

LETTER OF FINDINGS: 01-20221094
Individual Indiana Income Tax
For the Year 2020

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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 was required to report her Indiana adjusted gross income to comport with the adjusted gross income indicated on Individual's federal return and to provide information justifying the originally claimed business income and losses. Based on the best federal and Department information available, the Department did not err in assessing Individual additional income tax to reflect the Individual's reported adjusted gross income.

ISSUE

I. Indiana Individual Income Tax - Addressing 2020 Income Tax Assessment.

Authority: IC § 6-3-1-3.5; IC § 6-3-2-1; IC § 6-8.1-5-1; *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Lafayette Square Amoco, Inc. v. Indiana Dep't of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); [45 IAC 15-5-1](#).

Taxpayer argues that the Department's assessment of additional 2020 income tax was wrong because Taxpayer correctly reported Taxpayer's Indiana adjusted gross income and was entitled to claim her business's expenses and losses.

STATEMENT OF FACTS

Taxpayer is an Indiana resident who filed a 2020 Indiana income tax return. The Indiana Department of Revenue ("Department") reviewed the return. The Department's review resulted in an assessment of additional 2020 Indiana income tax.

In a letter dated January 31, 2022, the Department explained as follows.

A review of your Indiana Individual Income tax for the period ending December 31, 2020, indicates you owe an additional [approximately \$1,800]. This amount represents the full liability due including all assessed penalties and interest to date.

On that same letter, the Department listed "Line Item Values as Adjusted." In particular, a follow-up letter explained that "[a]n error was made in determining your income subtotal (adding federal AGI plus your total addbacks from Schedule 1."

In short, the Department found that the originally reported federal AGI amount did not correctly reflect the amount of Taxpayer's W-2 income. The Department also disallowed "Federal Schedule C" claimed business losses.

In a follow-up response to the protest, Taxpayer was asked to provide a copy of her federal return income statement, and receipts supporting her business's income and expenses.

Taxpayer disagreed with the assessment and submitted a protest to that effect. In response to the protest, Taxpayer asked for and was granted a "[f]inal determination with a hearing."

Successive phone hearings were scheduled for August 16, 2022; November 17, 2022; and January 10, 2023. However, Taxpayer was unable to take part in any of the three scheduled hearings.

As a result, this Letter of Findings is based upon a review of the documentation provided by Taxpayer and

information available to and reported in the Department's own records.

I. Indiana Individual Income Tax - Addressing 2020 Income Tax Assessment.

DISCUSSION

Taxpayer believes the assessment is wrong because she received a letter from the Department indicating that she owed \$210, an amount which she paid in full. To that end, Taxpayer provided a photocopy of the \$210 cancelled check.

The issue is whether Taxpayer has met her burden of establishing that Taxpayer's Indiana adjusted gross income was correct as originally reported and that was entitled to claim losses sustained by her business. In other words, the underlying question is whether the Department erred in assessing Taxpayer additional Indiana income tax.

As noted, Taxpayer filed an Indiana 2020 return. On that return, Taxpayer reported approximately \$8,400 in "Federal AGI" (adjusted gross income). The assessment at issue stems from the Department's determination that the "Federal AGI" reported on the Indiana return was wrong, that the AGI should have been approximately \$42,000, and that Taxpayer failed to verify her business's income and losses.

A review of the federal transcript available to the Department indicates that Taxpayer reported - and the IRS adjusted - the federal adjusted gross income amount on Taxpayer's 2020 federal return. The IRS adjusted the return from the originally reported \$8,400 to approximately \$42,000.

As with any assessment of Indiana listed taxes, it is Taxpayer's responsibility here to establish that the proposed assessments of tax, interest, and penalty are incorrect. As stated in IC § 6-8.1-5-1(c) and Indiana case law, "The notice of proposed assessment is prima facie evidence that the [D]epartment's claim for the unpaid tax is valid. The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made." See also *Indiana Dept. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463, 466 (Ind. 2012); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007).

Indiana imposes a tax "on the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person." IC § 6-3-2-1(b). IC § 6-3-1-3.5(a) provides the starting point in determining the taxpayer's taxable income and calculate what would be their Indiana income tax after applying any particular additions and subtractions. The statute provides in small part that Indiana adjusted gross income starts with "'adjusted gross income' (as defined in Section 62 of the Internal Revenue Code) . . ." *Id.*

As noted above, Taxpayer reported \$8,400 on her 2020 individual Indiana tax return. Nonetheless, according to information provided the Department, the amount is actually \$42,000.

Taxpayer has provided no information or documentation which addresses the disputed income tax adjustment. There is no indication that Taxpayer responded to the request for her federal return, income statements, and receipts verifying her business income and expenses.

Following a review of both the Indiana, federal, and W-2 information. The Department finds that it correctly based the assessment on the best information available to it. Thereafter the Department did what is required of it as called for under IC § 6-8.1-5-1(b). That statute mandates that "[i]f the department reasonably believes that a person has not reported the proper amount of tax due, the department *shall make* a proposed assessment of the amount of the unpaid tax on the basis of the best information available." (*Emphasis added*) See also [45 IAC 15-5-1](#).

In this case, the Department is obligated to follow Indiana law; the calculation of an individual's Indiana income tax starts with federal adjusted gross income. Simply put, Indiana's adjusted gross income amount and the federal adjusted gross income amount are one-and-the-same.

The Department agrees that Taxpayer's original return - the return reporting the \$8,400 AGI amount - led to a \$210 tax liability. The Department further agrees that Taxpayer paid that \$210 liability. However, the pending assessment is based on the AGI information subsequently received, Taxpayer's failure to provide the requested federal income tax return, and Taxpayer's failure to verify the amount of her business losses and expenses.

Taxpayer's explanation is that she received notice of a \$210 liability and that she paid all the tax she was obliged to pay. The Department does not agree that the additional assessment was unwarranted. Based on the information provided by Taxpayer and the information available, the Department concludes that Taxpayer has failed to meet the statutorily imposed burden under IC § 6-8.1-5-1(c) of establishing that the assessment was wrong.

FINDING

Taxpayer's protest is respectfully denied.

February 9, 2023

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An [html](#) version of this document.