



To: Executive Committee
From: Thomas Shimkin, Director of National Nexus Program
Date: November 2, 2007
Subject: Multi-state Tax Shelter Voluntary Compliance Program

The Tax Shelter Multi-state Voluntary Compliance Program (VCP) is a joint effort of twenty-three states to encourage taxpayers to amend their returns to unwind tax shelters. It was in effect from May 1 to October 1, 2007. The VCP focused on taxpayers who had previously participated in a tax shelter VCP in a state such as Connecticut and California and encouraged these taxpayers to do the same in participating states if the taxpayer had nexus there and has not yet amended his return. Generally, the participating states offered waiver of penalty in exchange for payment and filing of amended returns. No right of appeal was permitted. The program was initiated by representatives of Oregon, Montana, New York, California, and Illinois in response to the Executive Committee's initiative.

The Commission sent individual letters of invitation to 7,235 taxpayers whom Connecticut, North Carolina, or California reported as having participated in their VCPs. This produced 37 taxpayer applicants, of which 30 were individuals and the rest corporations, trusts or other legal entities. Individual taxpayers produced slightly more than 60% of the revenue.

The program collected \$21.8 million for the participating states. Slightly more than sixty percent of participants were individual income tax payers, counting affiliated legal entities separately.

One corporate participant paid a disproportionately large portion of the total revenue collected. The distribution of revenue was uneven across states. Georgia and New Jersey collected the greatest shares by a considerable measure. Alaska and Utah also took large shares, not only in proportion to their size, but in absolute terms as well. Please see the accompanying charts.

The Commission will as a next step send to the 23 participating states a list of taxpayers who received invitation letters but failed to participate with respect to each state. The list will likely be considerably over-inclusive, as many taxpayers will have either amended their returns already or not have had nexus for the applicable periods. States will need to examine their records to determine which taxpayers on the list they choose to contact.

CHART 1

North Carolina Database	Corporate + Individual	Corporate	Individual
Taxpayer 1	\$85,139.00	\$85,139.00	\$0.00
Taxpayer 2	\$25,714.00	\$25,714.00	\$0.00
Taxpayer 3	\$376.00	\$376.00	\$0.00
Taxpayer 4	\$41,481.00	\$41,481.00	\$0.00
Taxpayer 4	\$0.00	\$0.00	\$0.00
Taxpayer 4	\$0.00	\$0.00	\$0.00
Taxpayer 5	\$2,632.00	\$2,632.00	\$0.00
Taxpayer 5	\$0.00	\$0.00	\$0.00
Taxpayer 5	\$0.00	\$0.00	\$0.00
Total NC	\$155,342.00	\$155,342.00	\$0.00

California Database	Corporate + Individual	Corporate	Individual
Taxpayer 6	\$19,224.00	\$0.00	\$19,224.00
Taxpayer 7	\$72,080.00	\$0.00	\$72,080.00
Taxpayer 8	\$78,049.00	\$0.00	\$78,049.00
Taxpayer 9	\$43,980.00	\$0.00	\$43,980.00
Taxpayer 10	\$4,493,555.00	\$4,493,555.00	\$0.00
Taxpayer 10	\$0.00	\$0.00	\$0.00
Taxpayer 10	\$0.00	\$0.00	\$0.00
Total CA	\$4,706,888.00	\$4,493,555.00	\$213,333.00

Connecticut Database	Corporate + Individual	Corporate	Individual
Taxpayer 11	\$2,360.00	\$0.00	\$2,360.00
Taxpayer 12	\$0.00	\$0.00	\$0.00
Taxpayer 13	\$977,530.00	\$0.00	\$977,530.00
Taxpayer 14	\$0.00	\$0.00	\$0.00
Taxpayer 14	\$0.00	\$0.00	\$0.00
Taxpayer 14	\$0.00	\$0.00	\$0.00
Taxpayer 15	\$96,203.00	\$0.00	\$96,203.00
Taxpayer 16	\$34,115.00	\$0.00	\$34,115.00
Taxpayer 17	\$0.00	\$0.00	\$0.00
Taxpayer 18	\$0.00	\$0.00	\$0.00
Taxpayer 19	\$557.00	\$0.00	\$557.00
Taxpayer 20	\$413,731.00	\$0.00	\$413,731.00
Taxpayer 21	\$20,314.00	\$0.00	\$20,314.00
Taxpayer 21	\$84,227.00	\$0.00	\$84,227.00
Taxpayer 22	\$749,688.00	\$0.00	\$749,688.00
Taxpayer 22	\$24,494.00	\$0.00	\$24,494.00
Taxpayer 23	\$0.00	\$0.00	\$0.00
Taxpayer 24	\$3,905,176.00	\$0.00	\$3,905,176.00
Taxpayer 25	\$2,588.00	\$0.00	\$2,588.00
Taxpayer 26	\$10,505.00	\$0.00	\$10,505.00
Taxpayer 27	\$35,636.00	\$0.00	\$35,636.00

Taxpayer 27	\$0.00	\$0.00	\$0.00
Taxpayer 27	\$8,211.00	\$0.00	\$8,211.00
Taxpayer 27	\$361.00	\$0.00	\$361.00
Taxpayer 28	\$3,442,838.37		
Taxpayer 29	\$837,146.00		
Taxpayer 30	\$0.00	\$0.00	\$0.00
Taxpayer 31	\$226,455.00	\$0.00	\$226,455.00
Taxpayer 31	\$142,181.00	\$0.00	\$142,181.00
Taxpayer 32	\$426,870.00	\$0.00	\$426,870.00
Taxpayer 32	\$426,870.00	\$0.00	\$426,870.00
Taxpayer 32	\$426,870.00	\$0.00	\$426,870.00
Taxpayer 33	\$0.00	\$0.00	\$0.00
Taxpayer 34	\$0.00	\$0.00	\$0.00
Taxpayer 35	\$0.00	\$0.00	\$0.00
Taxpayer 36	\$818,664.00	\$0.00	\$818,664.00
Total CT	\$13,133,808.37	\$0.00	\$13,133,808.37

Non Send Letters	Corporate + Individual	Corporate	Individual
Taxpayer 37	\$3,855,992.00	\$3,855,992.00	\$0.00
Total Non Letters	\$3,855,992.00	\$3,855,992.00	\$0.00
Grand Totals	\$21,852,030.37	\$8,504,889.00	\$13,347,141.37

CHART 2

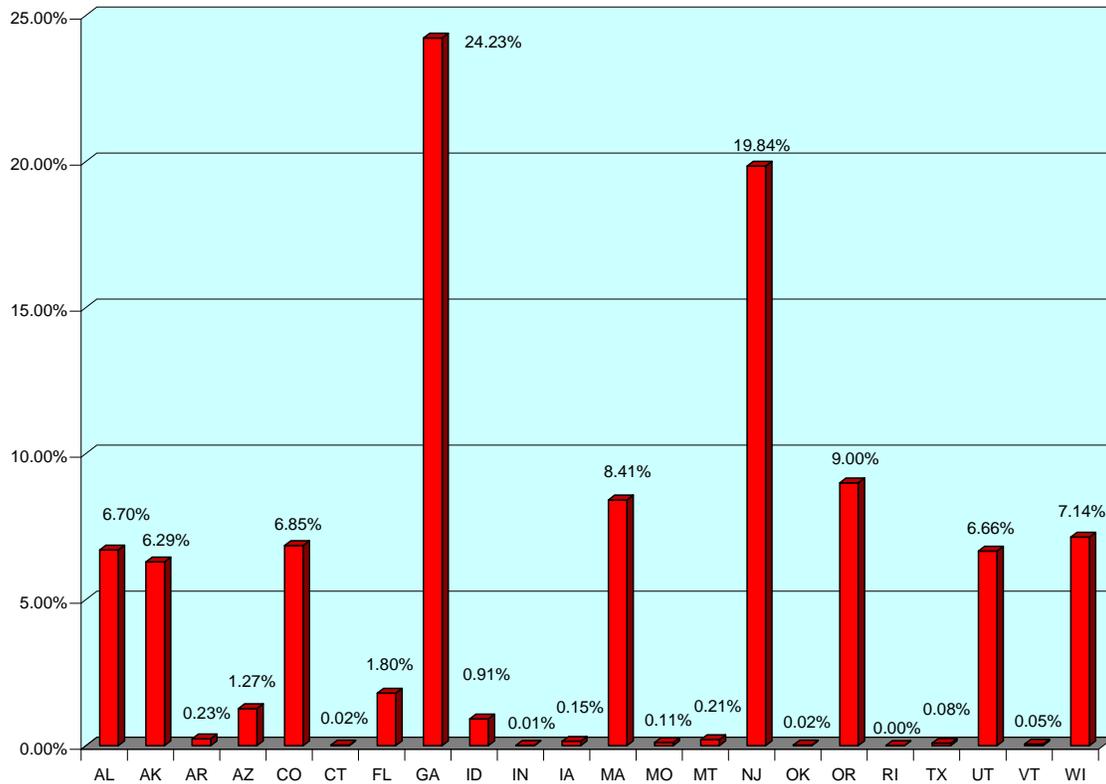


CHART 3

**Voluntary Compliance Program.
Corporate Income Tax vs. Individual Income Tax
Revenue**

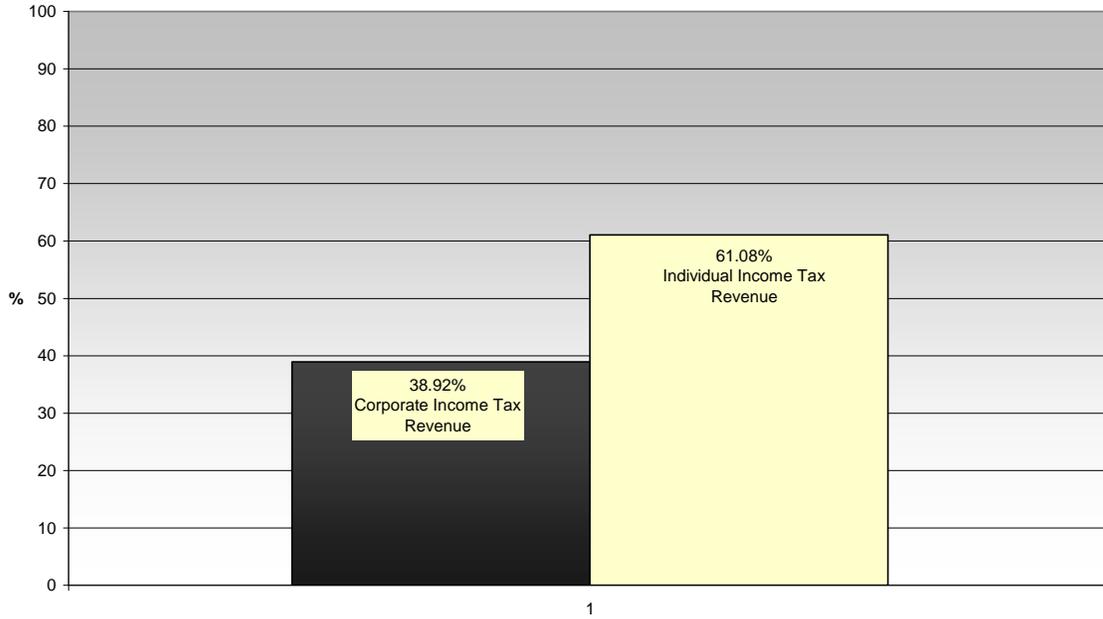


CHART 4

**Voluntary Compliance Program.
Corporate Income Tax vs. Individual Income Tax
Number of Taxpayers**

