

Letter of Findings: 01-20191403
Individual Income Tax
For the Tax 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 This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Husband and Wife failed to provide documentation supporting their 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 Proving the 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).

Taxpayers protest the imposition of Indiana individual income tax for tax year 2016.

STATEMENT OF FACTS

Husband and Wife ("Taxpayers") filed their 2016 Indiana tax return in a timely manner. In September of 2019, based on information from the Internal Revenue Service (IRS), the Indiana Department of Revenue ("Department") adjusted Taxpayers' 2016 Indiana return which resulted in an assessment of Indiana income tax. The Department issued Taxpayers a proposed assessment for the amount of the tax, plus penalty and interest. Taxpayers protested the assessment, a hearing was held, and this decision results. Additional facts will be provided as necessary.

I. Income Tax—Burden of Proving the Assessment Incorrect.

DISCUSSION

Due to an adjustment to Taxpayers' 2016 Federal income tax return, the Department adjusted Taxpayers' Indiana 2016 tax return, resulting in additional income tax. Taxpayers protested the assessment and provided a pro forma return.

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.

Taxpayers timely filed both their Indiana and Federal income tax returns. When they filed their federal return they claimed two dependents that they should not have, and Taxpayers subsequently filed an amended federal tax return. In their amended return Taxpayers removed the two claimed dependents which caused their adjusted gross income to increase from \$26,000 to \$30,000. Taxpayers however did not file an amended Indiana return to reflect this change in Indiana adjusted gross income. In their protest, Taxpayers filed a pro forma return, but still continued to use the previous adjusted gross income of \$26,000.

Taxpayers also provided their Federal Account Transcript which shows that their adjusted gross income is \$30,000. Since Taxpayers never filed an Indiana return with the corrected adjusted gross income, the assessment is proper. Taxpayers did not provide any supporting evidence as to why their adjusted gross income should be different from their Federal tax return or Account Transcript. Taxpayers have failed to meet their burden under IC § 6-8.1-5-1(c). Taxpayers' protest is denied.

FINDING

Taxpayers' protest is denied.

April 10, 2020

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