



California's Efforts to Combat Abusive Tax Avoidance Transactions

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"You can't underestimate how many of
America's greatest minds are being
devoted to what economists would all say
is totally useless economic activity."

Peter Cobb, former Deputy Chief of Staff,
Joint Committee on Taxation



Past, Present and Future of Tax Shelters

- Tax Shelter Generations
- Lost Revenues
- Legislation
- Administration Costs
- Initiatives
- Enforcement Actions



The California Program

- Compliance Strategy
- Education/Publicity Outreach
- Working Partnerships
- Voluntary Compliance
- Enforcement Activity



Compliance Strategy

- Tax Shelter Audits
- Voluntary Compliance
- Federal Actions
- Legislation
- Fiscal Responsibility

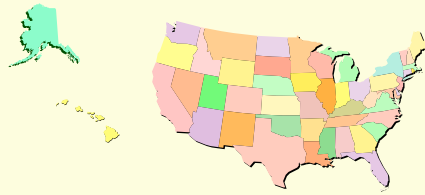


Education/Publicity Outreach

- News conferences, press releases
- Symposium, presentations
- Internet, e-mail, telephone
- Letters, publications
- FTB testifies at U.S. Senate Hearings

Working Partnerships

- IRS Memorandum of Understanding
- States Memorandum of Agreement



Voluntary Compliance Initiative

California's 106-Day Program:

\$1.3 Billion Tax Revenues

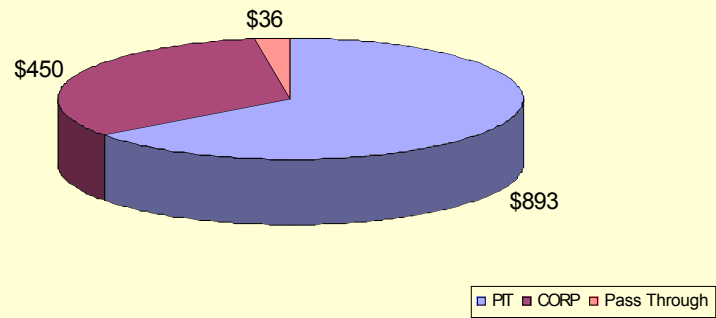
● 1,200 Taxpayers

● 2,100 Tax Years

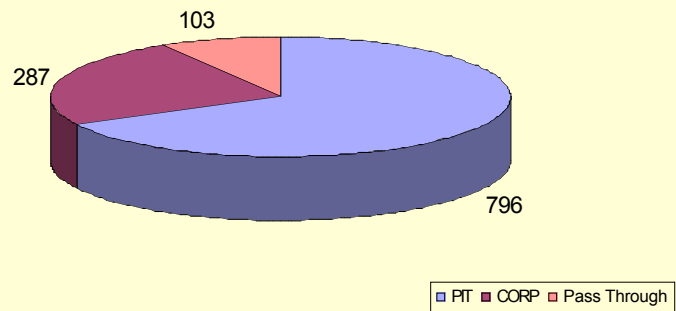


VCI by Total Revenue

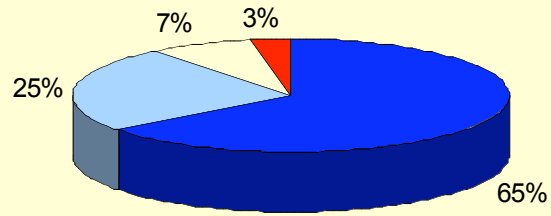
(in Millions)



VCI by Taxpayers

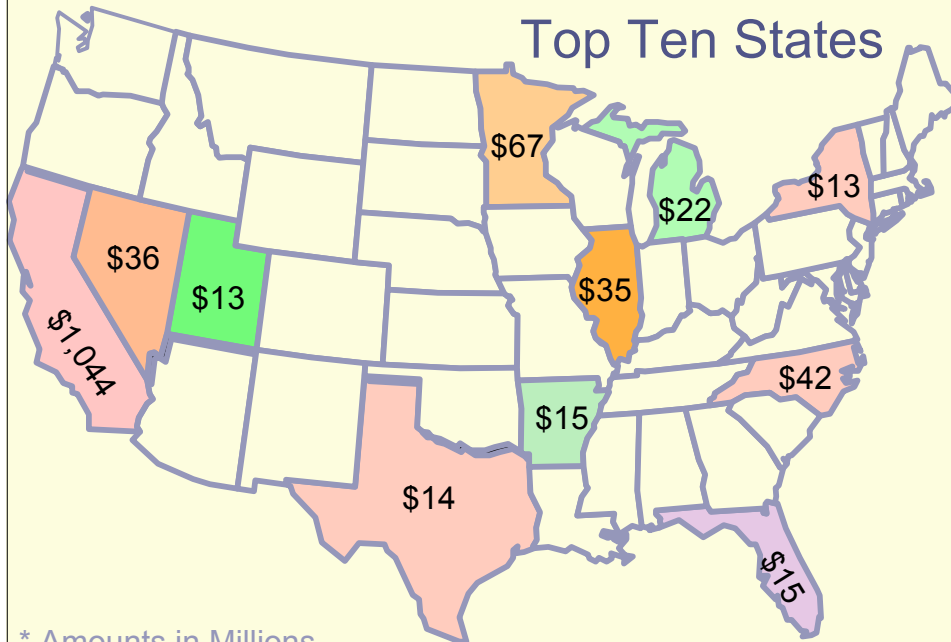


VCI Options by Revenue

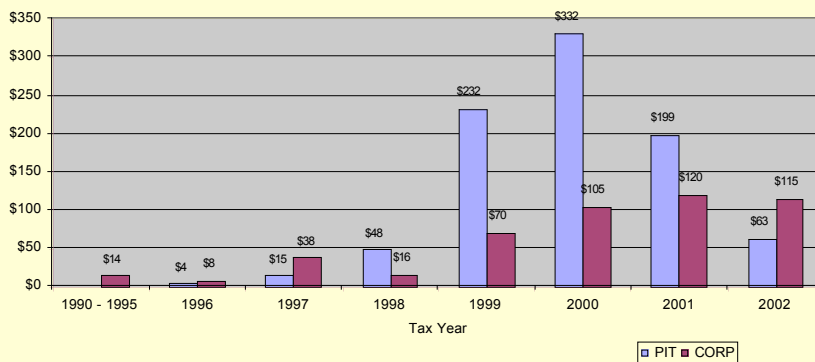


■ Right to File Claim ■ No Appeal Rights □ Pending Federal ■ Claim for Refund

Top Ten States




VCI Returns by Tax Year



Enforcement Activity

- Information exchange with IRS and States
- Reporting and disclosures requirements
- Investor and Promoter Audits
- Subpoenas
- Legislation



“Significant resources, both in the private sector and the Government, are currently being wasted on this uneconomic activity.

Private sector resources used to create...complex sheltering transactions...and the IRS must expend significant resources to address and combat these transactions.”

Jonathan Talisman,
Acting Assistant Secretary for Tax Policy
Testimony before House Comm Ways & Means



Questions?

See our website: www.ftb.ca.gov

