

FINANCIAL POST

When the CRA calls: Jamie Golombek on his 10-month, transit pass reassessment saga

Don't panic if you get a plain brown envelope from the CRA — but some frustration may be unavoidable



Sorting out a public transit credit was anything but simple. *National Post*



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If you recently received a letter in a plain, brown envelope from the Canada Revenue Agency, chances are it was because your 2017 personal income tax return is being reviewed to “make sure the benefits or credits you’re receiving are correct.”

If you received such a letter, the CRA’s advice, issued in a press release this week, is: “Don’t panic. You’re not alone.”

Each year, the CRA sends out approximately 350,000 letters and questionnaires asking taxpayers to provide additional information to ensure that taxpayers are properly entitled to the various benefits, deductions and credits which they claimed on their returns.

They may ask for documents to confirm that the information in the CRA’s records is correct and up to date. For example, the CRA may ask you to validate your marital status, where you live, and who cares for your children. This information can change as life events occur and may affect both whether you’re eligible to receive certain benefits and credits and how much you may be entitled to receive.

Normally, you have to respond within 45 calendar days. If you can’t get the documents the CRA is asking for or if you need more time to reply, you can call the number provided in the letter to ask for guidance and more time. If you ignore the letter or don’t reply in time, your benefits will stop and you may be asked to repay benefits or credits that were previously sent to you.

Any requested information and documents can be scanned and downloaded online using the CRA’s My Account portal or they can be sent to the CRA by mail or by fax to the address or fax number provided in the CRA’s letter.

The CRA advises taxpayers that “it’s important that you reply and send all the information requested as soon as possible. This will help the CRA review your file quickly and easily.”

Of course, how one defines “quickly and easily” is another matter. Let me share with you my own, personal experience of dealing with the CRA on such a letter.

The letter — October 2017

On Oct. 20, 2017, I received a letter from the CRA indicating that my 2016 tax return was being reviewed. The six-page, single-spaced typed letter was asking for detailed information about my claim for the public transit credit.

You may recall that prior to July 1, 2017, you could claim the cost of monthly or annual public transit passes for travel within Canada on public transit. The credit was eliminated in the 2017 federal budget, with the government concluding that “this credit has been ineffective in encouraging the use of public transit and reducing greenhouse gas emissions.”

The public transit amount the CRA was reviewing was \$747. Note that this was not the amount of tax under review as the transit “amount” was eligible for a non-refundable federal tax credit at 15 per cent, meaning the CRA was asking for proof to substantiate a \$112.05 federal tax reduction I claimed on my 2016 tax return.

Fortunately, I’m careful to keep all my receipts in a well-organized file and was easily able to photocopy each month’s Toronto Transit Commission (TTC) Metropass and scan them for download to the secure CRA My Account web portal.

I submitted the documents on Nov.17, 2017. And then, I heard nothing. For days. Then weeks. Then months.

The first reassessment — Feb. 2, 2018

On Feb. 2, 2018, I came home to find a brown CRA envelope waiting in my mailbox. Initially, I was excited as I assumed that this would be the reassessment I was waiting for, granting me my 2016 transit credit.

Alas, it was not to be. Rather than confirming my transit credit, I received a formal notice of reassessment saying I owed \$112.05 of tax plus \$2.12 in arrears interest.

The next day, I received a four-page, single-spaced letter from the CRA politely informing me that “we have adjusted your claim for the public transit amount from \$747.00 to \$0.00.” The reason? According to the CRA, while “we acknowledge (receipt of the copies of) the front sides of your Metropasses ... the passes do not contain all the required information which includes ... the identity of the rider.”

In other words, the CRA denied my \$112.05 transit credit because I did not send them photocopies of the back sides of my Metropasses, which contained my “unique” signature. Was the CRA perhaps worried that I was borrowing someone else’s transit passes for the purpose of illegally claiming the credit?

Rather than be discouraged, I promptly photocopied the back sides of my Metropasses, clearly showing my signature on each one, scanned the documents and submitted them electronically to the CRA.

And then I waited again. For weeks. Months. Nothing.

While I attempted to follow up at least half a dozen times, I was unable to get through to the CRA on the phone until late July 2018. When I reached an agent,

they were unable to explain why the matter still hadn't been resolved, despite acknowledging receipt of my additional information nearly six months earlier. I was told that my 2016 return would be "expedited" for immediate processing.

The second reassessment — Aug. 23, 2018

Last week, I finally received a new notice of reassessment which stated that "We changed your return to reinstate your claim for the public transit amount." It was issuing me a refund of \$112.05 and reversing the \$2.12 of arrears interest I was previously charged. In fact, I was even paid some refund interest of \$3.21.

And the icing on the cake? The CRA was kind enough to remind me that since the \$3.21 of refund interest "is taxable in the year you receive it, you have to include it as income on your 2018 tax return."

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