

**Letter of Findings: 01-20221319**  
**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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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. Based on the best federal and Department information available, the Department did not err in assessing Individuals additional income tax to reflect the Individuals' 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 he and his wife correctly reported their Indiana adjusted gross income.

### STATEMENT OF FACTS

Taxpayer is an Indiana resident who, together with his wife, filed a joint 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 reported on his Indiana return and the amount of adjusted gross income reported on his federal return.

In a letter dated March 16, 2022, the Department explained:

A review of your Indiana Individual Income tax for the period ending December 31, indicates you owe an additional \$471.83. 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. These sources include information received from the Internal Revenue Service (IRS), employer wage information, or other income reported to DOR by the payer.

Taxpayer disagreed with the assessment and submitted a protest to that effect. In his protest letter, Taxpayer asked for and was granted a "[f]inal determination without a hearing." As a result, this Letter of Findings has been 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 the

adjustment made to his Indiana return. As explained by Taxpayer, "This is the second time [the Department] reevaluated that tax return (again) and it showed that there was even more taxes owed (please check your records)."

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

As noted, Taxpayer and his wife filed a "married filing jointly" Indiana 2018 return. On that return, Taxpayers reported approximately \$64,000 in "Federal AGI" (adjusted gross income). A review of the federal transcript provided by Taxpayer indicates that Taxpayer and his wife reported - and the IRS adjusted in October 2021 - the federal adjusted gross income amount on their 2018 federal return to approximately \$71,000.

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 and his wife reported approximately \$64,000 on their 2018 individual Indiana tax return. Nonetheless, according to the IRS, the number is actually \$71,000. There is no information available that explains when or why the IRS may have adjusted the federal adjusted gross income. However, there is one thing that can be determined following a review of both the Indiana and federal returns. The Department correctly based its assessment on the best information available to it required as called for under [IC 6-8.1-5-1\(b\)](#) which 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 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 does not agree that the additional assessment was unwarranted. Based on the information provided by Taxpayer and the information available to the it, the Department concludes that Taxpayer has failed to meet his 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.

December 29, 2022

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