

**Letter of Findings: 02-20140250P**  
**Indiana Corporate Income Tax**  
**For the Years 2010, 2011, and 2012**

**NOTICE:** IC § 6-8.1-3-3.5 and IC § 4-22-7-7 require the publication of this document in the Indiana Register. This document provides the general public with information about the Department's official position concerning a specific set of facts and issues. This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.

**ISSUE**

**I. Corporate Income Tax - Underpayment Penalty.**

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

Taxpayer argues that it is entitled to a partial abatement of an underpayment penalty on the ground that it was entitled to report its income on an annualized basis.

**STATEMENT OF FACTS**

Taxpayer was assessed Indiana corporate income tax. In response, Taxpayer filed forms IT-2220, "Penalty for Underpayment of Corporate Income Tax." The Indiana Department of Revenue ("Department") assessed ten-percent underpayment penalties.

Taxpayer challenged the assessment of the penalties and submitted a protest to that effect. An administrative hearing was conducted during which Taxpayer's representative explained the basis for the protest. This Letter of Findings results.

**I. Corporate Income Tax - Underpayment Penalty.**

**DISCUSSION**

Taxpayer protests the imposition of ten percent penalties imposed on the ground that Taxpayer failed 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.

It should be noted that this Letter of Findings addresses only the ten-percent penalties and does not address Taxpayer's computation of its tax liability. The Department's audit Division is requested to review the calculations set out in the Forms IT-2220, abate the relevant penalties, and make whatever adjustments as may be warranted.

#### **FINDING**

Taxpayer's protest is sustained.

*Posted: 09/24/2014 by Legislative Services Agency*  
An [html](#) version of this document.