

State of Arkansas  
91st General Assembly  
Regular Session, 2017

# A Bill

HOUSE BILL 1563

By: Representative Jett

## For An Act To Be Entitled

AN ACT CONCERNING A CORPORATION'S ABILITY TO ELECT  
SUBCHAPTER S TREATMENT FOR ARKANSAS INCOME TAX  
PURPOSES; TO REQUIRE A CORPORATION FILING A FEDERAL  
SUBCHAPTER S INCOME TAX RETURN TO FILE AN ARKANSAS  
SUBCHAPTER S INCOME TAX RETURN; AND FOR OTHER  
PURPOSES.

## Subtitle

TO REQUIRE A CORPORATION FILING A FEDERAL  
SUBCHAPTER S INCOME TAX RETURN TO FILE AN  
ARKANSAS SUBCHAPTER S INCOME TAX RETURN.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 26-51-409(b), concerning the administration of federal Subchapter S corporations, is amended to read as follows:

(b)(1) ~~(A) The corporate election and shareholder consents required to be filed under Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et seq., for Arkansas income tax purposes shall be filed with the Director of the Department of Finance and Administration in the same manner and at the same time as required under Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et seq., on forms to be prescribed by the director. A~~ corporation shall be treated as a Subchapter S corporation for Arkansas income tax purposes if the corporation has elected Subchapter S treatment for federal income tax purposes for the same tax year.

(B) An election made under Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et seq., for federal income tax purposes is



deemed to have been made for Arkansas income tax purposes.

~~(2) A corporation may elect Subchapter S treatment for Arkansas income tax purposes only if it has elected Subchapter S treatment for federal income tax purposes for the same tax year. A corporation that has elected to be treated as a Subchapter S corporation for federal income tax purposes shall not elect to be treated as a Subchapter C corporation for Arkansas income tax purposes.~~

(3) When filing an Arkansas Subchapter S income tax return, a corporation shall attach to its Arkansas Subchapter S income tax return a complete copy of the corporation's federal Subchapter S income tax return filed with the Internal Revenue Service for that taxable year.

SECTION 2. Arkansas Code § 26-51-413(b), concerning corporate liquidations, is repealed.

~~(b) However, a corporation that has made an election under Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et seq., and that has not made a corresponding election to be treated as an S Corporation for Arkansas income tax purposes pursuant to § 26-51-409(b), will not be deemed to have made elections under 26 U.S.C. § 338 for Arkansas income tax purposes, unless it has filed a separate election with the Director of the Department of Finance and Administration stating that it is making an election under 26 U.S.C. § 338 for Arkansas income tax purposes.~~

SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective for tax years beginning on and after January 1, 2018.

APPROVED: 03/09/2017