

ARKANSAS SENATE
84th General Assembly - Regular Session, 2003
Amendment Form

Subtitle of Senate Bill No. 334

"AN ACT TO CLARIFY THE DEDUCTION OF INTEREST OR INTANGIBLE EXPENSES
PAID TO A RELATED PARTY."

Amendment No. 1 to Senate Bill No. 334.

Amend Senate Bill No. 334 as originally introduced:

Page 1, delete lines 25 through 31 and substitute the following:

"(g)(1) A deduction pursuant to subsection (a)(1) of this section for interest or intangible related expenses paid by the taxpayer to a related party shall be allowed only if:

(A) The interest or intangible related income received by the related party:

(i) Is subject to income tax imposed by the State of Arkansas, another state, or a foreign government that has entered into a comprehensive income tax treaty with the United States government;

(ii) Was received:

(a) Pursuant to an arm's length contract at an arm's length rate of interest; and

(b) Pursuant to a transaction not intended to avoid the payment of Arkansas income tax otherwise due;

(iii) Is subject to a written agreement between the taxpayer and the Director entered into prior to the due date of the taxpayer's Arkansas income tax return:

(a) Authorizing the taxpayer to take the deduction for the tax year at issue; or

(b) Requiring the use of an alternative method of income apportionment by the taxpayer for the tax year at issue; or

(B) During the taxable year, the related party recipient of interest or intangible related income in a location not described in (g)(1)(A), the "non-tax location":

(i) Operates an active trade or business in the non-tax location;

(ii) Has a minimum of fifty (50) full-time equivalent employees in the non-tax location;

(iii) Owns real or tangible personal property with a fair market value in excess of one million dollars (\$1,000,000) located in the non-tax location; and

(iv) Has revenues generated from sources within the



non-tax state in excess of one million dollars (\$1,000,000)."

AND

Page 2, line 1, delete "2003" and substitute "2004".

The Amendment was read the first time, rules suspended and read the second time and _____

By: Senator Miller

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Secretary