

Guide to Colorado's Voluntary Disclosure Program

To make an offer under the voluntary disclosure program a taxpayer must complete the following steps.

Step 1 Read the entire information documents. A lot of the questions you may have will be answered.

Step 2 Submit the voluntary disclosure request. The request must include:

- a completed "Statement of Representations and Inducement." Be sure to answer all questions and submit all facts as requested in the "Guide to Statement of Representations and Inducement" (Exhibit A). Please be specific. Vagueness or ambiguity will only hinder our attempt to determine the company's liability and reach an agreement.
- The statement must also include a statement of the tax liabilities that the company wishes to settle.(Exhibit B)
- The request may be submitted anonymously

Step 3 If it chooses to proceed, DOR will prepare a "Settlement Agreement and Mutual Release for Registration and Payment of Colorado State Taxes." Please note that the DOR will normally require a look-back period, whereby the Taxpayer will pay taxes covering a certain number of years past. The length of the look-back period or the DOR's requirement of one will depend on the nature of the Company's activities and the size of past years' potential tax liabilities as submitted in Exhibit A.

Time of the Essence – The taxpayer must accept and return this offer within 60 days or this offer is void and must be renegotiated.

The DOR expects that a typical voluntary disclosure agreement will contain a provision for a look-back period of a minimum of three years for sales/use tax and a minimum of four years for income tax (corresponding to the respective statutes of limitations, as though returns had been filed).

If the tax nexus is so thin that the taxpayer believes prospective filing is justified, the Department would prefer that the taxpayer simply register and go forward from that point. The Department will almost never be willing to waive any past liability as part of a prospective filing.

Interest on monies due for taxes for the look-back period will not be waived. Whether penalties for taxes due for the period of non-filing are waived, and the extent of the waiver, will depend on the same issues that determine if the DOR will insist on a look-back period (i.e., the certainty of the nexus and the size of the liability), as well as the explanation for the failure to file as stated in Exhibit A. Penalty will normally be assessed, sometimes at a lower rate, if tax was collected, but not remitted.

No loss carry forward for losses realized in any year before the first year filed pursuant to this agreement will be allowed for any filing period covered by this agreement or periods after this agreement.

If you have any other questions or concerns, please feel free to contact Sammy Khakame. When submitting documents for the voluntary disclosure program, please use the appropriate address below based on the method of mailing. Send directly to the attention of Sammy Khakame. Email is also accepted at samwel.khakame@state.co.us.

Federal Express, UPS or another courier:

Colorado Department of Revenue
Attn: Sammy Khakame
1881 Pierce Street, Room 128
Lakewood, CO 80214

USPS

Colorado Department of Revenue
TAC – Discovery, Rm 128,
Attn: Sammy Khakame
PO Box 17087
Denver CO 80217-0087

Please note that this information does not constitute an offer of any kind on behalf of the Colorado Department of Revenue.