

**Letter of Findings: 01-20182265
Indiana 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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 were responsible for additional Indiana income tax for the 2015 tax year because, after a cross-reference examination with the federal information, the information reflected that Individuals had a higher adjusted gross income.

ISSUE

I. Indiana Individual Income Tax - Federal Adjustment.

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

Taxpayers protest the Department's assessment of individual income tax for 2015.

STATEMENT OF FACTS

Taxpayers (Husband and Wife) are Indiana residents who filed their 2015 Indiana Full-Year Resident Individual Income Tax Return (IT-40 Form) in 2016. The Indiana Department of Revenue ("Department") cross-referenced information in its records with the federal information maintained by the Internal Revenue Service ("IRS"). The Department determined that, for the 2015 tax year, Taxpayers received an additional \$23,455 in federal adjusted gross income than what was reported in their 2015 return, IT-40 Form. The Department concluded that Taxpayers owed additional Indiana and county income tax and, as a result, assessed Taxpayers additional income tax, penalty, and interest.

Taxpayers timely protested the assessment. Taxpayers requested that the Department make the determination without an administrative hearing. This Letter of Findings ensues and addresses Taxpayers' protest of the proposed assessment. Additional facts will be provided as necessary.

I. Indiana Individual Income Tax - Federal Adjustment.

DISCUSSION

Pursuant to the cross-reference of the federal information, the Department determined that Taxpayers received an additional \$23,455 in federal adjusted gross income than what was reported on their 2015 return. As a result, the Department assessed Taxpayers additional income tax, penalty, and interest. Taxpayers disagreed, arguing that "[a]fter a review from the IRS[,] this unreported income was reduced to \$4,278.00."

The issue thus is whether Taxpayers demonstrated that they correctly filed their Indiana return reporting their adjusted gross income subject to Indiana and local income tax.

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. 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 their 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 "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). To efficiently and effectively compute what is considered the resident/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 his or her Indiana income tax after applying certain additions and subtractions to that starting point, with modifications thereafter.

In this instance, the Department found that Taxpayers received an additional \$23,455 in federal adjusted gross income than what was reported in their return. The Department thus adjusted Taxpayers' federal adjusted gross income to comport with the Department's record.

Taxpayers, to the contrary, asserted that "After a review from the IRS[,] this unreported income was reduced to \$4,278.00." Taxpayers offered copies of the IRS notices, including Form CP2000 (issued in March 2018) and Form CP3219A (issued in November 2017) to support their assertion that their unreported income was reduced to \$4,278.

On November 7, 2018, the Department sent Taxpayers a letter requesting that Taxpayers provide their 2015 *Federal Record of Account Transcript*. (*Emphasis added*). That letter further provided Taxpayers the IRS contact information to obtain that document. Taxpayers however did not provide the requested supporting documentation, including a verifiable copy of their Record of Account from the IRS, to support their protest. Thus, *in the absence of verifiable supporting document to substantiate that Taxpayers correctly reported their federal adjusted gross income* or as Taxpayers stated that their "unreported income was reduced to \$4,278.00," the Department is not able to agree that Taxpayers met their burden of demonstrating that the assessment was wrong.

In short, given the totality of the circumstances, Taxpayers received additional income subject to Indiana and local income tax.

FINDING

Taxpayers' protest is respectfully denied.

May 24, 2019

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