

Letter of Findings: 01-20160002
Individual Income Tax
For the Tax Year 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 This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Letter of Findings.

HOLDING

Individual established that he was not required to file a 2012 Indiana individual income tax return because he was a Florida resident during that year.

ISSUES

I. Income Tax—Residency.

Authority: IC § 6-8.1-5-1; IC § 6-3-2-1; IC § 6-3-2-2; IC § 6-3-1-3.5; IC § 6-3-1-12; Dep't. of State Revenue v. Caterpillar, Inc., 15 N.E.3d 579, 583 (Ind. 2014); Indiana Dep't. of State Revenue v. Rent-A-Center East, Inc., 963 N.E.2d 463, 466 (Ind. 2012); State Election Bd. v. Bayh, 521 N.E.2d 1313 (Ind. 1988); [45 IAC 3.1-1-22](#); Croop v. Walton, 157 N.E. 275 (Ind. 1927); Wendt LLP v. Indiana Dep't of State Revenue, 977 N.E.2d 480 (Ind. Tax Ct. 2012); Scopelite v. Indiana Dep't of Local Gov't Fin., 939 N.E.2d 1138 (Ind. Tax Ct. 2010); Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue, 867 N.E.2d 289 (Ind. Tax Ct. 2007).

Taxpayer protests the imposition of Indiana individual income tax for the 2012 tax year.

II. Tax Administration—Non-Filer Penalty and Interest.

Authority: IC § 6-8.1-10-3; IC § 6-8.1-10-1

Taxpayer protests the imposition of the non-filer penalty and interest.

STATEMENT OF FACTS

Taxpayer is an individual who did not file a 2012 Indiana individual income tax return. Based on the best information available, the Indiana Department of Revenue ("Department") determined that, for the 2012 tax year, Taxpayer received 1099 income, which was subject to Indiana income tax, and Taxpayer claimed a homestead exemption on his Indiana property. As such, the Department concluded that Taxpayer was an Indiana resident who did not file his Indiana income tax return and pay the income tax that was due. The Department thus assessed Taxpayer income tax, interest, and penalty for tax year 2012.

Taxpayer timely protested the assessment. An administrative phone hearing was held. This Letter of Findings results. Additional facts will be provided as necessary.

I. Income Tax—Residency.

DISCUSSION

The Department determined that Taxpayer was an Indiana resident during tax year 2012 because he received 1099 income and he claimed a homestead exemption on his Indiana property. The Department therefore concluded that Taxpayer had 2012 income and was domiciled in Indiana in 2012, thereby subjecting that income to Indiana income tax. The Department thus assessed Taxpayer Indiana income tax, interest and penalty.

Taxpayer contends that he lived in Florida for all of 2012 having moved there from Indiana in 2006. Thus, Taxpayer stated that he does not owe any Indiana income tax for tax year 2012.

As a threshold issue, all tax assessments are prima facie evidence that the Department's claim for unpaid tax is valid; the taxpayer bears the burden of proving that any assessment is incorrect. IC § 6-8.1-5-1(c); Indiana Dep't. of State Revenue v. Rent-A-Center East, Inc., 963 N.E.2d 463, 466 (Ind. 2012); Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007). Consequently, the taxpayer is required to provide documentation explaining and supporting its challenge that the Department's position is wrong. Poorly developed and non-cogent arguments are subject to waiver. Scopelite v. Indiana Dep't of Local Gov't Fin., 939 N.E.2d 1138, 1145 (Ind. Tax Ct. 2010); Wendt LLP v. Indiana Dep't of State Revenue, 977 N.E.2d 480, 486 n.9 (Ind. Tax Ct. 2012). Further, "[W]hen [courts] examine a statute that an agency is 'charged with enforcing . . . [courts] defer to the agency's reasonable interpretation of [the] statute even over an equally reasonable interpretation by another party.'" Dep't. of State Revenue v. Caterpillar, Inc., 15 N.E.3d 579, 583 (Ind. 2014). Thus, all interpretations of Indiana tax law contained within this decision, shall be entitled to deference.

Indiana imposes a tax "on the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person." IC § 6-3-2-1(a). IC § 6-3-2-2(a) specifically outlines what is income derived from Indiana sources and subject to Indiana income tax. For Indiana income tax purposes, the presumption is that taxpayers properly and correctly file their federal income tax returns as required pursuant to the Internal Revenue Code. Thus, to efficiently and effectively compute what is considered the taxpayer's Indiana income tax, the Indiana statute refers to the Internal Revenue Code. IC § 6-3-1-3.5(a) provides the starting point to determine the taxpayer's taxable income and to calculate what would be their Indiana income tax after applying certain additions and subtractions to that starting point.

Residency cases are particularly fact sensitive thus the position relayed within this document pertains only to this case and its specific set of facts. Pursuant to IC § 6-3-1-12, a resident "includes (a) any individual who was domiciled in this state during the taxable year, or (b) any individual who maintains a permanent place of residence in this state and spends more than one hundred eighty-three (183) days of the taxable year within this state. . . ." In other words, a resident includes individuals who are domiciled in Indiana and/or maintain a permanent place of residence in Indiana and then spend more than 183 days in Indiana. In this case, Taxpayer was able to establish that he did not spend more than 183 days in Indiana during 2012. Therefore, in order to be considered a resident of Indiana during 2012, Taxpayer must have been domiciled in Indiana.

Domicile is defined by [45 IAC 3.1-1-22](#), which states:

For the purposes of this Act, **a person has only one domicile at a given time even though that person maintains more than one residence at that time. Once a domicile has been established, it remains until the conditions necessary for a change of domicile occur.**

In order to establish a new domicile, the person must be physically present at a place, and must have the simultaneous intent of establishing a home at that place. It is not necessary that the person intend to remain there until death; however, if the person, at the time of moving to the new location, has definite plans to leave that new location, then no new domicile has been established.

The determination of a person's intent in relocating is necessarily a subjective determination. There is no one set of standards that will accurately indicate the person's intent in every relocation. **The determination must be made on the facts present in each individual case.** Relevant facts in determining whether a new domicile has been established include, but are not limited to:

- (1) Purchasing or renting residential property
- (2) Registering to vote
- (3) Seeking elective office
- (4) Filing a resident state income tax return or complying with the homestead laws of a state
- (5) Receiving public assistance
- (6) Titling and registering a motor vehicle
- (7) Preparing a new last will and testament which includes the state of domicile.

(Emphasis added).

Thus, a new domicile is not necessarily created when an individual moves to an address outside Indiana. Instead, the individual must move to the new non-Indiana address and have intent to remain at that non-Indiana address.

For example, in *Croop v. Walton*, 157 N.E. 275 (Ind. 1927), a taxpayer who was domiciled in Michigan sold his home in Michigan and moved to a new residence in Indiana where he and his wife lived for several years for the

benefit of his wife's health. The taxpayer lived in the Indiana home "on account of the mental and physical condition of his wife, and continued to occupy it until such time as she could safely return to [Michigan] to live." *Id.* At 276. The court concluded that, based on the level of activity he maintained in Michigan and lack of intention to abandon his domicile, taxpayer did not change his domicile from Michigan to Indiana. The court explained, in relevant part, that:

"If [a] taxpayer has **two residences in different states**, he is **taxable at the place which was originally his domicile, provided the opening of the other home has not involved an abandonment of the original domicile and the acquisition of a new one.**"

'[D]omicile' . . . is the place with which a person has a settled connection for legal purposes, either because his home is there or because it is assigned to him by the law, and is **usually defined as that place where a man has his true, fixed, permanent home, habitation, and principal establishment, without any present intention of removing therefrom, and to which place he has, whenever he is absent, the intention of returning.**

(Internal citations omitted) **(Emphasis added)**.

In explaining the difference between "residence" and "domicile," the court in *Croop* stated:

'Domicile' "is a residence acquired as a final abode. To constitute it there must be (1) residence, actual or inchoate; (2) the nonexistence of any intention to make a domicile elsewhere." "The domicile of any person is, in general, the place which is in fact his permanent home, but is in some cases the place which, whether it be in fact his home or not, is determined to be his home by a rule of law."

"Residence is preserved by the act, domicile by the intention." "Domicile is not determined by residence alone, but upon a consideration of all the circumstances of the case." "While a person can have but one domicile at a time, he may have concurrently a residence in one place . . . and a domicile in another."

To effect a change of domicile, **there must be an abandonment of the first domicile** with an **intention not to return to it**, and there must be **a new domicile acquired by residence elsewhere** with an **intention of residing there permanently, or at least indefinitely.**

(Internal citations omitted) **(Emphasis added)**.

In *State Election Bd. V. Bayh*, 521 N.E.2d 1313 (Ind. 1988) the Indiana Supreme Court considered the issue of the meaning of "domicile" in determining that Mr. Bayh met the residency requirement for the office of Governor. Mr. Bayh's domicile remained in Indiana even though he moved to different states for various reasons for many years. The court stated, in pertinent part:

Once acquired, domicile is presumed to continue because "every man has a residence somewhere, and ... he does not lose the one until he has gained one in another place." Establishing a new residence or domicile terminates the former domicile. A change of domicile requires an actual moving with an intent to go to a given place and remain there. "It must be an intention coupled with acts evidencing that intention to make the new domicile a home in fact.... **[T]here must be the intention to abandon the old domicile; the intention to acquire a new one; and residence in the new place in order to accomplish a change of domicile.**"

Residency requires a definite intention and "evidence of acts undertaken in furtherance of the requisite intent, which makes the intent manifest and believable." **Intent and conduct must converge to establish a new domicile.** *Id.* at 1317 - 1318 (Ind. 1988).

(Emphasis added).

Taxpayer contends that after his retirement in December 2006, he put his Indiana home up for sale and moved to Florida with the intent to spend the rest of his life there. To that end, he rented an apartment in Florida, for which he provided a copy of his lease dated December 11, 2006, showing a lease term of thirteen months. Taxpayer provided documentation indicating that upon arriving in Florida, Taxpayer signed a "State of Florida Declaration of Domicile," demonstrating his intent to maintain his permanent home in Florida and declaring himself "a bona fide resident of the State of Florida." This document was signed, notarized and recorded at the Lee County Clerk of Circuit Court. In addition to signing this document, Taxpayer provided evidence that he registered to vote in

Florida, obtained a Florida driver's license (which was renewed in 2012) and registered a vehicle in Florida, all in December 2006. Taxpayer simultaneously surrendered his Indiana driver's license and received a refund from the Indiana Bureau of Motor Vehicles for cancelling his Indiana license plate. Taxpayer also provided confirmation that less than a year after moving to Florida, he served as a juror for the Lee County Circuit Court.

Taxpayer provided evidence that in January 2007 he requested that Elkhart County, Indiana remove the homestead exemption on his Indiana home. In the winter of 2006-2007, Taxpayer explained that his Indiana home was badly damaged by winter ice and had to be rebuilt. Taxpayer temporarily returned to Indiana to make the necessary repairs. While there, Taxpayer visited the Elkhart County Assessor's office to inquire into his Indiana property taxes. The Assessor's office wrongly informed Taxpayer that he could take the homestead deduction on his Indiana home without affecting his Florida residency, as long he only took the deduction in one state. Based on this erroneous advice, Taxpayer reinstated his Indiana homestead credit in 2008. Taxpayer purchased a home in Florida in 2009 and was able to sell his Indiana home in 2014. According to Taxpayer, and as confirmed by the Department, Taxpayer did not claim the homestead credit on his Florida home until he sold his Indiana home as he believed that he could only benefit from the credit in one state.

When Taxpayer moved to Florida in 2006, he made substantial attempts to abandon his Indiana domicile, including removing his Indiana homestead credit. Taxpayer argues, and the Department agrees, that by removing his Indiana homestead credit, Taxpayer abandoned his Indiana domicile. Taxpayer also provided substantial documentation showing that he established a new domicile in Florida. The Department cannot agree that by reinstating his Indiana homestead credit in 2008, Taxpayer changed his domicile back to Indiana. Taxpayer made no other attempt to re-establish domicile in Indiana. He remained in Florida and purchased a home in Florida. Taxpayer did not claim a homestead deduction on his Florida home, evidencing his intent to maintain his Florida residency, following what he believed to be the law, and avoid undue benefit by filing homestead credits in both states.

Currently, Taxpayer has no other connections to Indiana; his home is in Florida, his doctors are in Florida and he is actively involved in his Florida community. When Taxpayer moved to Florida in 2006, his actions, including removing his Indiana homestead credit, effectively changed Taxpayer's domicile from Indiana to Florida. Taxpayer has not taken any action since to reverse that change.

FINDING

Taxpayer's protest is sustained.

II. Tax Administration–Non-File Penalty and Interest.

DISCUSSION

Taxpayer requests that the Department abate the penalty and interest assessed in relation to the protested assessment. Pursuant to IC § 6-8.1-10-3(a), the Department may assess a penalty if a taxpayer "fails to file a return on or before the due date. . . ."

Indiana imposes interest on overdue tax under IC § 6-8.1-10.-1(a), which states:

If a person fails to file a return for any of the listed taxes, fails to pay the full amount of tax shown on the person's return by the due date for the return or the payment, or incurs a deficiency upon a determination by the department, the person is subject to interest on the nonpayment.

Taxpayer has established that he will not owe the proposed tax assessment, as discussed in Issue 1. Taxpayer has been sustained on her protest of the imposition of assessed income tax, therefore, the issue of penalty and interest assessed is moot.

FINDING

Taxpayer's protest is sustained.

SUMMARY

Taxpayer is sustained on Issue I. Taxpayer is sustained on Issue II.

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