

Frequently Asked Questions

Letters or billings sent by the Department of Revenue

I received a letter about filing a Colorado state tax return. Where did you get my name and the information about my income?

- The Internal Revenue Service has informed the Colorado Department of Revenue that you may have incurred a Colorado tax obligation for the year in question and/or
- We have information from employers indicating wages were earned in Colorado during this period and/or
- We have information from the Internal Revenue Service or from businesses indicating 1099 income was received during this period and
- A review of our records indicates a Colorado income tax return for the year in question was not received under your name and Social Security number.

Under what authority are you getting information from the Internal Revenue Service about my federal tax filings?

The transfer of federal tax information to the state of Colorado is authorized by Section 6103(d) of the Federal Internal Revenue Code. See IRS home page for more information.

I was not a resident of Colorado for the tax year referred to in the letter. Why do I have to prove non-residency?

Proof of nonresidency is required because the Internal Revenue Service has informed the Colorado Department of Revenue that you may have incurred a Colorado tax obligation for the year in question, which assumes residency unless otherwise proven. If there is indication of any income from Colorado sources, a non-resident return is required on the Colorado income even if non-residency is established.

What documentation is required to prove that I was not a Colorado resident?

Acceptable documentation for proof of nonresidency would include:

- An income tax return from the state where you were a resident or
- All W-2s for the year showing the entire income was earned in the other state.

If your state does not collect income tax and your income was not from W-2 sources, send a combination of the following:

- A copy of the other state's driver's license showing that it was in effect the entire year in question.
- A copy of the Voter's Registration from the other state for the year in question.
- January and December utility bills, rent/mortgage receipts, lease agreement, etc.,

My records show I already filed the state return and paid taxes. What do I do now?

Send a copy of your tax return with copies of all W-2s to the Fair Share Section, Room 634, 1375 Sherman St., Denver CO 80261. Also send a legible copy of the front and back of the canceled check to the Fair Share Section along with a copy of the inquiry letter or billing so the return can be traced.

My records show I already filed the state return and received a refund. What do I do now?

Send a copy of your tax return with copies of all W-2s to the Fair Share Section, Room 634, 1375 Sherman St., Denver, CO 80261 with an explanation and a copy of the inquiry letter or billing.

Why has it taken so long to contact me about the non-filed tax return?

Every effort is made to notify the taxpayer as soon as possible after receiving filing information from the IRS. However, when a return has not been received, the Department of Revenue may issue an assessment at any time.

Isn't there a limited amount of time that you can bill me for back taxes? What about the four-year statute of limitations?

A statute of limitations is defined as setting a time limit on the enforcement of a right (in this case, the right to assess). The four-year statute of limitations only applies to adjustments or changes on filed tax returns. C.R.S. 39-21-107 (4) states that when the taxpayer fails to file a return, the tax may be assessed and collected at any time. Therefore, there is no time limit for assessments on a non-filed return.

Under what authority do you have to bill me for income taxes if I haven't filed?

The billing of tax, penalty and interest is authorized by Section 39-22-602 of the Colorado Revised Statutes indicating that if a person fails or refuses to make a return, the executive director may make a return for such person from information available and any assessment on that return is considered good and sufficient.

Why are you charging me penalty and interest and what are the rates?

Penalty is assessed at the rate of 12% of the tax balance due and is in accordance with statute C.R.S. 39-22-621 (2)(b) which states: "If any person fails to pay any tax by the due date under the provisions of this article, there shall be collected as a penalty the sum of five dollars for such failure or five percent of the amount of such tax if the failure is for not more than one month, with an additional five tenths of one percent for each additional month or fraction thereof during which such failure continues, not exceeding twelve percent in the aggregate, whichever is greater." Interest is mandatory and is computed from the due date of the original return to the date of the billing. Interest is figured each year by using the prime rate, as reported by the Wall Street Journal, plus three percentage points rounded to the nearest full percent.

What if the information the IRS sent you is wrong, and I file a correct tax return? Will you accept it?

In order to accept a filed Colorado state income tax return that differs from the information we have received from the IRS, you must submit a copy of your filed federal return and verification of acceptance from the IRS of your filed return. If you do not have documentation of acceptance, you can obtain a "record of account" from the IRS by calling 1-800-TAX-1040. Either follow the phone prompts to order using their automated system or tell the agent you need a record of account to show what your federal taxable income is now for the year in question. We need this documentation to show your account after any adjustments or amendments. If you received a billing with a notice number that begins with **6830****, we need a copy of your original federal return. Send the documentation with a copy of the letter or billing to the Fair Share Section, Room 634, 1375 Sherman St. Denver, CO 80261.

Why doesn't the IRS follow up by advising the Colorado Department of Revenue of changes to a taxpayer's account after they send the original information? Why can't the Department of Revenue contact the IRS about changes made after receiving the original information?

Due to the confidentiality clause in the Taxpayers Bill Of Rights, the IRS does not send us subsequent information. We must work through the taxpayer to receive the additional information needed to substantiate any changes to the original information received.

How is the Colorado taxable income and tax computed from the Federal taxable income information received from the IRS?

To find the Colorado taxable income, use the following computation:

Federal Taxable Income, plus or minus any applicable Colorado modifications, equals the Colorado Taxable income.

For modification information, see the Income tax section of the FYI Publications, including the following:

- State income tax included in the federal itemized deductions. See FYI Income 3 and 4.
- State income tax refunds included in federal taxable income. See FYI Income 12.
- Interest on U.S. obligations (Government bond interest, etc). See FYI Income 20.
- Previously taxed PERA benefits of School District #1. See FYI Income 16.
- Pension exclusion. See FYI Income 18 and 25.

The Colorado taxable income times the applicable tax rate (1987-1998 is 5%, 1999 is 4.75%, since 2000 is 4.63%) equals the state income tax. Allowable credits subtracted from the tax amount include Colorado withholding credit, estimate tax payments, and child care credit. See FYI Income 33.