

**Letter of Findings Number: 09-0835P  
Corporate Income Tax-Penalty  
For the Year 2007**

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**ISSUE**

**I. Tax Administration—Estimated Tax Penalty.**

**Authority:** IC § 6-3-4-4.1.

Taxpayer protests the imposition of the ten percent penalty for failure to make sufficient estimated tax payments during the tax year.

**STATEMENT OF FACTS**

Taxpayer is a C corporation operating in Indiana. For tax year ending in 2006, Taxpayer reported an overpayment of roughly \$712,000. However, the proper amount of the overpayment was roughly \$586,000 due to a calculation error on its Indiana corporate income tax return. For the tax year ending in 2007, Taxpayer made estimated tax payments during the 2007 tax year.

Based on the erroneous overpayment, Taxpayer's estimated payments were sufficient to avoid penalty. However, based on the computation error and corrected overpayment, Taxpayer's estimated payments were insufficient for the fourth quarter of the 2007 tax year. The Department imposed a penalty based on the insufficient estimated payment.

Taxpayer protested the penalty assessment, the Department conducted a hearing, and this Letter of Findings results. Additional facts will be supplied as necessary.

**I. Tax Administration—Estimated Tax Penalty.**

**DISCUSSION**

Taxpayer protests the imposition of the ten percent penalty on Taxpayer's failure to make sufficient estimated tax payments as required pursuant to IC § 6-3-4-4.1(d).

Even assuming that the penalty can be waived for reasonable cause, Taxpayer's underpayment was the result of Taxpayer's error in computing its tax liability for tax year 2006. The compounding of the initial error resulted in Taxpayer's eventual estimated tax underpayment and penalty. Taxpayer has not provided sufficient legal or factual grounds to justify penalty waiver.

**FINDING**

Taxpayer's protest is denied.

*Posted: 01/27/2010 by Legislative Services Agency*

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