

**Letter of Findings: 01-20221570**  
**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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

The Department disagreed with Individual that the Department erred in assessing additional 2018 Indiana income tax attributable to the Department's adjustment of Individual's reported adjusted gross income; Individual failed to meet his statutory burden of establishing that the resultant assessment was wrong.

### 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 correctly reported his Indiana adjusted gross income and paid all tax due Indiana.

### 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 federal adjusted gross income ("AGI") stated on his Indiana return and the amount of AGI reported to the Department.

In a letter to Taxpayer dated March 15, 2022, the Department explained:

A review of your Indiana Individual Income tax for the period ending December 31, indicates you owe an additional [approximately \$460]. This amount represents the full liability due including all assessed penalties and interest to date.

In a follow-up letter dated June 27, 2022, the Department provided Taxpayer additional explanation:

You reported more income on your federal return than you did on your state return.

Taxpayer disagreed with the assessment and submitted a protest to that effect. In his protest letter, Taxpayer explained that "[n]o money is owed to the Department of Revenue at this time. Full payment was made in the amount of \$365 on the 15th of April 2020." Further, Taxpayer explained that the Department owed Taxpayer \$19.75 in order to compensate him for the time, postage, paper, and envelope expended in responding to the Department's assessment.

Taxpayer was provided an opportunity to further explain his protest during an administrative phone hearing scheduled for December 12, 2022. This Letter of Findings is the result of a review of Taxpayer's protest letter and the documentation and information provided to the Department.

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

### DISCUSSION

The issue is whether Taxpayer has met his burden of establishing that the Department erred in adjusting the amount of federal AGI reported on his 2018 Indiana return.

Taxpayer believes that 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 his protest letter, Taxpayer states that he did not owe the assessment of additional Indiana income tax. Further, Taxpayer speculates that the Department may not have received or recorded a \$265 money order made out to and forwarded to the Department in April of 2020. The Department here notes that Taxpayer has not explained why the April 2020 payment is relevant for taxes originally due in April 2019.

As noted, Taxpayer filed an Indiana 2018 return. On that return, Taxpayer stated approximately \$22,000 in "Federal AGI". Based upon the information provided to the Department, the \$22,000 amount reported was incorrect. According to that information, Taxpayer's federal AGI was approximately \$29,000. Therefore, the Department's first adjustment was directly related to the discrepancy between the amount of AGI Taxpayer reported on his Indiana return and the \$29,000 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 AGI starts with "'adjusted gross income' (as defined in Section 62 of the Internal Revenue Code) . . ." *Id.*

As noted above, Taxpayer reported \$22,000 AGI on his 2018 individual Indiana tax return. Nonetheless, according to information available to the Department the number is actually \$29,000. Taxpayer had reported three W-2s but failed to include a fourth W-2 reflecting additional income of \$7,000. That AGI \$7,000 adjustment then dominoed line-by-line through the remainder of the return resulting in the additional assessment here at issue.

Taxpayer has provided no substantive information explaining the \$7,000 discrepancy or explaining why the originally reported AGI was correct. Given the limitations in considering Taxpayer's protest and after reviewing both the Indiana and federal information, the Department is left with one conclusion; the Department 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](#) (The Department's assessment must be "based on the best information available to the department.").

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, the AGI amount reported in the individual's Form IT-40 and the federal AGI amount must be identical.

The Department does not agree that the additional assessment was unwarranted. Based on the information provided by Taxpayer and the information available to the Department, 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 original AGI adjustment was wrong.

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

The Department has no authority to address Taxpayer's request to compensate him for the paper, time, envelope, and postage consumed in responding to the Department's assessment.

## FINDING

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

December 29, 2022

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