

# **AMNESTY REPORT**

**2011**

**FEBRUARY 1 - APRIL 30**





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# Executive Summary

## Background

From February 1, 2011, through April 30, 2011, Washington State conducted its first business tax amnesty program. Taxpayers with state business and occupation tax, state public utility tax, or state and local sales and use tax liabilities due before February 1, 2011, were provided the opportunity to pay the outstanding tax without paying the associated penalties and interest.

## Results

More than 9,000 taxpayers applied, with 5,095 granted amnesty. The program generated an estimated \$345.8 million. Penalties and interest waived totaled \$91 million.

## Analysis

Of the amount received:

- \$284.0 million went to the state general fund.
- \$.5 million went to other dedicated state taxes.
- \$61.3 million went to cities and counties.

Of the businesses that benefitted from amnesty:

- 75 percent had annual gross incomes less than \$1 million.
- 22 percent grossed between \$1 and \$50 million.
- 3 percent grossed more than \$50 million.
- 508 businesses registered and paid taxes for the first time, totaling \$29.9 million. These businesses are now on the state tax rolls.

## Best practices

One of the keys to the program's success was the formation of a core team consisting of representatives from each of the impacted divisions. Their weekly management of the program allowed the Department to stay ahead of developing issues, and to adapt the program and procedures as necessary. Other bright spots included:

- The purchase of the easy-to-remember URL PayMyTax.org and our extensive use of the website.
- The statewide radio messaging campaign
- Developing a user-friendly application.

## Lessons learned

Among the lessons learned, the Department may have received a bigger benefit had it required taxpayers to stay current for a longer time, perhaps up to one year. Also:

- Make the program shorter to minimize its impact on routine Department activities.
- Build in enough time between the application and payment due dates for processing.
- Choose dates that do not conflict with other reporting dates, holidays, or weekends.



# Background

Washington State does not have an income tax. It receives the majority of its tax revenues from sales and use taxes and from a gross receipts business and occupation tax.

For several years, the idea of an amnesty program had been discussed at various levels of state government. In 2009, a report by the Washington State Auditor's Office identified Washington as one of only four states that had never conducted an amnesty program. They proposed that such a program might generate a significant amount of money.

Facing a considerable revenue shortfall for the 2011 legislative session, the Governor asked the Department of Revenue (Department) to explore the potential of conducting the state's first amnesty program.

Department staff researched amnesty programs conducted in other states to glean best practices and to gather samples of forms used in those programs.

Research revealed four conditions necessary for a successful amnesty program:

- There must be a large pool of unpaid tax debt.
- There is an incentive for taxpayers to pay during the amnesty period, such as a partial or complete waiver of penalties and/or interest.
- There are consequences for taxpayers with outstanding liabilities that don't participate.
- There must be a comprehensive communication and marketing campaign.

The Department concluded that the first two conditions were met; however, given the difficult economic climate businesses were facing, it was decided not to include consequences for taxpayers that did not participate. The Department also determined that the program could be implemented in-house, saving the expense of hiring an outside contractor. The cost of running the program was estimated at \$233,000.

The resulting bill proposed a temporary penalty and interest waiver program on select state and local excise taxes administered by the Department. The program would run from February 1, 2011 through April 30, 2011. The revenue estimates for the program were \$24,436,000 for the state, and \$3,873,000 for local governments. The Department allocated \$80,000 to market the program, and \$153,000 for staffing and other needs.

A special session was called on December 11, 2010; Substitute Senate Bill 6892 was put before the Legislature intending to generate revenue quickly and provide relief for small businesses. The bill passed unanimously by both the House and the Senate on December 11, 2010.



# Amnesty Program Elements

Below are the key elements of the legislation as passed:

- The bill established a temporary penalty and interest waiver program for the following taxes:
  - State business and occupation (B&O) tax
  - State public utility tax
  - State and local sales and use tax including:
    - General retail sales and use taxes
    - Rental car taxes
    - King County food and beverage tax
    - Additional sales and use tax on motor vehicle sales/leases
    - Lodging taxes, but not including tourism promotion area lodging charges
    - Brokered natural gas use tax
- The program applied only to the unpaid taxes listed above that were due in periods prior to February 1, 2011, including unreported liabilities.
- Taxpayers were required to submit a completed application no later than April 18, 2011, along with all outstanding tax returns including amended returns, for the taxes on which the taxpayer was requesting amnesty.
- Taxpayers were required to submit full payment prior to May 1, 2011, of all tax due on any invoice for which they were seeking a waiver. This requirement included payment for the ineligible taxes and their associated penalties and interest. If the taxpayer was requesting amnesty on a tax warrant, any fees associated with the warrant were also due prior to May 1, 2011.
- Participating taxpayers were required to timely file and pay, in full, all tax returns that came due during the amnesty program.
- Taxpayers were required to waive their right to seek a refund or challenge the taxes on any amount granted amnesty.
- All tax liability reported and paid under this program was subject to verification.
- Taxpayers that were current for tax returns due as of November 25, 2010, were not eligible for amnesty on tax liability that accrued after that date.
- Payments made on outstanding invoices prior to May 1, 2011, were deemed to have been applied first to qualifying taxes due on that invoice, then to non-qualifying taxes along with their applicable interest and penalties, and finally to fees on that invoice.
- Taxpayers were excluded from the program if:
  - The taxpayer had ever been assessed an evasion penalty or a penalty for misuse of a reseller permit.
  - The taxpayer had ever been a defendant in a criminal prosecution related to the proper collection and payment of any tax administered by the Department.
- Taxpayers in a bankruptcy proceeding were ineligible for relief to the extent that the payment of tax debt violated the federal bankruptcy code.



# Implementation Team

## Core team

In anticipation of the legislation passing, the Department director assigned an executive sponsor and a project lead in late November. A core team was established November 29, 2010, to oversee the implementation process. This team met on a weekly basis from December 3, 2010 through the end of the program, making real-time decisions as issues arose. Every division that had a role in the implementation had a seat at the table, including:

- Taxpayer Account Administration
- Audit
- Compliance
- Taxpayer Services
- Appeals
- Research & Legislative Analysis
- Interpretations & Technical Advice

Supporting the core team were three cross-division project teams, each tasked with a portion of the process:

- **Procedures team:** determined the workflow and procedures
- **Application development team:** developed and tested the application
- **Communications and marketing team:** promoted the program

At the division level, additional teams were developed to handle division-specific details of the program. This was especially true for Taxpayer Account Administration, which carried the responsibility for reviewing the applications and either approving or denying them as well as making system adjustments on the taxpayer's account. The Audit and the Compliance divisions also developed procedures to incorporate amnesty into their operations.

## Executive support

Each week, the project lead provided a status report to the Department's executive sponsor that included recent accomplishments, issues and solutions, decisions requiring executive buy-off, and program statistics. The executive team provided guidance on issues beyond the purview of the team.

## Stakeholder involvement

The Department maintains a positive working relationship with taxpayers, tax professionals, and business associations. A meeting was held January 7, 2011, to allow stakeholders an opportunity to hear the implementation plans, review the application, and share their concerns, questions, and suggestions. Approximately 20 stakeholders attended, either in person or via teleconference.



# Program Implementation

The bill was passed on a Saturday. The following Wednesday, December 15, 2010, the Department launched an internet web page with an easy-to-remember URL purchased for this effort—PayMyTax.org. The web page contained all of the program information, including a link to the bill, a question and answer page, and a one page program overview translated into six languages.

The next day, a press release was issued promoting the program and directing taxpayers to the PayMyTax.org web page. Given that this was Washington's first amnesty program for businesses, the press picked up the Department's news release and generated media attention that spread quickly. The web page received 414 hits the day it was launched.

## Providing quotes to taxpayers

The Department's call center began receiving requests for amnesty applications almost immediately. While the application was being developed, the core team decided to allow taxpayers to request a quote of the amount they would owe by writing or emailing the Department. Initially, the quote provided both the tax owed and the penalties and interest waived, but calculating the amount waived proved too time consuming once applications began coming in. The quote was simplified to provide only the amount the taxpayer owed. By the time taxpayer-requested quotes were curtailed on February 11, 2011 (due to the increase in the number of applications being filed), the Department had issued more than 1,500.

The quotes also proved valuable as a marketing tool. Audit staff included a quote with every debit assessment issued, and Compliance staff provided taxpayers with a quote when it appeared that the program was a good fit for taxpayers in collections.

During the program, slightly fewer than 5,000 quotes were completed. Of all the taxpayers that received quotes, 95 percent applied for amnesty.

## Developing the workflow

Faced with the prospect of receiving an estimated 10,000 amnesty applications, the procedures team was charged with creating a workable system. The team consisted of members of each division that had hands-on responsibilities for reviewing applications or for dealing with taxpayers after the program, e.g., auditing amnesty periods, appeals, etc.

Their role was to ensure each division's responsibilities were clearly defined, that direct lines of communications between the divisions were clearly established, and that nothing fell through the cracks. Any issues that couldn't be easily resolved were taken back to the weekly core teams meetings for further discussion and resolution.

The first task was to develop a process for generating quotes. Other accomplishments included:

- Coordinating roles and responsibilities for each division.
- Establishing processes to notify Appeals or Audit when taxpayers they were working with submitted an amnesty application.
- Assigning responsibility for reviewing amnesty applications from:

- 
- Regular taxpayers.
  - Registered businesses that were assigned a non-reporting status.
  - Unregistered businesses.

## Creating a user-friendly application

The primary focus of the application team was to develop a form that was easy to use. The team began by collecting amnesty applications from other states to use as a template. Through testing, it was determined that the initial draft of the application was too difficult for taxpayers to complete properly.

Incorporating the principles of user-centered design, major revisions were made culminating in a simple, one page form that required taxpayers to complete four quick steps:

- Provide their basic business information.
- Attach the billing documents or indicate on the form the tax periods for which they were requesting amnesty.
- Indicate payment amount (optional at the time of application).
- Sign and date the form.

A usability study of that version proved far more successful with taxpayers and tax professionals. On February 1, 2011, the application was posted to the website as an online fill-in form that taxpayers could print out, sign, then mail, fax, or scan and email to the Department.

Over the course of the amnesty program, the core team occasionally determined that minor adjustments to the application were necessary. Given that this was an online form, adjustments could be made easily.

One such adjustment required unregistered businesses, and businesses that were registered but had not been reporting taxes, to supply a list of undisclosed tax amounts by tax classification for 2007 through 2010. Unregistered businesses were also required to complete and file a Master Business Application and a Washington Business Activities Questionnaire.

The absence of those requirements on the original application caused delays in working those applications. As the volume of applications began to grow and the program deadline approached, it was necessary to streamline processes as much as possible. By having taxpayers provide that information up front, several days were saved in reviewing those requests.



## Building awareness of the program

The legislation provided \$80,000 for marketing the amnesty program. The marketing team determined that radio would provide the most impact. A radio spot was created in-house with the agency director delivering the message and telling listeners to find more information at PayMyTax.org.

The Department contracted with the Washington State Public Education Partnership Program for radio spots to air on 145 stations across the state from February 1 through April 17, 2011. Each station would air the spot between 18-36 times for a total cost of \$54,000. The remainder of the budget was used to purchase advertisements on websites of business journals, newspapers and television stations statewide.

Because this was the first time Washington State had offered an amnesty program, most major media outlets in the state picked up the story, providing broad coverage at no cost.

## Leveraging communication outlets

PayMyTax.org was the most vital part of all the communication activities. Every other marketing and communication activity referred taxpayers to that website. Over the course of the program, the website received approximately 50,000 visits.

Other communication activities leveraged existing Department resources, or made use of no-cost activities. Some of the more effective ideas were to:

- Include amnesty quotes with each audit debit assessment issued.
- Send amnesty quotes to taxpayers with payment plans.
- Send broadcast emails to business associations and tax professionals, asking them to share the news with their members/clients.
- Use the Department's predictive dialer technology to inform delinquent taxpayers of the amnesty program.
- Send a brief paragraph about the program to legislators to include in their constituent newsletters.
- Insert amnesty flyers in all mailings to taxpayers from the Audit and Compliance divisions.
- Send requests to the Federation of Tax Administrators, the Multistate Tax Commission, and a few individual states asking them to promote the program on their websites.
- Include amnesty messaging in existing Department communications:
  - Information in taxpayer education letters.
  - Alerts on the Department's E-file website.
  - Notices sent through various Department listservs.
- Include amnesty information in letters to taxpayers currently in appeals.
- Conduct radio interviews on English, Spanish, and Russian language radio programs.



## Keeping staff informed

As the project teams worked to create the program, it became apparent that a centralized repository for internal staff was needed to house the wealth of information being produced. An intranet page was created to store the procedures, forms, letters, and marketing pieces. As tools were developed (checklist, mailing inserts, office posters, status letters, etc.), they were added to the site so staff could see exactly what information taxpayers were receiving and find guidance on amnesty issues.

The intranet page also posted a running tally of program statistics each week, including:

- Applications received.
- Estimated amnesty dollars received.
- Estimated penalty and interest waived.
- Number of fully approved amnesty accounts.
- Number of amnesty applications denied.

These, along with periodic emails, kept staff apprised of the program's progress.

## Program launch

On February 1, 2011, the amnesty application was posted to the web page. The site had 2,192 visits and taxpayers submitted 63 completed applications the first day.

As applications arrived, the Taxpayer Account Administration division implemented the following procedures:

- Applications were entered into a document imaging system in the order they were received.
- Applications were worked first-in/first-out.
- Staff reviewed the form for completeness and the taxpayer for eligibility.
  - If the application was incomplete, the staff member would contact the taxpayer for the missing information.
  - If a taxpayer was ineligible, an "amnesty denied" letter was sent citing the reason(s) for the denial.
  - Applications received for unregistered businesses were sent to the Audit division for follow-up. Audit registered each business and created assessments to establish their liability. The applications were then forwarded back to the Taxpayer Account Administration to complete the amnesty review process.
- As the application moved through the system, the amnesty status on the taxpayer's account was updated.
- If a qualifying taxpayer submitted an application but did not submit payment, the taxpayer received an "amnesty pending" letter.

- Once the amnesty application was approved and payment received, the Department sent an “amnesty approved” letter to the taxpayer, including instructions that the taxpayer must continue to adhere to the requirements of the program. Failure to adhere to the program requirements would result in their amnesty being rescinded.
- If a taxpayer had been referred to the amnesty program by a staff member, an email was sent to the staff member indicating the outcome of the taxpayer’s application.
- If a taxpayer was currently working with another division (such as Audit, Appeals, or Compliance) and applied to the program without notifying that division, the team reviewing the application would notify the other division.

## Processing applications and payment

The Department received 63 completed applications the day it was posted. Over the next 11 weeks, the number of applications per day ranged from 1 (on three Sundays) to 1,000 (on the due date), averaging 109 applications per day.

When a taxpayer submitted an application, they did not hear back from the Department until their application had been reviewed and a status letter sent. Initially, applications were reviewed shortly after they were received, but as the volume of applications increased, delays began to occur. These delays prompted some taxpayers to call for an update or send another application, resulting in a large number of duplicate applications. Each of these applications had to be reviewed to see if new information was added by the taxpayer, causing further delays.

The **application deadline** was on Monday of week 12. One thousand applications were received on the due date. More were received the following week through the mail. The Department continued to receive applications for several weeks after the due date passed. All applications were processed. Those that were postmarked after the deadline, were denied.

The **payment due** date established by the Legislature, April 30, 2011, fell on a Saturday. To be consistent with Washington State law, the due date was considered to be the next business day, May 2, 2011.

Payments that arrived after May 2, 2011 were examined for extenuating circumstances such as late notification from the Department. If no justifiable extenuating circumstances existed, amnesty was denied and the payment was applied to the taxpayer’s liability as if there had been no amnesty program.

### Amnesty applications received by week

Week	Applications
Week 01	425
Week 02	680
Week 03	911
Week 04	757
Week 05	799
Week 06	690
Week 07	688
Week 08	637
Week 09	798
Week 10	717
Week 11	1,628
Week 12	1,890
Week 13	181
Week 14	118
Week 15	37
Week 16	2
Week 17	1
Week 18	8
Week 19	5
Week 20	2
<b>Total</b>	<b>10,974</b>



## Maintaining eligibility

As outlined in the amnesty bill, taxpayers were required to meet several conditions in order to have amnesty granted. One of those conditions was that the taxpayer must timely file and pay all tax returns due during the amnesty program.

When the first monthly reporting period passed, staff cross-checked approved amnesty accounts against tax returns received. If a taxpayer had been approved for amnesty, but did not file and pay a return by the due date, their amnesty was rescinded.

To minimize the number of quarterly taxpayers who had their amnesty rescinded due to not filing and paying returns timely, the Department sent a reminder letter a few weeks before the Quarter 1 filing due date. As a result, only 255 quarterly taxpayers of the 1,987 that had been approved for amnesty had their amnesty approval rescinded as a result of not filing and paying tax returns on time.

## Workload impact

The success of the program required Taxpayer Account Administration to make numerous staffing adjustments. As the backlog of amnesty applications grew, additional staff members were assigned to the program, causing other work to be delayed. Overtime was authorized on a voluntary basis.

The Audit division was also impacted by the additional workload. Many taxpayers applied for amnesty in spite of not having an established liability with the Department. Both Taxpayer Account Administration and Audit responded by creating and issuing assessments to establish those liabilities.

Also, many taxpayers under audit, or with audits pending, wanted the audit completed in time to benefit from amnesty. During the program, the Audit division issued 25 percent more assessments than average for Quarter 1 during the past five years. Other scheduled audits were postponed, increasing the workload after the amnesty program ended.

A total of 10,974 applications were received during the amnesty program. The legislation provided only nine working days between the application due date and the end of the program. Given that it was necessary for those applications to be reviewed, quotes written, and letters sent to the taxpayer in time for them to submit a payment prior to April 30, 2011, the Department struggled to meet the deadline.



## Amnesty appeals

Taxpayers that applied for amnesty waived their right to seek a refund or challenge the taxes on any amount granted amnesty. Taxpayers that applied for amnesty and were denied, and taxpayers that were approved but had their amnesty rescinded, had the right to appeal.

All appeals had to be filed within thirty days of the date on the letter denying or rescinding amnesty. Each appeal was considered individually, with outcomes ranging from remanding the case to Taxpayer Account Administration, upholding the Department's denial, or offering the taxpayer a settlement.

Overall, 3,877 amnesty applications were denied or rescinded. Of these, approximately 410 appealed, causing an unforeseen workload for the Appeals division.

The Appeals division treated these as small claims cases. In a normal year, the division would handle about 100 of these cases. The first amnesty appeal was filed on February 28, 2011 with the volume picking up at the end of March. The majority of the amnesty appeals were filed between April and June.

As a result of this added workload, hearings for other appeals cases were delayed.

## Post-amnesty

The amnesty program had an impact on the Department long after the program ended—most notably on the Audit and Appeals divisions. A post-amnesty team was created that included staff from all the divisions likely to encounter issues related to amnesty.

The team established an interdivisional communication network and worked to ensure consistency in the Department's handling of future amnesty issues such as:

- Audits on periods for which amnesty was granted.
- Amended returns or refund requests.
- Appeals.

## Conclusion

Based on the dollars generated, this program was an unqualified success—far exceeding expectations. The success was largely due to this being the first amnesty program offered by Washington State. Other reasons for the success include:

- An effective outreach effort.
- A dynamic, cross-divisional, core team that responded immediately to changing circumstances.
- Strong internal communication.

While this amnesty program was extremely successful, it would be very challenging to bring in any significant amount of revenues with another short term amnesty and the impacts on voluntary collections could be detrimental. However, if the state ever chooses to run another amnesty like program in the future, the lessons learned here will be very beneficial.



# Program Debrief

## Best practices

The following activities contributed to the success of the program.

- **Establishing a core team**

The early establishment of a core team that included representatives from every impacted division was an important element in the success of the program. Weekly meetings allowed the core team to make informed decisions as issues arose. As the number of applications received grew faster than anticipated, this ability to respond quickly to changing circumstances allowed the program to make the necessary adjustments.
- **Establishing project teams focused on specific tasks**

Allowing cross-division teams to focus on a key component of the program ensured that each component received appropriate consideration.
- **Developing an online repository of all amnesty information for staff**

The development of an intranet site that acted as a primary repository for all amnesty related information, allowed all staff instant access to procedures, Q & As, letters, marketing materials, etc. Email updates were sent to staff as necessary throughout the program.
- **Conducting the program online**

By making the majority of the amnesty program information available only online, the Department was able to update public information as necessary. This was particularly helpful when revisions to the application form became necessary.
- **Creating a user-friendly application form**

By keeping the amount of information supplied by the taxpayer to a minimum, the amnesty application was easy for most taxpayers to complete. That reduced the number of phone calls that would have been generated by a more complex form.
- **Leveraging external communications**

By leveraging all of the Department's communication tools (letters, email, secure messages, alerts, internet, etc.), the word spread quickly and inexpensively.
- **Sending multiple news releases**

The fact that this was the state's first amnesty program, the Department kept the press updated with releases issued when the bill was passed, the day the program began, and four weeks prior to the program's end.
- **Working with the Washington State Public Education Partnership Program (PEPP)**

PEPP offered a two for one value of radio spots to marketing dollars, providing radio coverage for the amnesty program statewide.



## Lessons learned

Overall, Washington State's first business tax amnesty program was very successful. As with any first time program, there were valuable lessons learned. Among them:

- **Make the program shorter than three months.**

Given the moderate number of applications that were received in the first ten weeks of the program as compared to the high number received the last two weeks, the program could have been accomplished in two months. That would have minimized the impact on the ongoing activities of the Department.
- **Do not coincide with federal tax filing dates.**

Taxpayers and their representatives indicated frustration at the timing of the program, citing the challenge of filing federal and state returns while also juggling the amnesty application.
- **Allow enough time between the application and payment deadlines for processing.**

Almost half of those applying to the program waited until the last month, including 1,000 taxpayers that submitted applications on the last day. Since full payment wasn't due at the same time as the application, many taxpayers submitted their applications without payment. With less than two weeks between the application and payment due dates, reviewing the applications and providing balances to taxpayers in time for them to submit payment was challenging.
- **Do not allow important dates to fall on weekends or holidays.**

The payment due date, April 30, fell on a Saturday. Washington law allows moving a due date that falls on a weekend or holiday to the next business day. This caused confusion for some taxpayers.
- **Clearly indicate whether documents or payments must be received or postmarked by a certain day.**

State clearly and succinctly what constitutes timely applications and payments.
- **Allow taxpayers to follow the progress of their application online.**

An optimal amnesty application would be submitted online, generating an automatic receipt. The taxpayer could then follow the progress of their application on their online account. Barring that technological advance, sending letters acknowledging receipt of the application would have eliminated hundreds of duplicate applications.
- **Require taxpayers to pay the total assessed tax on any given liability.**

In an effort to be accommodating to taxpayers, a great deal of extra work was created by breaking out assessments into amnesty and non-amnesty invoices when audits were issued.
- **Include all taxes on the Combined Excise Tax Return.**

Separating qualifying and non-qualifying taxes created extra work.

- 
- **Require taxpayers to stay current for a longer time—up to one year.**

The program required taxpayers to stay current only through the duration of the program. Longer term benefits may have been achieved by requiring taxpayers receiving amnesty to remain current for one year.
  - **Only allow tax liabilities that are already established to be eligible for amnesty.**

Many taxpayers who had been postponing audits requested the audit be conducted right away so that they could apply for amnesty. This caused other scheduled audits to be postponed and created additional work.
  - **Draw clearer lines of distinction between unregistered accounts identified by the Department (Tax Discovery) and unregistered accounts that came forward voluntarily (Voluntary Disclosure).**

Businesses identified by the Department's Tax Discovery unit have a tax obligation period of seven years. Businesses that voluntarily come forward (Voluntary Disclosure) have a tax obligation period of four years. Both the tax discovery accounts and the voluntary disclosure accounts were eligible for amnesty, but the amnesty web page included only the information for the voluntary disclosure accounts. Some of the businesses identified by the Tax Discovery unit were confused about how long the look back period would be.
  - **Some taxpayers who had begun the process of registering their business through the Voluntary Disclosure Program requested to withdraw and take advantage of amnesty.**

The Voluntary Disclosure Agreement required payment at the time the Agreement was finalized, while the amnesty program payment wasn't due until April 30, 2011. Also, the Voluntary Disclosure program offered a partial or full waiver of the penalties but required the taxpayer to pay the interest due. Amnesty waived both penalties and interest.
  - **Consider imposing consequences for taxpayers who don't come forward**

The Department estimated that 50,000 taxpayers would be eligible for the amnesty program. Approximately 8,200 applied. To increase the level of participation of future amnesty programs, consequences should be considered.
  - **Do not disqualify taxpayers from amnesty if they are granted a penalty waiver on a return due during the amnesty period.**

Taxpayers who filed and paid a tax return late due to circumstances beyond their control were denied amnesty, even-though the Department waived the penalty. These taxpayers were forced to file an appeal to get consideration for their special circumstances.



# Program Statistics

## Application Statistics

<b>Applications received</b>	10,974
<b>Number of duplicates</b>	1,676
<b>Applications approved</b>	5,420
<b>Businesses granted amnesty*</b>	5,095
<b>Businesses granted amnesty that did not owe any additional amount</b>	570
<b>Applications denied**</b>	3,631
<i>Top reasons for denial:</i>	
Filed a late return during amnesty	34%
Requested amnesty for invalid period	24%
Never submitted amnesty payment	23%
<b>Applications rescinded</b>	247
<b>Appeals</b>	410

\*Some businesses submitted applications for each liability they had.

\*\*Businesses could have multiple reasons for being denied.

## Revenue Statistics

<b>Revenue generated</b>	<b>Total: \$345.8 million</b>
State general fund	\$284.0 million
State public utility tax	\$0.5 million
Cities and counties	\$61.3 million
<b>Penalties and interest waived</b>	<b>\$91.0 million</b>
<b>New state general fund revenue</b>	<b>\$29.9 million</b>
From unregistered businesses, active non-reporting businesses, reopened businesses	
Estimated annual impact	
FY 2012	\$5.1 million
FY 2013	\$5.4 million
FY 2014	\$5.5 million
FY 2015	\$5.7 million
FY 2016	\$5.9 million
FY 2017	\$6.0 million
FY 2018	\$6.2 million



## Estimated Cost of Implementation

### Before the program

Based on estimated program costs, the initial funding was allotted as follows:

<b>Purpose</b>	<b>Amount</b>
Tax examiners	\$69,200
Communication consultant	\$9,500
Media campaign	\$80,000
Other	\$59,100
Equipment	\$15,400
<b>Total</b>	<b>\$233,200</b>

### After the program

Actual implementation costs exceeded the original estimate due largely to the increased workload. The Department absorbed an unanticipated \$137,000 in employee overtime.

<b>Overtime costs</b>	<b>(\$137,000)</b>
<b>Other expenses</b>	<b>(\$11,000)</b>

### Unforeseen workload issues

Reasons for the larger than expected workload included:

- Rather than include all the taxes as initially proposed by the Department, it was decided that the program would apply only to state business and occupation tax, state public utility tax, and state and local sales and use taxes. This change caused a significant increase in application processing time. Non-qualifying taxes with their applicable interest and penalties had to be manually calculated.
- The Department did not acknowledge receipt of the application until it had been processed. That delay caused many taxpayers to submit another application, thinking that the first had not been received. Each of those applications had to be processed and reviewed to ensure that there wasn't new information being provided by the taxpayer.
- The idea to send amnesty quotes with every audit debit assessment issued was generated during the run-up to the program and was not included in the cost estimates.
- The Department received and processed ten percent more applications than it anticipated.

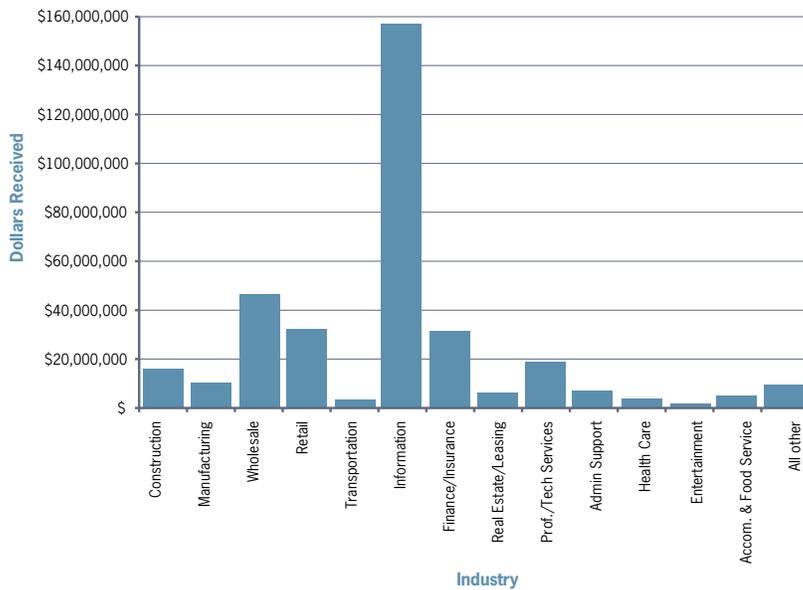
# Financial Statistics

## Collections

The vast majority of revenue came from the information industry, specifically telecoms (Chart A), while the majority of businesses applying for amnesty came from the construction industry (Chart B).

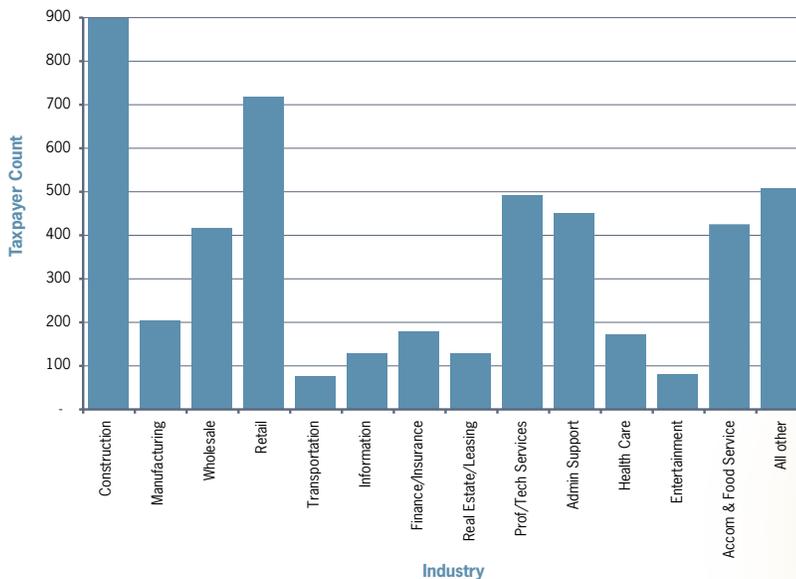
## Amnesty dollars received from taxpayers by industry

Chart A



## Amnesty total count of taxpayers by industry

Chart B



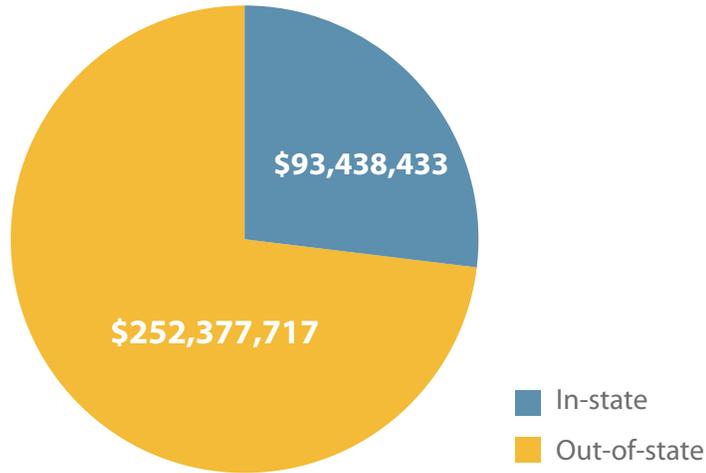


## In-state vs. out-of-state businesses

While the bulk of the revenues generated from amnesty came from out-of-state businesses (Chart C), the vast majority of businesses granted amnesty were in-state (Chart D).

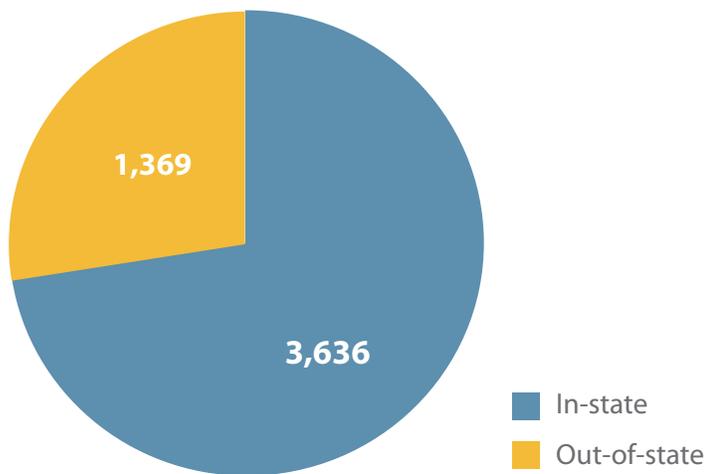
### Amnesty dollars received by in-state/out-of-state businesses

Chart C



### Number of amnesty businesses by in-state/out-of-state

Chart D



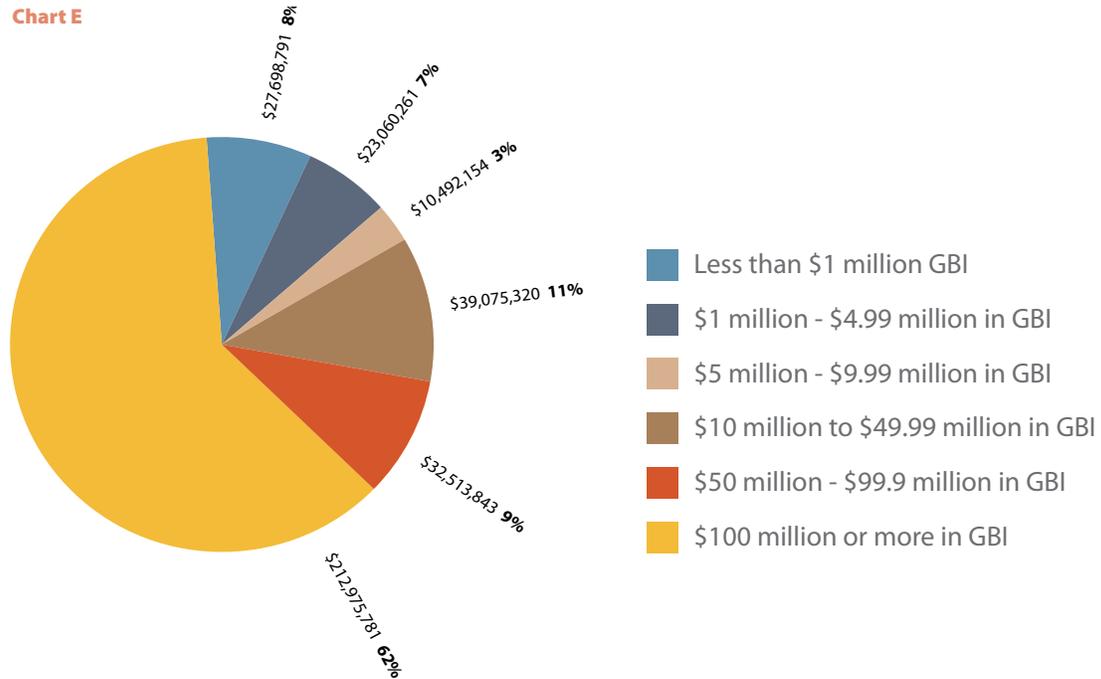


## Small vs. large businesses

More than 60 percent of the revenues generated by amnesty came from businesses with 2010 gross business income (GBI) of \$100 million or more (Chart E), while 75 percent of the businesses benefitting from amnesty had 2010 GBI of less than \$1 million (Chart F).

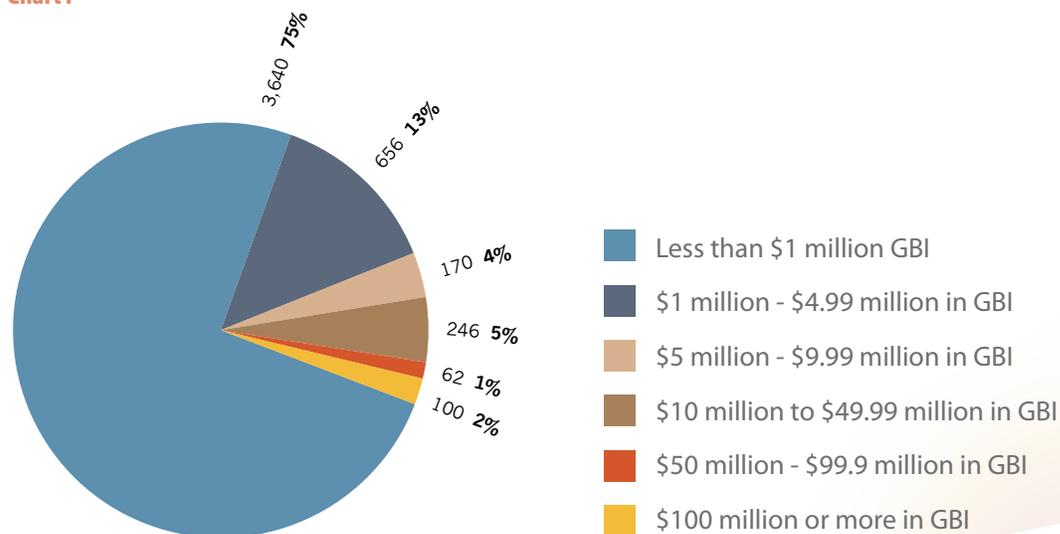
### Amnesty dollars collected by business size

Chart E



### Number of business granted amnesty by business size

Chart F



# Attachments

## Amnesty application

### Front

		<b>Amnesty Application</b>		AMN-APP
<p>Before completing this application, read the amnesty requirements on page 2. <b>Complete all the information</b> requested on this application. Please print. Incomplete or unreadable applications may result in delay or denial of amnesty. To consider this application, we must receive it by <b>April 18, 2011</b>.</p> <p>You must fulfill all the requirements of the amnesty program by <b>April 30, 2011</b>, or amnesty will be denied.</p>				
<b>Your business is:</b>				
<input type="checkbox"/> Registered with the Department		<input type="checkbox"/> Not registered with the Department		
Name (Owner/corporate officer)		Tax registration/reporting number (TRN)		
Business name		Daytime phone		
Mailing address		Fax		
City	State	Zip	Email	
<b>You are requesting amnesty for:</b>				
<input type="checkbox"/> The item(s) listed in the amnesty quote. (Attach the quote and complete the payment section below.)				
<input type="checkbox"/> Billing document. (Attach a copy of your assessment, warrant, invoice or other billing document.)				
<input type="checkbox"/> The tax periods listed below. (Example: 2009, Q3 2009, or Sept. 2009) (If you do not have an invoice, assessment, warrant, or other billing document, provide an explanation of amounts due.)				
1. _____		2. _____		3. _____
<input type="checkbox"/> Unreported tax liabilities. (Attach supporting information. See page 2 for details.)				
<b>To submit payment:</b>				
<p>If you know or can estimate the amount you owe, submit payment with this application. <b>Full payment must be submitted by April 30, 2011</b>. If paying by check, write your tax registration number on your check and record the amount paid below. If paying electronically, record the payment confirmation number below.</p>				
Amount paid: \$ _____ Confirmation #: _____				
<input type="checkbox"/> By checking this box, I authorize the Department to contact me by email or fax. I acknowledge that email and fax communications are not secure, and that confidential information sent this way may be intercepted and used by unauthorized persons. I accept these conditions and waive any violation of the Secrecy Clause that could occur.				
<p>I understand and agree to the requirements of the amnesty program. I understand that <b>I may not seek a refund, or otherwise challenge the amount of tax paid in the amnesty program</b> in any court or administrative tribunal.</p>				
Owner/corporate officer signature (See page 2-Signature)		Print name		Date
For tax assistance or to request this document in an alternate format, visit <a href="http://dor.wa.gov">http://dor.wa.gov</a> or 1-800-647-7706. Teletype (TTY) users may call (360) 705-6718.				
REV 32 2512 (3/24/11)				
			<input type="button" value="Print"/>	<input type="button" value="Clear"/>

## Requirements for amnesty

### By April 18, 2011:

- Complete and submit this application.
- File all outstanding tax returns and any amended returns for which you are requesting amnesty.

### Unreported tax liabilities

If you are requesting amnesty on unreported tax liabilities, submit your application as early as possible. Attach a list of the undisclosed tax amounts by tax classification and reporting period.

If your business is **not registered** in Washington, attach a list of undisclosed tax amounts by tax classification for 2007 through 2010. You must also include a completed copy of both of the following:

- [Master Business Application](#)
- [Washington Business Activities Questionnaire](#)

### By April 30, 2011:

- Full payment of the amount due must be submitted to the Department.

### Important notes:

- All tax returns that become due during the amnesty program must be filed and paid in full by the tax return's due date. This includes the January (due February 25), February (due March 25), March (due April 25), and the Quarter1 (due April 30) returns.
- Taxpayers who have filed and paid all tax returns due as of November 25, 2010, are not eligible for a waiver for tax returns due after that date.
- Taxpayers who participate in the amnesty program may not seek a refund, or otherwise challenge the amount of tax paid in the amnesty program in any court or administrative tribunal.

### What can be waived

Penalties and interest on the following taxes due before February 1, 2011, may be waived:

- State business and occupation tax
- Public utility tax
- State and local sales and use tax

For a list of state and local sales and use taxes included in this program, go to our website at [PayMyTax.org](http://PayMyTax.org).

### Amnesty disqualifiers

You are NOT eligible for amnesty if you:

- Have ever been assessed a penalty for evasion, or for misuse of a reseller permit or resale certificate.
- Are in bankruptcy and payment of tax debt would violate federal bankruptcy law.
- Have ever been prosecuted for failing to pay or collect the proper amount of any tax administered by the Department under RCW 82.32.

### Signature

If the person signing this form is not an owner, partner, corporate officer, or member of the LLC, send documentation that proves the authority to sign. (Examples: a power of attorney, signed board minutes authorizing the individual)

### Submit your application

Applications must be received by **April 18, 2011**. You may submit your application using mail, fax, or email. Be sure to include copies of your billing documents and other required documents, if applicable.

Mail: WA State Department of Revenue  
Taxpayer Account Administration  
PO Box 47476  
Olympia, WA 98504-7476

Fax: (360) 705-6733  
Email: [amnesty@dor.wa.gov](mailto:amnesty@dor.wa.gov)

### Next steps

We will review your application and send you a letter with further instructions.

**Questions?** Call the Department at 1-800-647-7706 or visit our website at [PayMyTax.org](http://PayMyTax.org).

# Screen shot of PayMyTax.org (dor.wa.gov/amnesty)

The screenshot shows the PayMyTax.org website in a Windows Internet Explorer browser. The page title is "Amnesty Program (PayMyTax.org)". The URL is "http://dor.wa.gov/Content/DoingBusiness/RegisterMyBusiness/amnesty.aspx". The page features a navigation menu on the left with options like "Home", "File & pay taxes", "Doing business", "Business types", "Register my business", "My account", "Audits", "Find taxes & rates", "Workshops & education", "Get a form or publication", and "Find a law or rule". The main content area is titled "Amnesty Program (PayMyTax.org)" and includes a prominent yellow box with an important notice: "IMPORTANT: The Department is no longer accepting applications for the amnesty program. For businesses that have already applied, the deadline for payment is April 30, 2011." Below this, the page details the program's purpose, dates (February 1, 2011 through April 30, 2011), and the types of taxes it covers, such as State business and occupation (B&O) tax, State public utility tax, and State and local sales and use tax. It also lists eligible businesses, unreported tax liabilities, requirements for amnesty, and exclusions. A "More information" sidebar on the right provides links to "Amnesty - SSB 6892", "Program Overview", and "Amnesty Q&A".

Department of Revenue  
Washington State

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Home

File & pay taxes

Doing business

Business types

Register my business

My account

Audits

Find taxes & rates

Workshops & education

Get a form or publication

Find a law or rule

## Amnesty Program (PayMyTax.org)

**IMPORTANT:** The Department is no longer accepting applications for the amnesty program. For businesses that have already applied, the deadline for payment is April 30, 2011.

This temporary amnesty program waives penalties and interest on certain unpaid Washington State business taxes.

**Program dates:**  
February 1, 2011 through April 30, 2011

This program waives penalties and interest on:

- State business and occupation (B&O) tax
- State public utility tax
- State and local sales and use tax including:
  - General retail sales and use taxes
  - Rental car taxes
  - King County food and beverage tax
  - Additional sales and use tax on motor vehicle sales/leases
  - Lodging taxes, but not including tourism promotion area lodging charges
  - Brokered natural gas use tax

Taxes must have been owed prior to February 1, 2011.

**Important:** If you have filed and paid all tax returns as of November 25, 2010, you are not eligible for amnesty on tax returns due after that date.

**Who's eligible:**

- Registered businesses
- Unregistered businesses

**Unreported tax liabilities**

If you are requesting amnesty on unreported tax liabilities, submit your application as early as possible. Attach a list of the undisclosed tax amounts by tax classification and reporting period.

If your business is **not registered** in Washington, attach a list of undisclosed tax amounts by tax classification and year for 2007 through 2010. You must also include a completed copy of both of the following:

- Master Business Application
- Washington Business Activities Questionnaire

**Requirements:**

For amnesty to be granted, you must:

- Pay all tax due by April 30, 2011, on any invoice for which you are requesting a waiver. You must also pay penalties and interest on taxes not included in this program.
- Pay all filing and other fees on any tax warrant for which you are requesting a waiver.
- File and pay all tax returns on time during the amnesty period. This includes the January return (due February 25), the February return (due March 25), the March return (due April 25), and the Quarter 1 return (due April 30).
- Waive your right to seek a refund or challenge the amount of taxes paid under the program.

**Exclusions:**

Taxpayers are excluded from this program if they:

- Have ever been assessed a penalty by the Department for evasion or misuse of a reseller permit or resale certificate.
- Are in bankruptcy and payment of tax debt would violate federal bankruptcy laws.
- Have ever been prosecuted for failing to pay or collect the proper amount of any tax administered by the Department under RCW 82.32.

**For more information:**  
See the [Amnesty Q & A](#). For specific questions, send an email to [communications@dor.wa.gov](mailto:communications@dor.wa.gov) or call us at 1-800-647-7706.

**More information**

Amnesty - SSB 6892

**Program Overview**

- English
- Русский
- Español
- 漢語
- Tagalog
- 한국어
- tiếng Việt

Amnesty Q&A

## Screen shot of intranet amnesty page

The screenshot shows a web browser window displaying an intranet page titled "Amnesty Program". The browser's address bar shows the URL "http://insidedor/Pages/AmnestyProgram/AmnestyProgram.aspx". The page content is organized into a sidebar and a main content area.

**Sidebar (Left):**

- InsideRevenue**
  - Director's Page
  - GMAP
  - About Revenue
  - News Clips
  - Quality Efforts
  - Stories Archive
- Resources**
  - Divisions
  - Business Licensing Service
  - Team & Project Sites
  - Customer Advisory Team
  - Strategic Business Plan Projects
  - IT Projects
  - Policies & Procedures
  - E-file Resources
  - Tax Resources
  - Tax Updates
  - Earthprints
  - More...
- Applications**
  - Customer Feedback

**Main Content Area:**

**Amnesty Program**

For an overview of the program, go to our external website at [PayMyTax.org](http://PayMyTax.org).

**For internal use only:** send your questions to [InternalAmnesty@dor.wa.gov](mailto:InternalAmnesty@dor.wa.gov)

**Tools**

- Application
- List of eligible and ineligible taxes
- Internal Q&A (Question 2 in Compliance Section updated)
- Amnesty checklist
- How to locate an amnesty application in IDOCs
- Screen shot of an account with the amnesty indicator on.

**TAA Procedures**

- Preparing amnesty quotes
- Reviewing amnesty quotes
- Processing applications
- Amnesty payment due dates

**Sample letters**

- Master Quote letter
- Audit Assessment letter
- Amnesty approved
- Amnesty pending
- Amnesty denied
- Amnesty rescinded

**Marketing tools**

- Mailing insert (inserted in Audit and Compliance mailings)
- Poster (delivered to field offices)
- Radio spot recorded by Director Suzan DelBene
- List of radio stations playing the amnesty spot

Poster and mailing insert



# AMNESTY ACT NOW

**FEBRUARY 1 - APRIL 30, 2011**

Waives the penalty and interest on these taxes due before February 1, 2011:

- State business and occupation (B&O) tax
- State and local sales and use tax
- State public utility tax

Submit your application by April 18.  
All taxes must be paid by April 30.

This program is open to registered and unregistered businesses.

Applications are available on our website at [PayMyTax.org](http://PayMyTax.org).



# AMNESTY ACT NOW

**FEBRUARY 1 - APRIL 30, 2011**

Waives the penalty and interest on these taxes due before February 1, 2011:

- State business and occupation (B&O) tax
- State and local sales and use tax
- State public utility tax

Submit your application by April 18.  
All taxes must be paid by April 30.

This program is open to registered and unregistered businesses.

Applications are available on our website at [PayMyTax.org](http://PayMyTax.org).



## Web banner ads



Amnesty waives  
interest and penalties  
on unpaid B&O and  
sales taxes.

[PayMyTax.org](https://www.paymytax.org)

Washington State Department of Revenue

Think you might owe  
B&O and sales taxes?

**ACT NOW**

Interest and penalties  
may be waived

[PayMyTax.org](https://www.paymytax.org)

Washington State Department of Revenue

**Unregistered  
business?**

**Come clean now.**

Amnesty waives  
interest and penalties  
on certain taxes.

[PayMyTax.org](https://www.paymytax.org)

Washington State Department of Revenue



## Promotional scripts

### Radio ad

#### Helping businesses

Is your business struggling in this economy? You're not alone. I'm Suzan DelBene, director of the Washington Department of Revenue. We're offering a temporary amnesty program to help business catch up on their state taxes. You may qualify to have penalties and interest waived. The program runs from February through April. To learn more, go to [PayMyTax.org](http://PayMyTax.org). That's [PayMyTax.org](http://PayMyTax.org).

### Message left by predictive dialer

(Approximately 25 seconds long)

Hello. This is the Washington State Department of Revenue.

We're offering a temporary AMNESTY program to help businesses catch up on their state taxes.

You may qualify to have penalties and interest waived.

Visit [PayMyTax.org](http://PayMyTax.org) to learn more.

The program runs from February through April.

Again, visit [PayMyTax.org](http://PayMyTax.org) or call 1-800-647-7706.

