November 8, 2021

Connecticut Tax Amnesty Program Is Open

In response to the Connecticut Budget Act of last June, the Connecticut Department of Revenue Services (DRS) established its Tax Amnesty program, which is available from November 1, 2021, to January 31, 2022. The program is open for taxes owed for any tax period ending on or before December 31, 2020. However, it should be noted that all taxes administered by DRS are eligible for amnesty except for the Connecticut motor carrier road tax. As of now, there is no limit on how far back an applicant may go in reporting back taxes. The following taxpayers are eligible to participate:

- Individuals or businesses that owe taxes and are required by law to file a tax return with DRS but have not done so. This also includes individuals or businesses that have filed but failed to report all taxes that were due.
- Individuals or businesses that currently have an unpaid tax liability with DRS that includes tax and penalty and/or interest.
- Individuals or businesses currently under audit by DRS for periods ending on or before December 31, 2020.
- Individuals or businesses with a protest pending before DRS's Appellate Division.
- Individuals or businesses currently pursuing civil litigation with DRS.

Given that taxpayers who are under audit, who filed a protest or who are in litigation with DRS are eligible to participate, makes this amnesty rather extraordinary. However, certain taxpayers are not eligible. These include:

- Anyone currently under criminal investigation by DRS.
- Anyone who is a party to any criminal litigation pending as of November 1, 2021.
- Anyone who is party to a closing agreement with DRS.
- Anyone who has made an Offer of Compromise that has been accepted by DRS.
- Anyone who is party to a managed audit agreement.

Benefits of the program include a reduction of the interest by 75 percent, elimination of all penalties and avoidance of criminal prosecution. When completing the application, taxpayers need to disclose the tax type, the tax periods applied for and the amount due per period. Furthermore, full payment must be made electronically or by credit card at the time of the filing. Taxpayers who owe taxes have a decision to make, however. Generally, a taxpayer who has not been contacted by DRS may also be eligible to participate in the separate Voluntary Disclosure Program. Under this program, which still appears to be open during the amnesty period, a taxpayer, if accepted, must pay the total taxes and full interest due for the prior periods; however, the number of prior periods may be limited (a "limited look-back period") by the Voluntary Disclosure Agreement (VDA). Similar to the amnesty program, all penalties are abated. The fact that the liability for prior periods may be limited could perhaps make the VDA option an even better one.

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