

**Letter of Findings: 01-20221067**  
**Indiana Individual 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 Indiana Department of Revenue'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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 protested the Indiana Department of Revenue's ("Department") proposed assessment of additional Indiana individual income tax for the year 2018, however documentation shows that the Department correctly assessed additional tax.

### ISSUE

#### I. Individual Income Tax - Proposed Assessment.

**Authority:** [IC 6-3-1-3.5](#); [IC 6-3-2-1](#); [IC 6-3-2-2](#); [IC 6-8.1-5-1](#); *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579 (Ind. 2014); *Indiana Dept. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007).

Taxpayer protests the proposed assessment of additional Indiana income tax for the year 2018.

### STATEMENT OF FACTS

Taxpayer filed a Protest Submission Form ("Form") protesting the Department's proposed assessment of additional Indiana individual income tax for the tax year 2018. On the Form Taxpayer checked the box indicating that he was submitting "new documentation that ha[d] not previously [been] reviewed," and that Taxpayer wanted a "Final determination without a hearing." The latter states that Taxpayer waives the right to a hearing and "asks the Department to make its decision based on the written protest and documentation . . ." Additional facts will be provided as necessary below.

#### I. Individual Income Tax - Proposed Assessment.

### DISCUSSION

The Department, in a letter dated December 16, 2021, stated that a "review of your Indiana Individual Income tax for the tax period ending December 31, 2018, indicates you owe an additional \$728.24." The "Explanation of Tax Assessment" for the tax period 2018 states that Taxpayer has a tax balance (for individual income) of \$607, noting also that there were penalty and interest comprising additional amounts owed.

As a threshold issue, it is Taxpayer's responsibility to establish that the existing tax assessment is incorrect. As stated in [IC 6-8.1-5-1](#)(c), "[t]he 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." *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). Consequently, a taxpayer is required to provide documentation explaining and supporting his or her challenge that the Department's position is wrong. Further, "[W]hen [courts] examine a statute that an agency is 'charged with enforcing . . . [courts] defer to the agency's reasonable interpretation of [the] statute even over an equally reasonable interpretation by another party.'" *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579, 583 (Ind. 2014).

Indiana imposes an adjusted gross income tax on all residents. [IC 6-3-2-1](#)(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.

Taxpayer states in his written protest that he spoke with an Internal Revenue Service (I.R.S.) agent who told him "that nothing has changed regarding [his] 2018 tax return—that there was no discrepancy report sent to the Indiana Dept. of Revenue." Taxpayer states that he ordered a copy of his I.R.S. tax transcript and that "no changes were made" and further the tax he owed "has been paid." Lastly, Taxpayer states that he has enclosed "a review of my 2018 IN tax return . . . showing that I owe zero."

The Department's Notice of Proposed Assessment is dated December 16, 2021. The payment filing coupon for his 2018 Indiana tax return, which Taxpayer included with his protest, was printed on May 20, 2019. Thus, the May 2019 information is not dispositive for an adjustment for additional Indiana tax that was made *after* May 20, 2019 (namely, the Notice of Proposed Assessment was in December 2021). Within the federal tax information for tax period ending December 31, 2018, that Taxpayer provided, the Department notes that Taxpayer's "Adjusted Gross Income" is listed as \$15,607. On Taxpayer's 2018 IT-40, Taxpayer listed his "federal adjusted gross income" as \$3,607. Therein lies the discrepancy that resulted in the Department in 2021 sending out a Notice of Proposed Assessment for additional Indiana income tax, which is explained further below.

Regarding Taxpayer's argument that the I.R.S. agent told him that no discrepancy report was sent to the Department, Taxpayer may be correct since Taxpayer appears to have reported the correct adjusted gross income tax for the year 2018 to the *federal* government (i.e., I.R.S.). However, the I.R.S. in turn reported that information to the Department. The Department compared that information with what Taxpayer stated on his 2018 Indiana individual income tax return (the IT-40). The Department then found the discrepancy between what Taxpayer reported to the federal government as his Adjusted Gross Income versus what he reported to Indiana as his Adjusted Gross Income. This discrepancy resulted in the Department issuing the December 16, 2021, Notice of Proposed Assessment for additional Indiana individual income tax for the year 2018.

In the present case, the documentation establishes that Taxpayer did not report the correct amount of federal adjusted gross income on his Indiana tax return. Taxpayer has not met the burden of proving the proposed assessment is wrong, as required under [IC 6-8.1-5-1\(c\)](#).

#### FINDING

Taxpayer's protest is denied.

January 9, 2023

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