

Division of Taxation Offers Offshore Voluntary Compliance Initiative (11/4/09)

The New Jersey Department of Treasury, Division of Taxation announced today that it will offer a Voluntary Compliance program to complement the successful efforts of the Internal Revenue Service to identify assets and unreported income from previously sheltered offshore accounts.

Individuals and businesses that come forward voluntarily and disclose their tax obligation by December 31, 2009 will avoid all civil penalties, including the 50% civil fraud penalty, but not the 5% amnesty penalty.

In order to participate in New Jersey's initiative, by December 31, 2009, the individual or business, or the authorized representative, must apply to the Division by submitting a letter requesting acceptance into the program. The letter should contain the following items:

- Applicant's complete name and address.
- NJ tax identification number and federal number, if different.
- The tax type and tax years affected with the estimated tax due for each year.
- An explanation of the circumstances to support the application.
- Whether an application was submitted to the IRS offshore voluntary disclosure program.
- A certification that the applicant will cooperate with the Division of Taxation to establish the correct tax liability and to pay all taxes, interest and the 5% amnesty penalty incurred from this voluntary disclosure.
- Completed Appointment of Representative form M-5088-R, if pertinent.

The Division will promptly review and consider all applications and notify the applicant or their representative of the decision. Within 30 days of acceptance into the

program, as a demonstration of good faith, applicants must submit the estimated tax due, as declared in the application. To conclude the voluntary compliance agreement, the applicant must submit a copy of the IRS acceptance letter into the IRS offshore voluntary disclosure program, copies of the IRS documents reflecting the federal tax examination changes, and the appropriate NJ amended or original tax returns. Upon receipt and review of the federal information, the NJ tax liability, including tax, interest and the 5% amnesty penalty, will be finalized and billed with payment to be submitted within 30 days.

New Jersey urges those individuals and business entities with undeclared offshore assets and income to participate in this program rather than await certain discovery since failure to do so will result in the imposition of all penalties and may include referral for criminal prosecution.