

Letter of Findings: 04-20191342
Sales and Use Tax
For the Year 2016

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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Individual's evidence did not show that the Department's assessment was incorrect. Taxpayer did however show that his actions were not negligent and therefore the penalty is waived.

ISSUES

I. Sales & Use Tax - Doubtful Purchase.

Authority: IC § 6-2.5-2-1; IC § 6-2.5-3-2; 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); *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 assessment of tax.

II. Tax Administration - Negligence Penalty.

Authority: IC § 6-8.1-10-2.1; [45 IAC 15-11-2](#).

Taxpayer protests the imposition of the ten percent negligence penalty.

STATEMENT OF FACTS

Taxpayer is an individual residing in Indiana. In 2016 Taxpayer helped to purchase a new Recreational Vehicle ("RV") for his daughter. As a part of the transaction, his daughter and son-in-law sold a 2014 RV to Taxpayer for the amount of \$1. The Indiana Department of Revenue ("Department") assessed Indiana use tax on the 2014 RV pursuant to a "Doubtful Purchase" investigation. That investigation determined the actual value of the 2014 RV to be \$14,500. This is the sale price upon which additional use tax was imposed. Taxpayer timely protested the assessment of use tax and provided additional documentation to support his protest. Taxpayer waived his right to protest and this Letter of Findings ensues. Additional facts will be provided as necessary.

I. Sales & Use Tax - Doubtful Purchase.

DISCUSSION

The Department assessed Taxpayer use tax on his purchase of an RV. 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). 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 sales tax on retail transactions and a complementary use tax on tangible personal property that is stored, used, or consumed in the state. IC § 6-2.5-2-1; IC § 6-2.5-3-2. In addition, IC § 6-2.5-3-2 states:

(a) An excise tax, known as the use tax, is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction, regardless of the location of that transaction or of the retail merchant making that transaction.

(b) The use tax is also imposed on the storage, use, or consumption of a vehicle, an aircraft, or a watercraft, if the vehicle, aircraft, or watercraft:

- (1) is acquired in a transaction that is an isolated or occasional sale; and
- (2) is required to be titled, licensed, or registered by this state for use in Indiana.

In this instance, Taxpayer wanted to help his daughter trade in her 2014 RV and purchase a new RV. The financing was in Taxpayer's name. In order to complete the transaction, the 2014 RV also had to be in Taxpayer's name as it was used as a trade-in on the new RV. Daughter sold her RV to Taxpayer for \$1, and Taxpayer did not pay sales tax at the time of purchase. The Department assessed use tax on the transaction between Taxpayer and Daughter, and Taxpayer protested.

The Department, however, must disagree that no tax is due. The Department based its information on information provided by the Indiana Bureau of Motor Vehicles. According to IC § 6-2.5-3-2 use tax is due on the occasional sale of an RV. Taxpayer has provided no documentation to show that the transaction is exempt from use tax. Therefore Taxpayer has not met the burden as prescribed in IC § 6-8.1-5-1(c) and has not proven the assessment incorrect.

FINDING

Taxpayer's protest is denied.

II. Tax Administration - Negligence Penalty.

DISCUSSION

Taxpayer also protests the imposition of the negligence penalty. Pursuant to IC § 6-8.1-10-2.1(a), the Department may assess a ten (10) percent negligence penalty if the taxpayer:

- (1) fails to file a return for any of the listed taxes;
- (2) fails to pay the full amount of tax shown on the person's return on or before the due date for the return or payment;
- (3) incurs, upon examination by the department, a deficiency that is due to negligence;
- (4) fails to timely remit any tax held in trust for the state; or
- (5) is required to make a payment by electronic funds transfer (as defined in [IC 4-8.1-2-7](#)), overnight courier, or personal delivery and the payment is not received by the department by the due date in funds acceptable to the department.

[45 IAC 15-11-2](#)(b) further states:

"Negligence" on behalf of a taxpayer is defined as the failure to use such reasonable care, caution, or diligence as would be expected of an ordinary reasonable taxpayer. Negligence would result from a taxpayer's carelessness, thoughtlessness, disregard or inattention to duties placed upon the taxpayer by the Indiana Code or department regulations. Ignorance of the listed tax laws, rules and/or regulations is treated as negligence. Further, failure to read and follow instructions provided by the department is treated as negligence. Negligence shall be determined on a case by case basis according to the facts and circumstances of each taxpayer.

The Department may waive a negligence penalty as provided in [45 IAC 15-11-2](#)(c), in part, as follows:

The department shall waive the negligence penalty imposed under [IC 6-8.1-10-1](#) if the taxpayer affirmatively establishes that the failure to file a return, pay the full amount of tax due, timely remit tax held in trust, or pay a deficiency was due to reasonable cause and not due to negligence. In order to establish reasonable cause, the taxpayer must demonstrate that it exercised ordinary business care and prudence in carrying out or failing to carry out a duty giving rise to the penalty imposed under this section. Factors which may be considered in determining reasonable cause include, but are not limited to:

- (1) the nature of the tax involved;
- (2) judicial precedents set by Indiana courts;

- (3) judicial precedents established in jurisdictions outside Indiana;
- (4) published department instructions, information bulletins, letters of findings, rulings, letters of advice, etc.;
- (5) previous audits or letters of findings concerning the issue and taxpayer involved in the penalty assessment.

Reasonable cause is a fact sensitive question and thus will be dealt with according to the particular facts and circumstances of each case.

Taxpayer has provided sufficient documentation establishing that his failure to pay tax or timely remit tax was due to reasonable cause and not due to negligence. The Department takes this opportunity to note that, now that Taxpayer is aware of the proper procedure in such circumstances, if this situation arises again, waive of penalty may not be warranted.

FINDING

Taxpayer's protest on the imposition of the negligence penalty is sustained.

SUMMARY

For the reasons discussed above, Taxpayer's protest of the assessment of use tax on his purchase of the older RV is denied. Taxpayer's protest of the imposition of the negligence penalty is sustained.

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