

Letter of Findings Number: 02-20130114
Corporate Income Tax Penalty
For the Year 2010

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ISSUE

I. Tax Administration—Estimated Tax Penalty.

Authority: IC § 6-3-4-4.1; I.R.C. § 6655.

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 2010, Taxpayer remitted estimated tax payments for the third and fourth quarters; however, Taxpayer did not remit estimated tax payments for the first two quarters. Taxpayer was assessed a penalty for failure to remit sufficient estimated tax payments. The effect of the penalty generated a proposed tax assessment for the 2011 tax year. Taxpayer protested the penalty assessment.

I. Tax Administration—Estimated Tax Penalty.

DISCUSSION

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

IC § 6-3-4-4.1 provides in relevant part:

(c) Every corporation subject to the adjusted gross income tax liability imposed by this article shall be required to report and pay an estimated tax equal to the lesser of:

- (1) twenty-five percent (25 [percent]) of such corporation's estimated adjusted gross income tax liability for the taxable year; or
- (2) the annualized income installment calculated in the manner provided by Section 6655(e) of the Internal Revenue Code as applied to the corporation's liability for adjusted gross income tax.

A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated adjusted gross income tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year that does not end on December 31, the due dates for filing estimated adjusted gross income tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year. The department shall prescribe the manner and forms for such reporting and payment.

(d) The penalty prescribed by [IC 6-8.1-10-2.1](#)(b) shall be assessed by the department on corporations failing to make payments as required in subsection (c) or (f). However, no penalty shall be assessed as to any estimated payments of adjusted gross income tax which equal or exceed:

- (1) the annualized income installment calculated under subsection (c); or
- (2) twenty-five percent (25 [percent]) of the final tax liability for the taxpayer's previous taxable year.

In addition, the penalty as to any underpayment of tax on an estimated return shall only be assessed on the difference between the actual amount paid by the corporation on such estimated return and twenty-five percent (25 [percent]) of the corporation's final adjusted gross income tax liability for such taxable year.

Taxpayer asserts that it used an annualization method for computing its estimated tax liabilities. Taxpayer provides a calculation representing an annualization computation allowable under I.R.C. § 6655(e). Based on the calculation provided, Taxpayer has provided sufficient information to conclude that it was properly permitted to use the annualization method of computing its estimated tax payments. Further, Taxpayer's payments were sufficient to meet the required payments under the annualization method. Thus, Taxpayer owed no estimated tax penalty for the 2010 tax year.

FINDING

Taxpayer's protest is sustained.

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