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Have you recently received a notice from the Colorado Department of Revenue about your individual tax return? The Department is issuing many more of these notices of late, many of them being generated as a result of difficulties with last fall's computer conversion. **\*\*Let us know if you receive a notice from the DOR and we will work to resolve your issue as quickly as possible.**

If you would like to know more about what the Colorado Department of Revenue is saying about the problems they are having processing individual tax returns, continue reading. The following information is taken from correspondence we received from the Colorado Society of CPAs (CSCPA).

On June 14, CSCPA CEO Mary Medley met with Richard Giardini, Taxpayer Service Division Director with the Colorado Department of Revenue, to discuss the following, ongoing issues Colorado CPAs and their clients are experiencing in the processing of individual tax returns. Many of these issues are related to the Department's conversion in fall, 2009, to a new computer system and the delayed processing of returns filed in September and October, 2009.

**Notices:** Soon, taxpayers and their CPAs should be seeing new notices, with more recipient-friendly language about how to respond to requests for information and documentation or to protest the notice. In addition, more than 80,000 billing notices were processed shortly after April 15 and sent in May, compared to being processed and sent in late July in the past. Other letters are being reviewed for tone and clarity; expect to see new versions of transmittal letters over the next several months.

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**Phone Service:** *The Taxpayer Service Division's goal is a three to five minute wait time to speak with a Department staff member. Currently, the average wait time is nine minutes. The Department acknowledges that due to the volume of calls and the wide variety of issues being raised, the wait can be significantly longer. The phone system does not allow for leaving a message because the Department staff is unable to follow up on messages, as well as respond to calls. Therefore, the system directs callers to call back when the wait time is shorter. A side note: permitting callers to remain on hold ties up the phone system on the Department's end which makes it even more challenging to respond to calls.*



**Returns Under Review:** *Colorado statutes require that the Department process refunds on individual returns within specified time periods depending on when returns are filed. In the last legislative session, the Colorado General Assembly mandated timely processing for business returns, as well. The clock begins to run on the required processing timeframe once any error or problem with the return is cleared. If a return is under review as a result of a data entry error on the Department's part, interest is paid to the taxpayer.*

*Of note: Expect processing of protests to take three to four months. The Department hopes to be caught up on protest processing by year-end. The Department is currently addressing its processes to significantly reduce this annual backlog of protests starting in 2011.*

**Vendor Issues:** Some of the problems taxpayers have experienced are related to software programs or documents which were not updated correctly for the changes to Colorado forms. Each fall, the Department provides test cases to all software vendors so they can test their programs and update them as needed. However, some smaller software vendors "test" the cases manually rather than run them through the software. Therefore, the software may not process actual returns correctly. Another example: One large software vendor provided estimated tax payment coupons labeled as 2010, however the scan line on the coupons printed as 2009. So, the Department's computer system applied payments associated with the coupons to accounts for 2009. This error generated an overpayment for tax year 2009, which may have generated a refund of the 2010 estimated tax payment. The Department caught most of the errors and has used extensive resources to correct these payments so taxpayers will not be negatively affected when they file their 2010 return next year.