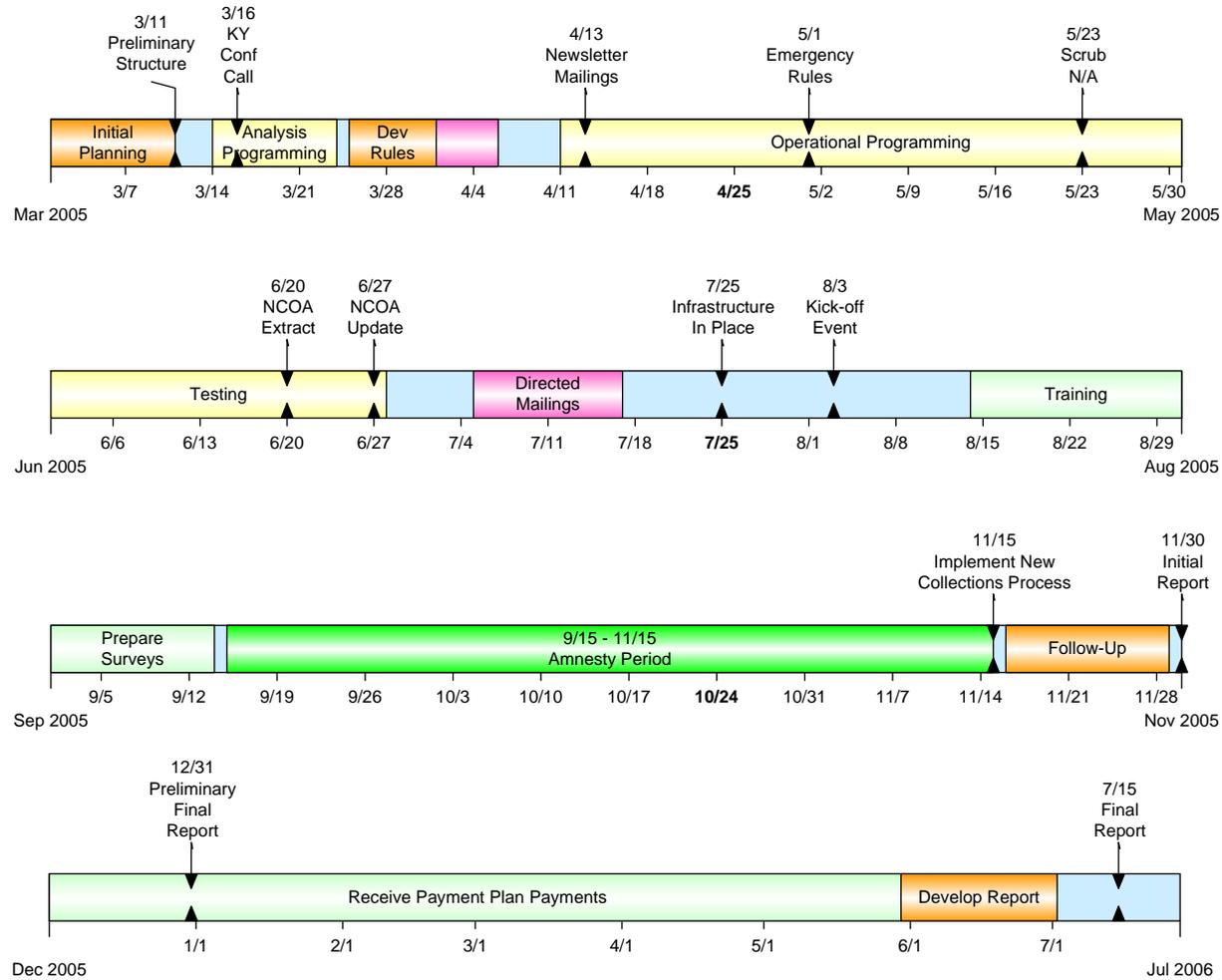
Tax Amnesty Organization Chart



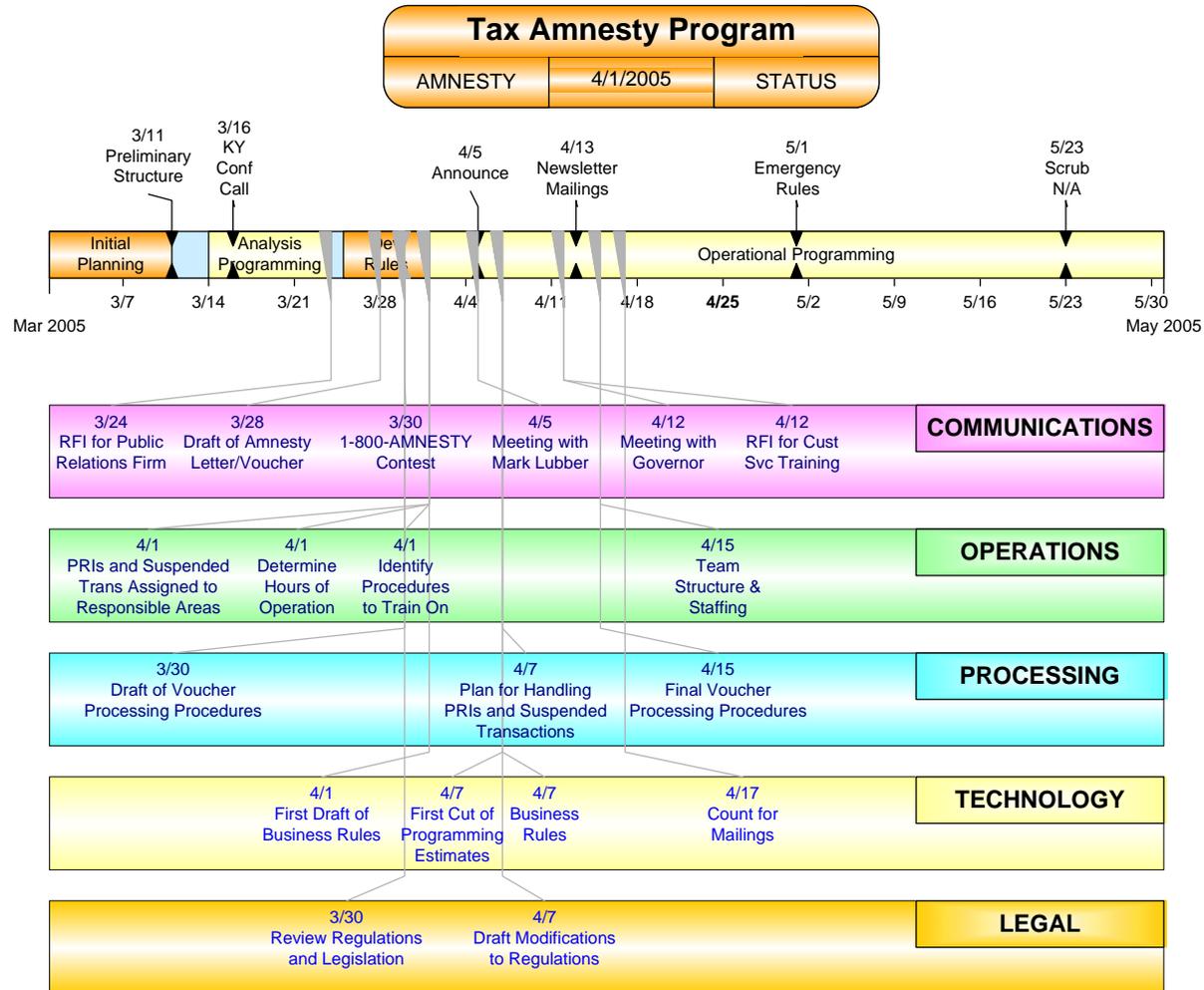
Sept. 15 – Nov. 15
M–F 8:00 am – 8:00 pm
Saturday 8:00 am – 12:30 pm



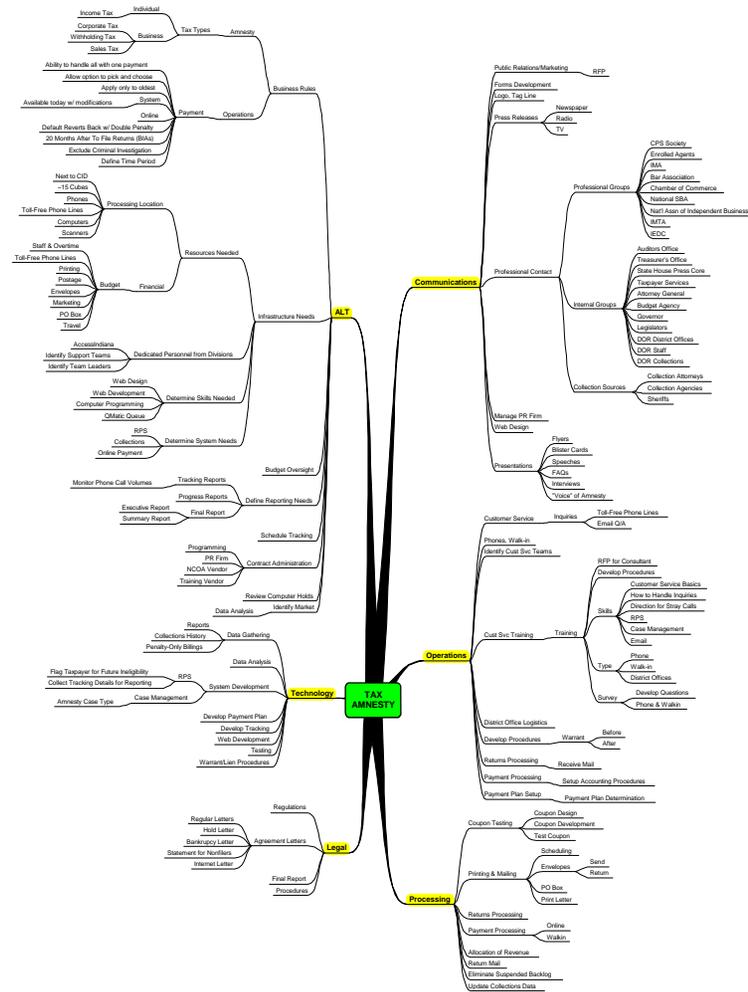
Tax Amnesty Timeline



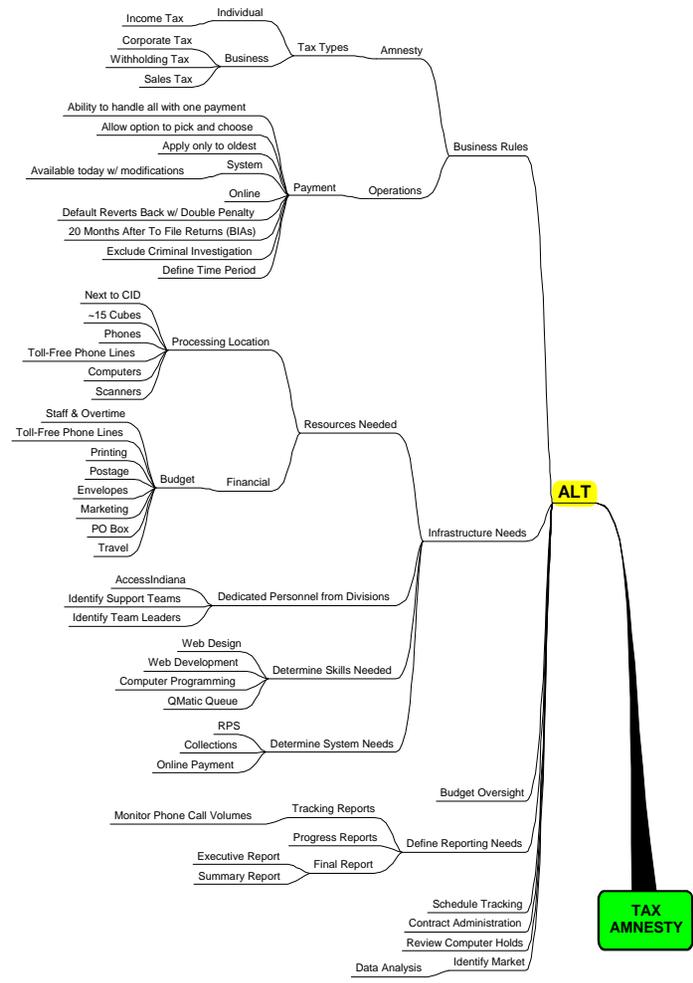
Tax Amnesty Status



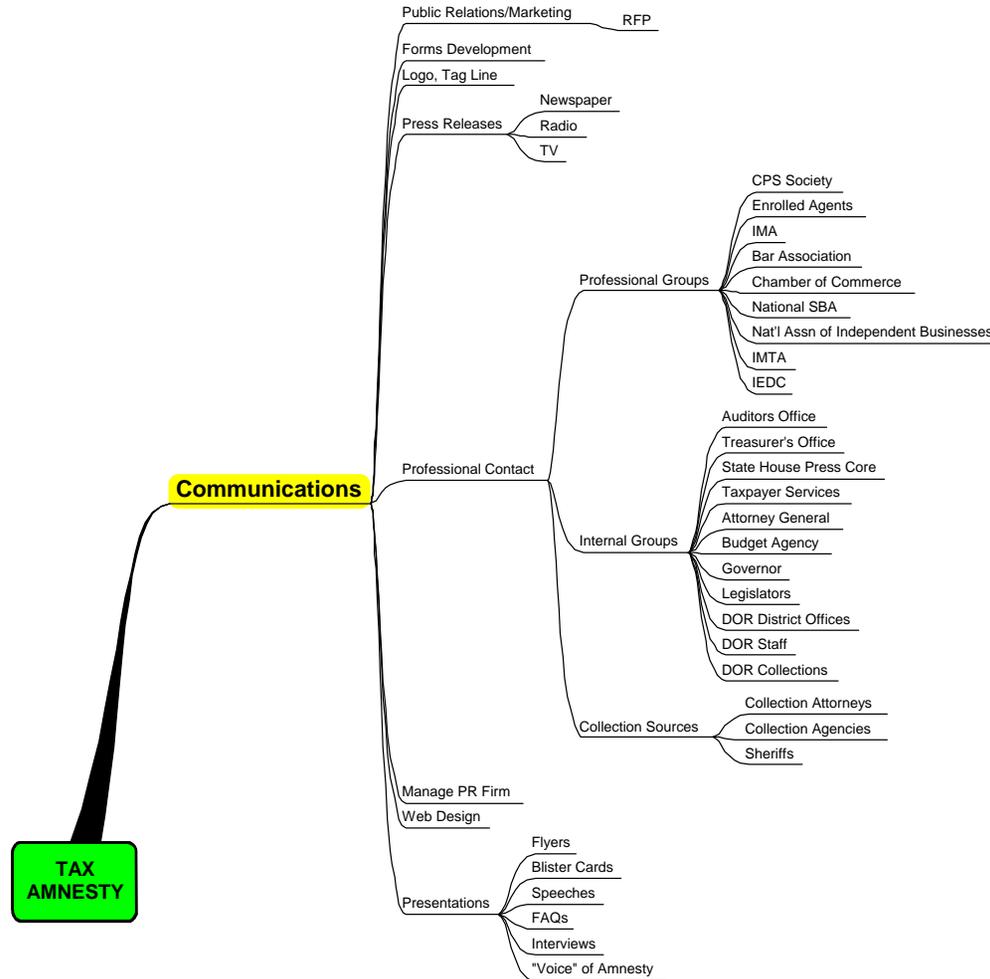
Tax Amnesty Scope



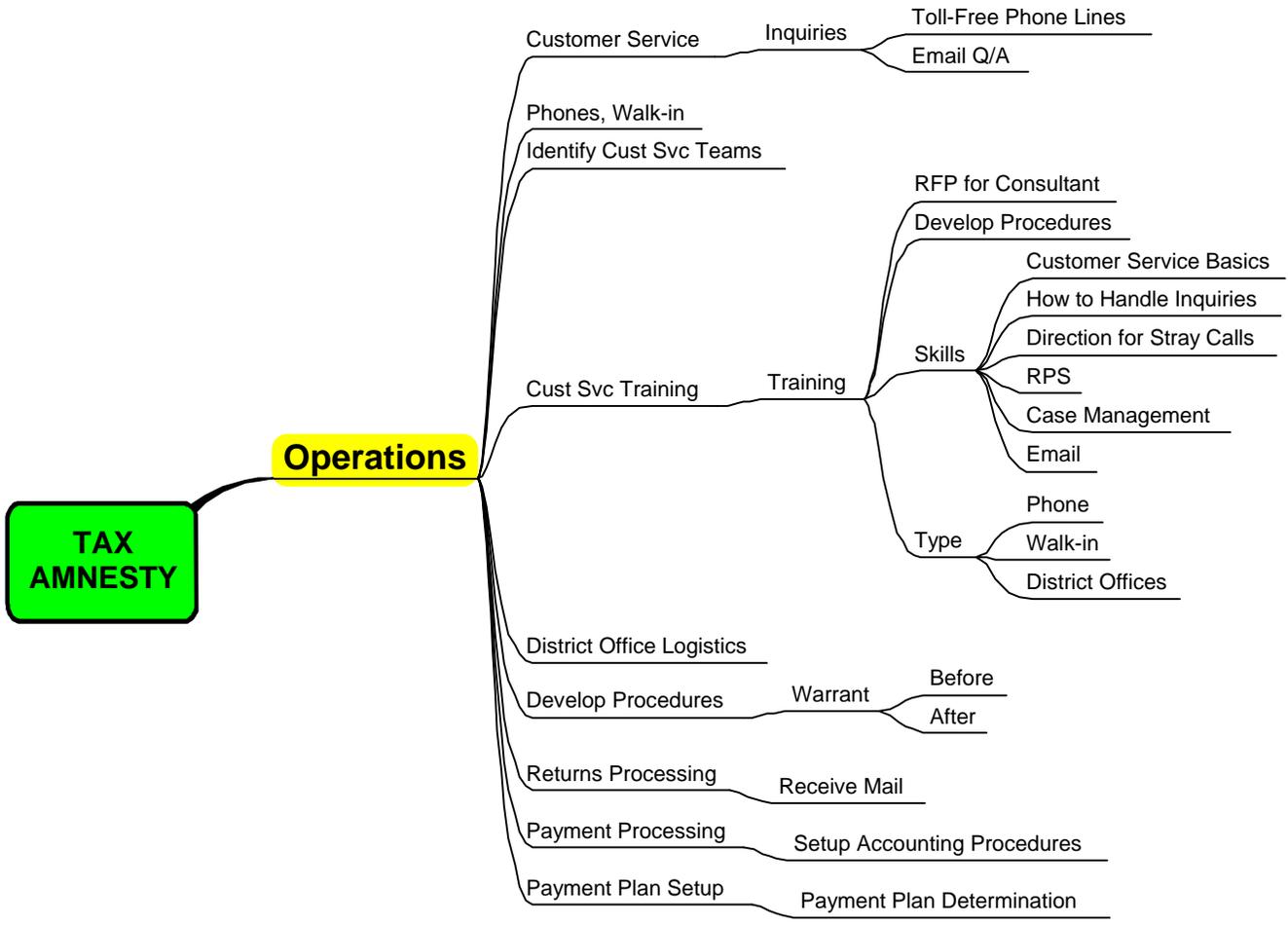
Amnesty Leadership Team



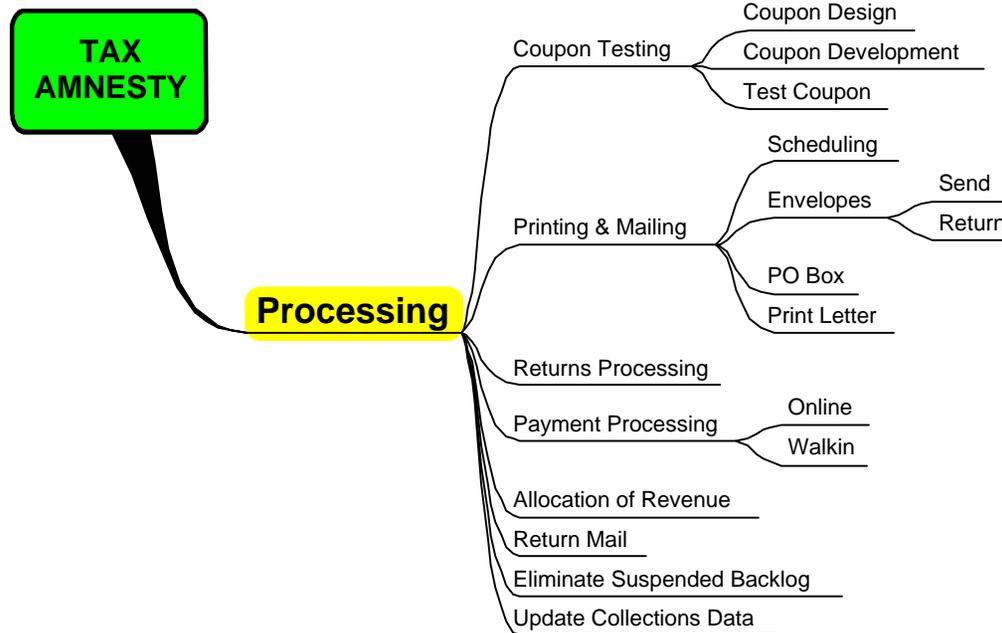
Communications

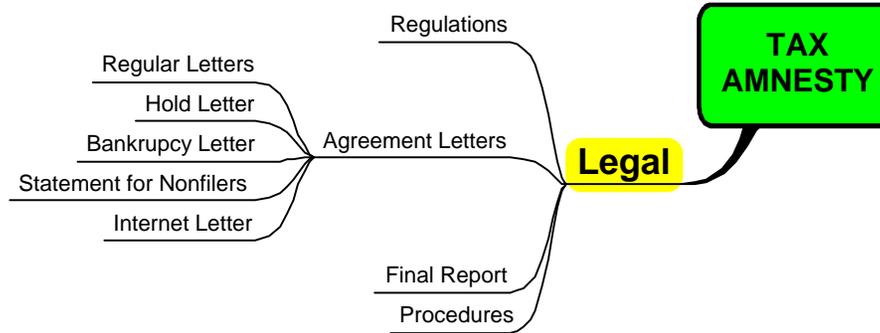


Operations

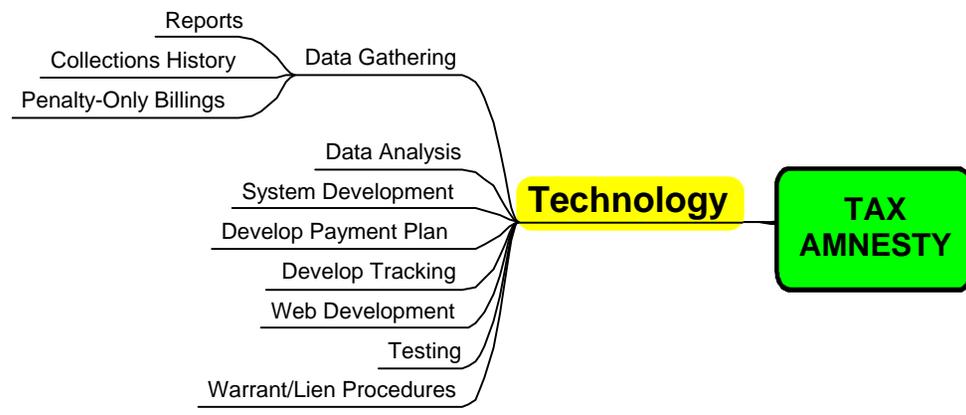


Processing





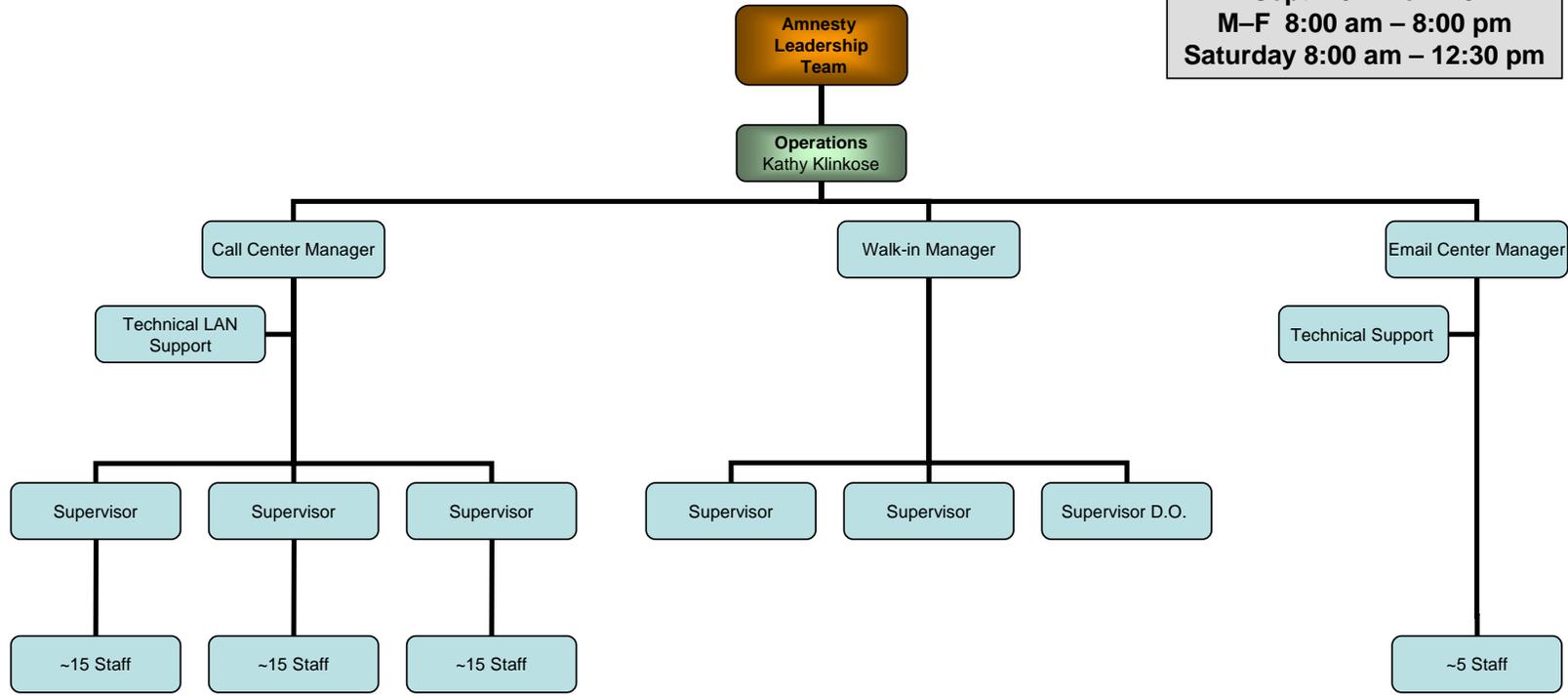
Technology



Tax Amnesty Operational Teams (61 People)



Sept. 15 – Nov. 15
M–F 8:00 am – 8:00 pm
Saturday 8:00 am – 12:30 pm



Tax Amnesty Costs



	AUGMENTED	BUDGETED
Computer Programming	\$722,000	\$535,000
Statistical Analysis	\$0	\$75,000
Staff Training	\$400,000	\$0
Communications	\$7,000	\$0
Printing and Mailing	\$75,000	\$3,000
Marketing – Public Relations	\$1,500,000	\$0
Administrative Overhead	\$30,000	\$20,000
Equipment	\$80,000	\$0
TOTAL	\$2,814,000	\$633,000
	\$3,447,000	

RPS Modification
 Web Design & Development
 Reporting Development
 Project Planning & Mgt
 Business Rule Specifications
 Integration & User
 Acceptance
 Implementation & Support

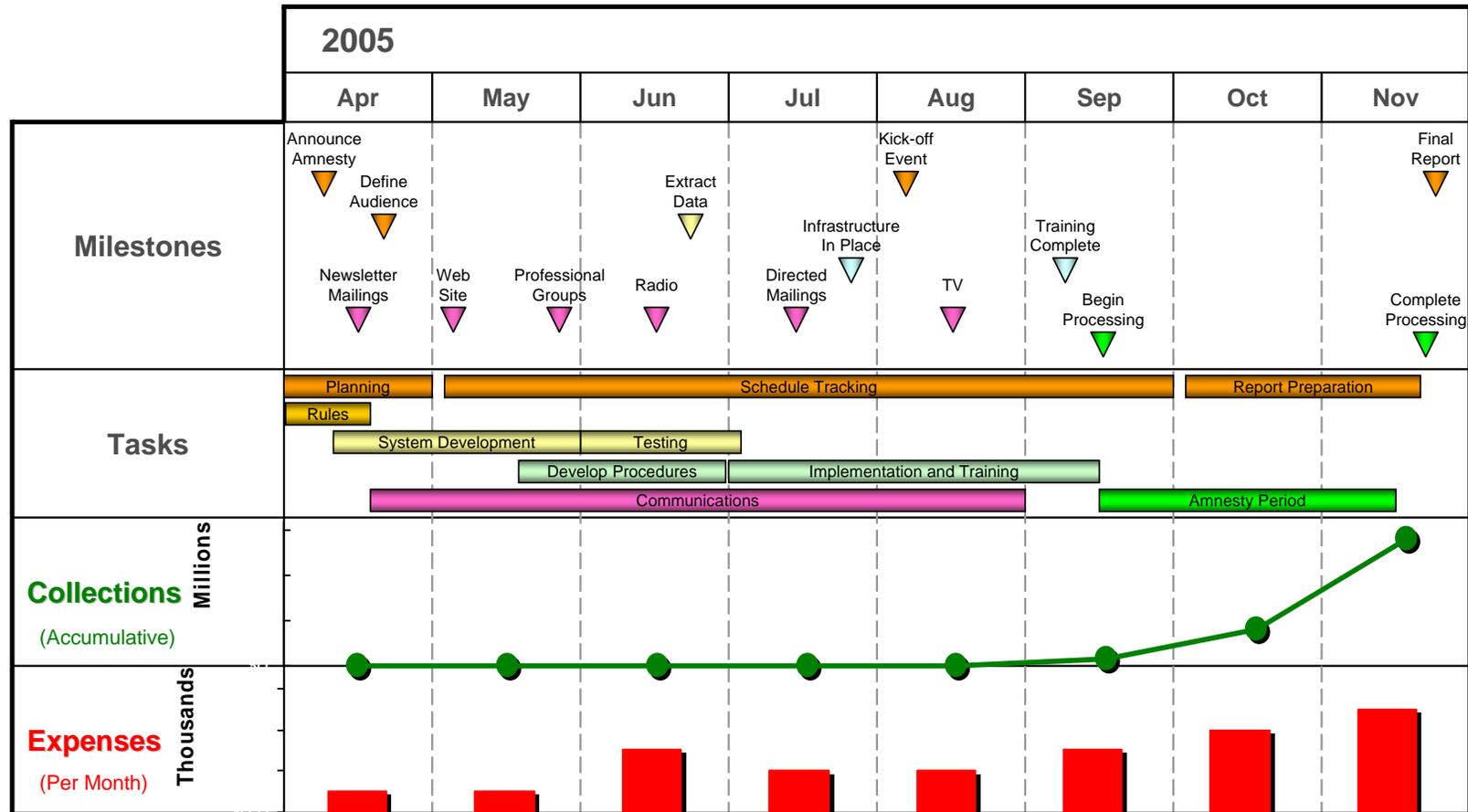
Customer Service Training
 RPS & Case Management
 Inquiry Handling & Direction
 Web Site & Email
 Phone – Walk-in
 Downtown – District Offices

Press Releases
 TV Coverage
 Professional Groups
 State Groups
 Collection Groups
 Flyers
 Blister Cards
 Web Content

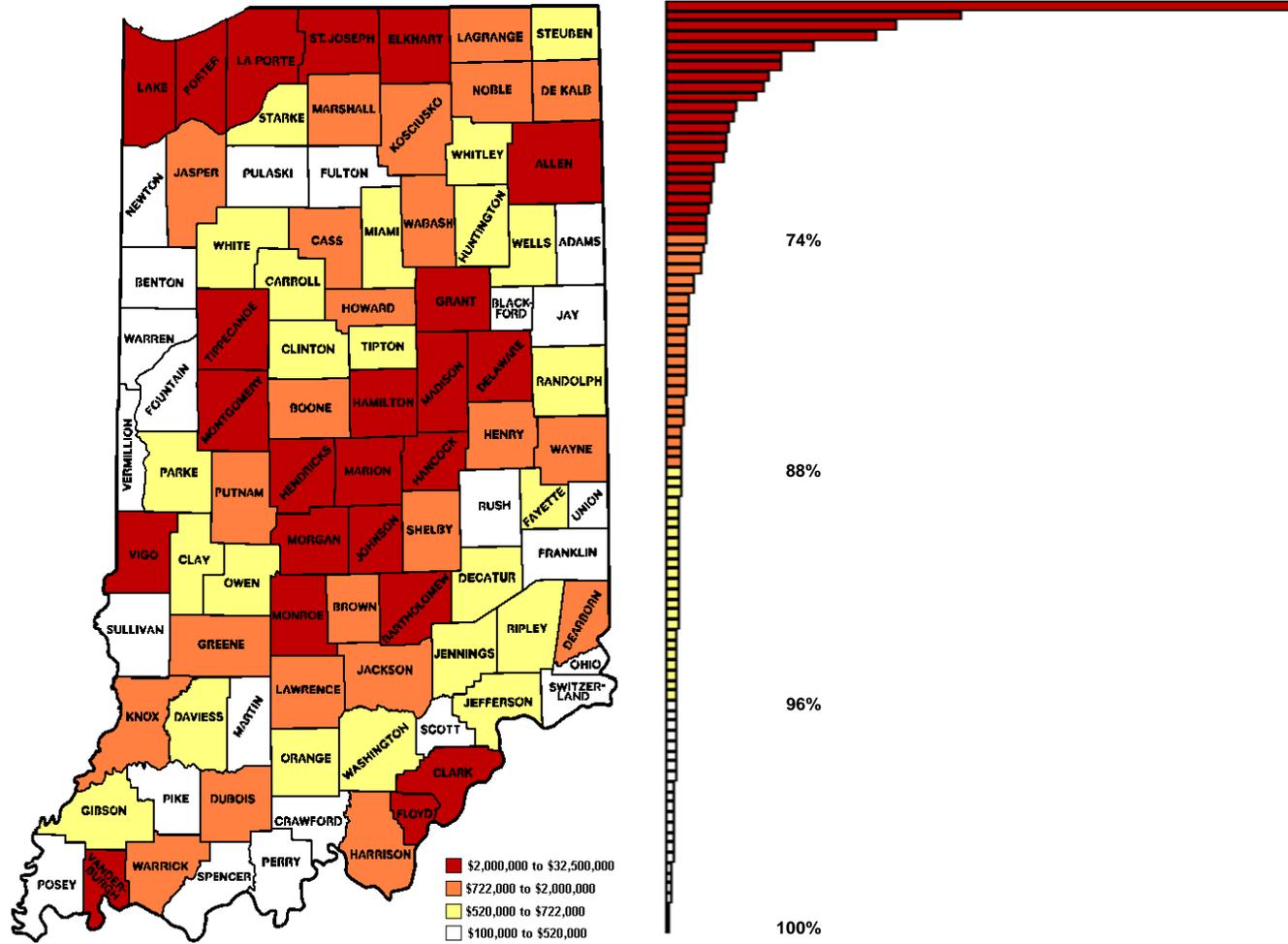
Tax Amnesty Business Plan



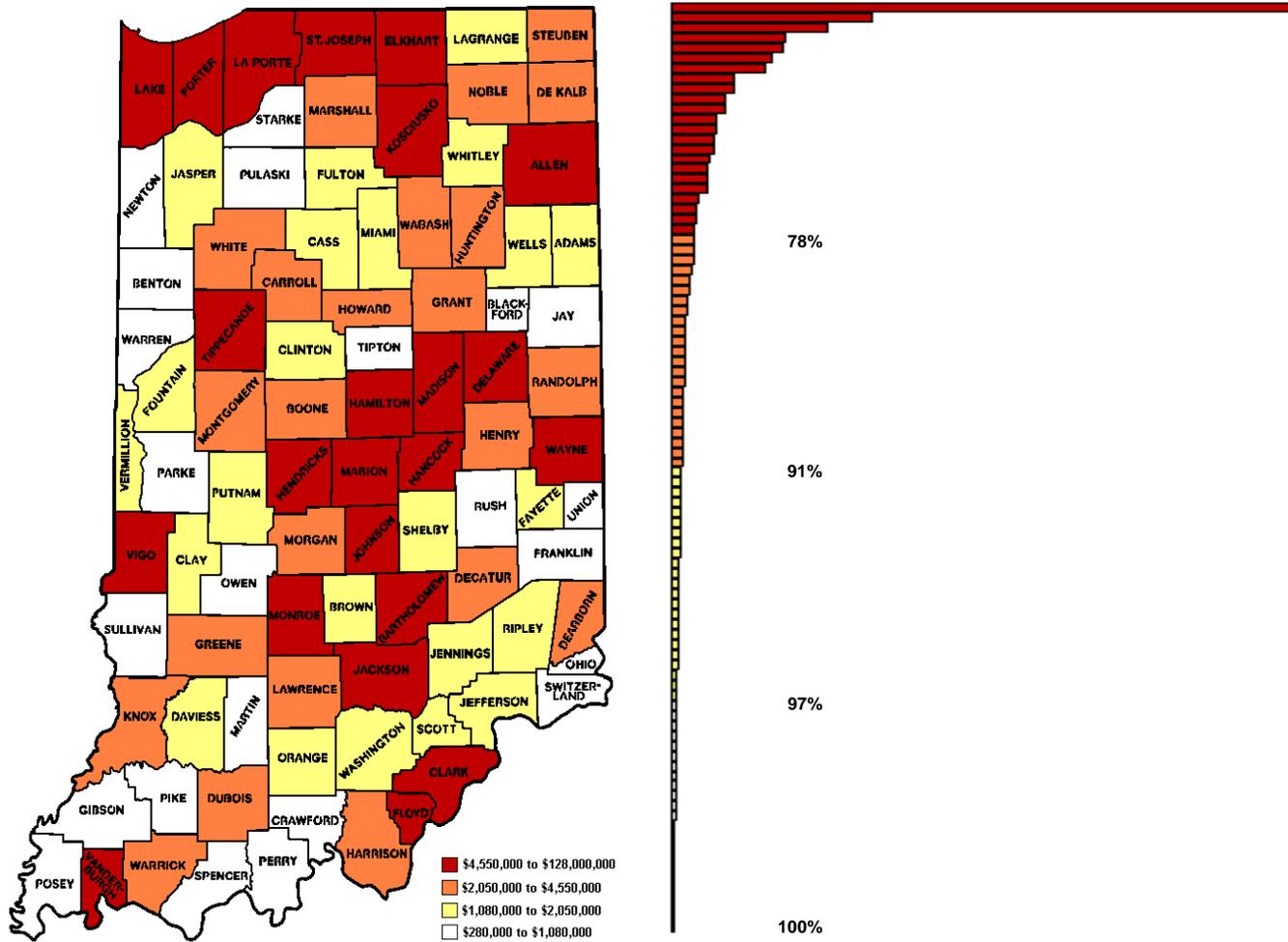
Eight Month Timeframe



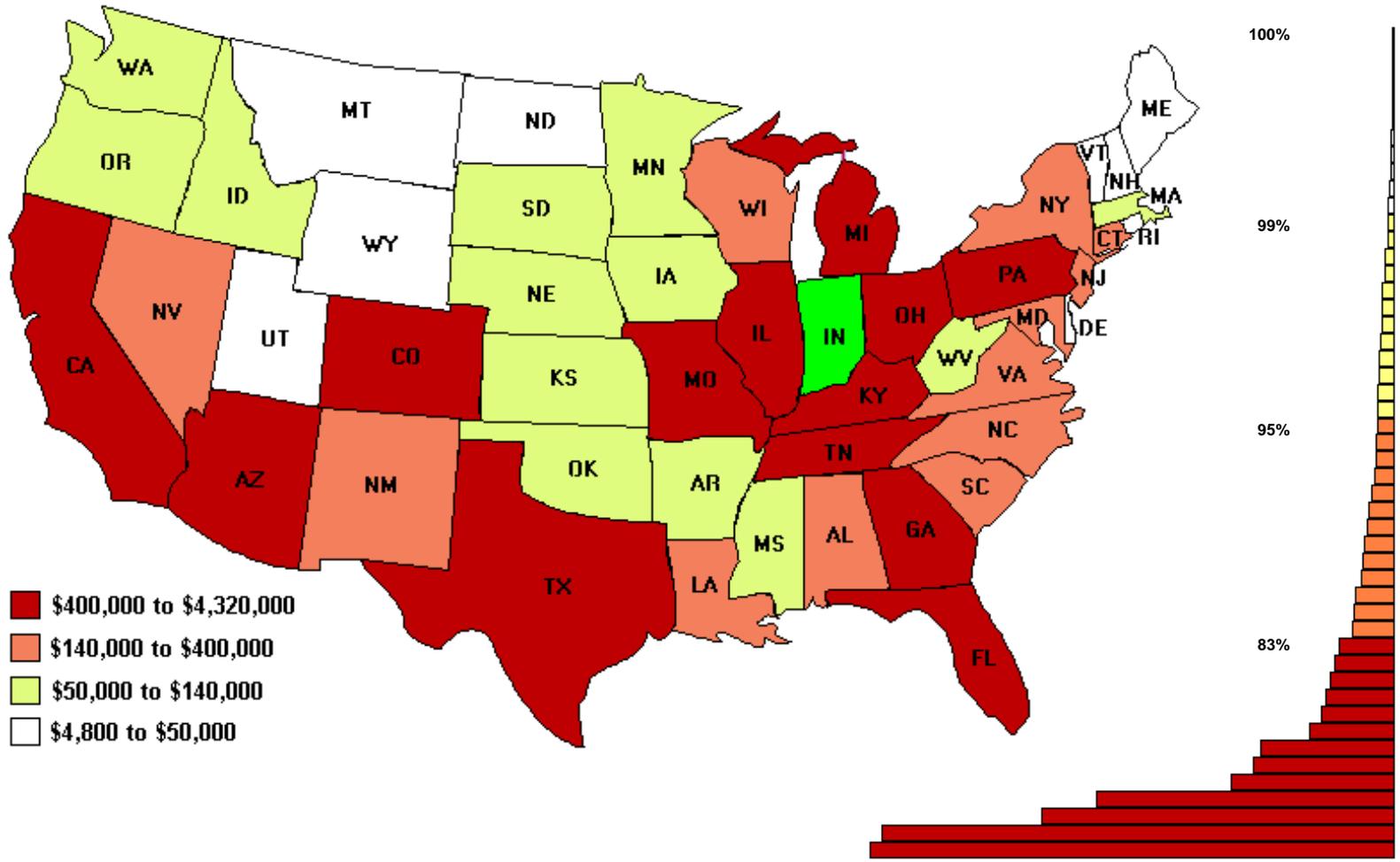
Tax Amnesty Marketing Focus – Individual



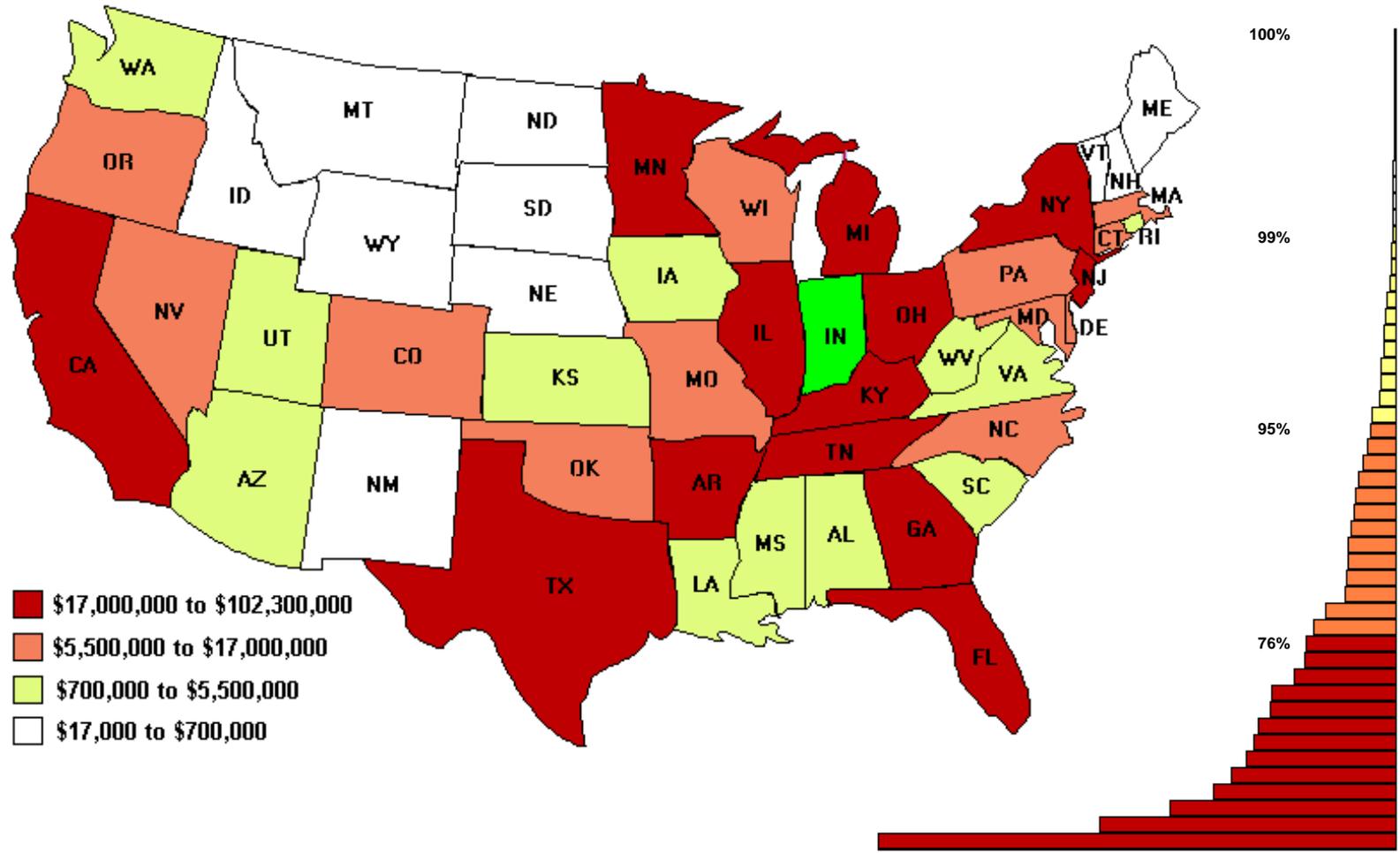
Tax Amnesty Marketing Focus – Business



Marketing Focus – Individual

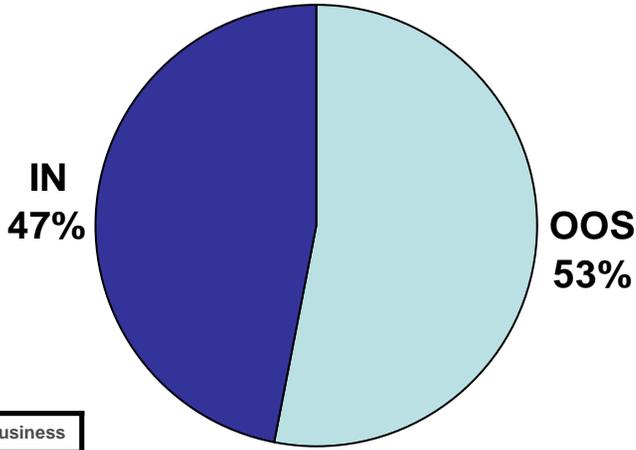
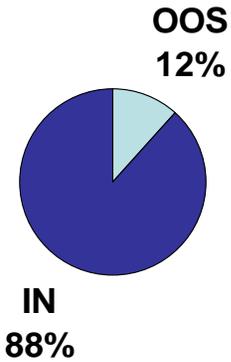


Marketing Focus – Business



Individual
\$215,048,769

Business
\$1,150,960,839



	Individual	Business
Out Of State	\$25,165,256	\$611,231,874
Indiana	\$189,734,929	\$538,893,063
Canada	\$39,926	\$754,577
Armed Forces	\$94,045	\$0
Other	\$14,613	\$81,325
TOTAL	\$215,048,769	\$1,150,960,839

Tax Amnesty Collectibles – Formula for Success



	\$xxx,xxx,xxx	Total Billed Liabilities
	-\$xx,xxx	Less Penalties
	Less Interest	
OMB:	\$65,000,000	

	\$x,xxx,xxx,xxx	Base Tax Liabilities
	-\$,213	Less Deceased Taxpayers
LSA:	\$103,000,000	

	\$x,xxx,xxx,xxx	Base Tax Liabilities
	xx%	Collection Likelihood

	\$xxx,xxx,xxx	Collectible Base Tax Liabilities
	-\$2,814,000	Less Cost to Collect

	\$xxx,xxx,xxx	Net Collectible Base Tax Liabilities

Tax Amnesty Items of Interest



- Contact With Practitioners
 - CPA Society
 - IMA
 - Bar Association
 - Chamber of Commerce
 - National Independent Association of Small Businesses
 - Etc.
- New Amnesty Website
- 800 Telephone Number
- 1-800-CONTEST for Department Employees
- Payment Methods (cash, check, online, e-check, credit card)
- Special Post Office Box to Receive Payments
- Customized Coupons to Remit Payments
- Marketing Campaign
- Specialized Letters if Liability is on Hold or Protested



INDIANA TAX AMNESTY

No Penalties. No Interest. No Problem.

Indiana Department of Revenue

END

APPENDIX D

AMNESTY ID: 24378

TID: 0002209276

Tax Type	Liability Period	Liability Number	Account Id	Total Due as of 09/14/2005	Total Due as of 09/15 – 11/15/2005	Total Due as of 11/16/2005
Withholding	11/30/1989	1989-03754730	107627955	372.57	52.70	399.18
Subtotal:				\$372.57	\$52.70	\$399.18
Total:				\$372.57	\$52.70	\$399.18
Totals above do not reflect any updates to liabilities, see reverse side on coupon for updated total due.						