

Title 26. Taxation

Chapter I. Generally, Department of Finance and Administration

Subchapter C. Income Tax Generally

Part 64. Credit Against Tax for Donations or Sales Below Cost of Tangible Personal Property and Certain Money Contributions for Certain Qualified Educational Purposes

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

"Witness our hands this 11th day of July, 1985."

Subpart 1. Generally

26 CAR § 64-101. General provisions.

(a)(1) Acts 1985, No. 759, grants a credit against a taxpayer's Arkansas corporate income tax or Arkansas individual income tax for donations by a taxpayer of new machinery or equipment and for sales below cost of machinery and equipment by taxpayers to qualified educational institutions for use in connection with a qualified education program or a qualified research program.

(2) The amount of the credit granted for donations of machinery and equipment is thirty-three percent (33%) of the cost of the machinery and equipment donated.

(3) The amount of the credit for machinery sold below cost is thirty-three percent (33%) of the amount by which the cost is reduced.

(b)(1) Acts 1985, No. 759, grants a credit against a taxpayer's Arkansas corporate income tax or Arkansas individual income tax for any amounts which are paid by a taxpayer during the tax year to fund a qualified research program which has been approved for tax credit treatment under this part.

(2) The credit for qualified research expenditures shall be thirty-three percent (33%) of the amount expended by the taxpayer in the tax year on the qualified research program.

Authority. Arkansas Code § 26-51-1105.

26 CAR § 64-102. Limits on credit.

(a) In the case of donations or sales below cost, the credit shall be claimed in the tax year of the donation or sale below cost, but all or any part of the unused credit may be carried over to and claimed in succeeding tax years until the credit is exhausted or until the end of three (3) tax years next succeeding the tax year of the donation or sale below cost, whichever occurs earlier.

(b) In the case of a qualified research expenditure, the credit shall be claimed in the tax year in which the expense incurred for the qualified research is actually paid, but all or any part of any unused credit may be carried over to and claimed in succeeding tax years until the credit is exhausted or until the end of three (3) tax years next succeeding the tax year of the payment for the qualified research expenditure, whichever occurs earlier.

(c) Total credit for qualified research expenditures, donations, and sales below cost under Acts 1985, No. 759, shall be limited to fifty percent (50%) of the net tax liability of the taxpayer after all other credits and reductions in tax have been calculated.

(d) Any person claiming any credit granted by Acts 1985, No. 759, for any expense or contribution or sale below cost shall not take any deduction under the Arkansas income tax law for the same expense or contribution.

(e) To claim any credit granted by Acts 1985, No. 759, the taxpayer shall provide the following information:

(1) An original official receipt from the institution receiving the donation, sale below cost, or qualified research expenditure which receipt shall:

(A) Be signed by an officer of the institution;

(B) Identify the position of that officer with the institution; and

(C) Certify the following facts:

(i) The machinery or equipment received is new machinery or equipment within the meaning of Acts 1985, No. 759;

(ii) That the machinery has, in fact, been received or that the expenditure has, in fact, been made;

(iii) A statement as to whether the machinery and equipment was received as a donation or as a sale below cost;

(iv) If the machinery was purchased in a sale below cost, a statement of the amount paid for the machinery or equipment; and

(v) The name or title of the qualified education program or qualified research program for which the machinery and equipment is used or the expenditure made;

(2) In the case of a donation or sale below cost by a retail or wholesale business, the taxpayer shall supply a copy of the invoice from the business's supplier showing the actual cost of the machinery or equipment;

(3) In the case of a donation or sale below cost by a manufacturer, the taxpayer shall provide a copy of the manufacturer's wholesale price list showing the lowest price for the machinery or equipment for which credit is claimed; and

(4) In the case of a claim for credit for qualified research expenditures, the taxpayer must provide a statement from the Division of Science and Technology of the Arkansas Economic Development Commission that the Division of Higher Education of the Department of Education and the Division of Science and Technology have approved the expenditure as part of a qualified research program.

Authority. Arkansas Code § 26-51-1105.

26 CAR § 64-103. Examples of application.

(a) The following examples illustrate the application of Acts 1985, No. 759.

(b) Each example assumes that the taxpayer, the donation, sale, or expenditure, and the institution receiving the donation, sale, or payment are qualified under Acts 1985, No. 759.

Example 1: A wholesaler purchases machinery for one hundred thousand dollars (\$100,000) from his or her supplier. The taxpayer sells this machinery and equipment to a qualified vocational technical school for eighty-five thousand dollars (\$85,000). The wholesaler is entitled to claim credit under Acts 1985, No. 759, for a sale below cost. The basis of claiming the credit is the amount by which the wholesaler reduced the price from his or her own cost ($\$100,000 - \$85,000 = \$15,000$). The wholesaler may claim a credit of four thousand nine hundred fifty dollars (\$4,950) or fifty percent (50%) of his or her net tax liability, whichever is less.

Example 2: Arkansas Instruments, a computer manufacturer, sells a computer system to a qualified vocational technical school for eighty-five thousand dollars (\$85,000). Arkansas Instruments paid forty-five thousand dollars (\$45,000) for the parts that went into the computer system. The lowest price at which Arkansas Instruments sells the computer system to its customers is one hundred thousand dollars (\$100,000). Arkansas Instruments is entitled to claim a credit under Acts 1985, No. 759, for a sale below cost. Arkansas Instruments' cost is deemed to be the lowest price at which it sells the computer system (\$100,000). The credit is based upon the amount by which Arkansas Instruments reduced its cost ($\$100,000 - \$85,000 = \$15,000$). The credit is thirty-three percent (33%) of the amount by which the price is reduced ($\$15,000 \times .33 = \$4,950$). Arkansas Instruments may claim a credit of four thousand nine hundred fifty dollars (\$4,950) or fifty percent (50%) of its tax liability, whichever is less.

Example 3: A retailer purchases machinery for one hundred thousand dollars (\$100,000) from his or her supplier. The taxpayer sells this machinery and equipment to a qualified vocational technical school for eighty-five thousand dollars (\$85,000). The retailer is entitled to claim credit under Acts 1985, No. 759, for a sale below cost. The basis of claiming this credit is the amount by which the retailer reduced the price from his or her own cost ($\$100,000 - \$85,000 = \$15,000$). The retailer may claim a credit of four thousand nine hundred fifty dollars (\$4,950) or fifty percent (50%) of his or her net tax liability, whichever is less.

Example 4: Arkansas Retailer donates machinery and equipment to a qualified vocational technical school. Arkansas Retailer paid eighty-five thousand dollars (\$85,000) for the equipment from its supplier. Arkansas Retailer may claim a credit of ($\$85,000 \times .33 = \$28,050$) twenty-eight thousand fifty dollars (\$28,050) or fifty percent (50%) of its tax liability, whichever is less.

Example 5: An Arkansas resident pays thirty thousand dollars (\$30,000) in cash to an Arkansas university to fund a qualified research program. The Arkansas taxpayer is entitled to claim a credit against his or her Arkansas income tax in the amount of nine thousand nine hundred dollars (\$9,900) or fifty percent (50%) of his or her tax liability, whichever is less.

Example 6: Arkansas Instruments, a manufacturer, donates a computer system to a qualified vocational technical school. Arkansas Instruments paid forty-five thousand dollars (\$45,000) for the parts that went into the computer system. The lowest price this system is sold to Arkansas Instruments' customers is one hundred thousand dollars (\$100,000). Arkansas Instruments is entitled to a credit of ($\$100,000 \times .33 = \$33,000$) thirty-three thousand dollars (\$33,000) or fifty percent (50%) of its tax liability, whichever is less.

Authority. Arkansas Code § 26-51-1105.