

**Letter of Findings: 01-20221477  
Indiana Individual Income Tax  
For The Tax 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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 failed to meet the burden of proving that the proposed assessment was overstated. Based on the federal Account Transcript, Individual was responsible for additional Indiana income tax for the 2018 tax year.

### **ISSUE**

#### **I. Indiana Individual Income Tax - Burden of Proof.**

**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); *Miller Brewing Co. v. Indiana Dep't of State Revenue*, 903 N.E.2d 64 (Ind. 2009); *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138 (Ind. Tax Ct. 2010).

Taxpayer protests the Department's assessment of individual income tax for 2018.

### **STATEMENT OF FACTS**

Taxpayer, an Indiana resident, together with his wife, filed married-filing-jointly federal and Indiana income tax returns for 2018. On their 2018 federal return, Taxpayer reported that he received social security income and compensation for services he provided to various churches. Taxpayer reported these payments on the Schedule C to their federal return and classified the income as "Other income - honorariums." The income under this category was approximately \$2,000.

The Indiana Department of Revenue ("Department"), in a subsequent review, determined that, for the 2018 tax year, Taxpayer had an additional approximately \$2,000 in federal adjusted gross income, which was not reported on their original 2018 Indiana income tax return. As a result, the Department assessed Taxpayer additional income tax, interest, and penalty.

Taxpayer protested the assessment. A hearing was conducted by telephone. This Letter of Findings ensues. Additional facts will be provided as necessary.

#### **I. Indiana Individual Income Tax - Burden of Proof.**

### **DISCUSSION**

The Department determined that Taxpayer had an additional approximately \$2,000 in federal adjusted gross income, which was not reported on their original 2018 return. As a result, the Department assessed Taxpayer additional income tax, interest, and penalty. Taxpayer, to the contrary, argued that the Department attempted to assess "the same honorariums total that was reported on my Schedule C line 7."

The issue is whether Taxpayer demonstrated that he was not responsible for additional Indiana income tax.

As a threshold issue, all tax assessments are *prima facie* evidence that the Department's claim for the unpaid tax is valid; the taxpayer bears the burden of proving that any assessment is incorrect. [IC 6-8.1-5-1\(c\)](#); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463, 466 (Ind. 2012). "[E]ach assessment and each tax year stands alone." *Miller Brewing Co. v. Indiana Dep't of State Revenue*, 903 N.E.2d 64, 69 (Ind. 2009). As such, the taxpayer is required to provide documentation explaining and supporting his challenge that the assessment is wrong. Poorly developed and non-cogent arguments are subject to waiver. *Scopelite v. Indiana Dep't of Local*

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](#)(a). To compute what is considered the resident/taxpayer's Indiana income tax, the Indiana statute refers to the Internal Revenue Code. [IC 6-3-1-3.5](#)(a) provides the starting point to determine the taxpayer's taxable income and to calculate what would be his or her Indiana income tax after applying certain additions and subtractions to that starting point, with modifications thereafter.

In this instance, the Department reviewed and determined that Taxpayer underreported his federal adjusted gross income on his original 2018 return. Taxpayer provided a copy of his 2018 federal Account Transcript issued by the Internal Revenue Service ("IRS") to support his protest. Taxpayer's supporting documentation, however, demonstrated that IRS processed and increased Taxpayer's federal adjusted gross income by approximately \$2,000. As such, the Department correctly assessed Taxpayer because based on Taxpayer's supporting documents, IRS indeed increased Taxpayer's federal adjusted gross income.

It should be noted that Taxpayer, referencing his returns, pointed out that the same income was already reported initially and that the IRS erred in adding the same amount to their federal adjusted gross income again. As mentioned above, [IC 6-3-1-3.5](#)(a) provides the starting point to determine the taxpayer's taxable income and to calculate what would be his Indiana income tax after applying certain additions and subtractions to that starting point, with modifications thereafter. That starting point is the taxpayer's federal adjusted gross income. Since that is the statutorily-mandated procedure, the IRS Account Transcript speaks for itself. If there is any error made by IRS, Taxpayer's recourse is with IRS. If the IRS does make an adjustment to Taxpayers' return, Taxpayers will have the opportunity to report that adjustment to the Department.

In short, to compute Taxpayer's Indiana income tax, Taxpayer's federal adjusted gross income is the starting point. Based on Taxpayer's supporting documents, Taxpayer failed to meet his burden of proof demonstrating that the Department's assessment was wrong, as required by [IC 6-8.1-5-1](#)(c).

#### **FINDING**

Taxpayer's protest is respectfully denied.

April 24, 2023

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