

**Letter of Findings Number: 08-0316P
Sales and Use Tax-Penalty
For the Periods January and February 2008**

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ISSUE

I. Tax Administration-Penalty.

Authority: IC § 6-2.5-6-1; IC § 6-8.1-10-2.1; [45 IAC 15-11-2](#).

Taxpayer protests the imposition of the ten percent negligence penalty.

STATEMENT OF FACTS

Taxpayer is doing business in Indiana. Taxpayer was required to file its monthly sales tax returns on the twentieth (20th) day of the following month; however, Taxpayer filed its monthly return for the period in question later than that deadline. Taxpayer was assessed interest and penalty. Taxpayer protested only the penalty.

The Department sent a letter to Taxpayer stating that Taxpayer could request a hearing by replying to the letter within twenty (20) days of the letter. Taxpayer did not reply to the Department's letter. Due to Taxpayer's failure to reply, this Letter of Findings is written based on the information in Taxpayer's protest file and other Department records relating to Taxpayer.

I. Tax Administration-Penalty.

DISCUSSION

Taxpayer protests the imposition of the ten percent negligence penalty on Taxpayer's failure to timely remit sales tax.

Penalty waiver is permitted if the taxpayer shows that the failure to pay the full amount of the tax was due to reasonable cause and not due to willful neglect. IC § 6-8.1-10-2.1. The Indiana Administrative Code, [45 IAC 15-11-2](#) further provides:

(b) "Negligence" on behalf of a taxpayer is defined as the failure to use such reasonable care, caution, or diligence as would be expected of an ordinary reasonable taxpayer. Negligence would result from a taxpayer's carelessness, thoughtlessness, disregard or inattention to duties placed upon the taxpayer by the Indiana Code or department regulations. Ignorance of the listed tax laws, rules and/or regulations is treated as negligence. Further, failure to read and follow instructions provided by the department is treated as negligence. Negligence shall be determined on a case by case basis according to the facts and circumstances of each taxpayer.

(c) The department shall waive the negligence penalty imposed under [IC 6-8.1-10-1](#) if the taxpayer affirmatively establishes that the failure to file a return, pay the full amount of tax due, timely remit tax held in trust, or pay a deficiency was due to reasonable cause and not due to negligence. In order to establish reasonable cause, the taxpayer must demonstrate that it exercised ordinary business care and prudence in carrying out or failing to carry out a duty giving rise to the penalty imposed under this section. Factors which may be considered in determining reasonable cause include, but are not limited to:

- (1) the nature of the tax involved;
- (2) judicial precedents set by Indiana courts;
- (3) judicial precedents established in jurisdictions outside Indiana;
- (4) published department instructions, information bulletins, letters of findings, rulings, letters of advice, etc.;
- (5) previous audits or letters of findings concerning the issue and taxpayer involved in the penalty assessment.

Reasonable cause is a fact sensitive question and thus will be dealt with according to the particular facts and circumstances of each case.

Taxpayer indicated that it did not know that its filing deadline had changed from the thirtieth (30th) day of the month following taxable sales to the twentieth (20th) day of such following month. Taxpayer stated that it did not realize that the Department had sent a letter notifying Taxpayer of its new deadline.

However, a change of filing deadline is automatic based on average annual sales tax collections. IC § 6-2.5-6-1(a). The provision requiring the earlier deadline has existed since 1982. Taxpayer has not established reasonable cause for its failure to timely remit sales tax. Further, Taxpayer's prior history of late returns and payments do not demonstrate reasonable cause.

FINDING

Taxpayer's protest is denied.

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