

**Letter of Findings: 01-20231702**  
**Individual Income Tax**  
**For The 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 Indiana Department of Revenue'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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 provide documentation and establish that the Department's proposed assessment was incorrect.

**I. Individual Income Tax - Federal Discrepancy.**

**Authority:** IRC § 62; [IC 6-3-1-3.5](#); [IC 6-3-2-1](#); [IC 6-3-2-2](#); [IC 6-8.1-5-1](#); *Indiana Dept. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579 (Ind. 2014).

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

**STATEMENT OF FACTS**

Taxpayer is a resident of Indiana. For tax year 2019, Taxpayer filed an individual Indiana income tax return and a federal income tax return. The Indiana Department of Revenue ("Department") issued to Taxpayer a notice of proposed assessment for additional Indiana state income tax for the tax year 2019. Taxpayer protested this assessment. An administrative hearing was held, and this Letter of Findings results. Additional facts will be provided as necessary.

**I. Individual Income Tax - Federal Discrepancy.**

**DISCUSSION**

In a letter dated February 6, 2023, the Department stated that a "review of [Taxpayer's] Indiana Individual Income tax for the tax period ending December 31, 2019, indicates that [Taxpayer] owe[s] an additional \$432.23." The Department's letter also stated in pertinent part that the Department had "determined [Taxpayer's] reported federal adjusted gross income is understated based on information received from external third-party sources." Taxpayer protested and in support of his protest, Taxpayer provided a copy of his 2019 Indiana income tax return, 2019 federal tax return transcript, and 2019 federal income tax return.

As a threshold issue, it is the Taxpayer's responsibility to establish that the existing tax assessment is incorrect. A proposed assessment is prima facie evidence that the Department's claim for unpaid tax is valid. [IC 6-8.1-5-1\(c\)](#). The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made. *Id.* Consequently, a taxpayer must provide documentation explaining and supporting that the Department's position is wrong. See *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). Additionally, "[W]hen [courts] examine a statute that an agency is 'charged with enforcing. . . [courts] defer to the agency's reasonable interpretation of [the] statute even over an equally reasonable interpretation by another party.'" *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579, 583 (Ind. 2014).

Indiana imposes a tax "upon the adjusted gross income of every resident person." [IC 6-3-2-1](#). [IC 6-3-2-2\(a\)](#) outlines what is income derived from Indiana sources and subject to Indiana income tax. The starting point for determining Indiana income tax is the taxpayer's federal adjusted gross income ("FAGI") as defined in I.R.C. § 62, which taxpayers are directed to enter on their Indiana return before making certain modifications that are outlined in [IC 6-3-1-3.5](#).

Based on a review of the documentation provided by Taxpayer, Taxpayer reported his income of roughly \$14,000 on both his federal and Indiana income tax returns. The Department reviewed Taxpayer's return for compliance purposes and determined the following:

[Taxpayer] submitted inadequate documentation to validate the reported FAGI which includes Schedule C [s]elf-employed business income/[l]oss. FAGI adjusted to include/deny income and/or expenses reported on the Schedule C that was not substantiated through documentation submitted by [Taxpayer] (as requested). Taxpayer submitted the following: Copy of the Federal 1040 and all schedules. However the income and expenses were unsubstantiated through documentation submitted. . . .

In other words, the Department could not verify roughly \$7,800 of Taxpayer's income as reported on his federal income tax return and therefore adjusted Taxpayer's income to the amount that could be verified by his W-2 and W-2Gs. This adjustment created a discrepancy between Taxpayer's federal and Indiana FAGI, which triggered an assessment for additional tax on the unreported income. The Department requested Taxpayer provide documentation so that his additional income could be verified. The documentation provided by Taxpayer did not establish his position that the proposed assessment was incorrect. Without further documentation, the Department cannot agree with Taxpayer that the notice of proposed assessment was incorrect.

### FINDING

Taxpayer's protest is denied.

December 12, 2023

*Replaces Finding Document at: New*

*Posted: 02/28/2024 by Legislative Services Agency*  
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