

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

State of Arkansas
91st General Assembly
Regular Session, 2017

As Engrossed: H3/7/17 H3/10/17
A Bill

HOUSE BILL 1559

By: Representative Jett

For An Act To Be Entitled

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

Subtitle

TO AMEND THE CORPORATE INCOME TAX WITHHOLDING REQUIREMENTS FOR MEMBERS OR OWNERS OF A PASS-THROUGH ENTITY.

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

SECTION 1. Arkansas Code § 26-51-919(a)(2), concerning the withholding of income tax by pass-through entities, is amended to read as follows:

~~(2)(A)~~ *“Member” means a shareholder of a Subchapter S corporation, a partner in a general partnership, a partner in a limited partnership, a partner in a limited liability partnership, a member of a limited liability company, or a beneficiary of a trust-*

~~(B) “Member” does not mean a Subchapter C corporation as defined in 26 U.S.C. § 1361(a), in effect January 1, 2005;~~

SECTION 2. Arkansas Code § 26-51-919(b)(1)(A)(i), concerning the withholding of income tax by pass-through entities, is amended to read as follows:

(b)(1)(A)(i) A pass-through entity shall withhold Arkansas income tax at the highest income tax rate levied under §§ 26-51-201, ~~and 26-51-202,~~ and 26-51-205 on the share of income of the pass-through entity that is derived from or attributable to sources within this state and distributed to each



nonresident member.

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

(5)(A) The pass-through entity has filed with the director on forms prescribed by the director the nonresident member's signed agreement to timely file an Arkansas corporation, nonresident individual, or trust income tax return, to pay any tax due on the return, and to be subject to the jurisdiction of the Department of Finance and Administration in the courts of this state for the purpose of determining and collecting any Arkansas income tax together with interest and penalties owed by the nonresident member.

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

(d)(1) A pass-through entity may file a composite income tax return on behalf of electing nonresident members reporting and paying Arkansas income tax at the highest income tax rate under §§ 26-51-201, ~~and 26-51-202,~~ and 26-51-205 on the nonresident member's pro rata or distributive shares of income of the pass-through entity from doing business in or deriving income from sources within this state.

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

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

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

SECTION 5. EFFECTIVE DATE. Sections 1 through 4 of this act are

effective for tax years beginning on and after January 1, 2018.

/s/Jett