12/20/2024

Meeting with CDOR regarding Colorado Dept of Revenue (CDOR) 2023 Tax Season.

1. Standard practice of CDOR converting requested Direct Deposit tax refunds into paper checks in the mail. Normally, not accompanied by a letter at time of conversion. The attachment is the CDOR's explanation of WHY they may convert your DD to a mailed paper check, based on their discretion. The "taxpayer Security Safeguards" page located on the CDOR website indicates the CDOR has "redouble efforts to safeguard personally identifying information contained in tax records and battle tax return and refund fraud caused by identity theft" Then, CDOR goes on to say in **BOLD** letters that the "CDOR accounting system and public facing Revenue Online service **have not been impacted by data security breaches**" There are two important steps CDOR takes on behalf of Colorado Taxpayers.
    a. Converting paper check instead of Direct Deposit. Regardless if a taxpayer's identity has been compromised or not. This action by CDOR delays taxpayer refunds for possibly many months, most of the time, without informing taxpayers of why or when the refund will be expected.
    b. CDOR will send out a "taxpayer Identity Verification Letter" that must be addressed BEFORE any refunds are sent out. As an example of the stress this brings to taxpayers, I have included a short example of one 2023 taxpayer who lives on a fixed income and absolutely counted on the refund, but was instead thrown into further fear, by receiving a Identity Verification Letter. Most Taxpayers will assume the CDOR is requesting additional information due to some fraud situation, that more than likely does not exist. NO reason is actually given for the ID verification. CDOR uses a blanket statement for the delay and explanation. This action by CDOR throws a huge monkey wrench into the processing and does delay refunds for months. It also throws suspicion on Tax practitioners as the public, overall, is more likely to believe a government agency over a Tax Practitioner.

   On the Colorado DR104 Individual Income Tax Return, every taxpayer's name, address, SSN, DOB is presented on the front page of the form. While I can appreciate CDOR would want and need this information, I am proposing leaving off at least the DOB to protect taxpayer information.

2. Delay in issuing refunds, mostly the 2023 tax season. Typically, on any other given year, the CDOR will issue refunds timely. This season, our taxpayers came by our office after their returns had been submitted complaining about the processing of the 2023 refunds, (including the $800 TABOR refund) were taking months and months to process. One recent example of a taxpayer who e-filed their 2023 tax return on April 4, 2024. Confirmation of the e-filed return was transmitted to E-File processor on April 5th, 2024, yet CDOR still indicates on the homepage of said taxpayer that his 2023 return is still due! The "Expected refund" indicates the return was not received until May 8th, 2024 and as of August 30, 2024 no refund has yet to be received, either paper check or Direct deposit. No letter explaining the delay, no reason at all. If we could collaborate on a more transparent CDOR it would benefit both Colorado Taxpayers and Colorado Tax Practitioners.

3. CDOR, starting in 2023, began delaying online correspondence with taxpayers as well. One example of a Identity Validation letter sent out to a taxpayer, who replied online within a week of the request. The online message provided everything CDOR requested. No response was given by CDOR online. Instead, they sent another letter to the taxpayer indicating the taxpayer never replied so CDOR took action on their own. When this was addressed, through another online message that the CDOR has "limited resources and high volume of customer contact" Again, in my opinion, if the service took a pre-emptive move by changing the taxpayer secure information required to be visible on the DR104, they may be able to respond timely, (as they expect taxpayers to do) by reducing fraud in a simpler and less resource heavy manner. In Addition, to call CDOR is not helpful either as the phone lines will not allow you to sit on hold to talk to someone, it will simply tell you to call back later.

4. The Internal Revenue Service will add interest to any delayed refund. Why doesn't the CDOR do this? They accrue interest when the tax is not paid, but do not consider the taxpayer when they subjectively CHOOSE to delay refunds, sometimes without explanation, to hard working taxpayers. This is evident with sales tax credits/refunds as well.

5. In 2024, we have also seen a HUGE amount of audit letters coming from the CDOR to business owners that pay withholding tax on behalf of their employees. While this is a normal government function, CDOR is taking advantage of Colorado employers by auditing beyond their 3 year look back statutory rules. While it may be an open-ended audit if the proper reports are never filed, CDOR has been sending many, many letters addressing 2019 & 2020 withholding tax returns. This is an egregious position as the average taxpayer will not understand the CDOR is outside their legal window to audit and they will normally, not fight the tax notice and pay it directly. Only a few, that have proper representation will understand they do not need to pay and simply need to address the CDOR with their own rules. As a small tax firm that assists many local businesses with payroll, we have seen approximately 10 or more of these letters. Each letter can be provided, redacted, upon request.

Thank you for your time, I am an advocate for taxpayers and the recent actions of the CDOR are not fair and equitable to Colorado taxpayers. I truly believe that with some hard work and perseverance, we can make changes to improve the quality of our Colorado Department of Revenue. Thank you for your time and attention to this matter.

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