

**Letter of Findings: 01-20181596
Individual Income Tax
For the Year 2015**

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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Indiana Individuals failed to meet their statutory requirement of establishing that the Department erred in modifying their reported originally reported 2015 Indiana adjusted gross income to comport with the federal adjusted gross income as required by Indiana law.

ISSUE

I. Individual Income Tax - Federal Adjustment.

Authority: IC § 6-3-1-3.5(a); IC § 6-3-2-1(a); IC § 6-3-2-2(a); IC § 6-8.1-5-1(c); I.R.C. § 62; *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480 (Ind. Tax Ct. 2012); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 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 Dep't of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007).

Taxpayers argue that the Indiana Department of Revenue erred when it assessed Taxpayers additional Indiana income tax based upon an adjustment to their reported federal adjusted gross income.

STATEMENT OF FACTS

Taxpayers are individuals who filed a joint 2015 Indiana income tax return. On that return, Taxpayers reported receiving approximately \$19,000 in federally adjusted gross income. The Indiana Department of Revenue ("Department") received the return and, after reviewing the return, adjusted the income amount to approximately \$20,000. The Department's adjustment was based on information available from Taxpayers' federal 2015 return. The Department sent Taxpayers a June 2018 letter explaining the adjustment.

The assessment being protested is the result of a discrepancy between your Federal Adjusted Gross Income . . . amount compared to the amount indicated on line 1 of your Indiana state return. If you were a full year resident of Indiana, the Federal Adjusted Gross Income amount must match the amount of line 1 of your Indiana state return.

The adjustment resulted in a proposed assessment of additional Indiana income tax. Taxpayers disagreed with the additional assessment and submitted a protest to that effect. On their protest submission form, Taxpayers asked for a "[f]inal determination without a hearing." Respecting their request, the Department reviewed the available documentation along with the Taxpayers' protest letter. This Letter of Findings results.

I. Individual Income Tax - Federal Adjustment.

DISCUSSION

Taxpayers argue that the federal adjusted gross income reported on their original 2015 return (\$19,000) was correct and that the Department erred in adjusting that amount to \$20,000. As a result, Taxpayers concluded that the resulting assessment of additional tax - approximately \$50 - is unjustified.

As a threshold issue, it is the Taxpayers' responsibility to establish that the \$50 tax assessment is incorrect. As stated in IC § 6-8.1-5-1(c), "The notice of proposed assessment is prima facie evidence that the department's claim for the unpaid tax is valid. The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made." *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 Dep't of State Revenue*, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007).

Thus, any taxpayer challenging an assessment is required to provide documentation explaining and supporting his or her 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).

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 file their federal income tax returns as required pursuant to the Internal Revenue Code. In computing what is considered the taxpayers' Indiana income tax, IC § 6-3-1-3.5(a) refers to the Internal Revenue Code. IC § 6-3-1-3.5(a) states that - with certain modifications specific to Indiana law - I.R.C. § 62 defines "adjusted gross income" for Indiana taxpayers.

In this case, the Department modified the adjusted gross income reported on their 2015 Indiana return (\$19,000) to comport with the amount calculated on their federal return (\$20,000). In response to their initial protest, the Department requested Taxpayers to provide documentation - such as a "federal account transcript" - supporting their argument but none was received. Taxpayers have provided no information establishing that the adjustment made to comport with I.R.C. § 62 was incorrect and have failed to meet the statutory requirement - common to any Indiana assessment - that the \$50 assessment of additional Indiana income tax was "wrong." IC § 6-8.1-5-1(c).

FINDING

Taxpayers' protest is respectfully denied.

August 10, 2018

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