

Maine Tax Amnesty Program

Presentation to
The Federation of Tax
Administrator's Tax Research
Conference
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Summary of Program

- September 1, 2003 – November 30, 2003
- State waived all penalties and half interest
- Only taxpayers excluded were those with pending criminal action or debts for which State secured a warrant or civil judgment in Superior Court
- Allowed Director of MRS to enter into pre-Amnesty settlements as needed to maintain cash flow

Revenue Estimate

- Tried Three Estimating Methodologies
 - % of revenues based on other states
 - Per capita receipts based on other states
 - Maine's 1990 amnesty program

Experience of Other States

- Use Louisiana, New Jersey & New Hampshire
- Had recently conducted amnesty programs
- Amnesty programs covered all major taxes imposed in each state and included accounts receivable

Estimates Based on Other States

- Amnesty Revenue as % of Tax Revenue
 - Average of three states was 11.6%
 - Applied to Maine tax revenue base of \$2.5 billion results in estimate of \$29 M
- Amnesty Revenue Per Capita
 - Average of three states was \$18.8
 - Applied to Maine's population of 1.2M results in estimate of \$24.2 M

Maine's 1990 Amnesty

- 1990 Amnesty had total receipts of \$29.6M
- About \$13.3M from large audit cases which reduces gross to estimated \$16.2M
- Given improvements in MRS enforcement and collection performance; estimated \$16M in gross collections

2003 Amnesty Estimate

- Started with \$16M gross receipts
- Based on experience from last amnesty estimated that non-filers would file amnesty returns for just over 2,100 tax years.
- Assuming average tax & _ interest of \$1,546; conclude non-filer component of \$3.3 million

2003 Amnesty Estimate (Cont.)

- \$16M gross receipts minus non-filer portion of \$3.3M leaves \$12.7M from current receivables
- Estimate that we collect about 19% of annual receivables balance; so assumed that 19% of \$12.7M in estimated receivables in amnesty would have been collected without amnesty
- Final FY04 amnesty estimate of net \$13.6M
- Added \$1M for extension of program from October 31, 2003 to November 30, 2003

Results of 2003 Maine Amnesty

- Collected \$37.6M on amnesty returns
- \$18.5M from existing accounts receivable and \$19.1 from previously unknown liabilities
- Wrote-off \$24.7M in interest & penalties
- Based on variance with revenue forecast through December originally estimate net collections of approx. \$19M

Conclusions

- “stumbled uncontrollably into the truth”
- Post collections and audit activity would suggest that final net impact of amnesty program is very close to original estimate
- 43% of the amnesty receipts came from entities based outside of Maine
- On-going compliance and enforcement activities are more beneficial