

**Letter of Findings Number: 09-0226P**  
**Sales and Use Tax**  
**For the Tax Years 2006 and 2007**

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**ISSUE**

**I. Tax Administration–Negligence 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 an Indiana taxpayer. The Department previously audited Taxpayer and found adjustments. Taxpayer has yet to implement a system for use tax accrual and remittance. The Indiana Department of Revenue (Department) audited Taxpayer for the 2006 and 2007 tax years and issued proposed assessments for use tax, interest, and ten percent negligence penalties for the 2006 and 2007 tax years. The Department found that Taxpayer had made a variety of purchases and failed to either pay sales tax at the time of purchase or remit use tax to the Department. Taxpayer requests abatement of the penalties.

**I. Tax Administration– Negligence Penalty.**

**DISCUSSION**

Taxpayer protests the imposition of the penalties. The Department refers to IC § 6-8.1-10-2.1(a)(3), which provides "if a person... incurs, upon examination by the department, a deficiency that is due to negligence... the person is subject to a penalty."

The Department refers to [45 IAC 15-11-2\(b\)](#), which states:

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.

The Department may waive the negligence penalty as provided in [45 IAC 15-11-2\(c\)](#), in pertinent part, as follows:

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.

In this case, Taxpayer incurred an assessment which the Department determined was due to negligence under [45 IAC 15-11-2\(b\)](#), and so was subject to a penalty under IC § 6-8.1-10-2.1(a). Taxpayer argues that it was an unintentional error, which led to the use tax assessment. Regardless of whether Taxpayer's actions were unintentional, the Department finds that Taxpayer's actions demonstrate it was inattentive to its tax duties. Inattention constitutes negligence and negligence is subject to penalty. Accordingly, Taxpayer has not provided sufficient grounds in its protest to justify the Department's waiver of penalty.

**FINDING**

Taxpayer's penalty protest is denied.

*Posted: 02/24/2010 by Legislative Services Agency*  
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