

**Letter of Findings: 01-20221481  
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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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

Individual was required to report Indiana adjusted gross income to comport with the adjusted gross income specified on Individual's federal return. 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 Taxpayer correctly reported Taxpayer's 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.

In a letter dated December 16, 2021, the Department explained as follows.

A review of your Indiana Individual Income tax for the period ending December 31, 2018 indicates you owe an additional [\$400.00]. This amount represents the full liability due including all assessed penalties and interest to date.

. . . .

[Y]our reported federal adjusted gross income [] is understated based on information from external third-party sources. These 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.

In a follow-up letter dated June 3, 2022, the Department further explained.

You reported more income on your federal return than you did on your state return. The amount of the discrepancy is calculated as follows:

Federal Adjusted Gross Income (AGI)	[\$14,000]
Federal AGI, as reported to Indiana (line 1, IT-40)	[\$1.00]
Unreported income	[\$14,000]

The amounts listed above are all approximate. Taxpayer disagreed with the assessment and submitted a protest to that effect. In Taxpayer's protest letter, Taxpayer asked for and was granted a "[f]inal determination with a hearing." A phone hearing was scheduled for January 10, 2023, but Taxpayer did not participate.

As a result, this Letter of Findings is based upon a review of the documentation provided by Taxpayer and information available to and reported 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 or explained fully the adjustment made to Taxpayer's Indiana return. As explained by Taxpayer, "Please let me know how this amount was calculated and who the third party is. I do not believe I owe any amount from my 2018 tax return."

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

As noted, Taxpayer filed an Indiana 2018 return. On that return, Taxpayer reported \$0 in "Federal AGI" (adjusted gross income). The assessment at issue stems from the Department's decision that the "Federal AGI" reported was wrong and that the number should have been approximately \$14,000.

A review of the federal transcript available to the Department indicates that Taxpayer reported - and the IRS adjusted in October 2021 - the federal adjusted gross income amount on Taxpayer's 2018 federal return to approximately \$14,000.

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 reported \$0 on the 2018 individual Indiana tax return. Nonetheless, according to information provided the Department, the number is approximately \$14,000.

There is no information available which directly explains the initial discrepancy. 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\(b\)](#) which provides that "[i]f 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, the Department concludes that Taxpayer has failed to meet the 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.

January 17, 2023

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