

Memorandum of Decision: 01-201914114R
Individual Income Tax
For the Tax Year 2017

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

Individual provided verifying documentation regarding her dependent claim and was therefore entitled to refund.

ISSUE

I. Tax Administration - Exemption.

Authority: IC § 6-3-1-3.5; I.R.C. § 151; *Larsen v. Indiana Dep't of State Revenue*, 80 N.E.3d 289 (Ind. Tax Ct. 2017).

Taxpayer protests the denial of her refund claim.

STATEMENT OF FACTS

Taxpayer is an Indiana resident. The Indiana Department of Revenue ("Department") denied Taxpayer's claim for refund because she failed to verify her claim for a dependent exemption in Indiana. Taxpayer protests the denial and this Memorandum of Decision results. Additional facts will be provided as necessary.

I. Tax Administration - Exemption.

DISCUSSION

Taxpayer has two dependent children. As provided in the divorce, every other year Taxpayer claims her youngest child as a dependent deduction. She did not claim her youngest child for tax year 2017, because she thought the child's father would claim him. However, she confused the years and intended to claim her child in Indiana for the 2017 tax year.

I.R.C. §151 in relevant provides:

- (a) Allowance of deductions.--In the case of an individual, the exemptions provided by this section shall be allowed as deductions in computing taxable income.
- (b) Taxpayer and spouse.--An exemption of the exemption amount for the taxpayer; and an additional exemption of the exemption amount for the spouse of the taxpayer if a joint return is not made by the taxpayer and his spouse, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.
- (c) Additional exemption for dependents.--An exemption of the exemption amount for each individual who is a dependent (as defined in section 152) of the taxpayer for the taxable year.

IC § 6-3-1-3.5 in relevant part provides:

- (a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:
 - (1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.
 - (2) Except as provided in subsection (c), add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

- (3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).
- (4) Subtract one thousand dollars (\$1,000) for:
 - (A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;
 - (B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and
 - (C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.
- (5) Subtract:
 - (A) one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code (as effective January 1, 2004);
 - (B) for taxable years beginning after December 31, 2017, one thousand five hundred dollars (\$1,500) for each exemption allowed under Section 151(c) of the Internal Revenue Code for an individual:
 - (i) who is less than nineteen (19) years of age or is a full-time student who is less than twenty-four (24) years of age;
 - (ii) for whom the taxpayer is the legal guardian; and
 - (iii) for whom the taxpayer does not claim an exemption under clause (A); and
 - (C) five hundred dollars (\$500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars (\$40,000).

IC § 6-3-1-3.5 and I.R.C. §151 allow for taxpayers to claim a dependent deduction. Moreover, "IC § 6-3-1-3.5 simply states that the Indiana dependency deduction is available for each federal dependency exemption 'allowed' under the Internal Revenue Code." *Larsen v. Indiana Dep't of State Revenue*, 80 N.E.3d 289, 292 (Ind. Tax Ct. 2017). Taxpayer provided her Federal Tax Return and her Schedule 3. With that documentation the Department was able to verify that Taxpayer successfully claimed her youngest child for a dependent deduction from on her Federal 2017 return. Because Taxpayer successfully claimed her on her Federal filing the Department will allow for the dependent deduction in Indiana for 2017.

FINDING

Taxpayer's refund claim is sustained.

January 31, 2020

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