

**Letter of Findings: 01-20181592
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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 the amount of credits attributable to their schedule three exemptions to comport with the amount of credits claimed on their federal income tax return.

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 the amount of credits claimed on their Indiana return.

STATEMENT OF FACTS

Taxpayers are individuals who filed a joint 2015 Indiana income tax return. On that return, Taxpayers claimed \$7,000 in schedule three exemption credits. The Indiana Department of Revenue ("Department") received the return and, after reviewing the return, adjusted the amount attributable to the exemptions to \$4,500. The Department's adjustment was based on information provided on Taxpayers' federal 2015 return. The adjustment resulted in a proposed assessment of additional Indiana income tax.

Taxpayers disagreed with the assessment and submitted a protest to that effect. The Department responded in a letter dated July 2018. In that letter, the Department explained:

The assessment being protested 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.

In that letter, the Department requested that Taxpayers provide a "Federal Record of Account" as a means of reconciling the apparent discrepancy. Taxpayers did not provide the requested form.

Because, in their originally submitted protest, Taxpayers sought a "[f]inal determination without a hearing," this Letter of Findings was prepared based on the Department's information and the information Taxpayers provided with their protest.

I. Individual Income Tax - Federal Adjustment.

DISCUSSION

Taxpayers argue that the amount of credits claimed on their original 2015 return (\$7,000) was correct and that the Department erred in adjusting that amount to \$4,500. As a result, Taxpayers concluded that the resulting assessment of additional tax - approximately \$60 - is unjustified.

As a threshold issue, it is the Taxpayers' responsibility to establish that the \$60 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 schedule three credits reported on their 2015 Indiana return (\$7000) to comport with the amount calculated on their federal return (\$4,500). In response to their initial protest, the Department requested Taxpayers provide documentation - such as a "Federal Record of Account" - 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 \$60 assessment of additional Indiana income tax was "wrong." IC § 6-8.1-5-1(c).

FINDING

Taxpayers' protest is respectfully denied.

February 15, 2019

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