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Subject: NYS Tax Shelter Legislation & Voluntary Compliance Program
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To Our Clients and Friends:

New York recently enacted legislation geared toward discouraging so-called abusive tax transactions. The legislation, similar to that enacted at the federal level, requires disclosure of certain reportable and listed transactions. Such transactions generally constitute those with the potential for tax avoidance or evasion. Entering into a so-called abusive tax transaction, and/or failing to comply with the disclosure requirements, can result in significant penalties as well as an extension of the statute of limitations on assessments.

New York is the third state to enact tax shelter legislation, following California and Illinois. It is my understanding that California's recent tax shelter voluntary compliance initiative yielded more than 1 billion in revenue, well in excess of projections. This startling response illustrates the significance of the tax shelter legislation for taxpayers. Given the dollars involved, other states will likely follow suit and enact similar tax shelter legislation in the near future.

New York is implementing a tax shelter voluntary compliance program that shall commence no later than October 1, 2005 and shall end on March 1, 2006. The program provides penalty relief and certain other types of relief to qualifying taxpayers owing taxes attributable to a tax avoidance transaction for tax periods beginning before January 1, 2005. Taxpayers should evaluate whether any potential exposure exists in this area, and consider implementing the appropriate action to mitigate such exposure and achieve compliance on a going forward basis.

If you have any questions about New York's tax shelter legislation and/or the requirements and benefits of the voluntary compliance program, please do not hesitate to contact me.

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