

Letter of Findings: 01-20221134
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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

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 federal adjusted gross income.

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); [45 IAC 15-5-1](#).

Taxpayer argues that the Department's assessment of additional 2018 income tax was wrong because she correctly reported her Indiana adjusted gross income.

STATEMENT OF FACTS

Taxpayer is an Indiana resident who filed a 2018 Indiana income tax return. The Indiana Department of Revenue ("Department") reviewed the return. The Department's review resulted in an assessment of additional 2018 Indiana income tax. The assessment was issued because the Department determined that there was a discrepancy between the amount of adjusted gross income ("AGI") reported on her Indiana return and the amount reported to the Department.

In a letter to Taxpayer dated December 17, 2021, the Department explained:

A review of your Indiana Individual Income tax for the period ending December 31, indicates you owe an additional [approximately \$360]. This amount represents the full liability due including all assessed penalties and interest to date.

. . . .

[Y]our reported federal adjusted gross income [] is under stated based on information from external third-party sources. The sources could include employer wage information or other income reported to the Indiana Department of Revenue by the payer, as well as information received from the Internal Revenue Service.

Taxpayer disagreed with the assessment and submitted a protest to that effect. In her protest letter, Taxpayer asked for and was granted a "[f]inal determination with a hearing." The hearing was scheduled for December 12, 2022. This Letter of Findings is based upon a review of the documentation provided by Taxpayer and information available in the Department's own records.

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

DISCUSSION

Taxpayer believes the assessment is wrong and that the Department has not properly accounted for any adjustments made to the originally filed 2018 return. As explained by Taxpayer in her initial protest, "I have not

received any information regarding what this assessment is based upon. I filed my taxes in 2018 and I never knew what happened or why I never received the refund."

The issue is whether Taxpayer has met her burden of establishing that her adjusted gross income was correct as originally reported and that the Department erred in assessing her additional Indiana tax.

As noted, Taxpayer filed an Indiana 2018 return. On that return, Taxpayer reported \$0 in "Federal AGI" (adjusted gross income). Based upon information provided to the Department, the \$0 amount reported was incorrect. According to that information, Taxpayer's federal adjusted gross income was approximately \$15,000.

Therefore, the Department's first adjustment was directly related to the discrepancy between the amount of AGI Taxpayer reported on her Indiana return and the \$15,000 amount reported to the Department.

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 - or were - 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 \$0 AGI on her 2018 individual Indiana tax return. Nonetheless, according to information available to the Department the number is actually \$15,000.

There is no information available that explains the apparent mismatch between Taxpayer's AGI as originally reported and the amount indicated in the information provided the Department. However, there is one thing that can be determined following a review of both the Indiana and federal information. The Department correctly based its assessment on the best information available to it required as called for under [IC 6-8.1-5-1\(b\)](#). That statute requires the Department to make the adjustment and issue the assessment it did. The statute provides that "If 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 AGI. Simply put, Indiana's adjusted gross income amount and the federal AGI amount are one-and-the-same.

The Department does not agree that the additional assessment was unwarranted. Based on the information provided by Taxpayer and the information available to it, the Department concludes that Taxpayer has failed to meet her statutorily imposed burden under [IC 6-8.1-5-1\(c\)](#) of establishing that the original AGI adjustment was wrong.

However, this narrative is incomplete, and the Department takes this opportunity to unwind Taxpayer's current account status. After adjusting Taxpayer's AGI, the Department then offset a portion of the original assessment to allow credit for approximately \$60 in withholding tax. In addition, the Department allowed approximately \$500 in the form of Earned Income Tax Credits.

Subsequently Taxpayer paid approximately \$360 in tax due. However, that payment was partially offset by the Department's subsequent assessment of approximately \$55 in collection fees.

Taxpayer has not established that the original AGI adjustment was wrong. The Department did what it is required to do.

Although the Department did not generate a refund claim, in the course of researching and updating Taxpayer's

records, Taxpayer's account was corrected, and a system-generated refund was issued.

FINDING

Taxpayer's protest, challenging the Department's adjustment of her originally reported AGI, is respectfully denied.

December 29, 2022

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