

**Letter of Findings: 01-20221104
Individual Indiana Income Tax
For the Year 2018**

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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Individuals were required to report their Indiana adjusted gross income to comport with the adjusted gross income specified on their federal return. In effect, Individuals were required to report and account for husband's income earned outside Indiana.

ISSUE

I. Indiana Individual Income Tax - Filing a Joint Indiana and Joint Federal Income Return.

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).

Taxpayer argues that the Department's assessment of additional income tax was wrong because she correctly reported her Indiana adjusted gross income.

STATEMENT OF FACTS

Taxpayer currently lives in Virginia, stationed in that state as a member of the United States military. In 2018, Taxpayer, along with her husband, filed a married filing jointly federal income tax. In addition, Taxpayer and husband ("Taxpayers") filed a "married filing jointly" Indiana income tax.

The Indiana Department of Revenue ("Department") issued a "Notice of Proposed Assessment" dated December 16, 2021. The notice informed Taxpayers that they owed additional Indiana income tax of approximately \$1,100. The December notice explained as follows:

Immediate Action Required: A review of your Indiana Individual Income tax for the tax period ending December 31, 2018, indicates you owe an additional [amount]. This amount represents the full liability due including all assessed penalties and interest to date. Details of this amount and the reasons for the assessment are listed below

The notice explains further:

The [Department] has determined your reported federal adjusted gross income is understated based on information received from external third-party sources. The sources could include employer wage information or other income reported to the [Department] by the payer as well as information received from the Internal Revenue Service.

Taxpayers disagreed with the assessment and submitted a protest to that effect. An administrative hearing was conducted by telephone during which Taxpayers explained the basis for the protest. This Letter of Findings results.

I. Indiana Individual Income Tax - Filing a Joint Indiana and Joint Federal Income Return.

DISCUSSION

Taxpayers believed the assessment was wrong and provided documentation and a narrative to support their

assertion.

- I have enclosed documents of my filed 2018 return prepared by H&R Block.
- I am currently active-duty military and stationed in Virginia. I filed jointly, my husband is also active-duty military and here with me, his home of residence is in Tennessee.
- The United States Navy is my only employer and has been since 2010.
- My taxes were filed based on my W-2's I received from the United States Navy.

As noted, Taxpayers filed a "married filing jointly" Indiana 2018 return. On that return, Taxpayers reported approximately \$40,000 in "Federal AGI" (adjusted gross income). The Department disagreed with that number and, based on the "married filing jointly" federal return, adjusted the amount from approximately \$40,000 to approximately \$70,000.

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, including during an action appealed to the tax court under this chapter. 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 to 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) . . ."

As noted above, Taxpayers reported one number on their 2018 individual Indiana tax return, but Taxpayers reported a different number on their joint federal return.

[IC 6-3-1-3.5\(a\)](#) does not support Taxpayers' methodology. The statute calls for Taxpayers to report adjusted gross income as defined in I.R.C § 62. The tax form's directions are also specific, calling for Taxpayers to enter their "federal adjusted gross income from [their] federal income tax return." Although [IC 6-3-1-3.5](#) calls for or allows Indiana specific modifications - both additions and subtractions - the starting point on the Indiana law is always adjusted gross income as reported on the federal return.

Indiana law requires Taxpayers to file for and account for the income received by her husband because Taxpayers filed a joint 2018 federal return on which Taxpayers reported a specific amount of adjusted gross income reflecting the husband's income. Taxpayers have not established that the Department's proposed assessment is wrong, as required by [IC 6-8.1-5-1\(c\)](#).

FINDING

Taxpayers' protest is respectfully denied.

December 8, 2022

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