

**Letter of Findings: 01-20160230  
Indiana 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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. 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**

Individuals did not owe additional Indiana income tax because they did not have unreported income.

**ISSUE**

**I. Individual Income Tax - Additional Income.**

**Authority:** I.R.C. § 61; I.R.C. § 62; IC § 6-3-1-3.5; IC § 6-3-2-1; IC § 6-8.1-5-1; Lafayette Square Amoco, Inc. v. Ind. Dep't of State Revenue, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007).

Taxpayers protest the imposition of Indiana adjusted gross income tax with respect to an increase to their federal adjusted gross income.

**STATEMENT OF FACTS**

Taxpayers are married individuals residing in Indiana. Taxpayers filed Indiana and federal income tax returns for tax year 2012, reporting identical adjusted gross income amounts. The Internal Revenue Service subsequently determined that Taxpayers had underreported their income and adjusted Taxpayers' 2012 federal adjusted gross income. The resulting change in federal adjusted gross income resulted in Taxpayers' Indiana adjusted gross income being redetermined to reflect the revised federal adjusted gross income. The Indiana Department of Revenue ("Department") assessed Taxpayers additional tax for 2012, which Taxpayers protested. An administrative hearing was held. This Letter of Findings results and addresses Taxpayers' protest of the proposed assessment for the tax year 2012. Additional facts will be provided as necessary.

**I. Individual Income Tax - Additional Income.**

**DISCUSSION**

Taxpayers protest the imposition of additional individual income tax for 2012. The issue is whether Taxpayers' Indiana adjusted gross income was properly determined.

As a threshold issue, all tax assessments are prima facie evidence that the Department's claim for the unpaid 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. Ind. Dep't of State Revenue, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007).

The Department determined that Taxpayers had underreported their income and made assessments of additional income tax. The assessments were made based upon the authority contained within IC § 6-8.1-5-1(b), which states, "If the department reasonably believes that a person has not reported the proper amount of tax due, the department shall make a proposed assessment of the amount of the unpaid tax on the basis of the best information available to the department."

Adjusted gross income tax is imposed on an individual's adjusted gross income under IC § 6-3-2-1. Pursuant to IC § 6-3-1-3.5, "Adjusted gross income" shall mean an individual's "adjusted gross income" as defined in Section 62 of the Internal Revenue Code with certain enumerated modifications. I.R.C. § 62 defines an individual's "adjusted gross income" as gross income minus certain enumerated deductions. I.R.C. § 61 defines "gross income" as all income from whatever source derived.

The Department adjusted Taxpayers' Indiana adjusted gross income based on information received from the Internal Revenue Service showing that Taxpayers' 2012 federal adjusted gross income had been underreported. Taxpayers opposed the increase in their federal adjusted gross income in the United States Tax Court, and the court determined that there was no deficiency in federal income tax due from Taxpayers, and that they did not have unreported income. At the hearing, Taxpayer provided their 2012 federal income tax return transcript reflecting their adjusted gross income as originally reported on both their federal and Indiana income tax returns. Based upon the Internal Revenue Service's review and adjustments, Taxpayers have provided sufficient legal and factual grounds to prove that the Department's proposed assessment was incorrect.

### **FINDING**

Taxpayers' protest is sustained.

*Posted: 09/28/2016 by Legislative Services Agency*

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