

**Letter of Findings: 01-20160016**  
**Individual Income Tax**  
**For Tax Years 2011 - 2014**

**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 This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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**

A letter from limited liability partnership in which Individual is a partner was satisfactory evidence to support credits Individual claimed on his Indiana individual income tax returns for taxes paid to other states.

### **ISSUE**

#### **I. Individual Income Tax - Credit for taxes paid to other states.**

**Authority:** IC § 6-3-3-3; IC § 6-3-2-1; IC § 6-8.1-5-1; Lafayette Square Amoco, Inc. v. Indiana Dep't of State Revenue, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007); Indiana Dep't of State Revenue v. Rent-A-Center East, Inc., 963 N.E.2d 463, 466 (Ind. 2012); 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); Indiana Dep't of State Rev. v. Caterpillar, Inc., 15 N.E.3d 579, 583 (Ind. 2014).

Taxpayer seeks a refund of Indiana individual income tax.

### **STATEMENT OF FACTS**

Taxpayer is an Indiana resident who is a partner in a limited liability partnership ("LLP"). Taxpayer timely filed his original Indiana individual income tax returns. Included in Taxpayer's adjusted gross income for each year at issued was his distributive share of LLP's income. LLP earns income in nearly every state and some foreign countries. LLP files composite returns in these jurisdictions on behalf of Taxpayer and the other partners. Rather than provide each partner with a copy of the composite returns, LLP sends each partner a letter detailing the partner's share of income apportioned to each jurisdiction and the amount of tax paid on the partner's behalf. Taxpayer relies on these letters to compute his credit for taxes paid to other states on his Indiana tax returns.

The Comptroller of Maryland issued LLP assessments for tax years 2011, 2012, and 2013. Taxpayer filed amended Indiana tax returns to report additional income tax for these assessments. Taxpayer included a copy of LLP's letter with amended returns. In reviewing these amended returns, the Indiana Department of Revenue ("Department") determined that LLP's letter was insufficient evidence to support the credits claimed. Therefore, the Department disallowed credits for taxes paid to other states as reported on the amended returns and asserted that Taxpayer owed additional tax for these years.

The Department also disallowed credits for taxes paid to other states claimed on Taxpayer's 2014 Indiana return. Taxpayer protested the assessments for tax years 2011 - 2014. An administrative hearing was held and this Letter of Findings results. Additional facts will be provided as necessary.

#### **I. Individual Income Tax - Credit for taxes paid to other states.**

### **DISCUSSION**

The Department disallowed credits for taxes paid to other states claimed on Taxpayer's 2011 - 2014 Indiana individual income tax returns based on insufficient evidence in support of the credits. Taxpayer protests claiming that LLP's letter was sufficient evidence to support the credits claimed.

All tax assessments are prima facie evidence that the Department's claim for the tax is valid; the taxpayer bears the burden of proving that any assessment is incorrect. IC § 6-8.1-5-1(c); Lafayette Square Amoco, Inc. v. Indiana

Dep't of State Revenue, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007); Indiana Dept. of State Revenue v. Rent-A-Center East, Inc., 963 N.E.2d 463,466 (Ind. 2012). Thus, the taxpayer is required to provide documentation explaining and supporting its challenge that the Department's assessment 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); see also Wendt LLP v. Indiana Dep't of State Revenue, 977 N.E.2d 480, 486 n.9 (Ind. Tax Ct. 2012). When an agency is charged with enforcing a statute, the jurisprudence defers to the agency's reasonable interpretation of that statute "over an equally reasonable interpretation by another party." Indiana Dep't of State Rev. v. Caterpillar, Inc., 15 N.E.3d 579, 583 (Ind. 2014).

Indiana imposes a tax on the "adjusted gross income of every resident person." IC § 6-3-2-1(a). Indiana law provides for a credit to Indiana residents for tax paid to other states. IC § 6-3-3-3(a) states:

Whenever a resident person has become liable for tax to another state upon all or any part of his income for a taxable year derived from sources without this state and subject to taxation under [IC 6-3-2](#), the amount of tax paid by him to the other state shall be credited against the amount of the tax payable by him. **Such credit shall be allowed upon the production to the department of satisfactory evidence of the fact of such payment**, except that such application for credit shall not operate to reduce the tax payable under [IC 6-3-2](#) to an amount less than would have been payable were the income from the other state ignored.

**(Emphasis added).**

The issue in this case is whether LLP's letter was "satisfactory evidence" to support the credits claimed on Taxpayer's Indiana returns. LLP's letter lists each state, city and foreign country in which Taxpayer had apportioned income, the amount of that income and the taxes paid. Taxpayer uses LLP's letter to prepare his Indiana individual income tax returns. For the purposes of the protest, the Department requested and Taxpayer provided copies of his personal income tax returns for various states for the tax years at issue. The Department was able to trace the income apportioned and tax paid as reported on the returns to LLP's letters and Taxpayer's Indiana returns. Therefore, LLP's letter is "satisfactory evidence" to support the credits claimed.

#### FINDING

Taxpayer's protest is sustained.

*Posted: 08/31/2016 by Legislative Services Agency*  
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