

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

State of Arkansas
92nd General Assembly
Regular Session, 2019

A Bill

HOUSE BILL 1953

By: Representative M. Gray

For An Act To Be Entitled

AN ACT TO ADOPT RECENT CHANGES TO THE INTERNAL
REVENUE CODE; AND FOR OTHER PURPOSES.

Subtitle

TO ADOPT RECENT CHANGES TO THE INTERNAL
REVENUE CODE.

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

SECTION 1. Arkansas Code § 26-51-404(b)(10), concerning exclusions from the definition of "gross income" under the Income Tax Act of 1929, is amended to read as follows:

(10) Title 26 U.S.C. §§ 108 and 1017, as in effect on January 1, ~~2017~~ 2019, regarding income from the discharge of indebtedness, are adopted for the purpose of computing Arkansas income tax liability;

SECTION 2. Arkansas Code § 26-51-404(b), concerning exclusions from the definition of "gross income" under the Income Tax Act of 1929, is amended to add an additional subdivision to read as follows:

(30) Title 26 U.S.C. § 118, as in effect on January 1, 2019, regarding the recognition or nonrecognition of income for contributions to capital, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 3. Arkansas Code § 26-51-409(a), concerning the adoption of federal Subchapter S for income tax purposes, is amended to read as follows:

(a) Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et



seq., as in effect on January 1, ~~2017~~ 2019, regarding small business corporations, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 4. Arkansas Code § 26-51-412(d), concerning gains and losses in relation to exchanges of property for income tax purposes, is amended to read as follows:

(d) Title 26 U.S.C. §§ 351, 354-358, 361, 362, 367, and 368, as in effect on January 1, ~~2017~~ 2019, regarding corporate organization, reorganization, and recognition of gain, are adopted for the purpose of computing Arkansas income tax liability.

SECTION 5. Arkansas Code § 26-51-419(a)(1), concerning the income tax deduction for charitable contributions, is amended to read as follows:

(a)(1) Title 26 U.S.C. § 170, as in effect on January 1, ~~2017~~ 2019, regarding deductions for charitable contributions, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 6. Arkansas Code § 26-51-423(a)(1), concerning the income tax deduction from net income for certain expenses, is amended to read as follows:

(1) Business Expenses. All of 26 U.S.C. § 162, except subsection (n), as in effect on ~~March 30, 2010~~ January 1, 2019, regarding trade or business expenses, is adopted for the purpose of computing Arkansas income tax liability;

SECTION 7. Arkansas Code § 26-51-423(b), concerning the income tax deduction from net income for certain expenses, is amended to read as follows:

(b) Title 26 U.S.C. § 274, as in effect on January 1, ~~2007~~ 2019, regarding the deductions of expenses for entertainment, amusement, recreation, business meals, travel, et cetera, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 8. Arkansas Code § 26-51-428(a), concerning the income tax deduction for depreciation and expensing of property, is amended to read as

follows:

(a) Title 26 U.S.C. §§ 167 and 168(a)-(j), as in effect on January 1, ~~2017~~ 2019, and 26 U.S.C. § 179, as in effect on January 1, 2009, regarding depreciation and expensing of property, are adopted for the purpose of computing Arkansas income tax liability for property purchased in tax years beginning on or after January 1, 2014.

SECTION 9. Arkansas Code § 26-51-429 is amended to read as follows:

26-51-429. Deductions – Depletion allowances.

(a) In the case of all natural resources for which a deduction for depletion is allowed under 26 U.S.C. §§ 611, the provisions of 26 U.S.C. §§ 611-613, 614, 616, and 617, as in effect on January 1, ~~2007~~ 2019, are adopted in computing the depletion allowance deduction under Arkansas income tax law.

(b) In computing the depletion allowance deduction allowed by this section for oil and gas wells, the provisions of 26 U.S.C. § 613 are not in effect, but instead the computation of the amount of the depletion deduction is controlled by the provisions of 26 U.S.C. § 613A, as in effect on January 1, ~~2011~~ 2019, which are adopted as part of the state income tax law.

SECTION 10. Arkansas Code § 26-51-436(3), concerning limitations on certain income tax deductions, is amended to read as follows:

(3) Title 26 U.S.C. § 280F(a)-(d), as in effect on January 1, ~~2011~~ 2019, regarding investment tax credit and depreciation for luxury automobiles and other property, is adopted for purposes of computing Arkansas income tax liability;

SECTION 11. Arkansas Code § 26-51-439(a), concerning the capitalization of certain business expenses for income tax purposes, is amended to read as follows:

(a) Title 26 U.S.C. § 263A(a)-(h) as in effect on January 1, ~~2007~~ 2019, regarding capitalization and inclusion in inventory costs of certain expenses, are adopted for the purpose of computing Arkansas income tax liability.

SECTION 12. Arkansas Code § 26-51-440(a)(1), concerning the adoption of federal Subchapter M for income tax purposes, is amended to read as

follows:

(a)(1) Subchapter M of the Internal Revenue Code, 26 U.S.C. § 851 et seq., as in effect on January 1, ~~2017~~ 2019, relating to regulated investment companies, real estate investment trusts, real estate mortgage investment conduits, and financial asset securitization investment trusts, is adopted for the purpose of computing Arkansas income tax liability and shall govern all corporations that are registered as investment companies under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as in effect on January 1, ~~2017~~ 2019.

SECTION 13. Arkansas Code § 26-51-443(b), concerning unstated interest and foregone interest under the Income Tax Act of 1929, is amended to read as follows:

(b) Title 26 U.S.C. § 7872, as in effect on January 1, ~~2007~~ 2019, regarding the taxation of foregone interest on a below-market loan, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 14. Arkansas Code Title 26, Chapter 51, Subchapter 4, is amended to add an additional section to read as follows:

26-51-460. Deduction – Research and development.

Title 26 U.S.C. §§ 174 and 280C, as in effect on January 1, 2019, concerning the deduction of research and development costs, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 15. EFFECTIVE DATE. Sections 1-14 of this act are effective for tax years beginning on or after January 1, 2019.