REPORT OF THE
JOINT SUBCOMMITTEE STUDYING

The Advisability of a Tax Amnesty Program

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

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Report of the Joint Subcommittee Studying
The Advisability of Establishing

A Tax Amnesty Program
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
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To: Honorable Gerald L. Baliles, Governor of Virginia
and
The General Assembly of Virginia

I. INTRODUCTION

The joint subcommittee was established by Delegate G. Steven Agee's House Joint Resolution No. 269 passed by the 1985 Session of the General Assembly. The charge of the joint subcommittee was to study the advisability of establishing a tax amnesty program in the Commonwealth and to submit its recommendations to the 1986 Session of the General Assembly. The joint subcommittee elected Delegate Warren G. Stambaugh as chairman.

The joint subcommittee has examined the merits of a tax amnesty program and presents this report which contains its findings and recommendations. The joint subcommittee has gathered, during the course of its study, a large amount of information regarding the components of tax amnesty programs in other states. The joint subcommittee believes this information and the subcommittee's report will help to place the issues into better perspective.

III. BACKGROUND

Generally speaking, tax amnesty is a tax collection technique which is intended to collect unreported or under-reported taxes by means of waiving some or all of the penalties which could be imposed against tax violators. This concept has received a great deal of attention in recent years and since 1982, eighteen states have implemented some form of a tax amnesty program. Most of the publicity given to these programs has focused on the one-time revenue windfall which, if the program is successful, accrues to the taxing jurisdiction. To date, California and Illinois are the most successful states in terms of tax amnesty collections, reporting tax amnesty collections of $144 million and $147 million, respectively.

The following attempts to place these relatively large amounts of revenue into perspective since the size of Virginia's economy is significantly smaller than that of either California or Illinois.

	California	Illinois	Virginia
Tax Amnesty Collections	$144.0*	$147.0*	?
Total 1983 State Taxes	$22,259.9*	$7,420.4*	$3,553.2*
Tax amnesty as Percent of State Taxes	0.64%	1.98%	?

NOTE: * Denotes millions

If Virginia's program yielded the same bottom line percentage as California, Virginia could collect up to $22.7 million in tax amnesty revenue. If Virginia's program yielded the same bottom line percentage as Illinois, Virginia could collect up to $70.4 million in tax amnesty revenue. Please note that these two states have been the most successful states in collecting revenue from their tax amnesty programs. However, not all states have collected the large amounts of revenue that California and Illinois have received. For example, in North Dakota the program resulted in additional revenue of only $150,000; Idaho collected $300,000; and in Alabama, the program generated $3,150,000 (please see Appendix A).

The joint subcommittee believes it is very important to stress the extreme variability in the revenue potential of tax amnesty programs. The actual revenues collected depend not only upon the specifics of the tax amnesty program (the penalty and interest provisions, for example) but also numerous other factors which include the current level of compliance, the composition and size of the tax structure, the acceptance of the program by the citizens, the taxes to which the amnesty program applies, etc.

Although tax amnesty programs appear attractive to states searching for additional revenue, the decision to implement such a program could be controversial and is one which merits a great deal of deliberation. Based on the experience of other amnesty programs, arguments can be made "for" and "against" the concept.

Advocates of tax amnesty list three major benefits:

1. Tax amnesties result in a one-time revenue windfall for the taxing jurisdiction;
2. The costs of seeking out and prosecuting tax evaders and delinquents are reduced; and
3. The number of taxpayers meeting their tax obligations through amnesty programs increases future collections by bringing non-filers back onto the tax rolls.

On the other hand, opponents claim the following:

1. Tax amnesty programs promote injustice by overlooking years of law breaking by tax evaders and delinquents;
2. The programs are unfair to honest taxpayers who meet their tax obligations;
3. Tax amnesties encourage tax evasion and reduce collections for subsequent years as citizens anticipate similar programs in the future; and
4. A portion of this revenue would be collected without the tax amnesty program anyway.

In addition to the foregoing, it should be noted that the success of tax amnesty programs has varied greatly from state to state. This variance should be attributed to the structure and provisions of each state's tax amnesty program. As could be expected not all states have approached amnesty in exactly the same fashion. There are a number of variables involved in the design of an amnesty program, including:

1. The length of the tax amnesty program;
2. The types of taxes involved;
3. The penalties and interest involved;
4. The imposition of stricter penalties after amnesty; and
5. The amount of publicity and budget provided.

By comparing the provisions of the successful state tax amnesty programs, it is possible to determine a number of features which appear to improve the chances of success for the program. It must be kept in mind, however, that the status of the state's tax collections and structure of the tax system impact heavily on the eventual success or failure of an amnesty program. In other words, what works for one state may not work for another.

IV. REVIEW OF AMNESTY PROGRAMS

Eighteen states have adopted some type of tax amnesty program. Twelve states have already implemented an amnesty program while six states have had programs authorized, but not yet implemented. The states are as follows:

Alabama	Minnesota
Arizona	Missouri
California	New Mexico
Colorado	North Dakota
Idaho	New York

Illinois	Oklahoma
Kansas	South Carolina
Louisiana	Texas
Massachusetts	Wisconsin

In addition, the Marlyand General Assembly authorized the Controller of the Currency to offer a thirty-day tax amnesty program for the fiscal year which began July 1, 1984. However, the Controller chose not to offer the program.

The following is a brief summary of the tax amnesty programs which have been adopted by some of the states.

ALABAMA

The state of Alabama adopted the program based on an executive decree by the Alabama State Tax Commissioner with the concurrence and support of Governor George Wallace. Alabama's program consisted of a ten-week tax amnesty program which covered all taxes and was available to individuals as well as corporate taxpayers who were either late in their payment of taxes, had failed to file returns, had not completed accurate returns, or had not paid their taxes in full. According to the provisions of the program, all taxes and interest were due by the end of the amnesty program, April 1, 1984. In return for total payment of tax and interest, all civil and criminal penalties were waived. Alabama tax officials estimate they received 10,500 responses and collected approximately $3.1 million in revenue from the tax amnesty program.

ARIZONA

Arizona adopted a sixty-day tax amnesty program which was administratively implemented by the Department of Revenue with the Governor's approval. During this sixty-day period tax evaders could avoid criminal prosecution by filing and paying the delinquent taxes owed, the interest and a penalty equal to thirty percent of the total tax due. A unique feature of Arizona's program was that the total tax and interest due could be paid in full through an installment plan. Arizona officials estimate the program received 10,600 responses and raised approximately $6 million.

CALIFORNIA

California's ninety-day tax amnesty program was legislatively authorized and waived all penalties and criminal actions in return for full payment of delinquent taxes and interest. It covered income, sales, property and titling taxes due before December 31, 1983, and was available to all taxpayers except those who were under current or pending investigation. Persons paying past tax liabilities would have the penalties waived if an amnesty application was submitted and total taxes and interest due were paid within the amnesty period.

California's tax amnesty program was coupled with a stepped-up tax enforcement program. A state appropriation of more than $2 million paid for administration of the program and additional pesonnel and equipment as well as an extensive advertising campaign. Approximately $144 million was colleted in California's tax amnesty program.

IDAHO

Idaho's program was implemented without enabling legislation under the authorization of the Idaho Tax Commission. The program was not coupled with stricter penalties. The program ran for approximately 120 days and because the delinquency of income taxes was the major concern in Idaho, amnesty was available to non-filers of personal and corporate income tax returns only. Under Idaho's program, all civil and criminal penalties were waived in return for payment of the tax due and interest. Idaho officials estimate the program resulted in 900 returns and yielded approximately $300,000.

ILLINOIS

Illinois had the first amnesty program offered in recent years when it offered its program for a twelve-day period running from December 28, 1981 through January 8, 1982. The program was authorized by the Director of Revenue and covered all taxes but it applied only to unknown non-filers. Persons under investigation or prosecution for tax evasion or delinquency were ineligible. Amnesty filers were required to pay the full amount of the tax and interest; however, civil and criminal penalties were waived.

Due to the success of various state programs which followed Illinois' first attempt, Illinois offered another amnesty program which was legislatively authorized and which ran for approximately sixty days. It was the most successful program to date. The state of Illinois collected approximately $147 million. All taxpayers except those under investigation were eligible for the program for tax obligations due prior to July 1, 1983. The program covered all taxes collected by the state and in return for full payment, all penalties and one-half of the interest were waived. To increase taxpayer awareness, a $2 million appropriation was provided for the program with $400,000 used for promotional purposes.

An analysis of the amnesty revenues has shown that the bulk of the revenue came from corporations paying business income taxes. Of the $147 million received, $107 million was directly attributable to businesses with delinquent tax payments of more than $100,000 each. The Department attributed the success of the second program to several factors. First, the amnesty program was available to known delinquents and a large number of amnesty applications were directly traced to the notices sent to delinquent taxpayers. In addition, the Department's investigation staff was doubled and collection efforts were strengthened while tax offenses and penalties were made more stringent.

KANSAS

The Kansas program was a result of legislation and provided for a ninety-day tax amnesty program. It applied only to unknown non-filers and covered all state taxes. Civil and criminal penalties were suspended with the taxpayer being responsible for payment of the delinquent tax and interest only. In addition, the amnesty program was coupled with an on-going program which increased the Department of Revenue's staff who investigate and prosecute delinquent taxpayers in the state. The state collected approximately $2.9 million from the program.

MASSACHUSETS

The amnesty program was a result of legislative action which provided a ninety-day program to be implemented by the State Tax Commissioner. The tax amnesty program provided that all criminal and civil penalties were waived for those individuals obtaining amnesty under the program; however, the program did not apply to persons under criminal investigation or prosecution for delinquent taxes. The program required filing formal requests for amnesty and making full payment of all taxes and interest due within the grace period. The amnesty program was also coupled with legislation which dramatically changed tax enforcement for the state by establishing stiffer penalties for delinquent taxes. The tax amnesty program was actually implemented to allow tax evaders and delinquents a final opportunity to clear their state obligations before the new penalties went into effect. Approximately 52,000 returns were received under the tax amnesty program and Massachusetts collected $80.5 million.

MINNESOTA

Minnesota's ninety-day tax amnesty program was legislatively authorized. All taxes were ncluded in the program but only non-filers and filers with delinquent payments prior to February 1, 1984, were eligible. Under the program, penalties were waived for non-filers; however, because the Department's accounts receivable system could not separate penalties from tax liability, delinquent taxpayers were given a 20% reduction in their total outstanding liability (tax, penalty and interest). This reduction was designed to offset the penalty but the reduction could not exceed $2,000. The purpose of the program was to clear up delinquent accounts at a low cost and included in the amnesty legislation there was a provision that another program cannot be adopted similar to this prior to October 1, 1994. The program generated approximately $11.9 million.

MISSOURI

The tax amnesty program was implemented by the Director of Revenue. Missouri adopted a sixty-day program which waived penalties and criminal prosecution for non-filers who were unknown to the Department of Revenue. The program applied to all taxes and the amnesty was provided if the delinquent tax and interest was paid. A total of 241 persons received amnesty and the state collected $853,000.

NEW MEXICO

The tax amnesty program was authorized by legislation and ran from August 15 to November 13, 1985. The program applied to all taxes administered by the Revenue Department and waived all penalty and interest in return for payment of the delinquent tax.

The program was not coupled with an increase in penalty and/or interest provisions. New Mexico expected to collect at least $7 million.

NEW YORK

The New York legislature has recently authorized a three-month tax amnesty program. The program will apply to a number of state taxes and a few New York City taxes. The program will include the following state taxes: individual income, sales, corporate income (for corporations with fewer than 500 employees), motor fuel, and estate and gift taxes. The program will also apply to the New York City income tax.

The program will waive all penalties in return for payment of the delinquent tax and interest. Combined with the amnesty program was an increase in the penalty and interest provisions. New York estimates they will collect $95 million from the tax amnesty program.

NORTH DAKOTA

The program was adopted under the authority of the Tax Commissioner. The program was adopted for a sixty-day period and covered all state taxes. The amnesty program was available to taxpayers who had failed to file and pay all state tax liabilities, had no prior contact for delinquency with the state tax department, and had no record of previous prosecutions due to lack of tax compliance. Under the program, all civil and criminal penalties were waived as long as the total delinquent tax and interest were paid within the amnesty period. Some installment plans were allowed to assist taxpayers. The program resulted in 630 tax amnesty applications which yielded $150,000.

OKLAHOMA

Oklahoma's program was legislatively authorized and provided for a six-month program (the longest one offered to date) which applied to non-filers and delinquent taxpayers with past due amounts as of July 1, 1984. Under the program, civil and criminal penalties were waived for the duration of the program for those taxpayers who applied for amnesty and paid their tax due and interest. This program offered taxpayers a last opportunity to meet their tax obligations before stricter enforcement measures took effect January 1, 1985. The program raised approximately $13.9 million.

TEXAS

The Texas amnesty program was authorized by the Controller of Public Accounts and lasted for 28 days. Because the state of Texas does not levy income taxes, its amnesty program was directed primarily toward Texas businesses not complying with state tax laws. It allowed these businesses to take advantage of a one-time opportunity to meet their tax obligations free from penalties. Those specifically eligible for the program were cronic late filers, delinquent taxpayers, and taxpayers under investigation or prosecution. For those eligible under the program, criminal and civil penalties were waived provided that all taxes and interest were paid. Texas collected only $500,000 from the program.

It is clear the tax amnesty programs that have been adopted have a number of differences. Each state has geared their program to their preceived needs. The tax amnesty programs adopted by eighteen states show that a number of states believe a tax amnesty program plays a significant role in encouraging better tax compliance and a more efficient tax system.

V. EXTENT OF TAX EVASION

The subcommittee has examined the problem of tax evasion. Clearly, it is impossible to accurately estimate the extent of tax evasion.

The subcommittee found that studies in Alabama, Idaho and Massachusetts show that between 6% and 14% of state tax revenues are lost annually from people who don't file, tax evaders and delinquents. Losses range from an estimated $640 million in Massachusetts, to $160 million in Alabama, and $90 million in Idaho, according to the estimates gathered by those states in 1983. California, which has one of the most effective and efficient tax enforcement programs indicates that "...it is not good enough." California's tax amnesty material states ..."We currently have an estimated income tax gap of $2 billion per year." (California collected $7.6 billion in individual income taxes in 1983.) This, of course, does not mean that a tax amnesty program would generate these levels of additional revenue.

The subcommittee also heard testimony from the State Tax Commissioner. Commissioner Forst was unable to provide any information relative to Virginia; however, he suggested that, in his opinion, the problem was relatively small in Virginia. He noted that Virginia's approach to minimizing the evasion problem is to encourage voluntary compliance with a strong enforcement program. He noted that some of the states that have adopted tax amnesty are those with lax enforcement programs and they *had* to resort to tax amnesty to encourage compliance. The State Tax Commissioner stated that tax evasion is not a problem in Virginia.

VI. CHARACTERISTICS OF SUCCESFUL TAX AMNESTY PROGRAMS

In an effort to determine the characteristics of a successful tax amnesty program, the subcommittee examined in great detail the amnesty programs of six states – three very successful and three not-so-successful. The three successful states were Massachusetts, California, and Illinois. The three not-so-successful were Kansas, Missouri and Alabama. In addition to generally examining these amnesty programs, the subcommittee focused on the following:

1. What was their composition of tax amnesty revenue? In other words, which taxes yielded the most revenue?
2. What are their current penalty provisions on tax evaders?
3. What was the public reaction to amnesty in their state?
4. What was the extent of advertising associated with their tax amnesty program?
5. Do the states that have adopted tax amnesty tend to be those with relatively poor collection and/or administrative procedures?

The following summarizes the responses of the six states to these questions. The three more successful states are listed on the top; the three less successful ones are listed on the bottom.

Table 1 shows that most of the tax amnesty revenue is generated from the income or sales taxes. Moreover, the more successful states applied the tax amnesty program to both known and unknown violators unless the person was under investigation or prosecution for tax evasion or delinquency. The argument for including persons who were suspected of not paying their proper share of taxes is that it would increase tax amnesty collections which would generate greater media attention which, in turn, would tend to bring more people into the program.

Table 2 examines the current penalty provisions for tax evasion. It is clear that all six states have very severe penalty provisions for tax evasion. In a majority of the states, tax evasion is a felony punishable by a fine of up to $100,000 ($500,000 in the case of a corporation), or imprisonment of not more than five years, or both. This is the federal penalty. The states that have adopted tax amnesty have, in conjunction with the tax amnesty program, significantly increased their penalty provisions. The penalties adopted by these six states are significntly greater than the penalties which exist in Virginia. (See Table 3.)

TABLE 1

COMPOSITION OF TAX AMNESTY REVENUE

MASSACHUSETTS	Individual Income Tax	- 37%
	Sales Tax	- 25%
	Withholding	- 17%
	Corporation	- 10%
	applied to unknown violators	
CALIFORNIA	Individual Income Tax	- 71%
	Sales and Use Tax	- 29%
	applied to known and unknown violators	
ILLINOIS	Corporate Income Tax	- 90%
	applied to known and unknown violators	
KANSAS	Individual Income Tax	- 67%
	Sales Tax	- 23%
	applied to unknown violators	
MISSOURI	Corporate Income Tax	- 88%
	Sales Tax	- 6%
	Individual Income Tax	- 4%
	applied to unknown violators	
ALABAMA	Individual Income Tax	
	Corporate Income Tax	
	applied to unknown violators	

TABLE 2

CURRENT PENALTY PROVISIONS

MASSACHUSETTS	Tax evasion is a felony punishable by up to five years in jail and/or fines of up to $100,000 for individuals and $500,000 for corporations.
CALIFORNIA	Income Tax ° 10% penalty for substantial understatement of tax ° $1,000 penalty for aiding or abetting understatement of tax ° $500 penalty for filing a frivolous return ° Felony with $20,000 fine and/or a maximum of three years in prison for filing false or fraudulent return Sales Tax ° A minimum fine of $1,000 for using a resale certificate to evade sales or use taxes. In addition, each instance of misusing a resale certificate will be subject to a $500 penalty or 10 percent of the tax evaded, whichever is greater. ° A penalty of 50 percent of the unpaid use tax due on the sales price of a car, boat, mobilehome, or airplane registered outside the state to evade taxes. ° A minimum of $1,000 fine for failing to file a sales and use tax return or filing a false return. The maximum penalty will be a $5,000 fine and one year in jail. ° A penalty of 50 percent of the sales or use tax due during the period in which a person operates a business without the required seller's permit.
ILLINOIS	

<u>KANSAS</u>	Tax evasion is a felony punishable by imprisonment for a term not exceeding five years.
<u>MISSOURI</u>	Tax evasion is a felony punishable by imprisonment for a term not exceeding five years or a fine of up to $10,000, or both.
<u>ALABAMA</u>	Tax evasion - five years in prison and/or a fine of $100,000 ($500,000 in the case of a corporation). Willful failure to collect tax or turn over tax collected - five years in prison and/or a fine of $100,000. Willful failure to file return, supply information or pay tax - one year in prison and/or a fine of $25,000 ($100,000 in the case of a corporation). Fraud or false statement - three years in prison and/or a fine of $100,000 ($500,000 in the case of a corporation).
<u>Federal</u>	Tax evasion is a felony punishable by a fine of up to $100,000 ($500,000 in the case of a corporation), or imprisonment not more than 5 years, or both, together with the costs of prosecution.

The subcommittee also examined the public reaction to tax amnesty to determine how it was perceived by the public. The subcommittee found that overall, the six states had a generally favorable reaction to tax amnesty. However, in one state, it was noted that the Tax Commissioner received more mail critical of the tax amnesty plan than he had ever received on any other subject. It was apparent that at least some individuals feel that tax amnesty plans reward those that have evaded their tax obligations while penalizing the majority of citizens who have promptly paid their taxes.

The subcommittee also examined the use of advertising to promote tax amnesty programs. There was a striking difference in the use of advertising by the more successful states as compared to those that were less successful. The more successful states noted that good publicity was a key to the success of their programs. Each of these states mounted an extensive advertising campaign. The logic of this approach was that the success of the program was based on informing the public that there was a tax amnesty program. Also, this advertising program linked the idea that it was a one-time, last opportunity to pay evaded taxes before enforcement personnel caught up with the taxpayer. Moreover, it served as an instrument to make the public aware that more stringent penalty provisions were to be implemented. For the more successful states advertising included radio, television, billboards, brochures, posters,

TABLE 3

PENALTY AND INTEREST PROVISIONS FOR THE MAJOR TAXES ADMINISTERED BY THE DEPARTMENT OF TAXATION

CIVIL PROVISIONS

Type of Tax	Type of Provision	Type of Penalty
All	Rate of interest on unpaid taxes. (§ 58.1-15)	Interest computed at rate established by § 6621 of I.R.C. (Currently 11%)
Income (general)	False or fraudulent understatement with intent to evade taxes. (§ 58.1-308)	100% of tax evaded.
Income (individual)	Failure to file in time. (§ 58.1-347)	10% of tax due.
Income (individual)	Payment not made in full: late payment. (§ 58.1-351)	5% of unpaid balance (no penalty if understatement not fault of taxpayer).
Income (partnership)	Failure to make report or return. (§ 58.1-394)	Up to $100.
Income (partnership)	Fraudulent return.	Up to $1,000.
Income (corporate)	Failure to make report or return. (§ 58.1-450)	Up to $100.
Income (corporate)	Fraudulent return. (§ 58.1-451)	Up to $1,000.
Income (corporate)	Payment not made in full: late payment. (§ 58.1-455)	5% of unpaid balance (no penalty if understatement not fault of taxpayer).
Income (Withholding)	Employer failure to withhold or pay over amounts. (§ 58.1-475)	5% of the amount which should have been withheld and paid with an additional 5% each month, not to exceed 25% of aggregate but no less than $10.
Retail Sales and Use	Failure to file return and pay full amount of tax. (§ 58.1-635)	5% of the amount which should have been paid with an additional 5% each month, not to exceed 25% of aggregate but no less than $10.

CRIMINAL PROVISIONS

Type of Tax	Type of Provision	Type of Penalty
All	Signing false return. (§ 58.1-11)	Class 1 misdemeanor 1/
Income (individual)	Failure or refusal to file return or false statement with intent to defraud. (§ 58.1-348)	Class 1 misdemeanor 1/
Income (corporate)	Officer of corporation who fails to file or who makes a fraudulent return. (§ 58.1-452, § 58.1-1814)	Class 1 misdemeanor 1/
Income (Withholding)	Employee fraud or failure to supply info. to employer. (§ 58.1-471)	Class 1 misdemeanor. 1/
Income (Withholding)	Willful failure of employer to file return or withhold required tax. (§ 58.1-485)	Class 1 misdemeanor. 1/
Retail Sales and Use	Selling without certificate of registration. (§ 58.1-613)	Class 2 misdemeanor 2/ with each day's continuance a separate offense.
Retail Sales and Use	Dealer's failure to collect tax or pay tax. (§ 58.1-625, § 58.1-1815)	Class 1 misdemeanor. 1/
Retail Sales and Use	Dealer's failure to file return, filing fraudulent return. (§ 58.1-636)	Class 1 misdemeanor. 1/

1/ The authorized punishment for conviction of a Class 1 misdemeanor is confinement in jail for not more than twelve months and a fine of not more than $1,000, either or both. (§ 18.2-11)

2/ The authorized punishment for conviction of a Class 2 misdemeanor is confinement in jail for not more than six months and a fine of not more than $500, either or both. (§ 18.2-11)

Virginia Department of Taxation
September 20, 1985

press conferences, press releases and media events. The more successful states noted that advertising was a key element in the program. Advertising creates interest and therefore tax amnesty revenue, which in turn generates additional media attention. In contrast, the less successful states used very little advertising to publicize their efforts and programs.

Finally, the subcommittee examined the question of whether or not the states which have adopted tax amnesty programs are those with relatively poor collection and/or administration systems. The subcommittee believes that some of the states which have adopted tax amnesty have had weak enforcement of their tax laws. The tax amnesty program for these states was an attempt to collect back taxes, combined with upgraded enforcement efforts and stronger penalties.

The subcommittee notes that Virginia has a national reputation for being a low tax state with an excellent tax administration and enforcement system. However, it is clear that the majority of the states that adopted tax amnesty were states with excellent tax administration and enforcement programs. California is one state which has adopted tax amnesty, but at the same time is recognized as having one of the best, if not the best, tax administration and enforcement systems in the country. California noted they adopted the program in an attempt to collect every dollar that is legally owed to the State. California stated that even though it is known for its tax enforcement system, it still believes it is losing a great deal of tax revenue through evasion. They argued that something had to be done to reverse the national trend in non-compliance and evasion. They believed that tax amnesty combined with increased penalties were a few methods that hopefully would help alleviate the problem.

Based on the subcommittee's survey of tax amnesty programs, and especially the detailed examination of the six sample states, the subcommittee believes that if there was a decision to adopt a tax amnesty program in Virginia, a successful tax amnesty program would have the following features:

° Utilize paid advertising, press releases, and media attention to inform tax violators about the program.

° Increase penalties for tax evasion effective after the completion of the amnesty period if current penalties are inappropriate for the seriousness of the offense.

° Intensify efforts to find tax evaders and publicize these efforts both before and during amnesty period.

° Reassure honest taxpayers that tax amnesty and the increased penalties are in their interest since tax evaders cause taxes to be higher on the law-abiding citizen than they otherwise would be.

° Apply to known and unknown violators since this will generate greater tax amnesty revenue, and therefore, greater media attention and public awareness.

° 90 day tax amnesty period seems appropriate.

° Concentrate efforts on the larger tax sources.

Respectfully submitted,

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Warren G. Stambaugh, Chairman

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David G. Brickley

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G. Steven Agee

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Peter K. Babalas

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William A. Truban

APPENDIX A

TAX AMNESTY COLLECTIONS
(amounts in millions of dollars)

State	Total Collected	1983 State Tax Collections	Tax Amnesty As a % of Tax Collections
Alabama	$ 3.1	$ 2,341.2	0.13%
Arizona	6.0	2,060.3	0.29%
California	144.0	22,259.9	0.65%
Idaho	0.3	620.0	-------
Illinois	147.0	7,420.4	1.98%
Kansas	2.9	1,565.6	0.19%
Massachusetts	80.5	5,155.6	1.56%
Minnesota	11.9	4,319.5	0.28%
Missouri	0.9	2,640.3	0.03%
North Dakota	0.2	526.0	0.04%
Oklahoma	13.9	2,622.5	0.53%
Texas	0.5	9,019.1	-------