



DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH  
100 N. SENATE AVE

**COMMISSIONER'S DIRECTIVE #37**  
**OCTOBER 2013**  
**(Replaces Directive #37 dated September 2009)**  
**Effective Date: January 1, 2014**

**SUBJECT:** Dishonored Check Penalty Provisions

**REFERENCES:** IC 6-8.1-10-5

**DISCLAIMER:** Commissioner's directives are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUMMARY OF CHANGES**

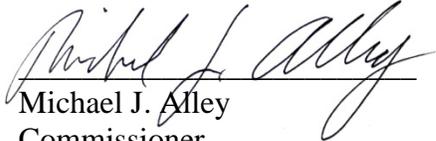
Aside from technical, nonsubstantive changes, this version of the directive has been changed from the previous version to reflect a statutory change in HEA 1546-2013, which reduces the penalty for a dishonored check from 100% to 30% of the face value of the dishonored check.

The dishonored check penalty provision applies to payments made by check, credit cards, debit cards, or electronic funds transfer. If a taxpayer makes a payment by check, credit card, debit card, or electronic funds transfer and the department is unable to obtain payment on the check, credit card, debit card, or electronic funds transfer for its full face amount when the payment is presented through normal banking channels, a penalty of 10% is imposed based on the unpaid tax or value of the instrument, whichever is smaller.

When the 10% penalty is imposed, the department shall notify the taxpayer by mail that the instrument was not honored and that the taxpayer has 10 days after the date the notice is mailed to pay the tax and penalty by cash, certified check, or other guaranteed payment. If the taxpayer fails to make the payment within the 10-day period, the penalty is increased to 30% multiplied by the face value of the check, credit card, debit card, or electronic funds transfer.

If a payment made to the department cannot be collected in full by the department, and if the person is assessed a 30% bad check penalty, the department may require all future payments remitted by the taxpayer to be remitted with guaranteed funds.

If the taxpayer can show reasonable cause for the check, credit card, debit card, or electronic funds transfer not being honored, the department may waive the penalty.

  
Michael J. Alley  
Commissioner