

**Letter of Findings: 01-20231750  
Indiana Individual Income Tax  
For The Tax Year 2019**

**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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 provided, Individual was responsible for additional Indiana income tax for the tax year in question.

### 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 assessment of individual income tax for 2019.

### STATEMENT OF FACTS

Taxpayer is an Indiana resident, who filed federal and Indiana income tax returns for 2019.

Taxpayer reported approximately \$38,000 of federal adjusted gross income, which in turn was reported on Line 1 of her Indiana income tax return, Form IT-40. A \$179 overpayment was subsequently refunded to Taxpayer in 2020.

In 2023, the Indiana Department of Revenue ("Department") reviewed and determined that, for 2019, Taxpayer had an additional approximately \$31,000 in federal adjusted gross income, which was not reported on her original 2019 Indiana income tax return. As a result, the Department assessed Taxpayer additional income tax, interest, and penalty. The assessment also included a bill-back of the erroneous \$179 refund.

Taxpayer protested the assessment and requested that the Department make the final decision without a hearing based on her federal Account Transcript submitted. This Letter of Findings ensues.

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

### DISCUSSION

The Department determined that Taxpayer had an additional approximately \$31,000 in federal adjusted gross income, which was not reported on her original 2019 Indiana return. As a result, the Department assessed Taxpayer additional income tax, interest, and penalty.

Taxpayer disagreed, stating the following:

My protest is based on my Federal Adjusted Gross Income of [\$69,000]. My FAGI inadvertently included a life insurance death benefit of \$25,000 that I received in the tax year 2019. That benefit is not subject to Federal or State income tax and should not have been included in my gross income.

The issue is whether Taxpayer demonstrated that she 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 her challenge that the assessment is wrong. Poorly developed and non-cogent arguments are subject to waiver. *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138, 1145 (Ind. Tax Ct. 2010).

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 her federal adjusted gross income by approximately \$31,000 on her original 2019 Indiana income tax return. Taxpayer disagreed and provided a copy of her 2019 federal Account Transcript issued by the Internal Revenue Service ("IRS") to support her protest.

Upon review, however, Taxpayer is mistaken. As mentioned earlier, [IC 6-3-1-3.5\(a\)](#), which references federal adjusted gross income, provides the starting point to determine Taxpayer's taxable income and to calculate what would be her Indiana income tax after applying certain additions and subtractions to that starting point, with modifications thereafter. Thus, for Indiana income tax purposes, that starting point was Taxpayer's federal "adjusted gross income." The Department is not required to address Taxpayer's argument that her "FAGI inadvertently included a life insurance death benefit of \$25,000."

A further review of the IRS Account Transcript provided by Taxpayer showed that, for 2019, Taxpayer had approximately \$69,000 federal "adjusted gross income." The IRS Account Transcript provided by Taxpayer speaks for itself. If there is any error made by the IRS, Taxpayer's recourse is with the IRS. If the IRS does make an adjustment to Taxpayer's return after the issuance of this final determination, Taxpayer will have the opportunity to report that adjustment to the Department - subject to the applicable statutes of limitations.

To conclude, based on Taxpayer's supporting document - namely, an IRS Account Transcript - Taxpayer failed to meet her burden of proof demonstrating that the Department's assessment was wrong, as required by [IC 6-8.1-5-1\(c\)](#). To compute Taxpayer's Indiana income tax, Taxpayer's federal "adjusted gross income" is the starting point. Since that is Indiana's statutorily mandated procedure, Taxpayer's recourse is with IRS if there is any error made by IRS. Naturally, if the IRS does make an adjustment to Taxpayer's 2019 tax return after the issuance of this decision, Taxpayer can report that adjustment to the Department, subject to the applicable statutes of limitations.

## FINDING

Taxpayer's protest is respectfully denied.

July 17, 2023

*Finding Replaces: New*

Posted: 09/27/2023 by Legislative Services Agency  
An [html](#) version of this document.