

Letter of Findings: 01-20181585
Individual Income Tax
For the Tax 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 This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 failed to provide documentation supporting her position that the Department's proposed assessment of additional Indiana individual income tax was incorrect for the year at issue.

ISSUE

I. Income Tax-Burden of Proof Assessment Incorrect.

Authority: IC § 6-8.1-5-1; IC § 6-3-2-2; IC § 6-3-2-1; IC § 6-3-1-3.5; *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); *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).

Taxpayer protests the imposition of Indiana individual income tax for tax year 2015.

STATEMENT OF FACTS

Taxpayer filed her 2015 Indiana tax return on February 16, 2016. On her return, Taxpayer claimed a refund due of approximately \$400. That refund was issued to Taxpayer in March of 2016. In May of 2018, based on information from the Internal Revenue Service (IRS), the Indiana Department of Revenue ("Department") adjusted Taxpayer's 2015 return which resulted in a decrease in Taxpayer's refund. The Department issued Taxpayer a proposed assessment for the amount of the decrease, plus penalty and interest. Taxpayer protested the assessment and waived her right to a hearing. Thus, this Letter of Findings is based on the information available to the Department and provided in Taxpayer's protest file. Additional facts will be provided as necessary.

I. Income Tax-Burden of Proof Assessment Incorrect.

DISCUSSION

Due to an adjustment to Taxpayer's 2015 Federal income tax return, the Department adjusted Taxpayer's Indiana 2015 tax return, resulting in a decrease in the refund due to the Taxpayer. The Department assessed Taxpayer for the amount of the decrease plus penalty and interest. Taxpayer protested the assessment but waived her right to a hearing.

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. 2011); *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. 2011).

Indiana imposes an adjusted gross income tax on all residents. IC § 6-3-2-1(a). A taxpayer's Indiana income is determined by starting with the federal adjusted gross income and making certain adjustments. IC § 6-3-1-3.5(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.

In May of 2018 the Department adjusted Taxpayer's 2015 Indiana income tax return based on information it received from the IRS. The Department then issued Taxpayer a proposed assessment as a result of the adjustment. Taxpayer protested the assessment and provided copies of her 2015 Federal and Indiana individual income tax returns. Taxpayer also submitted a "Protest Submission Form" in which she opted to forgo an administrative hearing. In her protest letter, Taxpayer pointed out that in her original returns, her federal adjusted gross income matched the amount reported on line one of her Indiana return. She also noted that she claimed two exemptions.

The Department reviewed Taxpayer's protest and in a letter to Taxpayer dated July 13, 2018, informed Taxpayer that the assessment "is the result of a discrepancy between the amount of Exemptions and/or the amount of Dependents reported on your federal return in comparison to the amount reported on your Indiana state return." The letter went on to state that if Taxpayer disagrees with the adjustment, she should provide a copy of her 2015 Federal Record of Account to the Department by August 14, 2018. The Department's letter also provided two means through which Taxpayer could obtain her Federal Record of Account. Taxpayer has failed to provide this documentation.

As stated above, it is the Taxpayer's burden to prove that the Department's assessment is incorrect. In doing so, the Taxpayer is required to provide documentation to support her position. Without Taxpayer's Federal Record of Account, the Department cannot begin to determine whether or not Taxpayer's original return was correct, as argued by Taxpayer. Thus, Taxpayer has failed to meet her burden under IC § 6-8.1-5-1(c). Taxpayer's protest is denied.

FINDING

Taxpayer's protest is denied.

November 26, 2018

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