

**Letter of Findings: 01-20200241
Individual Income Tax
For the Tax Years 2018 and 2019**

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 This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Individual provided documentation supporting his position that the Department incorrectly adjusted his Federal Adjusted Gross Income for tax years 2018 and 2019.

ISSUE

I. Income Tax-Imposition.

Authority: IC § 6-8.1-5-1; IC § 6-8.1.9-1; IC § 6-3-2-1; IC § 6-3-2-2; 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).

Taxpayer protests the reduction of his 2018 and 2019 Indiana income tax refunds.

STATEMENT OF FACTS

Taxpayer filed his 2018 and 2019 Indiana income tax returns on a timely basis. For both tax years, the Indiana Department of Revenue ("Department") increased Taxpayer's Federal Adjusted Gross Income ("FAGI"), based on information from the Internal Revenue Service ("IRS"). These increases, in turn, reduced his 2018 claimed refund and created a tax liability for 2019. Taxpayer specifically protested the assessment of additional income tax that resulted for tax year 2019. An administrative hearing was held telephonically, and this Letter of Findings results. Additional facts will be provided as necessary.

I. Income Tax- Imposition.

DISCUSSION

Due to an adjustment to Taxpayer's 2019 FAGI, the Department adjusted Taxpayer's Indiana 2019 tax return, resulting a tax liability. Taxpayer protested the assessment stating that he disagreed with the increase in his FAGI.

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.

In May of 2020, the Department adjusted Taxpayer's 2019 Indiana income tax return based on information it received from the IRS. The adjustment resulted in additional tax. Taxpayer filed a protest generally stating that he did not understand what caused the increase and that his 2019 return, as originally filed, was correct. To support his statement, Taxpayer provided his 2019 Federal Tax Return Transcript which listed his 2019 FAGI as \$71,365; the same amount Taxpayer reported on his Indiana Tax Return. Therefore, the Department will adjust Taxpayer's 2019 return to reflect the originally reported FAGI and will issue a refund for Taxpayer's originally claimed refund.

During the hearing process, Taxpayer noted that he believed the same fact pattern may have applied to his 2018 Indiana return as the refund he originally claimed on that return was reduced by the Department. Though Taxpayer did not protest the reduction when it occurred, he is still within the statutory period for claiming the additional refund under IC § 6-8.1.9-1. As such, Taxpayer provided the Department with his 2018 Federal Tax Return Transcript. The Department notes that Taxpayer's 2018 Transcript reflects a FAGI of \$72,929; the same amount that was reported in Taxpayer's original return. It is not clear why the Department increased Taxpayer's 2018 FAGI, but it is clear that Taxpayer is entitled to the refund he claimed on his original 2018 return. The Department will adjust Taxpayer's 2018 return to reflect the originally reported FAGI and will issue the remaining amount of Taxpayer's originally claimed refund.

Taxpayer has met his burden under IC § 6-8.1-5-1(c) for tax years 2018 and 2019. Taxpayer's protest is sustained.

FINDING

Taxpayer's protest is sustained.

July 28, 2020

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