

Letter of Findings: 01-20191486
Individual Income Tax
For 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 Indiana Department of Revenue'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 This document is effective as of its date of publication and remains in effect until the date it is superseded by the publication of another document in the Indiana Register.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 claimed two exemptions on his Indiana income tax return, but the IRS only allowed him one exemption. The Department correctly adjusted his Indiana return to align with Federal data. The protest is denied.

ISSUE

I. Individual Income Tax - Federal Exemption.

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); *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); *Indiana Dep't of State Rev. v. Caterpillar, Inc.*, 15 N.E.3d 579 (Ind. 2014); Income Tax Information Bulletin 117 (February 2019).

Taxpayer protests the imposition of Indiana income tax.

STATEMENT OF FACTS

Taxpayer filed his 2016 Indiana individual income tax return and reported two exemptions on his Schedule 3. The Indiana Department of Revenue ("Department") compared that return to data it obtained from the Internal Revenue Service ("IRS") and found a discrepancy. IRS data showed that Taxpayer only claimed one exemption on his federal income tax return. The Department therefore adjusted Taxpayer's Indiana return to align with IRS data. Taxpayer protested this adjustment and an administrative hearing was held. This Letter of Findings results. Additional facts will be provided as necessary.

I. Individual Income Tax - Federal Exemption.

DISCUSSION

Based on information available to the Department, Taxpayer was assessed Indiana individual income tax for tax year 2016. Taxpayer protested the assessment, asserting that the Department did not have a valid reason for assessing tax against him.

All tax assessments are prima facie evidence that the Department's claim for the 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); *see also Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480, 485 n.9 (Ind. Tax Ct. 2012). When an agency is charged with enforcing a statute, the jurisprudence defers to the agency's reasonable interpretation of that statute "over an equally reasonable interpretation by another party." *Indiana Dep't of State Rev. v. Caterpillar, Inc.*, 15 N.E.3d 579, 583 (Ind. 2014).

Indiana imposes a tax on the adjusted gross income of every Indiana resident. IC § 6-3-2-1(a). Indiana defines "adjusted gross income" by first incorporating the federal definition from IRC §62 and then making several adjustments to the figure. IC § 6-3-1-3.5. Among these modifications are personal exemptions and exemptions for

dependents. *Id.* Prior to 2018, Indiana law incorporated federal Form 1040 instructions for these exemptions. Income Tax Information Bulletin 117 (February 2019) [20190227-IR-045190132NRA](#).

After the hearing, Taxpayer provided his IRS Record of Account for the 2016 tax year. This shows that Taxpayer obtained one exemption at the federal level. Taxpayer provided no explanation as to why he would qualify for a second exemption in Indiana which he did not obtain at the federal level. Therefore, the Department correctly adjusted Taxpayer's 2016 income tax return to reflect IRS data. Taxpayer has not met the burden imposed under IC § 6-8.1-5-1(c) of proving the proposed assessment wrong.

FINDING

Taxpayer's protest is denied.

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