

1 State of Arkansas  
2 91st General Assembly  
3 Regular Session, 2017  
4  
5 By: Representative Jett  
6

# A Bill

HOUSE BILL 1559

## For An Act To Be Entitled

8 AN ACT TO AMEND THE CORPORATE INCOME TAX WITHHOLDING  
9 REQUIREMENTS FOR MEMBERS OR OWNERS OF A PASS-THROUGH  
10 ENTITY; AND FOR OTHER PURPOSES  
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## Subtitle

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13 TO AMEND THE CORPORATE INCOME TAX  
14 WITHHOLDING REQUIREMENTS FOR MEMBERS OR  
15 OWNERS OF A PASS-THROUGH ENTITY.  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. Arkansas Code § 26-51-919(a)(2), concerning the withholding  
22 of income tax by pass-through entities, is amended to read as follows:

23 (2)(A) "Member" means a Subchapter C corporation as defined in  
24 26 U.S.C. § 1361(a), as it existed on January 1, 2016, a shareholder of a  
25 Subchapter S corporation, a partner in a general partnership, a partner in a  
26 limited partnership, a partner in a limited liability partnership, a member  
27 of a limited liability company, or a beneficiary of a trust;

28 ~~(B) "Member" does not mean a Subchapter C corporation as~~  
29 ~~defined in 26 U.S.C. § 1361(a), in effect January 1, 2005;~~  
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31 SECTION 2. Arkansas Code § 26-51-919(b)(1)(A)(i), concerning the  
32 withholding of income tax by pass-through entities, is amended to read as  
33 follows:

34 (b)(1)(A)(i) A pass-through entity shall withhold Arkansas income tax  
35 at the highest income tax rate levied under §§ 26-51-201, ~~and~~ 26-51-202, and  
36 26-51-205 on the share of income of the pass-through entity that is derived



1 from or attributable to sources within this state and distributed to each  
 2 nonresident member.

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 4 SECTION 3. Arkansas Code § 26-51-919(d), concerning the withholding of  
 5 income tax by pass-through entities, is amended to read as follows:

6 (d)(1) A pass-through entity may file a composite income tax return on  
 7 behalf of electing nonresident members reporting and paying Arkansas income  
 8 tax at the highest income tax rate under §§ 26-51-201 and 26-51-202 on the  
 9 nonresident member's pro rata or distributive shares of income of the pass-  
 10 through entity from doing business in or deriving income from sources within  
 11 this state.

12 (2) A nonresident member whose only source of income within this  
 13 state is from one (1) or more pass-through entities may elect to be included  
 14 in a composite return filed pursuant to this section.

15 (3) A nonresident member who has been included in a composite  
 16 return may file an individual income tax return and shall receive credit for  
 17 income tax paid on the nonresident member's behalf by the pass-through  
 18 entity.

19 (4) A Subchapter C corporation shall not be included as part of  
 20 a composite return filed under this section.

21 (5) On or before the fifteenth day of the fourth month following  
 22 the ~~close~~ end of the pass-through entity's tax year, a pass-through entity  
 23 shall file an annual composite return with the director showing the total  
 24 amount of income distributed or credited to its nonresident members and the  
 25 amount of tax withheld and shall remit the tax due on the composite income  
 26 tax return.

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 28 SECTION 4. EFFECTIVE DATE. Sections 1 through 3 of this act are  
 29 effective for tax years beginning on and after January 1, 2017.  
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