

TAX UPDATES FROM CONNECTICUT, NEW JERSEY AND NEW YORK CITY - NOVEMBER 2021

Hodgson Russ Tristate Tax Alert
November 3, 2021

In this installment of the Tristate Tax Alert we have updates on the launch of Connecticut's tax amnesty program and New Jersey's recent investigations of the construction industry.

Update from Connecticut

Connecticut Launches Tax Amnesty Program

On November 1, 2021, the Connecticut Department of Revenue Services ("DRS") officially announced the launch of their state tax amnesty program, which had been included as part of the two-year budget bill beginning July 1, 2021. Commissioner Mark Boughton provided details of the program, which will offer individuals and businesses the opportunity to pay back taxes at a reduced interest rate and no penalties. The tax amnesty period will run from **November 1, 2021**, through **January 31, 2022**. The program provides a 75% reduction in interest and waives penalties and the possibility of criminal prosecution to those who have not filed, have under reported, or have existing liabilities related to taxes owed to Connecticut for any tax period ending on or before December 31, 2020.

The DRS will send eligible taxpayers with an outstanding tax obligation an Amnesty Offer Letter.

Taxpayers who do not receive an Amnesty Offer Letter, but have existing, unpaid, and eligible liabilities, can call the Amnesty Help Line at 1-866-658-1528. Once a letter is received, a taxpayer can submit their application.

Connecticut is only allowing online amnesty applications through its portal, [GetRightCT.com](https://www.getrightct.com). But be forewarned that the DRS is requiring that a taxpayer apply, complete their application **and make full payment of the amounts owed** in one sitting; otherwise they will need to start at the beginning. (And don't take a long bathroom or snack break because if the application is left unattended for 20 minutes, any data entered will be lost!). You don't need a lot of information to complete the application, but you should have the Amnesty Offer Letter, the tax type, tax period (s), amount owed, and payment information in front of you at the time of application.

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Participation in the program is voluntary, and all tax amnesty applications must be filed electronically (with full payment) by the deadline, **January 31, 2022**. If payment in full is not made at the time the application is submitted, amnesty will be denied and the taxpayer will be billed for tax, penalty, and interest on the total tax reported on the amnesty application. Note that if you do not fully pay, or your amnesty application is otherwise denied, Connecticut will not return any payments. They will be applied to any tax owed, including, we assume, tax liabilities disclosed in the amnesty application.

Nearly all taxpayers are eligible to participate in the program. However, taxpayers under criminal investigation are not eligible to participate, nor is any taxpayer who is party to either a closing agreement or a managed audit agreement, nor any taxpayer that has made an offer of compromise that has been accepted by DRS. All taxes administered by the Connecticut DRS, except for Connecticut motor carrier road tax, are eligible for tax amnesty.

Once tax amnesty ends, taxpayers who do not participate in the program will be liable for the full tax, penalty, and interest on any amount owed. The window for tax amnesty is short but the benefits can be substantial, particularly for old liabilities with substantial interest that has accrued. Given issues that can arise with online application, we recommend not waiting until the last minute, particularly if you do not have an Amnesty Offer Letter in hand.

Update from New Jersey

New Jersey Investigations of Construction Industry

The New Jersey Division of Taxation recently announced that it is assisting the New Jersey Department of Labor and Workforce Development in investigations of the construction industry to determine compliance with worker classification laws and other tax laws. At this time dozens of investigations are ongoing and the Division of Taxation reports the conduct of a “raid” of a construction site in Jersey City in response to allegations of worker misclassification.

Complaints being investigated by the joint team include:

- workers being misclassified as independent contractors;
- workers being deprived the benefits of on-the-books employment through cash payments;
- workers not being paid properly for overtime; and
- failure to pay appropriate taxes on purchased construction materials.

Unlike traditional tax audits conducted by the Division of Taxation, businesses may not be aware that they are actively under investigation. Members of the investigative teams are showing up at construction sites unannounced and are collecting statements from workers in the construction industry.

Contact [Open Weaver Banks](#) (646.218.7524), [Debra Herman](#) (646.218.7532), or [Elizabeth Pascal](#) (716.848.1622) if you have any questions about how these tax updates may impact you or your business.

New Additions to the Hodgson Russ State & Local Tax Group

We are pleased to announce two additions to our [State & Local Tax Group](#). This Fall we were joined by recent law school graduates, Tyler Gately and [Joseph Tantillo](#) who are based in our Buffalo office. A special thank you to Joe for his contributions to our discussion of the Connecticut amnesty program.