Department of Finance and Administration

Legislative Impact Statement

Bill: SB253
Bill Subtitle: TO REQUIRE THE USE OF APPORTIONMENT FACTORS TO DETERMINE THE AMOUNT OF PARTNERSHIP INCOME TO BE ALLOCATED TO ARKANSAS.

Basic Change :

Sen. Hester,

The bill provides that multistate partnerships should use the statutory apportionment method outlined in current law to determine the amount of the multistate partnership's income to be allocated to Arkansas. The taxpayer may request a modification of the apportionment method if necessary to accurately reflect the partnership's income from its business activity in the state. Partners receiving that income would then allocate their share of the partnership income to Arkansas on their Arkansas income tax return. Effective for tax years on or after January 1, 2013

Revenue Impact :

Revenue neutral

Taxpayer Impact :

A Partnership doing business in more than one state will be required to complete a schedule to correctly apportion its income to Arkansas.

Resources Required :

Training, modifications to the system

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instructions will have to be modified. Staff will need to be trained. Tax preparers and software companies will have to be notified.

Other Comments :
None

Legal Analysis :

This bill requires partnerships to use the existing apportionment factors to determine the correct amount of income to be sourced to Arkansas when the partnership has income both from Arkansas and from outside the state. DFA may require a modification of the apportionment method, or a taxpayer may request a modification, if using the apportionment factors applicable to corporations does not accurately reflect the income resulting from the partnership's activity in the state. This bill would be effective for tax years beginning on or after January 1, 2013.