

Letters of Findings Number: 04-20200190P
Sales Tax-Penalty
For the Tax Year 2019

NOTICE: IC § 6-8.1-3-3.5 and IC § 4-22-7-7 requires 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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Company provided sufficient documentation to waive the penalty assessed.

ISSUE

I. Tax Administration-Penalty.

Authority: IC § 6-8.1-10-5; IC § 6-8.1-10-2.1.

Taxpayer protests the imposition of the ten-percent penalty for remitting a dishonored payment.

STATEMENT OF FACTS

Taxpayer was assessed a ten-percent penalty for issuing a payment that was subsequently dishonored. The Indiana Department of Revenue ("Department") later issued a ten percent penalty for the electronic payment. Taxpayer protested the imposition of the penalty and interest on the payment. Additional facts will be supplied as necessary.

I. Tax Administration-Penalty.

DISCUSSION

Taxpayer protests the imposition of a penalty for issuing a subsequently dishonored payment. Taxpayer had implemented a new online payment structure in which payments to the Department were not "turned on." This resulted in faulty funds being sent as payment to the Department. Upon learning about the issue, Taxpayer resolved the matter.

Under IC § 6-8.1-10-5, a person who issues a check or other payment drafts upon which the Department is unable to obtain payment—in whole or in part—is subject to penalties based on the amount upon which the Department is unable to collect. IC § 6-8.1-10-5 (a) provides for a ten-percent penalty. Under IC § 6-8.1-10-5 (b), the Department is required to then give the person ten days in which to pay the tax and penalty, or the penalty increases to one hundred percent. However, the penalties can be waived upon a showing of reasonable cause. IC § 6-8.1-10-2.1.

Taxpayer explained that an error occurred when their new computer billing program was installed. Taxpayer has since corrected the payment and has fixed the billing error. A review of the Department's records shows that Taxpayer has an otherwise good record of fulfilling its tax duties. Taxpayer has provided sufficient information to establish reasonable cause for the dishonored payment, and thus the penalty is waived.

FINDING

Taxpayer's protest of penalty is sustained.

August 30, 2020

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