

Title 26. Taxation

Chapter I. Generally, Department of Finance and Administration

Subchapter D. Individual Income Tax

Part 103. Individual Income Tax Credit for Political Contributions

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"On November 5, 1996 Initiated Act Number One (1) was adopted by the people of the State of Arkansas. This Act provides for a credit against Arkansas individual income tax for political contributions. A rule is needed for the proper administration of the tax credit provisions. The Director of the Department of Finance and Administration and the Commissioner of Revenue promulgate this rule pursuant to the authority set forth in Ark. Code Ann. §26-18-301 and §26-51-104."

"Executed this 1st day of August, 1997."

Subpart 1. Generally

26 CAR § 103-101. Definitions.

As used in this part:

- (1)(A) "Approved political action committee" means any person who:
- (i) Receives contributions from one (1) or more persons in order to make contributions to candidates;
 - (ii) Does not accept any contribution or cumulative contributions in excess of two hundred dollars (\$200) from any person in any calendar year; and
 - (iii) Has been registered with the Secretary of State for at least four (4) continuous months prior to making contributions to candidates.
- (B) An approved political action committee shall not include:
- (i) An organized political party;

- (ii) The candidate's own campaign committee; or
- (iii) An exploratory committee;

(2) "Candidate" means any person who has knowingly and willingly taken affirmative action, including solicitation of funds, for the purpose of seeking nomination for or election to any public office;

(3)(A) "Organized political party" means:

(i) Any group of voters which, at the last preceding general election, polled for its candidate for Governor in the state or nominees for presidential electors at least three percent (3%) of the entire vote cast for the office; or

(ii) Any group of voters which:

(a) Files with the Secretary of State a petition signed by qualified electors equal in number to at least three percent (3%) of the total votes cast for the office of Governor or nominees for presidential electors at the last preceding election; and

(b) Declares their intention of:

(1) Organizing a political party (the name of which shall be stated in the declaration); and

(2) Participating in the next succeeding general election.

(B) Any political party which fails to obtain at least three percent (3%) of the total votes cast at an election for the office of Governor or nominees for presidential electors shall cease to be a political party;

(4) "Person" means any:

- (A) Individual;
- (B) Proprietorship;
- (C) Firm;
- (D) Partnership;
- (E) Joint venture;
- (F) Syndicate;
- (G) Labor union;
- (H) Business trust;

- (I) Company;
- (J) Corporation;
- (K) Association;
- (L) Committee; or
- (M) Other organization or group of persons acting in concert, including

organized political parties;

(5) "Public office" means any office created by or under authority of the laws of the State of Arkansas, or of a subdivision thereof, that is filled by the voters, except a federal office; and

(6)(A) "Small donor political action committee" means any person who:

(i) Receives contributions from one (1) or more individuals in order to make contributions to candidates;

(ii) Does not accept any contribution or cumulative contributions in excess of twenty-five dollars (\$25.00) from any individual in any calendar year; and

(iii) Is registered with the Secretary of State prior to making contributions to candidates.

(B) A small donor political action committee shall not include:

(i) An organized political party;

(ii) The candidate's own campaign committee; or

(iii) An exploratory committee.

Authority. Arkansas Code §§ 26-18-301, 7-6-222.

26 CAR § 103-102. Individual income tax credit for political contributions.

(a)(1) A credit against Arkansas individual income tax will be allowed for political contributions made by a taxpayer.

(2) The allowable credit will reduce a taxpayer's income tax liability on a dollar-for-dollar basis.

(b) All of the following criteria must be satisfied in order for the credit to be properly taken:

(1) The contribution can be made to only one (1) or more of the following:

(A) A candidate seeking nomination or election to a public office at an election, or to the candidate's campaign committee;

(B) A small donor political action committee;

(C) An approved political action committee; or

(D) An organized political party;

(2)(A) The credit can be claimed only for the tax year in which the contribution was actually made.

(B) The credit cannot be carried back or forward.

(C)(i) The credit is also nonrefundable.

(ii) The term "nonrefundable" means that any credit in excess of the actual tax liability will not be refunded to the taxpayer or carried forward in any manner;

(3)(A) The maximum amount of credit that can be claimed for any given tax year is fifty dollars (\$50.00) per individual return (i.e., filing single) and one hundred dollars (\$100) per joint return, despite the fact that the taxpayer or taxpayers may have actually contributed more than these maximum amounts.

(B)(i) The maximum amount of credit allowable per tax year for a contribution or contributions to any single small donor political action committee is twenty-five dollars (\$25.00) (filing single) and fifty dollars (\$50.00) (filing jointly).

(ii) No credit will be allowed for any amount donated to any single small donor political action committee that exceeds the cap of twenty-five dollars (\$25.00) per person per year;

(4)(A) The credit may be claimed only on Arkansas individual income tax returns and not on any other type of income tax return.

(B) For example, the credit could not be claimed on the following types of income tax returns:

(i) Corporation;

- (ii) Subchapter S;
- (iii) Partnership; and
- (iv) Fiduciary;

(5)(A) The contribution must be in the form of money.

(B) "Money" means:

- (i) Cash (currency and coins);
- (ii) Money orders; and
- (iii) Negotiable checks; and

(6)(A) The taxpayer shall provide the amount of each political contribution and the person or entity to whom each such political contribution was made during the tax year.

(B)(i) This information shall be provided on a form issued by the Department of Finance and Administration.

(ii) The sum total of all contributions shall be calculated by the taxpayer and the appropriate amount of credit should then be entered on the designated line in the tax credits section of the Arkansas individual income tax return.

(iii) The completed tax credit form should be attached by the taxpayer to the backside of the Arkansas individual income tax return.

Authority. Arkansas Code §§ 26-18-301, 7-6-222.

26 CAR § 103-103. Prohibition of credit for federal candidates.

No credit may be taken for contributions made to a candidate seeking nomination or election to a federal office, including contributions made:

- (1) Directly to the candidate; or
- (2) Indirectly through a:
 - (A) Campaign committee;
 - (B) Political action committee; or
 - (C) Political party.

Authority. Arkansas Code §§ 26-18-301, 7-6-222.

26 CAR § 103-104. Applicability.

(a) This income tax rule shall apply to all tax years beginning on and after January 1, 1997.

(b) The first income tax credits will be available on the 1997 individual income tax returns filed in 1998.

Authority. Arkansas Code §§ 26-18-301, 7-6-222.