

Letter of Findings: 01-20231723
Individual Income Tax
For The Year

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 This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register.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 establish that the Department's assessment for additional tax was incorrect.

I. Individual Income Tax - Federal Discrepancy.

Authority: [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); IRC § 62; IRS Publication 501 (2019).

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

STATEMENT OF FACTS

Taxpayer is an Indiana resident. In 2019, Taxpayer filed a federal income tax return and an Indiana individual income tax return. After reviewing taxpayer's return, the Indiana Department of Revenue ("Department") determined that Taxpayer's federal adjusted gross income was understated on his Indiana income tax return. The Department adjusted his return to reflect his federally reported adjusted gross income and issued a Notice of Proposed Assessment for Indiana income taxes on his unreported income. 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

The Department determined that Taxpayer owed additional Indiana income tax after reviewing information related to his 2019 Indiana income tax return. Taxpayer disagreed and protested the assessment. In support of his protest, Taxpayer provided a copy of his 2019 W-2s, his 2019 Indiana income tax return, and his 2019 Wage and Income transcript.

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 qualifies as 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 modifications that are outlined in [IC 6-3-1-3.5](#).

In 2019, Taxpayer filed both a federal individual income tax return and an Indiana individual income tax return, also known as the IT-40 form. Taxpayer's handwritten IT-40 reflects that an incorrect number was entered on line 1 of the IT-40 for Taxpayer's federal adjusted gross income. During the hearing, Taxpayer stated that he was unsure where the number he entered would have come from.

After reviewing documentation provided by Taxpayer, it appears that Taxpayer erroneously entered his federal adjusted gross income *after* subtracting out the standard federal deduction for the relevant tax year. In 2019, the standard federal deduction was \$12,200. IRS Publication 501 (2019). The notice of proposed assessment confirms that Taxpayer's income on the IT-40 was understated by \$12,199. A taxpayer's federal adjusted gross income, which is to be entered on the IT-40 form, is calculated before taking the standard federal deduction. Taxpayer's error resulted in an understatement of his federal adjusted gross income and a proper assessment from the Department.

FINDING

Taxpayer's protest is denied.

December 12, 2023

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