

**Supplemental Letter of Findings Numbers: 08-0591P, 08-0592P**  
**Sales Tax and Withholding Tax-Penalty**  
**For the Period July 2008**

**NOTICE:** Under IC § 4-22-7-7, this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

**ISSUE**

**I. Tax Administration–Penalty.**

**Authority:** 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 a corporation doing business in Indiana. For the month of July 2008, Taxpayer remitted its monthly sales and withholding tax after the statutory deadline. The Indiana Department of Revenue ("Department") assessed penalty on the late tax payment. Taxpayer protested the penalty.

The Department initially issued a Letter of Findings denying Taxpayer's protest. Taxpayer requested, and the Department granted, a rehearing, and this Supplemental Letter of Findings results.

**I. Tax Administration–Penalty.**

**DISCUSSION**

Taxpayer protests the imposition of the ten percent negligence penalty on Taxpayer's failure to remit its monthly sales and withholding taxes in a timely manner.

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 argues that it had two employees who had various medical conditions at the time Taxpayer's taxes were due. Taxpayer provided verification of the employees' medical conditions. Because the two employees were the only employees who knew how to file and remit the company's monthly taxes, Taxpayer was unable to remit the taxes prior to the return of one of the employees. Based on the unusual nature of the situation, Taxpayer has provided sufficient information to conclude that it acted reasonably with respect to its tax filing and payment duties for the period in question.

**FINDING**

Taxpayer's protest is sustained.

*Posted: 07/29/2009 by Legislative Services Agency*

