



Tax Amnesty

Review of New York State's 2002-2003 Amnesty Program

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Executive Summary

Chapter 85 of the Laws of 2002 authorized New York State's third general tax amnesty program which subsequently took place between November 18, 2002, and January 31, 2003. The tax amnesty offered an opportunity for eligible taxpayers to satisfy certain unpaid liabilities for income, withholding, corporation, sales and use, and other designated taxes administered by the New York State Department of Taxation and Finance.

In exchange for full payment of tax and a portion of the interest due, taxpayers received a waiver of any unpaid penalty, a reduction in the applicable rates of interest by two percentage points for tax periods covered under the amnesty, and immunity from future administrative, civil, and criminal actions relating to liabilities for which amnesty was granted.

The legislation also required the Tax Department to report on various aspects of the amnesty program, including participation, revenue collection, accelerated revenue, revenue forgone, and Departmental expenses.

Taxpayers who availed themselves of the 1996 amnesty were prohibited from participating under the same taxes. However, taxpayers who were granted amnesty in 1985 could participate in the 2002 program.

There were two notable differences between this amnesty and previous amnesties. This amnesty provided participants with a reduction in interest due, and, beginning on April 1, 2003, added two percent to the formula used by the Department to set interest rates on outstanding assessments or future unpaid liabilities. Also, the Department leveraged technology to provide potential applicants with many easy, quick, and streamlined self-service options.

This report sets forth the Tax Department's findings, including:

- After deducting expenses and mandated items from adjusted gross revenues, the estimate of the revenues generated from the 2002 amnesty program is \$82.9 million.

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- Over 285,000 responses were granted amnesty, totaling over \$525 million in gross revenues. Each response corresponds to either an assessment or a return, not the number of taxpayers participating in amnesty.
 - Personal income and withholding taxpayers remitted the largest share of revenues (56.1 percent), followed by sales and use tax (28.6 percent), corporate taxes (10.8 percent), miscellaneous taxes (3.0 percent), and corporate Metropolitan Transportation Authority surcharges (1.4 percent).
 - For participants granted amnesty, returns comprised the majority of amnesty collections at 59.4 percent, while assessments comprised 40.6 percent of collections.
 - Over \$70 million came from taxpayers who were denied amnesty or who had applications still in process as of February 5, 2004. Taken together with amounts from taxpayers granted amnesty, total gross amnesty revenues equaled almost \$600 million.
 - Amnesty expenses totaled slightly over \$5 million for personal service and slightly over \$11 million for nonpersonal service.
 - Chapter 85 of the Laws of 2002 required the Department to report certain other items such as penalty and interest waived, revenue forgone, and accelerated revenue. These other items totaled almost \$500 million.
 - The Department's electronic channels accommodated nearly 400,000 agent-assisted and interactive voice recognition (IVR) system amnesty calls and over 350,000 visits to the amnesty Web site.
 - Taxpayers were denied amnesty either because they were ineligible or because they failed to fulfill their payment obligations before the program ended. Taxpayers denied amnesty with a balance due have reentered the Tax Department's billing cycle. Bills and collection notices sent to taxpayers denied amnesty include all previously incurred unpaid tax, interest and penalty. Each bill and collection notice will be based upon the new calculation procedure, which provides for an additional two percent of interest under certain circumstances. Moreover, applicants denied amnesty may be subject to administrative, civil and criminal actions.

Table 1. Amnesty Revenues and Direct Expenses

Amnesty Revenues from:

Eligible and Granted

Assessments	\$214,187,460
Returns	313,292,323

Denied Applications

Assessments	25,158,952
Returns	40,586,331

Payments on Applications not Completed

	<u>5,748,858</u>
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Subtotal \$598,973,924

Expenses:

Personal Service	5,062,000
Nonpersonal Service	<u>11,210,878</u>

Subtotal \$16,272,878

Adjusted Gross Revenues **\$582,701,046**

Table 2. Net Adjusted Amnesty Revenues

Adjusted Gross Revenues	\$582,701,046
Net Penalty Waived	136,573,182
Net Interest Waived	157,803,533
Revenue Foregone	74,197,000
Net Accelerated Revenue	<u>131,246,952</u>
Estimate of the Revenues Generated from the Amnesty Program	\$82,880,379

Background

Chapter 85 of the Laws of 2002, enacted as part of the State budget agreement, authorized New York State's third general tax amnesty program in 18 years.¹ The 2002 amnesty was modeled on the 1985 and 1996 amnesties² and generally included the same restrictions and benefits. In exchange for full payment of taxes and a portion of the interest due, taxpayers could receive a waiver of penalties for the tax periods covered under amnesty, and immunity from future administrative, civil, and criminal actions relating to liabilities for which tax amnesty was granted. However, the 2002 amnesty also contained several notable differences from past amnesties. Significant differences included an interest rate reduction for amnesty participants, a two percent addition to the formula used by the Tax Department to set interest rates for existing and future unpaid liabilities, and extensive utilization of self-service capabilities. Other changes were an increase in the number of taxes eligible for amnesty, and an allowance for certain previous amnesty recipients to participate in this amnesty.

The 1985 amnesty program was enacted together with the Omnibus Tax Equity and Enforcement Act of 1985. The Omnibus Act was a statutory package designed to enhance tax enforcement in New York State. It strengthened various penalty provisions, increased fines, elevated several tax evasion crimes to felony status, and authorized new compliance capabilities for the Tax Department.

The 1996 amnesty began on November 1, 1996, and ended on January 31, 1997. It imposed an additional five percent on any tax amnesty-eligible penalty, whether the penalty had been assessed at the time of, or subsequent to, amnesty if the taxpayer did not participate in the amnesty program. In addition to the five percent penalty, failure to participate in amnesty meant current tax assessments continued to include all imposed penalty amounts, and the taxpayer could be subject to future administrative, civil, and criminal actions.

The 2002 program began on November 18, 2002. Applications for amnesty were required to be filed by January 31, 2003, and the entire tax amnesty balance was required to be paid by the later of March 15, 2003, or the date specified on the tax amnesty bill mailed to the taxpayer.

Amnesty was offered for tax liabilities for all tax periods ending, or uses or transactions occurring, prior to January 1, 2001. For example, tax year 2000 was the last personal income tax period that qualified for amnesty. In the case of taxes which require the filing of quarterly returns or an annual return due on the last day of February (e.g., sales tax), the amnesty program applied to tax liabilities for tax periods ending or transactions or uses occurring on or before February 28, 2001. Tax amnesty also applied to estate tax liabilities of decedents with a date of death on or before February 1, 2000. As with the 1996 amnesty, the 2002 amnesty excluded assessments from newer liabilities (i.e., liabilities that are one or two years old). These are typically liabilities which the Department has a higher probability of collecting as compared to older liabilities.

Tax amnesty offered three significant incentives to encourage participation

Taxpayers participating in amnesty could receive three major benefits. The first, an interest rate reduction, was the most significant difference between the 2002 amnesty and all previous amnesties.

Taxpayers meeting the tax amnesty eligibility requirements received a two percent reduction on the rate of interest that was applied against an eligible assessment or on unpaid or unreported taxes. For example, an assessment subject to an eight percent rate of interest for the period that the taxes had been owed was instead subject to a six percent interest rate under amnesty.

The legislation also included the potential for an interest rate increase on existing assessments and unpaid future liabilities. Beginning on April 1, 2003, two percent was added to the formula used by the Department to set interest rates on outstanding assessments or future unpaid liabilities. Generally, this change would have the effect of increasing the interest rate by two percent; however, the Tax Law references the federal short-term interest rate as the starting point for the State's interest rate

computation and provides for a six percent interest rate floor. With interest rates at historic lows, currently the federal interest rate is low enough for the six percent floor to prevail. In the future, should the federal rate rise enough to render the floor inapplicable, the State underpayment rate will rise to a rate two percent greater than it would have been prior to the amnesty legislation. This increase would apply not only to amnesty-eligible participants who failed to take advantage of the program, but to all future taxpayers with unpaid liabilities.

These two interest rate adjustments were designed to encourage participation in the tax amnesty program and discourage future tax evasion.

The tax amnesty interest rate discount necessitated an additional category of analysis not present in prior amnesty reports. The Tax Department has estimated the amount of interest forgone as a result of the interest rate reduction. This concept is fully discussed and analyzed in a later section of this report.

The second benefit for amnesty participants was a waiver of unpaid penalties for failure to pay tax, failure to file a return or report, including the sales and use tax penalty interest rate for late filed returns, or failure to pay estimated tax. The penalties eligible for a waiver applied to the taxes covered by this amnesty program.³

The third amnesty benefit was that all administrative, civil, and criminal actions related to tax liabilities for which tax amnesty was granted were barred.

An amnesty-eligible taxpayer was defined by the enacting language as, “An individual, partnership, estate, trust, corporation, limited liability company, joint stock company, or any other company, trustee, receiver, assignee, referee, society, association, business or any other person as described in the tax law, who or which has a tax liability with regard to one or more of the designated taxes for the period of time...” covered by amnesty.

The 2002 amnesty program included more taxes than the previous amnesties

The 2002 program extended amnesty to ten additional categories of taxes that were not included in prior amnesty programs.⁴ Several of these taxes were enacted after New York's first amnesty and were not previously eligible for amnesty relief, for example, the section 186-e tax on telecommunications businesses. Other taxes have been eliminated, such as the section 186 special franchise tax on utilities, and the 2002 amnesty was viewed as an appropriate means to clean up any outstanding liabilities for taxes that are no longer imposed.

Other taxes included seven sections of Article 9, the Metropolitan Transportation Authority surcharge on general business corporations, the tax on unrelated business income, the generation-skipping transfer tax, the tax on lubricating oil, the real property gains tax, and the tax on independently procured insurance.

TAXES ELIGIBLE FOR THE 2002-03 TAX AMNESTY	
Personal Income Tax and Withholding Tax	Corporation and Franchise Taxes
Article 16 Old Personal Income Tax (superseded by Article 22 (Withholding Tax)) Article 22 Personal Income Tax Article 30 New York City Personal Income Tax Article 30-A City of Yonkers income tax surcharge Article 30-B City of Yonkers earnings tax on nonresidents Article 2-E General City Law New York City Earnings Tax on Nonresidents	Article 9-A Franchise Tax on Business Corporations Article 13 Tax on Unrelated Business Income* Article 16-A Tax on Net Incomes of Unincorporated Businesses Article 23 Unincorporated Business Tax Article 33-A Tax on Independently Procured Insurance* §182 Additional Franchise Tax on Certain Oil Companies §182-a Franchise Tax on Certain Oil Companies §182-b Additional Franchise Tax on Certain Oil Companies §183 Franchise Tax on Transportation and Transmission Corporations and Associations §183-a Temporary Metropolitan Transportation Business Tax Surcharge on Transportation and Transmission Corporations and Associations* §184 Additional Franchise Tax on Transportation and Transmission Corporations and Associations §184-a Additional Temporary Metropolitan Transportation Business Tax Surcharge on Transportation and Transmission Corporations and Associations Services §186 Franchise Tax on Water-works Companies, Gas Companies, Electric and Steam Heating* Companies, Lighting and Power Companies §186-b Temporary Metropolitan Transportation Business Surcharge on Utility Services and Excise Tax on Sale of Telecommunication Services* §186-e Excise Tax on Telecommunication Services* §189 Privilege Tax on Importation of Gas Services for Consumption* §189-a Temporary Metropolitan Transportation Tax Surcharge on Gas Importers* §189-b Tax Surcharge* §209-B MTA Surcharge*
Sales and Use Taxes	
Article 28 Sales and Compensating Use Taxes Article 28-A Special Tax on Passenger Car Rentals Article 29 Taxes Authorized for Cities, Counties, and School Districts	
Excise Taxes	
Article 12-A Tax on Gasoline and Similar Motor Fuel Article 13-A Tax on Petroleum Business Article 18-A Tax on Beverage Containers Article 24 Tax on Lubricating Oil*	
Miscellaneous taxes	
Article 21 Highway Use Tax Article 26 Estate Tax Article 26-A Gift Tax Article 26-B Generation Skipping Transfer Tax* Article 31-B Tax on Gains Derived from Certain Real Property Tax Transfers*	
*Taxes that were not included in the 1996 amnesty program. For more detail, see Appendix B.	

*Certain restrictions
limited amnesty
eligibility*

The enacting language included certain restrictions on participation.

First, as with the 1996 amnesty, business taxpayers with more than 500 employees were ineligible for amnesty under certain tax articles.

In addition, similar to 1996, this amnesty prohibited participation by taxpayers who were a party to a criminal investigation or pending criminal or civil litigation related to the tax for which they were seeking amnesty.⁵ However, such taxpayers could apply for amnesty for other eligible taxes and periods which were not subject to pending civil or criminal litigation or an ongoing criminal investigation. Furthermore, a taxpayer who had been convicted of a crime related to a tax for which amnesty was sought was not eligible for any period or assessment for that tax.

The final restriction concerned prior amnesty participation. The 1996 program prohibited taxpayers from being granted amnesty for the same taxes that were previously granted amnesty in 1985 or 1994. The 2002 program prohibited taxpayers from being granted amnesty for the same taxes granted amnesty in 1994 or 1996. In both 1996 and 2002, taxpayers could still receive amnesty for different taxes than the ones previously granted amnesty. The decision to allow 1985 amnesty participants to apply for amnesty in 2002 was due to the time elapsed between the programs. For instance, a taxpayer who was granted amnesty in 1985 could have an outstanding liability that was greater than 17 years old. The Tax Department generally considers liabilities of this age to be otherwise uncollectible.

The enacting legislation authorized the Department to revoke amnesty if a taxpayer was later found to be ineligible under any of these restrictions. The Department could also rescind amnesty if the taxpayer was found to have filed a fraudulent return or report, or attempted to evade tax.

Taxes Ineligible for Amnesty to Business Taxpayers with More Than 500 Employees	
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Designated taxes under Article 9 (corporation tax)	Unincorporated business tax - Article 23
Franchise tax on business corporations - Article 9-A	Sales and compensating use taxes - Article 28
Tax on petroleum businesses - Article 13-A	Taxes authorized for cities, counties, and school districts - Article 29
Tax on net income of unincorporated businesses - Article 16-A	New York City personal income tax - Article 30
Tax on beverage containers - Article 18-A	City of Yonkers income tax surcharge - Article 30-A
Personal income tax - Article 22	City of Yonkers earnings tax on nonresidents - Article 30-B
Withholding tax - Article 22	New York City earnings tax on nonresidents – Article 2-E General City Law

To inform taxpayers of the amnesty program, the Tax Department undertook an extensive advertising and outreach campaign.

The Department took a multifaceted approach to outreach

The advertising campaign was an essential means of informing potential applicants of the existence of the program and the benefits of taking advantage of amnesty. Advertising was targeted to markets throughout the State and in states with significant numbers of prospective amnesty participants. The campaign drew taxpayers who were considering applying, as well as those who may have been unaware of the program.

The advertising campaign included radio and television commercials, print ads in major magazines and newspapers, outdoor print ads on billboards and bus shelters, and ads on a wide variety of Web sites, from CNN.com to EW.com (Entertainment Weekly). The theme of the advertising campaign, “Get Caught Up Before You Get Caught,” doubled as the slogan and logo for the amnesty program. The ads encouraged taxpayers to take advantage of amnesty before they became subject to criminal and civil penalties and the increased interest rates.

During development of the program, the Department had also been able to identify many taxpayers who would be eligible to apply for amnesty. These taxpayers either had outstanding assessments, pending protests or litigation, or identifiable periods of delinquency in past years. The Department responded by issuing targeted mailings to these potential amnesty applicants. These mailings provided the Department with an additional and more personal way of informing taxpayers about amnesty.

Other outreach efforts included press releases, inserts in Department of Motor Vehicle mailings, and prominent articles in the *Empire State Tax News* newsletter. Examples of the Department's advertising and outreach efforts are included in Appendix E.

The Tax Department utilized new technology to facilitate participation

Greater reliance on technology was another way in which the 2002 amnesty differed from previous amnesties. The Department leveraged technology to provide potential applicants with many self-service options. These included the Department's call centers and the amnesty Web site, which featured several new electronic services.⁶ Applicants were able to easily obtain general and taxpayer-specific information, file amnesty applications, and make payments anytime.

The Department's call centers and amnesty Web site, www.nystaxamnesty.com, offered many convenient electronic options that facilitated amnesty participation. In fact, nearly 40 percent of all taxpayers who applied for amnesty did so through an electronic channel. The call centers offered extended hours during the amnesty period and handled approximately 400,000 agent-assisted and interactive voice recognition (IVR) system amnesty calls.

The Interactive Voice Recognition system and the amnesty Web site offered self-service options

Taxpayers could apply for tax amnesty through a call center representative. They could also apply for amnesty-eligible assessments using the IVR system. Call center representatives could initiate amnesty credit card payments on behalf of amnesty applicants.

The Department's amnesty Web site facilitated self-service by allowing taxpayers to obtain detailed amnesty information including eligibility rules, application options, payment options,

*Online services
provided enhanced
information and
account features*

and access to various forms and returns. The Web site also featured several electronic services, most of which were created specifically for the amnesty program. Some of these services were available to all taxpayers, while others required the use of a personal identification number (PIN).

Two online services made it easier for taxpayers to obtain up-to-date information about the amnesty program – the Tax Amnesty Answer Center and Subscription Service.

The Tax Amnesty Answer Center was an interactive, searchable knowledge base with e-mail capability, organized in a question and answer format. Taxpayers could quickly search for answers to “Frequently Asked Questions” (FAQs) using complete sentences, keywords, or phrases and the knowledge base automatically ordered and presented the most frequently requested FAQs. If a taxpayer could not locate an answer after reviewing one or more FAQs, they had the opportunity to ask a general tax question which was researched and responded to by Department staff within two business days. Taxpayers could also subscribe to be notified when an answer was updated. Subscription Service allowed taxpayers to subscribe to a free e-mail service which provided automatic e-mail notices when new amnesty information was posted to the Tax Department's Web site.

Another online service, the Amnesty Interest Calculator, allowed taxpayers to compute interest due under the amnesty program and displayed the amount of penalty and interest saved if amnesty was granted. The taxpayer selected a tax type, the return filing period, amount due or to be paid, and the estimated payment date.

The Web site's most important features were the online amnesty account inquiry, address change, and filing and payment services. The filing services provided taxpayers with another avenue for participation that was unavailable in past amnesties, allowing them to participate right up until the moment when the program closed. Taxpayers were either mailed a PIN or could request a PIN online.⁷ They could then log in and conduct secure transactions directly from their personal computers. The Web site contained

links to amnesty applications and prior year tax forms that could be filled out and submitted online. Taxpayers could also make amnesty payments electronically with their credit cards or by electronic funds withdrawal.⁸ In addition, taxpayers could access their *Statement of Amnesty Account* that displayed the real-time status of their amnesty application. Finally, they could report address changes to the Department online.

Web site statistics illustrate its contribution to the program

The Web site received over 350,000 visits during its time of operation. Included within that number are:

- over 70,000 successful log ins to the secure amnesty electronic services;
- nearly 70,000 successful uses of the electronic interest calculator;
- nearly 40,000 successful requests to view the online Statement of Amnesty Account;
- over 16,000 successful address changes;
- over 14,000 taxpayers successfully filing on-line amnesty applications; and
- over 6,000 electronic funds withdrawal requests that were successfully submitted and a comparable amount of credit card payment transactions successfully initiated.

The Tax Department's innovative use of new technology ensured the success of the program. The systems and procedures developed for this amnesty reduced staff assigned to the amnesty unit which, in turn, reduced personal service expenses.

Taxpayers could still participate in amnesty through traditional means. Most amnesty-eligible taxpayers who had an existing known assessment or liability period received an application in the mail directly from the Tax Department.⁹ The application listed outstanding assessments eligible for tax amnesty, as well as the applicable penalty and interest savings under amnesty. Taxpayers could also obtain amnesty applications at government buildings, post offices, and libraries. They could then mail a completed application, any previously unfiled or amended tax returns if necessary, and their amnesty payment directly to the Tax Department.

Endnotes

1. The section of the chapter authorizing amnesty is included in Appendix A.
2. In 1994, New York State authorized a targeted amnesty program for a smaller group of taxpayers. It provided amnesty to specific groups of taxpayers not included in a delinquent pool of filers known to the Department of Taxation and Finance. The 1994 amnesty targeted three specific groups of taxpayers. The income tax component targeted nonresidents of New York, the business tax component targeted out-of-state taxpayers, and the compensating use tax component targeted resident individuals and small businesses.
3. Penalties were not waived for the failure of responsible persons to collect and pay Withholding Tax (§ 685(g)), or pay Gasoline and Similar Motor Fuel Tax (§ 289-b(2)) or Petroleum Business Tax (§ 315(a)).
4. Appendix B contains a discussion of the additional taxes included in the 2002 amnesty.
5. Taxpayers engaged in civil litigation were free to avail themselves of amnesty if they withdrew from litigation for the disputed assessment. Also, protest cases before the Bureau of Conciliation and Mediation Services or the Division of Tax Appeals that were withdrawn could be eligible for amnesty. If an application for amnesty was denied due to an ongoing criminal investigation or pending criminal prosecution, the taxpayer could resubmit the application if the criminal actions did not result in conviction.
6. Appendix D contains images of amnesty Web site pages and the various site features.
7. The Request a PIN service only applied to individual taxpayers.
8. Taxpayers could choose to make multiple payments, but the entire tax amnesty balance must have been paid by the later of March 15, 2003, or the date specified on the amnesty bill mailed by the Department. Failure to pay the full balance prior to the relevant date would result in a denial of amnesty.
9. Form AM-1, *Application for Amnesty Eligible Assessments*

Analysis of Gross Amnesty Revenue

The 2002 tax amnesty program applied to existing liabilities, or assessments, known to the Tax Department, and unknown liabilities for which a tax return was never filed. In both cases, taxpayers submitted an amnesty application form that was reviewed by the Department. Taxpayers were granted amnesty if they met the qualifications and submitted the tax and a portion of the interest associated with the assessment or return in a timely manner.

Over 285,000 responses were granted amnesty, generating over \$525 million in gross revenues

Table 3 shows 286,318 responses were received from taxpayers granted amnesty. Each response corresponds to either an assessment or a return, not the number of taxpayers participating in amnesty. For instance, one taxpayer would file separate responses if they had multiple assessments. Compared with the 1996 amnesty¹, the number of responses in the 2002 amnesty increased by nearly 1,000. However, total collections from taxpayers granted amnesty in the 2002 program amounted to over \$525 million, more than twice the amount collected in 1996.

Table 3 : Gross Collections from Taxpayers Granted Amnesty¹

Tax	Number of Responses ²	Percent of Total Responses	Total Amnesty Collections	Percent of Total Amnesty Collections
Personal Income Tax (Articles 16, 22)	132,851	46.4%	\$281,368,987	53.3%
Withholding Tax (Article 22)	19,748	6.9%	14,735,538	2.8%
Personal Income Taxes & Withholding Tax³	152,599	53.3%	296,104,524	56.1%
Corporation Franchise Tax (Article 9-A)	44,072	15.4%	46,298,408	8.8%
Corporation Tax (Article 9) ⁴	528	0.2%	10,261,248	1.9%
Petroleum Business Tax (Article 13-A)	25	0.0%	81,569	0.0%
Corporate Taxes⁵	44,724	15.6%	56,760,789	10.8%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	15,802	5.5%	6,470,263	1.2%
Corporation Tax MTA Surcharge (Article 9) ⁶	123	0.0%	1,059,879	0.2%
Corporate MTA Surcharges	15,925	5.6%	7,530,142	1.4%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	71,391	24.9%	151,060,925	28.6%
Miscellaneous Taxes⁷	1,679	0.6%	16,023,403	3.0%
Total	286,318	100.0%	\$527,479,783	100.0%

¹ Includes total tax and interest received through February 5, 2004, from taxpayers granted amnesty for assessments or returns.

² Each response was submitted for a tax liability associated with either an assessment that existed at the start of amnesty or a tax liability period for which a return was required.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13), the Unincorporated Business Tax (Art. 16-A & 23), and the Independently Procured Insurance Tax (Art. 33-A).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

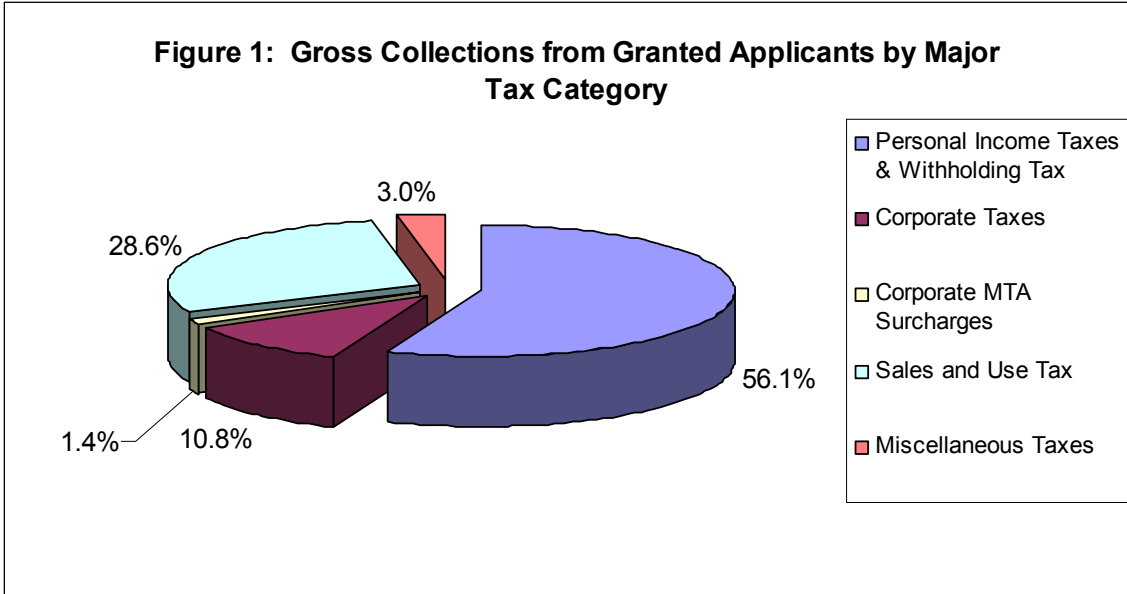
Note: Totals may not equal due to rounding.

The ordering of responses for the three major tax groups remained the same between the 1996 and 2002 amnesties. In 2002, personal income and withholding tax responses comprised the majority of all responses, 53.3 percent. This share is down from 63.0 percent in the 1996 amnesty. Sales and use tax followed, accounting for one quarter of all responses, up from 18.6 percent in 1996. The corporate tax response share declined very slightly from 17.1 percent in 1996 to 15.6 percent in 2002. One difference between the 1996 and 2002 amnesties was that the 2002 program granted amnesty for the Metropolitan Transportation Authority (MTA) surcharge under Articles 9 and 9-A. There were over 15,000 responses for the MTA surcharges that were granted amnesty in 2002. These accounted for 5.6 percent of the total responses. Miscellaneous taxes accounted for the remaining 0.6 percent of responses.

Responses under the personal income and withholding taxes, corporate taxes, and miscellaneous taxes fell by approximately 33,500 combined between 1996 and 2002. However, the drop-off in total responses was mitigated somewhat by an increase of over 18,000 responses under the sales and use tax. Furthermore, inclusion of the MTA surcharges resulted in almost 16,000 additional responses.

Personal income and withholding taxes accounted for the majority of collections

Figure 1 demonstrates that personal income and withholding taxes also account for the majority of revenue from taxpayers granted amnesty – 56.1 percent or \$296.1 million. Sales and use tax accounts for 28.6 percent of collections, or \$151.1 million. The share of total revenue for both of these taxes is similar to their shares of total responses. However, while corporate taxes account for 15.6 percent of total responses, they only account for 10.8 percent of the total collections. This indicates that corporate amnesty participants yield much less revenue per response than the other two major taxpayer groups. Also of note, while corporate MTA surcharges account for over nine times the responses of miscellaneous taxes, collections from the surcharges account for less than half the revenue of miscellaneous taxes.



Again, the ordering of shares of total revenue for each of the major tax groups is the same as that in the 1996 amnesty. In 2002, personal income and withholding taxes accounted for a greater share of total collections, 56.1 percent, compared with 1996, 53.5 percent. The share of sales and use tax also increased, from 22.8 percent in 1996 to 28.6 percent in 2002. Corporate taxes' share of collections declined dramatically from 17.6 percent in 1996 to 10.8 percent in 2002. The share attributable to miscellaneous taxes also declined, from 6.1 percent in 1996 to 3.0 percent in 2002. The shares of collections from the various tax categories in the 2002 amnesty closely reflects their proportion of collections from voluntary compliance.

The majority of amnesty revenue came from returns

Table 4 and Figure 2 offer views of amnesty collections that compare the types of participant responses - assessments versus returns. Returns comprised the majority of amnesty collections at 59.4 percent, while assessments comprised 40.6 percent of collections. The larger share of collections came from returns in four of the five tax categories. The exception is the sales and use tax, with 53.3 percent of sales and use tax amnesty collections coming from assessments and 46.7 percent from returns.

There is a major distinction between the 1996 and 2002 amnesties. In 1996, the majority of collections, 63.1 percent, came from assessments while in 2002, the majority, 59.4 percent, came from returns, a shift of over 20 percent. In 1996, collections from assessments exceeded those from returns for personal income and withholding taxes and sales and use taxes. In 2002, that was the case only with sales and use tax.

The two percent interest rate reduction appears to explain the greater proportion of money from returns in this amnesty as compared to the prior amnesty. Much of the money that the Department would have otherwise collected from existing assessments is for accumulated interest. However, in this amnesty, a portion of that interest was waived. The large savings for applicants with outstanding assessments, due to the large amount of interest waived, resulted in less money from assessments as compared to returns. Consequently, the ratio of money from assessments to returns from this amnesty was less than the prior amnesty.

Table 4 : Gross Collections from Taxpayers Granted Amnesty - Assessments & Returns¹

Tax	Total Collections from Assessments	Percent of Total Collections	Total Collections from Returns	Percent of Total Collections
Personal Income Tax (Articles 16, 22)	\$104,364,845	19.8%	\$177,004,142	33.6%
Withholding Tax (Article 22)	13,384,176	2.5%	1,351,362	0.3%
Personal Income Taxes & Withholding Tax²	117,749,020	22.3%	178,355,504	33.8%
Corporation Franchise Tax (Article 9-A)	7,483,074	1.4%	38,815,334	7.4%
Corporation Tax (Article 9) ³	534,725	0.1%	9,726,523	1.8%
Petroleum Business Tax (Article 13-A)	32,017	0.0%	49,552	0.0%
Corporate Taxes⁴	8,083,757	1.5%	48,677,032	9.2%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	1,150,431	0.2%	5,319,832	1.0%
Corporation Tax MTA Surcharge (Article 9) ⁵	11,545	0.0%	1,048,334	0.2%
Corporate MTA Surcharges	1,161,976	0.2%	6,368,166	1.2%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	80,585,973	15.3%	70,474,952	13.4%
Miscellaneous Taxes⁶	6,606,734	1.3%	9,416,669	1.8%
Total	\$214,187,460	40.6%	\$313,292,323	59.4%

¹ Includes total tax and interest received through February 5, 2004, from taxpayers granted amnesty for assessments or returns.

² Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

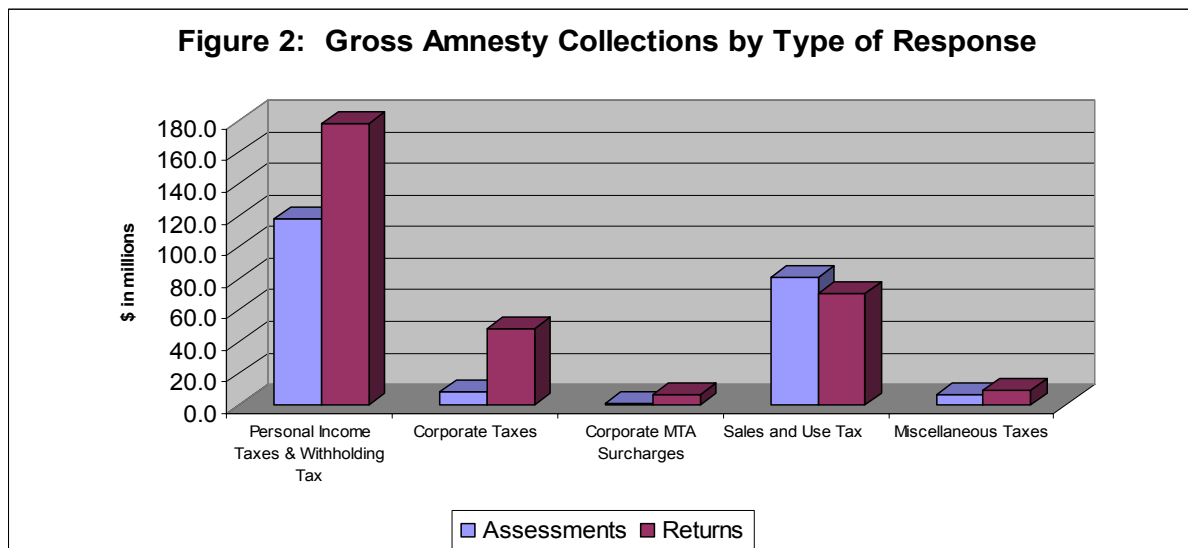
³ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁴ Total includes data for the Unrelated Business Income Tax (Art. 13), the Unincorporated Business Tax (Art. 16-A & 23), and the Independently Procured Insurance Tax (Art. 33-A).

⁵ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁶ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), the Gift Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

Note: Totals may not equal due to rounding.



Endnotes

1. The official 1996 amnesty report, "*Tax Amnesty: Review of New York State's 1996-97 Amnesty Program*," is available on the Tax Department's Web site at:
http://www.tax.state.ny.us/Statistics/special_interest_reports.htm

Analysis of Revenues from Taxpayers Denied Amnesty or with Applications in Process

Revenues from taxpayers other than those granted amnesty totaled over \$70 million

In addition to collections from taxpayers who applied for and received amnesty, the amnesty program collected overdue liabilities and interest or delinquent returns from taxpayers who had applied for but were denied amnesty. Revenue from denied applicants is discussed in this section. This section also includes revenues from taxpayers whose applications remained in process as of February 5, 2004.¹

Table 5 reveals that \$71.5 million was generated from sources other than taxpayers granted amnesty. Applicants who were denied amnesty accounted for 11.0 percent of total gross amnesty revenues. In the 1996 amnesty, denied applicants accounted for 14.4 percent of the total gross amnesty revenues.

This report uses a processing cutoff date of February 5, 2004. This results in a small share of gross amnesty revenues coming from the applied category. Applications in process at the time the 1996 amnesty report was composed accounted for 3.6 percent of the total gross revenue, compared with only 1.0 percent in this amnesty report.

Table 5: Other Tax Amnesty Revenue

Revenue Source	Total Revenues	Percentage of Total
Denied applicants ¹	\$65,745,283	11.0%
Amnesty Applied ²	5,748,858	1.0%
Subtotal	71,494,141	11.9%
Total Gross Amnesty Revenues³	\$598,973,924	

¹ Includes total tax, penalty, and interest received through February 5, 2004, from taxpayers denied amnesty.

² Amnesty applied includes revenues received with applications that were in process as of February 5, 2004.

³ Total Gross Amnesty Revenues equals revenues from applicants granted and denied amnesty, and from applications in process.

Note: Totals may not equal due to rounding.

Table 6: Gross Collections from Taxpayers Denied Amnesty¹

Tax	Number of Responses ²	Percent of Total Responses	Total Amnesty Collections	Percent of Total Amnesty Collections
Personal Income Tax (Articles 16, 22)	56,789	46.9%	\$20,379,751	31.0%
Withholding Tax (Article 22)	9,769	8.1%	2,701,934	4.1%
Personal Income Taxes & Withholding Tax³	66,558	55.0%	23,081,685	35.1%
Corporation Franchise Tax (Article 9-A)	18,509	15.3%	4,056,019	6.2%
Corporation Tax (Article 9) ⁴	127	0.1%	123,673	0.2%
Petroleum Business Tax (Article 13-A)	13	0.0%	8,330	0.0%
Corporate Taxes⁵	18,673	15.4%	4,202,173	6.4%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	5,092	4.2%	348,739	0.5%
Corporation Tax MTA Surcharge (Article 9) ⁶	31	0.0%	287	0.0%
Corporate MTA Surcharges	5,123	4.2%	349,026	0.5%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	27,849	23.0%	36,419,691	55.4%
Miscellaneous Taxes⁷	482	0.4%	1,121,689	1.7%
Ineligible Taxes⁸	2,409	2.0%	571,019	0.9%
Total	121,094	100.0%	\$65,745,283	100.0%

¹ Includes total tax and interest received through February 5, 2004, from eligible and ineligible applicants denied amnesty.

² Each response was submitted for a tax liability associated with either an assessment that existed at the start of amnesty or a tax liability period for which a return was required.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13), the Unincorporated Business Tax (Art. 16-A & 23), and the Independently Procured Insurance Tax (Art. 33-A).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), the Beverage Container Tax (Art. 18-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), the Gift Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

⁸ Ineligible taxes include any articles and sections of the tax law that were not designated as eligible for amnesty under Chapter 85 of the Laws of 2002. This category includes monies submitted by amnesty applicants for liabilities attributable to ineligible taxes.

Note: Totals may not equal due to rounding.

Amnesty collected over \$65 million from denied applicants

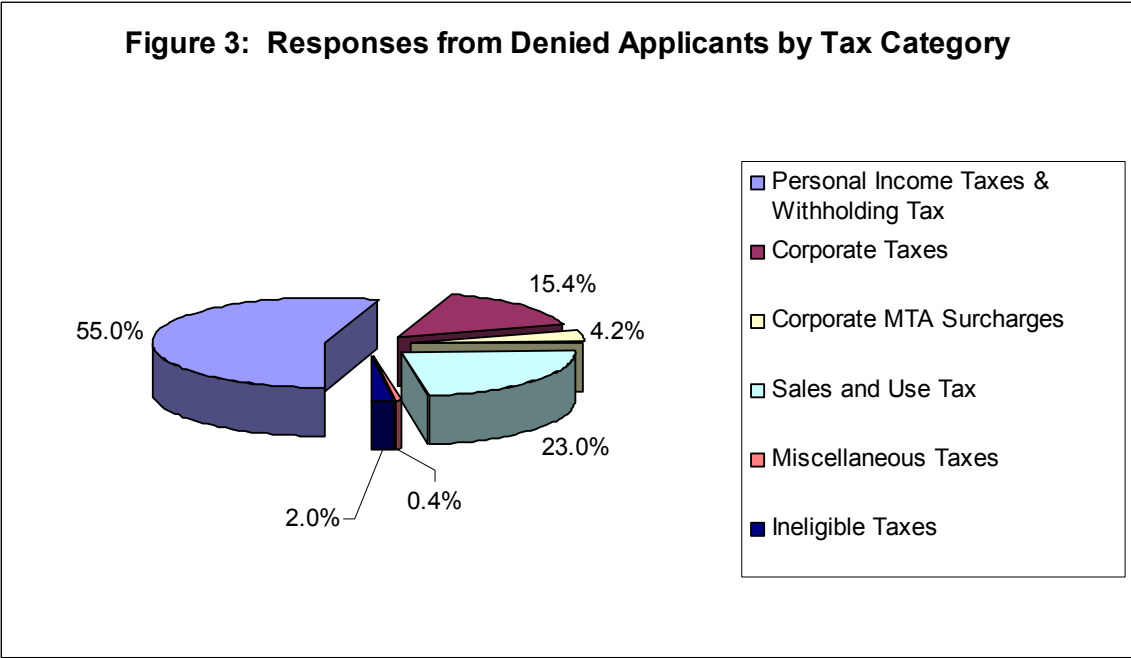
Table 6 shows that over 120,000 responses were denied amnesty, but still generated revenue totaling \$65.7 million. Compared to 1996, this amnesty generated more revenue from fewer denials. In 1996, almost 137,000 denied applicants submitted \$48.2 million.

Personal income and withholding taxes comprised the largest number of responses from denied applicants

Of all respondents denied amnesty, personal income and withholding taxpayers comprised the largest share at 55.0 percent. Applicants filing for amnesty for sales and use tax followed with 23.0 percent, and applicants for corporate taxes represented 15.4 percent.

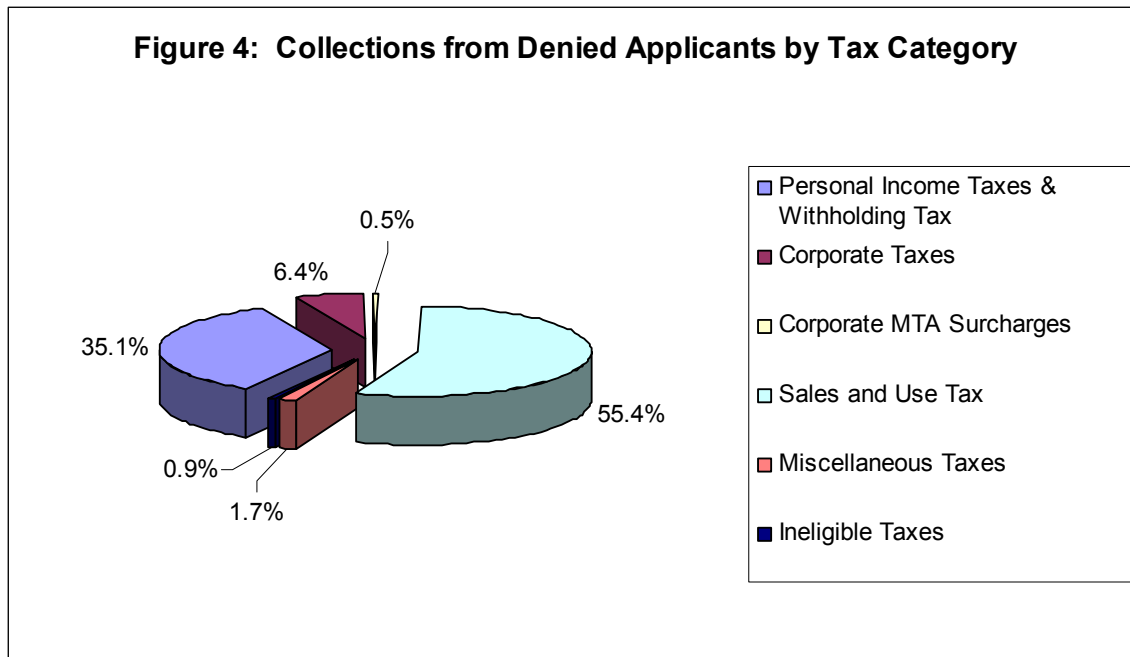
The composition of denied respondents was quite different in 1996. In 1996, personal income and withholding responses were also the majority, but accounted for an even greater share of the total, 68.0 percent. Interestingly, although the share of corporate tax responses denied remained relatively constant, 15.0 percent in 1996 and 15.4 percent in 2002, they accounted for the second-highest share in 1996, but the third-highest in 2002. This is because the share of responses under sales and use tax increased dramatically between the two amnesties, from 14.7 percent in 1996 to 23.0 percent in 2002.

The composition of responses from denied applicants by tax category in the 2002 amnesty is illustrated in Figure 3.



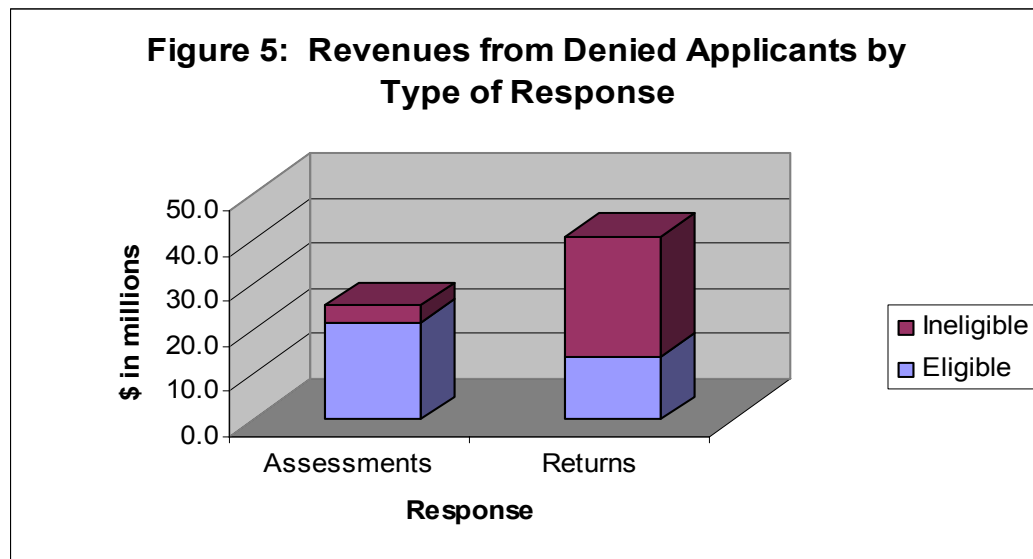
Sales and use tax comprised the majority of collections from denied applicants

The 2002 amnesty's share of collections from denied applicants does not follow the same order as responses however. Table 6 shows that sales and use tax accounted for the majority of collections, \$36.4 million of the \$65.7 million collected. Personal income and withholding tax yielded \$23.1 million, and corporate taxes accounted for \$4.2 million. Figure 4 displays the share of collections from denied applicants by tax category.



Again, this order and distribution is different than the 1996 amnesty. In 1996, 64.7 percent of collections totaling \$31.2 million came from personal income taxes and withholding. Sales and use tax accounted for \$7.3 million, or 15.2 percent of the total, compared with 55.4 percent of the collections in 2002. As with 2002, corporate taxes had the third-highest share of collections in 1996, but the amount declined from \$6.1 million in 1996 to \$4.2 million in 2002.

Slightly over 100,000 denied applicants were eligible for amnesty, but failed to fulfill the requirements necessary to receive amnesty. Generally, they did not pay their full obligation prior to the end of the amnesty program on March 15, 2003. These applicants submitted over \$35 million. The remaining 20,000 denied applicants were denied because they were ineligible for amnesty. Either they did not meet the amnesty application qualifications, or they applied for amnesty for taxes which were not covered by the amnesty program. These taxpayers submitted approximately \$30 million. Figure 5 shows revenue from denied applicants broken down by type of response.



Within the assessments category, the amount of revenue from applicants who were eligible vastly exceeds revenue from ineligible applicants. However, this distribution is reversed for returns. Ineligible applicants exceed eligible applicants, although not to the degree of the assessments category distribution.

Compared to the 1996 amnesty, in 2002, collections from denied applicants was much more evenly distributed between eligibles and ineligibles. In 1996, 75 percent of collections, \$36 million, came from eligible participants, while 25 percent, \$12.2 million, came from ineligible participants. In 2002, 53.8 percent, \$35.4 million, came from eligibles, while 46.2 percent, \$30.4 million, came from ineligibles.²

The amnesty applied category contains taxpayers whose applications were in process as of February 5, 2004. Table 7 displays the composition of the responses and collections for amnesty applicants with applications in process. Due to a later processing cutoff date in the 2002 amnesty program, the amount of revenue classified as in process is less than half the amount reported as in process in 1996.

Table 7: Gross Collections from Amnesty Applied¹

Tax	Number of Responses ²	Percent of Total Responses	Total Amnesty Collections	Percent of Total Amnesty Collections
Personal Income Tax (Articles 16, 22)	756	27.2%	\$1,787,371	31.1%
Withholding Tax (Article 22)	310	11.2%	99,765	1.7%
Personal Income Taxes & Withholding Tax³	1,066	38.4%	1,887,137	32.8%
Corporation Franchise Tax (Article 9-A)	647	23.3%	658,006	11.4%
Corporation Tax (Article 9) ⁴	8	0.3%	641,047	11.2%
Petroleum Business Tax (Article 13-A)	2	0.1%	0	0.0%
Corporate Taxes⁵	664	23.9%	1,299,973	22.6%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	290	10.4%	17,863	0.3%
Corporation Tax MTA Surcharge (Article 9) ⁶	0	0.0%	4,017	0.1%
Corporate MTA Surcharges	290	10.4%	21,881	0.4%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	661	23.8%	2,467,028	42.9%
Miscellaneous Taxes⁷	97	3.5%	72,840	1.3%
Total	2,778	100.0%	\$5,748,858	100.0%

¹ Includes total tax and interest received through February 5, 2004, from taxpayers whose amnesty applications were still in process.

² Each response was submitted for a tax liability associated with either an assessment that existed at the start of amnesty or a tax liability period for which a return was required.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), and the Gift Tax (Art. 26-A).

Note: Totals may not equal due to rounding.

The amnesty applied category contributed approximately \$5.7 million in gross revenues to the amnesty program's total. In 1996, this category accounted for over \$12 million.

Endnotes

1. Two primary reasons explain why applications were still in process. First, some applicants disagreed with assessments for which they applied for amnesty, such as the amount of tax due. Department staff reviewed these assessments to address the applicant's concerns, and did not issue bills until the taxpayer's issue was resolved. These assessments were considered in process until the applicant was billed for amnesty. Second, some taxpayers applied for amnesty for periods that were several years old. In certain cases, additional information was required to correctly file a return. If the information was not readily available from the taxpayer, the Department worked with the taxpayer to obtain the information. This sometimes delayed the processing of the return.
2. Tables 5 through 12 in Appendix G provide more detail regarding eligible and ineligible applicants denied amnesty.

Analysis of Amount Due from Amnesty Applicants

This section details the amounts still remaining from applicants who were denied amnesty and who have not completely satisfied their outstanding liability, penalty, and interest. Revenues from applicants who were denied amnesty but fulfilled their outstanding obligations are included in the previous section, as are any portions of outstanding obligations that were paid.

Almost all of the amount due is from taxpayers who were eligible for amnesty but did not fully pay before the conclusion of the program.

Taxpayers were denied amnesty either because they were ineligible or because they forfeited amnesty by failing to fulfill their payment obligations before the program concluded. Nearly all of the total outstanding amount due from denied taxpayers, 96.6 percent, is attributable to eligible taxpayers who were denied amnesty simply because they failed to fully remit the required balances before the end of the amnesty period. Only 3.4 percent of the amount due is attributable to ineligible taxpayers who were denied amnesty for failing to meet eligibility criteria.

Taxpayers denied amnesty with a balance due have reentered the Department's billing cycle. Bills and collection notices sent to taxpayers denied amnesty include all previously incurred unpaid tax, interest and penalty. Each bill and collection notice will be based upon the new calculation procedure, which provides for an additional two percent of interest under certain circumstances. Moreover, applicants denied amnesty may be subject to administrative, civil and criminal actions.

Table 8: Analysis of Amount Due from Amnesty Applicants¹

Tax	Number of Responses ²	Total Tax Due	Total Interest Due	Total Penalty Due	Total Due	Percent of Total Due
Personal Income Tax (Articles 16, 22)	31,297	\$64,095,402	\$83,393,148	\$30,298,484	\$177,787,035	24.6%
Withholding Tax (Article 22)	7,481	11,152,889	13,920,170	5,682,831	30,755,890	4.3%
Personal Income Taxes & Withholding Tax³	38,778	75,248,291	97,313,318	35,981,316	208,542,925	28.9%
Corporation Franchise Tax (Article 9-A)	7,495	6,122,695	6,732,500	4,233,366	17,088,561	2.4%
Corporation Tax (Article 9) ⁴	93	255,770	341,364	78,082	675,215	0.1%
Petroleum Business Tax (Article 13-A)	13	147,129	79,683	42,473	269,284	0.0%
Corporate Taxes⁵	7,611	6,526,443	7,159,490	4,356,340	18,042,272	2.5%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	2,681	938,023	817,964	598,327	2,354,314	0.3%
Corporation Tax MTA Surcharge (Article 9) ⁶	27	10,639	25,908	3,606	40,153	0.0%
Corporate MTA Surcharges	2,708	948,662	843,872	601,933	2,394,466	0.3%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	22,034	95,523,626	349,063,178	39,764,884	484,351,688	67.1%
Miscellaneous Taxes⁷	313	2,181,434	5,187,035	1,206,772	8,575,241	1.2%
Ineligible Taxes⁸	233	37,536	45,765	87,530	170,831	0.0%
Total	71,677	\$180,465,992	\$459,612,656	\$81,998,774	\$722,077,422	100.0%

¹ Reflects the amount due from eligible and ineligible taxpayers denied amnesty on or before February 5, 2004.

² Each response was submitted for a tax liability associated with either an assessment that existed at the start of amnesty or a tax liability period for which a return was required.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13) and the Unincorporated Business Tax (Art. 16-A & 23).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), the Beverage Container Tax (Article 18-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), the Gift Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

⁸ Ineligible taxes include any articles and sections of the tax law that were not designated as eligible for amnesty under Chapter 85 of the Laws of 2002. This category includes monies submitted by amnesty applicants for liabilities attributable to ineligible taxes.

Note: Totals may not equal due to rounding.

Table 8 shows that there were over 70,000 responses by applicants who were denied amnesty and still have outstanding balances.¹ This represents about 17.5 percent of all amnesty applications filed.

Outstanding interest comprises the majority of the remaining amount due - about 63.7 percent. Outstanding tax equals about 25.0 percent and outstanding penalty equals approximately 11.4 percent of the remaining amounts due. This is the same order as in 1996.

The majority of outstanding revenue is attributable to sales and use tax, accounting for 67.1 percent of the total. Personal income and withholding taxes account for almost a third of outstanding revenue, 28.9 percent. The remaining 4.0 percent of outstanding revenue is distributed among corporate taxes, MTA surcharges, miscellaneous taxes, and ineligible taxes. In 1996, the order was the same, but the composition was slightly different. Sales and use tax accounted for a smaller share, 52.4 percent of the total, while personal income and withholding taxes accounted for a larger share of the total, 41.6 percent.

Figure 6: Amount Due from Eligible & Ineligible Applicants

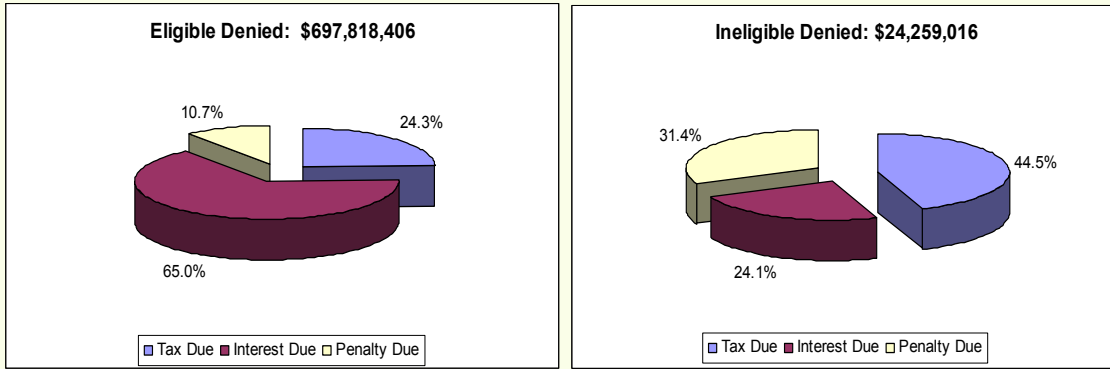


Figure 6 compares the amounts due from eligible and ineligible taxpayers.

Outstanding interest was the majority of the total due for eligible taxpayers; outstanding tax is the largest share for ineligible taxpayers

For eligible taxpayers, outstanding interest accounted for 65.0 percent of the total due, and interest and tax due combined accounted for 89.3 percent of the total balance remaining.

However, for ineligible taxpayers, interest due comprises the smallest share at 24.1 percent. Tax due makes up the largest share at 44.5 percent.

The distribution of the total amount due from eligible versus ineligible taxpayers is nearly identical to 1996. Likewise, the shares of tax, interest, and penalty due within each group retained the same order, although the actual percentages differed slightly.

Sales and use tax was the majority of outstanding balances for eligible taxpayers; personal income and withholding taxes were the majority for ineligible taxpayers

The next two tables, Tables 9 and 10, provide detail on the composition of the population denied amnesty. The first details eligible taxpayers denied amnesty by tax category. The second details ineligible taxpayers.

For eligible taxpayers, sales and use tax obligations comprised the majority of outstanding balances, 68.2 percent. Personal income and withholding taxes accounted for almost a third of the balance due. For ineligible taxpayers, the composition was reversed. Personal income and withholding taxes comprised the majority of outstanding balances, 58.4 percent, while sales and use tax accounted for slightly over a third. In each case, corporate taxes were the third largest category, although they accounted for 2.4 percent of the eligible taxpayers' outstanding balances and 4.6 percent for ineligible taxpayers.

The orders of the various taxes for the total due within each of the tables remained the same as 1996. However, there were some significant shifts in relative shares. For instance, for eligible taxpayers in 1996, sales and use taxes were the small majority of the total due at 53.4 percent. That share grew to 68.2 percent in 2002. This growth seems to come at the expense of the share of personal income and withholding taxes. In 1996, they accounted for 40.9 percent of the total due, but in 2002, that share fell to 27.9 percent.

For ineligible taxpayers, there was a less pronounced shift in shares. Personal income and withholding taxes comprised 62.3 percent of the total in 1996, but fell to 58.4 percent in 2002. As with eligible taxpayers, a falloff in one category was made up in another. Sales and use tax amounts due grew from 24.0 percent in 1996 to 35.4 percent in 2002.

The shifts in the shares of amounts due for both eligible and ineligible taxpayers mostly occur between personal income and withholding taxes and sales and use tax. However, for ineligible taxpayers, some of the increase in sales and use tax also appears to have come at the expense of corporate taxes. Their share of the total amount due fell from 10.7 percent in 1996 to 4.6 percent in 2002. For eligible taxpayers, corporate taxes' share only fell 1.2 percent between 1996 and 2002.

Table 9: Amount Due from Eligible Taxpayers Denied Amnesty¹

Tax	Number of Responses ²	Total Tax Due	Total Interest Due	Total Penalty Due	Total Due	Percent of Total Due
Personal Income Tax (Articles 16, 22)	29,359	\$56,636,216	\$81,149,844	\$27,184,332	\$164,970,392	23.6%
Withholding Tax (Article 22)	6,217	10,706,641	13,537,659	5,170,641	29,414,941	4.2%
Personal Income Taxes & Withholding Tax³	35,576	67,342,857	94,687,503	32,354,973	194,385,333	27.9%
Corporation Franchise Tax (Article 9-A)	5,913	5,837,530	6,461,369	3,788,442	16,087,341	2.3%
Corporation Tax (Article 9) ⁴	85	253,176	339,613	77,355	670,143	0.1%
Petroleum Business Tax (Article 13-A)	8	72,669	57,991	20,136	150,796	0.0%
Corporate Taxes⁵	6,015	6,164,224	6,864,917	3,888,352	16,917,492	2.4%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	2,228	896,039	798,142	557,212	2,251,393	0.3%
Corporation Tax MTA Surcharge (Article 9) ⁶	27	10,639	25,908	3,606	40,153	0.0%
Corporate MTA Surcharges	2,255	906,677	824,050	560,819	2,291,546	0.3%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	19,719	93,133,976	346,223,918	36,408,975	475,766,869	68.2%
Miscellaneous Taxes⁷	274	2,131,114	5,159,571	1,166,481	8,457,166	1.2%
Total	63,839	\$169,678,848	\$453,759,958	\$74,379,600	\$697,818,406	100.0%

¹ Reflects the amount due from eligible taxpayers denied amnesty on or before February 5, 2004.

² Each response was submitted for a tax liability associated with either an assessment that existed at the start of amnesty or a tax liability period for which a return was required.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13) and the Unincorporated Business Tax (Art. 16-A & 23).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), Beverage Container Tax (Article 18-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), the Gift Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

Note: Totals may not equal due to rounding.

Table 10: Amount Due from Ineligible Taxpayers Denied Amnesty¹

Tax	Number of Responses ²	Total Tax Due	Total Interest Due	Total Penalty Due	Total Due	Percent of Total Due
Personal Income Tax (Articles 16, 22)	1,938	\$7,459,187	\$2,243,304	\$3,114,152	\$12,816,643	52.8%
Withholding Tax (Article 22)	1,264	446,247	382,511	512,190	1,340,948	5.5%
Personal Income Taxes & Withholding Tax³	3,202	7,905,434	2,625,815	3,626,342	14,157,591	58.4%
Corporation Franchise Tax (Article 9-A)	1,582	285,166	271,131	444,923	1,001,219	4.1%
Corporation Tax (Article 9) ⁴	8	2,594	1,751	727	5,072	0.0%
Petroleum Business Tax (Article 13-A)	5	74,460	21,692	22,337	118,489	0.5%
Corporate Taxes⁵	1,596	362,219	294,573	467,988	1,124,780	4.6%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	453	41,984	19,822	41,114	102,920	0.4%
Corporation Tax MTA Surcharge (Article 9) ⁶	0	0	0	0	0	0.0%
Corporate MTA Surcharges	453	41,984	19,822	41,114	102,920	0.4%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	2,315	2,389,650	2,839,260	3,355,908	8,584,819	35.4%
Miscellaneous Taxes⁷	39	50,321	27,463	40,291	118,075	0.5%
Ineligible Taxes⁸	233	37,536	45,765	87,530	170,831	0.7%
Total	7,838	\$10,787,144	\$5,852,698	\$7,619,174	\$24,259,016	100.0%

¹ Reflects the amount due from ineligible taxpayers denied amnesty on or before February 5, 2004.

² Each response was submitted for a tax liability associated with either an assessment that existed at the start of amnesty or a tax liability period for which a return was required.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), and the Gift Tax (Art. 26-A)

⁸ Ineligible taxes include any articles and sections of the tax law that were not designated as eligible for amnesty under Chapter 85 of the Laws of 2002. This category includes monies submitted by amnesty applicants for liabilities attributable to ineligible taxes.

Note: Totals may not equal due to rounding.

Endnotes

1. The balance due includes the additional two percent interest rate increase that applies to unpaid liabilities, if applicable. The additional two percent rate of interest, as applicable, was imposed on and after April 1, 2003, for any existing assessments and for any future liabilities.

Analysis of Revenue Forgone, Accelerated Revenue, and Interest and Penalty Waived

Almost \$500 million was forgone, accelerated, or waived

The legislation authorizing the 2002 amnesty program required the Tax Department to report estimates of the amount of revenue forgone, the amount of revenue received during the amnesty program that would have otherwise been received during another period (i.e., decelerated and accelerated revenues), and the amounts of interest and penalty waived.

\$74.2 million in revenue was forgone

An estimated \$74.2 million was forgone because revenue-producing staff were diverted from regular work activities to work on amnesty. The amount of revenue forgone was determined by multiplying the number of staff days spent on amnesty by the standard revenue collections per day for each position.

Over \$130 million in net revenues were accelerated into the amnesty period

The Department estimated that \$131,246,952 in net accelerated revenues were received during the 2002 amnesty that, in the absence of amnesty, would have been received prior to or subsequent to the amnesty program (i.e., decelerated and accelerated revenues). Some taxpayers, upon learning of the program, delayed making payments on delinquent tax liabilities until the amnesty program started, while others paid delinquent tax liabilities earlier to avail themselves of the benefits of amnesty.

The estimate of accelerated revenues is the difference between the amount that the Department received from amnesty applicants that applied for amnesty for outstanding assessments and the amount the Department estimated that taxpayers with outstanding assessments would have paid in the absence of amnesty. However, a significant portion of that figure is comprised of revenue from liabilities from 1993 and prior years. Based upon historical collection percentages of liabilities, it is unlikely that the Department would have collected such a large amount from 1993 and prior years over a reasonably short timeframe. This suggests that it would be inaccurate to assume that these amounts were truly accelerated. Accordingly, these amounts were subtracted from the gross accelerated revenue figure to arrive at a net figure. Appendix F discusses the methodology behind the accelerated revenue figures.

The amounts waived categories were determined by looking directly at the period of the assessment or return for which amnesty was applied. The penalty waived amount is the amount of penalty that would have been required from the taxpayer in the absence of amnesty. The interest waived amount relates to the reduction of two percent in the interest rate due on amnesty-eligible amounts. The reduced interest rate applied to eligible assessments or to unpaid or unreported taxes. The amounts of the “interest penalty” imposed under section 1145 of the Tax Law are included in the interest waived category.

Over \$350 million in gross interest and gross penalty were waived

Table 11 shows that, overall, the amounts of interest and penalty waived were almost equal, \$178.2 million of interest waived, and \$174.0 million of penalty waived.¹ This is more than twice the amount of net penalty waived in 1996, \$75.4 million. Since the 1996 amnesty did not contain the interest rate reduction incentive, comparisons are only available for penalty waived amounts.

The unique two percent interest rate reduction also resulted in nearly \$75 million in revenues in this amnesty from applicants who were eligible for amnesty in 1996, but chose not to participate in that year’s program.

The composition of tax types represented in interest and penalty waived differed significantly. Sales and use tax accounted for over 60 percent of all interest waived. Personal income and withholding taxes constituted nearly a third of all interest waived, and corporate taxes comprised 4.7 percent. However, for penalty waived, personal income and withholding taxes made up the majority of all penalty waived with 51.7 percent. The share for sales and use tax declined to 35.6 percent, and the share for corporate taxes grew to 10.1 percent. In 1996, the composition of taxes within the penalty waived category was similar. Personal income and withholding taxes comprised 51.6 percent, sales and use tax comprised 27.7 percent, and corporate taxes comprised 15.8 percent.

Table 11 : Interest and Penalty Waived for Taxpayers Granted Amnesty¹

Tax	Interest Waived ²	Percent of Total Interest Waived	Penalty Waived	Percent of Total Penalty Waived
Personal Income Tax (Articles 16, 22)	\$48,204,514	27.1%	\$80,616,657	46.3%
Withholding Tax (Article 22)	5,239,813	2.9%	9,400,626	5.4%
Personal Income Taxes & Withholding Tax³	53,444,327	30.0%	90,017,283	51.7%
Corporation Franchise Tax (Article 9-A)	7,449,370	4.2%	16,436,147	9.4%
Corporation Tax (Article 9) ⁴	896,472	0.5%	1,082,549	0.6%
Petroleum Business Tax (Article 13-A)	8,096	0.0%	19,538	0.0%
Corporate Taxes⁵	8,365,969	4.7%	17,583,392	10.1%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	911,729	0.5%	1,739,870	1.0%
Corporation Tax MTA Surcharge (Article 9) ⁶	86,373	0.0%	86,420	0.0%
Corporate MTA Surcharges	998,102	0.6%	1,826,290	1.0%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	112,640,794	63.2%	61,912,065	35.6%
Miscellaneous Taxes⁷	2,735,493	1.5%	2,682,939	1.5%
Total	\$178,184,684	100.0%	\$174,021,969	100.0%

¹ Includes total penalty and interest waived for taxpayers granted amnesty for assessments or returns as of February 5, 2004.

² Includes interest penalty imposed by Section 1145 of the Tax Law.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13), the Unincorporated Business Tax (Art. 16-A & 23), and the Independently Procured Insurance Tax (Art. 33-A).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), the Gift Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

Note: Totals may not equal due to rounding.

Table 12 and Figure 7 offer details on interest and penalty waived by type of response – either assessments or returns. Assessments accounted for over \$250 million in interest and penalty waived, 71.5 percent of total waived amounts. Returns accounted for slightly over \$100 million, 28.5 percent of total waived amounts. Within assessments, interest waived was greater than penalty waived, but within returns, the opposite was true. The overwhelming amount of total interest waived, 81.1 percent, came from assessments, while for total penalty waived, the split was less disparate, 61.7 percent in assessments to 38.3 percent in returns.

In the 2002 amnesty, penalty waived totaled \$107.3 million for assessments and \$66.7 million for returns. Likewise, in the 1996 amnesty, penalty waived for assessments was greater than penalty waived for returns: \$67.2 million and \$21.7 million, respectively. Assessments accounted for 75.6 percent of the total in 1996, almost 15 percent higher than in 2002. In 1996, the total amounts of penalty waived were much lower, despite the similarity in the numbers of responses that were granted amnesty in both programs. In 1996, there were approximately 285,000 responses granted amnesty, generating almost \$90 million in penalty waived.² In 2002, there were approximately 286,000 responses granted amnesty, generating nearly \$175 million in penalty waived.

Table 12: Interest and Penalty Waived by Type of Response¹

Tax	Assessments				Returns			
	Interest Waived ²	Percent of Total Interest Waived	Penalty Waived	Percent of Total Penalty Waived	Interest Waived ²	Percent of Total Interest Waived	Penalty Waived	Percent of Total Penalty Waived
Personal Income Tax (Articles 16, 22)	\$30,701,592	21.2%	\$32,932,650	30.7%	\$17,502,922	52.0%	\$47,684,007	71.5%
Withholding Tax (Article 22)	4,879,510	3.4%	8,391,279	7.8%	360,303	1.1%	1,009,346	1.5%
Personal Income Taxes & Withholding Tax³	35,581,102	24.6%	41,323,929	38.5%	17,863,225	53.1%	48,693,353	73.0%
Corporation Franchise Tax (Article 9-A)	2,905,293	2.0%	7,919,018	7.4%	4,544,077	13.5%	8,517,129	12.8%
Corporation Tax (Article 9) ⁴	176,027	0.1%	224,190	0.2%	720,445	2.1%	858,359	1.3%
Petroleum Business Tax (Article 13-A)	5,456	0.0%	7,609	0.0%	2,640	0.0%	11,929	0.0%
Corporate Taxes⁵	3,098,793	2.1%	8,195,842	7.6%	5,267,176	15.7%	9,387,551	14.1%
Corporation Franchise Tax MTA Surcharge (Article 9-A)	307,487	0.2%	836,751	0.8%	604,242	1.8%	903,119	1.4%
Corporation Tax MTA Surcharge (Article 9) ⁶	6,196	0.0%	8,968	0.0%	80,177	0.2%	77,452	0.1%
Corporate MTA Surcharges	313,683	0.2%	845,719	0.8%	684,419	2.0%	980,571	1.5%
Sales and Use Tax (Articles 24, 28, 28-A, 29)	103,678,037	71.7%	55,307,899	51.5%	8,962,757	26.6%	6,604,166	9.9%
Miscellaneous Taxes⁷	1,862,378	1.3%	1,645,131	1.5%	873,115	2.6%	1,037,808	1.6%
Total	\$144,533,992	81.1%	\$107,318,520	61.7%	\$33,650,692	18.9%	\$66,703,449	38.3%

¹ Includes total penalty and interest waived for taxpayers granted amnesty for assessments or returns as of February 5, 2004.

² Includes interest penalty imposed by Section 1145 of the Tax Law.

³ Total includes data for the tax articles pertaining to New York City and Yonkers (Articles 2-E, 30, 30-A, and 30-B).

⁴ Total includes data for Article 9 Sections 182, 182-a, 182-b, 183, 184, 186, 186-e, 189, 189-a, and 189-b.

⁵ Total includes data for the Unrelated Business Income Tax (Art. 13), the Unincorporated Business Tax (Art. 16-A & 23), and the Independently Procured Insurance Tax (Art. 33-A).

⁶ Total includes data for Article 9 Sections 183-a, 184-a, and 186-b.

⁷ Miscellaneous Taxes include the Motor Fuel Tax (Art. 12-A), the Combined Petro Business/Motor Fuel Tax (Art. 12-A & 13-A), the Highway Use Tax (Art. 21), the Estate Tax (Art. 26), the Gift Tax (Art. 26-A), and the Real Property Gains Tax (Art. 31-B).

Note: Totals may not equal due to rounding.

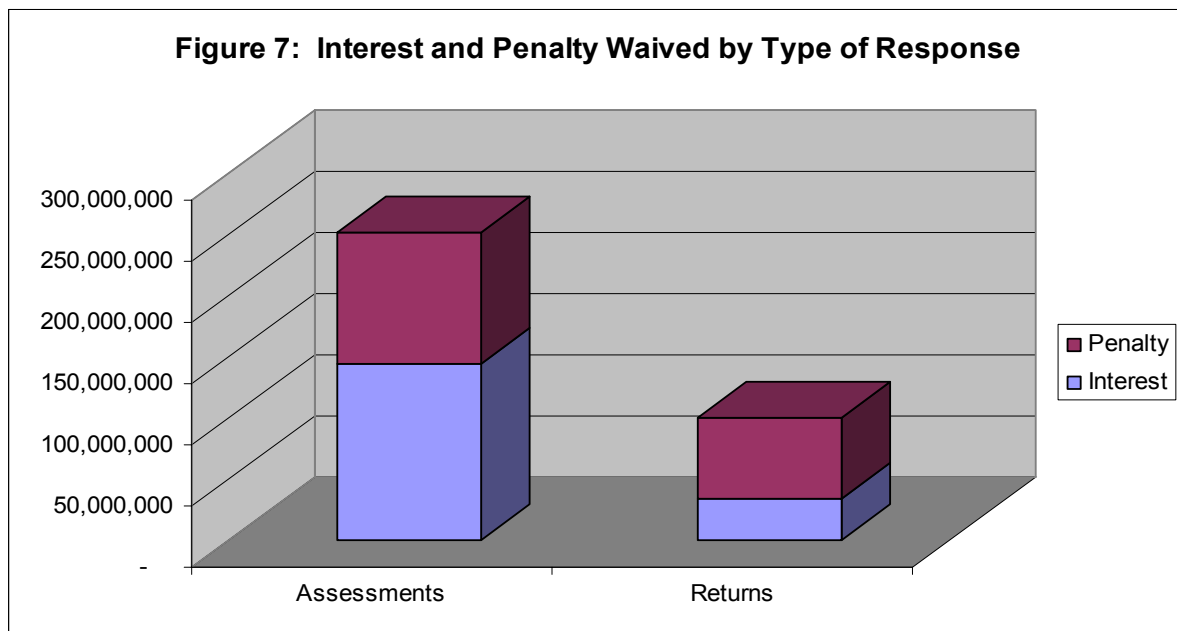
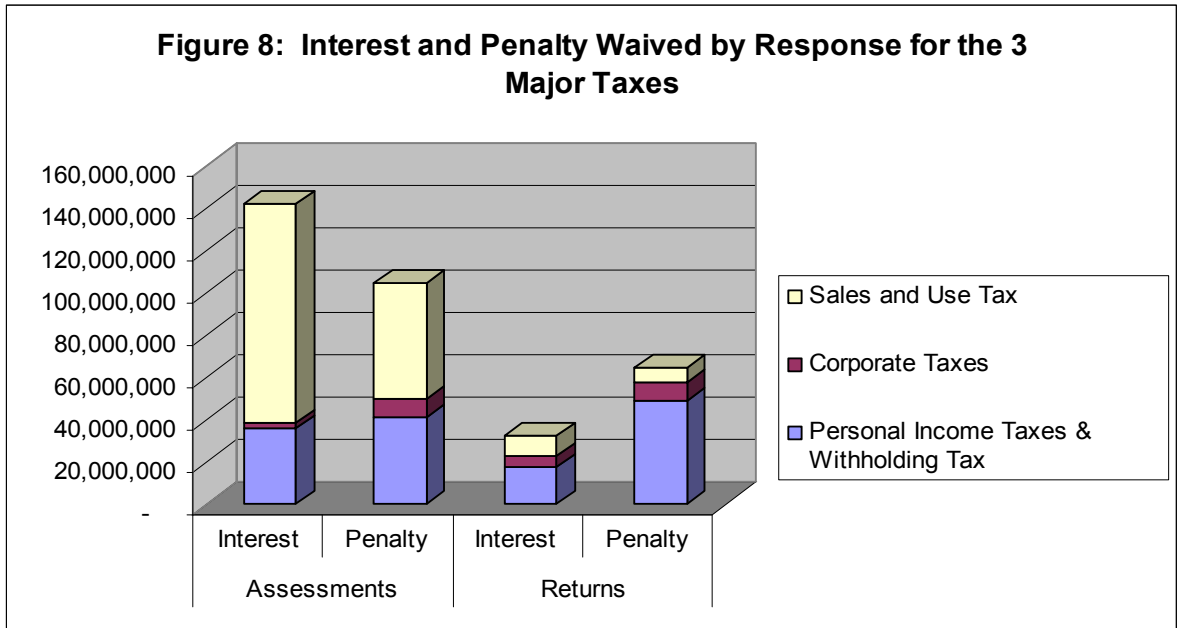


Figure 8 illustrates the discrepancies within and between assessments and returns regarding the proportion of the three major tax types.



Within assessments, the sales and use tax has the largest share of interest and penalty waived, followed by personal income and withholding taxes, and corporate taxes. However, for returns, personal income and withholding taxes have the largest share of interest and penalty waived. Interestingly, within returns, the amount of penalty waived attributable to the sales and use tax is third, behind both personal income and withholding taxes and corporate taxes. Not only does this result differ from the respective ordering for interest waived on returns, it also represents the only category in this entire report where sales and use tax trails both personal income and withholding taxes and corporate taxes in revenue.

Endnotes

1. These are gross amounts waived. To estimate net adjusted amnesty revenues, interest and penalty forgone were applied to these gross amounts to reduce the factors in Table 2 (page 3) to net interest waived and net penalty waived.

Interest and penalty forgone are defined as the amount of interest and penalty that the Tax Department would have expected to collect in the absence of amnesty. Because these amounts would otherwise have been collected except for amnesty, but as a result of amnesty were not in fact collected, they must be subtracted from the gross amounts the Department was required to waive under amnesty in order to arrive at a net figure.

2. Not every response requested a waiver of penalty.

Amnesty Expenses

To determine the net revenue gain from the amnesty program, the gross amnesty revenue figure was adjusted for several factors. Previous sections have discussed the amounts of revenue forgone, accelerated revenue, and penalty and interest waived that must be deducted from the gross figure. The final adjustment is a deduction for the expenses incurred by the Tax Department to run the amnesty program.

Personal service expenses totaled over \$5 million

Amnesty expenditures fall within two categories: personal or nonpersonal service. Personal service represents the cost of staffing the program. Included within this figure are the aggregate staffing costs of all of the Tax Department divisions that worked on amnesty plus related overtime costs. The cost of general staffing was approximately \$3.9 million, and the cost of overtime was approximately \$1.2 million. Together, personal service expenditures for amnesty totaled slightly over \$5 million.

Nonpersonal service expenses totaled over \$11 million

Nonpersonal service costs encompass a wide array of amnesty-related Department activities. These costs can be considered to belong to one of two classifications: processing or outreach. Some of the expense attributable to processing was for items and technology that will continue to be used in other Tax Department functions.

Within processing, the largest expenditure was for information technology services. The costs for programming for the electronic services that were offered during amnesty totaled \$3.9 million. Equipment and software, counted separately from information technology services, cost approximately \$1.4 million. The need to establish a secure, redundant, high performing internet environment to support the new Web-based amnesty applications required the Department to purchase new servers. The Department's Call Center also required an upgrade to accommodate the anticipated increase in the volume of incoming calls.¹ These expenditures will continue to provide support for ongoing Department operations.

In addition, bank fees for processing cost approximately \$850,000.

Outreach included all of the ways in which the Tax Department sought to promote the amnesty program, as well as mailings of applications. Advertising, which includes print, television, and radio advertising, accounted for almost \$4 million. Postage and printing of amnesty materials and applications cost approximately \$1 million. The expense attributable to travel by Department personnel to conduct amnesty outreach programs was minimal. Likewise, the cost of miscellaneous office supplies was negligible.

Table 13 below details the amnesty program expenses.

TABLE 13 – REPORT OF AMNESTY EXPENDITURES	
General Staffing	\$3,881,000
Overtime	\$1,181,000
Subtotal Personal Service	\$5,062,000
Information Technology Services	\$3,877,300
Equipment /Software	\$1,451,778
Bank Fees	\$848,700
Advertising	\$3,990,000
Postage/Printing	\$1,032,100
Travel	\$5,000
Supplies	\$6,000
Subtotal Nonpersonal Service	\$11,210,878
GRAND TOTAL AMNESTY EXPENSES	\$16,272,878

Endnotes

1. Delays in installation resulted in a lower allocation of the total purchase expense to amnesty (10 percent) than had been anticipated during planning for amnesty.

For more information concerning the data provided in this publication, please contact:

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