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 $19.1M 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