

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
89th General Assembly
Regular Session, 2013

As Engrossed: H3/20/13
A Bill

HOUSE BILL 1866

By: Representative Kerr

For An Act To Be Entitled

AN ACT CONCERNING THE COMPUTATION OF INCOME TAX; TO
ADOPT CURRENT INTERNAL REVENUE CODE PROVISIONS
CONCERNING THE COMPUTATION OF INCOME TAX WHEN A
TAXPAYER RESTORES AN AMOUNT HELD UNDER A CLAIM OF
RIGHT; AND FOR OTHER PURPOSES.

Subtitle

TO ADOPT CURRENT INTERNAL REVENUE CODE
PROVISIONS CONCERNING THE COMPUTATION OF
INCOME TAX WHEN A TAXPAYER RESTORES AN
AMOUNT HELD UNDER A CLAIM OF RIGHT.

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

SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 4, is amended to add an additional section to read as follows:

26-51-457. Claim of right.

(a) Title 26 U.S.C. § 1341(a)(1)-(3) and (b)(2), as they existed on January 1, 2013, regarding the computation of income tax when a taxpayer restores a substantial amount held under a claim of right, is adopted for purposes of computing income tax liability under this chapter.

(b)(1) Title 26 U.S.C. § 1341(a)(4) and (5), (b)(1), and (b)(3)-(5), concerning the methods of calculating the deduction authorized under 26 U.S.C. § 1341 and special rules for net operating losses and capital losses, are not adopted.

(2) For the purpose of computing income tax when a taxpayer restores a substantial amount held under a claim of right under this section:



(A) The tax imposed under this chapter is calculated for the taxable year by allowing a deduction in the tax year the taxpayer restores the amount held under a claim of right; and

(B) Net operating losses and capital losses are calculated and deducted under §§ 26-51-427 and 26-51-815.

(c) The Director of the Department of Finance and Administration may promulgate rules to administer this section.

SECTION 2. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2013.

/s/Kerr