

Memorandum of Decision: 01-20181154
Individual Income Tax
For the Year 2015

NOTICE: IC § 4-22-7-7 permits the publication of this document in the Indiana Register. The publication of this document provides the general public with information about the Indiana Department of Revenue's official position concerning a specific set of facts and issues. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Memorandum of Decision.

HOLDING

Despite their continued ownership of their former Indiana home, the Department agreed that Individuals presented "substantial contrary evidence" establishing that they abandoned their former Indiana domicile and established a domicile in New York. Among other factors considered by the Department, Individuals presented documentation verifying that they purchased a home in New York, sent their children to a New York school, and spent less than 183 days in Indiana during 2015.

ISSUE

I. Individual Income Tax - Residency.

Authority: IC § 6-1.1-12-37(a)(2); IC § 6-1.1-12-37(e); IC § 6-1.1-12-37(f); IC § 6-3-1-3.5(a); IC § 6-3-1-12; IC § 6-3-1-12(b); IC § 6-3-1-13; IC § 6-3-2-1(a); IC § 6-3-2-2(a); IC § 6-8.1-5-1(c); *Lafayette Square Amoco, Inc. v. Indiana Dep't of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Miller Brewing Co. v. Indiana Dep't of State Revenue*, 903 N.E.2d 64 (Ind. 2009); *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480 (Ind. Tax Ct. 2012); *Croop v. Walton*, 157 N.E. 275 (Ind. 1927); *State Election Bd. v. Bayh*, 521 N.E.2d 1313 (Ind. 1988); [45 IAC 3.1-1-21](#); [45 IAC 3.1-1-22](#); [45 IAC 3.1-1-22.5](#); [45 IAC 3.1-1-22.5\(c\)\(5\)](#); [45 IAC 3.1-1-23](#); [50 IAC 24-2-5](#).

Taxpayers argue that the Indiana Department of Revenue erred when it determined that they were full-year residents of Indiana during 2015.

STATEMENT OF FACTS

Taxpayers are individuals who lived in and continue to own a home in Indiana. Taxpayers also own a home in New York. Taxpayers filed a 2015 Indiana income tax returns as "*part-year*" residents of Indiana. In that return, Taxpayers sought a refund of individual income tax. The Indiana Department of Revenue ("Department") reviewed the return, determined that Taxpayers were *full-year* residents of this state, and sent Taxpayers a letter dated January 2018 denying a portion of their requested refund. In that letter, the Department explained:

We have reviewed your claim for a refund but must reduce the amount to []. This is because your residency has been changed to Indiana.

Taxpayers disagreed with the Department's decision and submitted a protest to that effect. An administrative hearing was conducted during which Taxpayers' representatives explained the basis for their protest. This Memorandum of Decision results.

I. Individual Income Tax - Residency.

DISCUSSION

The issue is whether Taxpayers have met their burden of establishing that they "abandoned" their Indiana residency and established a residency in New York.

In this instance, Taxpayers' protest stems from the Department's assessment of additional individual income tax and the Department's decision denying them a portion of their requested refund. As a threshold issue, all such 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. 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). "[E]ach assessment and each tax year stands alone." *Miller Brewing Co. v. Indiana Dep't of State Revenue*, 903 N.E.2d 64, 69 (Ind. 2009). 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); *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 "upon 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. Thus, to efficiently and effectively compute what is considered the taxpayers' 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 taxpayers' taxable income and to calculate what would be their Indiana income tax after applying certain additions and subtractions to that starting point.

For Indiana income tax purposes, 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" IC § 6-3-1-12; see also [45 IAC 3.1-1-21](#). Nonresident is "any person who is not a resident of Indiana." IC § 6-3-1-13.

[45 IAC 3.1-1-23](#) explains further how "residency" affects a taxpayer's income tax liability, in relevant part, as follows:

(2) Taxpayer Moving from Indiana

Any person who, on or before the last day of the taxable year, changes his residence or domicile from Indiana to a place without Indiana, with the intent of abiding permanently without Indiana, is subject to adjusted gross income tax on all taxable income earned while an Indiana resident. Indiana will not tax income of a taxpayer who moves from Indiana and becomes an actual domiciliary of another state or country except that income received from Indiana sources will continue to be taxable.

. . .

(4) Part-Time Resident Individuals

Persons residing in Indiana but living part of the year in other states or countries will be deemed residents of Indiana unless it can be shown that the abode in the other state or country is of a permanent nature. Domicile is not changed by removal therefrom for a definite period or for a particular purpose. A domicile, once obtained, continues until a new one is acquired

Recently, the Department revised the Adjusted Gross Income Tax regulations. Some of the revisions intended to clarify the definition of a person's domicile for Indiana income tax purposes and afford more considerations in determining a person's domicile. This Decision thus applies the new regulations accordingly.

[45 IAC 3.1-1-22](#) (2017) states as follows:

(a) "Domicile" means a person's domicile is the state or other place in which a person intends to reside permanently or indefinitely and to return to whenever he or she leaves the place. **A person has only one (1) domicile at a given time even though that person may be statutorily a resident of more than one (1) state.** A person is domiciled in Indiana if he or she intends to reside in Indiana permanently or indefinitely and to return to Indiana whenever he or she leaves the state.

(b) A person is domiciled in a state or other place until such time as he or she voluntarily takes affirmative action to become domiciled in another place. **Once a person is domiciled in Indiana, that status is retained until such time as he or she voluntarily takes positive action to become domiciled in another state or country and abandons the Indiana domicile by relinquishing the rights and privileges of residency in Indiana.**

(c) 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 permanent place of residence at that place. **The intent to change one's domicile must be present and fixed and not dependent upon the happening of some future or contingent event. 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.

(d) There is no one (1) set of standards that will accurately indicate the person's intent in every relocation. The determination must be made on the totality of facts, supported by objective evidence, in each individual case.

(Emphasis added).

[45 IAC 3.1-1-22.5](#) (2017) further outlines the factors in determining a person's domicile, as follows:

- (a) The department may require documentation from a person to evaluate domicile.
- (b) The one hundred eighty-three (183) day and permanent place of residence threshold in IC [§] 6-3-1-12(b) and [\[45 IAC 3.1-1-21\]](#) is not a test for domicile.
- (c) **A person is presumed not to have abandoned their state of domicile and established a new state or other place of domicile in a given year if, during that year, the person maintained a permanent place of residence (whether as an owner, renter, or other occupier of the residence) in that state and the person did more than one (1) of the following:**
 - (1) Claimed a homestead credit or exemption or a military tax exemption on a home in that state.
 - (2) Voted in that state.
 - (3) Occupied a permanent place of residence in that state or other place of domicile for more days of the taxable year than in any other single state.
 - (4) Claimed a benefit on the federal income tax return based upon that state being the principal place of residence.
 - (5) Had a place of employment or business in that state.

A person may rebut this presumption through the presentation of substantial contrary evidence.

- (d) If a person's domicile is not resolved by subsection (c), the department may consider additional relevant factors to determine the person's state or other place of domicile, including the state or other place where the person:
- (1) maintained a driver's license or government issued identification card;
 - (2) was registered to vote;
 - (3) registered a vehicle;
 - (4) claimed as dependents immediate family members who relied, in whole or in part, on the taxpayer for their support;
 - (5) assigned or maintained a mailing address;
 - (6) maintained bank accounts;
 - (7) maintained active membership in a religious, social, cultural or professional organization;
 - (8) received professional services; and
 - (9) kept valuables or family heirlooms.

This list of additional, relevant factors is not exclusive.

(Emphasis added).

Thus, a new domicile is not necessarily created when an individual moves to a place outside of Indiana. Instead, the individual must move to the new location and have an intent to remain there indefinitely.

In *Croop v. Walton*, 157 N.E. 275 (Ind. 1927), a taxpayer, Mr. Walton, 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. Mr. Walton 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, Mr. Walton 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.**

Id. (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.**

Id. (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."**

A person who leaves his places of residence temporarily, but with the intention of returning, has not lost his original residence

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 1317-18 (**Emphasis added**).

Taxpayers freely admit that they lived in and still own an Indiana home. Taxpayers also admit that they claimed the 2015 Homestead Credit on that Indiana home. However, Taxpayers argue that the facts, circumstances, and the documentation provided the Department establish that Taxpayers took positive action to abandon their Indiana domicile and establish a New York residency.

Indiana law defines "[h]omestead" as "an individual's principal place of residence . . . that is located in Indiana" and that "the individual owns" IC § 6-1.1-12-37(a)(2). "Principal place of residence" means an individual's true, fixed, permanent home to which the individual has the intention of returning after an absence." [50 IAC 24-2-5](#). A taxpayer is entitled to claim a deduction, known as homestead deduction (or exemption), against taxes imposed on his or her homestead property pursuant to IC § 6-1.1-12-37(e). When the taxpayer is no longer qualified for the homestead deduction (or exemption), the taxpayer must notify the auditor of the county where the homestead is located within sixty days after the date of that change. IC § 6-1.1-12-37(f).

At the outset, Taxpayers stated that they can establish that they did not spend more than 183 days in Indiana during 2015. To that end, Taxpayers provided a copy of their travel calendar and flight logs. IC § 6-3-1-12(b).

Taxpayers submitted copies of their 2015 New York state and New York City income tax returns. The returns were filed as "residents" of both New York State and New York City listing their current New York address.

Taxpayers provided a copy of an apartment lease agreement dated 2014. Taxpayers state that they temporarily lived in the New York apartment until deciding to purchase a New York home.

Taxpayers provided a copy of the "closing statement" documenting the purchase of their New York condominium. That statement is dated April 2015.

Taxpayers provided a copy of their New York state voters' registration.

Taxpayers provided a copy of their last will and testament along with their current health care proxies all of which were prepared and notarized in New York. The documents list Taxpayers' New York address.

Taxpayers provided documentation verifying their membership in New York social organizations along with documentation establishing that they changed their Indiana social club membership status from "resident" to "nonresident."

Taxpayers provided documentation establishing that husband was elected to the homeowners' board of directors of their New York condominium building.

Taxpayers provided documentation confirming that Taxpayers' children attended a New York school during the 2014 and 2015 school terms.

Taxpayers address their continued ownership of their Indiana home and the fact that they claimed the Homestead Credit on the home during 2015. Taxpayers stated that they chose to retain the home for occasions when friends and family use the home and for occasions when they visit Indiana. Taxpayers further explain that they retained the Indiana mailing address in order to assure that correspondence dealing with financial matters is received and promptly addressed by their Indiana representatives. As to the 2015 Homestead Credit, Taxpayers provided documentation establishing that they intended to revoke the 2015 credit and to address any tax consequences of that revocation.

Given the totality of the circumstances, the Department is prepared to agree that for the year 2015, Taxpayers have met their burden of establishing that they were not Indiana residents during 2015 and have established a New York residency prior to 2015. The proposed assessment should be set aside because Taxpayers presented "substantial contrary evidence" contradicting the Department's determination that they were Indiana residents during the year at issue. [45 IAC 3.1-1-22.5\(c\)\(5\)](#).

FINDING

Taxpayers' protest is sustained.

October 10, 2018

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