

**Letter of Findings: 01-20221265
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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 provided evidence that the IRS considered additional 2018 information and that their federal adjusted gross income was revised to comport with information provided to the IRS and the United States Tax Court.

ISSUE

I. Indiana Individual Income Tax - Addressing a 2018 Federal Discrepancy.

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).

Taxpayers argue that the Department's assessment of additional 2018 income tax was wrong because the assessment does not reflect the results of Taxpayers' appeal before the United States Tax Court.

STATEMENT OF FACTS

Taxpayers are Indiana residents who routinely file Indiana income tax returns reporting Indiana source income. Taxpayers filed a 2018 Indiana income tax return and 2018 federal income tax return. On the original Indiana return, Taxpayers reported receiving \$235,009 in federal adjusted gross income ("AGI").

Taxpayers disagreed with the IRS's calculation of their federal AGI arguing that the IRS overstated the AGI amount and appealed the decision to the IRS and the United States Tax Court.

In a letter dated March 14, 2022, the Indiana Department of Revenue ("Department") notified Taxpayers that they owed an additional amount of approximately \$420 in 2018 Indiana income tax.

In the March 2022 letter, the Department explained:

A review of your Indiana Individual Income tax for the period ending December 31, indicates you owe an additional [\$420]. This amount represents the full liability due including all assessed penalties and interest to date.

....

The Indiana Department of Revenue (DOR) has determined your reported federal adjusted gross income . . . is understated based on information from external third-party sources. These sources include information received from the Internal Revenue Service (IRS), employer wage information, or other income reported to DOR by the payer.

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

I. Indiana Individual Income Tax - Addressing a 2018 Federal Discrepancy.

DISCUSSION

Taxpayers maintain that the Indiana tax assessment is wrong, and that the Department has not properly accounted for the adjustment made to their federal AGI. As explained by Taxpayers, they disagree because the Department's assessment did not reflect an appeal and subsequent agreement reached with the IRS and the United States Tax Court.

The issue is whether Taxpayers have met their burden of establishing that their adjusted gross income should be adjusted to reflect the federal adjustment and that the pending Indiana tax assessment was wrong.

As with any assessment of Indiana listed taxes, it is Taxpayers' responsibility here to establish that the proposed assessment of tax, interest, and penalty is 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.*

Taxpayers provided copies of the United States Tax Court stipulation signed by Taxpayers on August 2022 reflecting the results - and consequent adjustments - to the federal AGI. A review of a current IRS "Account Transcript" dated December 6, 2022, indicates that Taxpayers' 2018 AGI was \$232,043. That amount conflicts with the Department's current record indicating that the AGI was \$235,009.

The Department's records do not reflect the results of the federal adjustment and - to the extent called for by the AGI correction - Taxpayers' protest is sustained.

In short, the Department agrees that Taxpayers have met their statutory burden under [IC 6-8.1-5-1](#) of establishing that the assessment was wrong. Therefore, Department agrees to recompute Taxpayers' 2018 Indiana tax return and tax liability to reflect the federal adjustment.

FINDING

As provided in this Letter of Findings, Taxpayers' protest is sustained.

December 20, 2022

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