

1 **State of Arkansas**  
2 **79th General Assembly**  
3 **Regular Session, 1993**  
4 **By: Senator Yates**

# A Bill

**SENATE BILL 646**

## For An Act To Be Entitled

8 "AN ACT TO ALLOW A TAX CREDIT FOR A RESIDENT SHAREHOLDER'S  
9 PRO RATA SHARE OF ANY NET INCOME TAX PAID BY AN S  
10 CORPORATION TO A STATE WHICH DOES NOT RECOGNIZE S  
11 CORPORATION STATUS; AND FOR OTHER PURPOSES."

## Subtitle

14 "TO ALLOW A TAX CREDIT FOR S CORPORATION TAXES PAID TO A  
15 STATE WHICH DOES NOT RECOGNIZE S CORPORATION STATUS."

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

19 SECTION 1. Arkansas Code Annotated §26-51-504(a) is amended to read as  
20 follows:

21 "(a) (1) For the purpose of ascertaining the income tax due by an  
22 individual resident of Arkansas whose gross income includes income derived  
23 from property located outside the State of Arkansas, or from business  
24 transacted outside the State of Arkansas, the tax shall first be computed as  
25 if all of the income of the resident were derived from sources within the  
26 State of Arkansas, but a credit shall then be given on the tax as so computed,  
27 for the amount of income tax actually owed by the resident for the year to any  
28 other state or territory on account of income from property owned or business  
29 transacted in the other state or territory. However, credit shall not exceed  
30 what the tax would be on the outside income, if added to the Arkansas income,  
31 and calculated at Arkansas income tax rates.

32 (2) For purposes of subsection (a) (1) the amount of income tax owed to  
33 any other state or territory by a resident shareholder of an S Corporation  
34 shall be considered to include an amount equal to the shareholder's pro rata  
35 share of any net income tax owed by the S Corporation to a state which does

1 not recognize S Corporations. For purposes of the preceding sentence, the  
2 term net income tax means any tax imposed on or measured by a corporation's  
3 net income."

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5 SECTION 2. This act shall become effective for taxable years *beginning*  
6 on or after *January 1, 1993*.

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8 SECTION 3. All provisions of this act of a general and permanent nature  
9 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
10 Revision Commission shall incorporate the same in the Code.

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12 SECTION 4. If any provision of this act or the application thereof to  
13 any person or circumstance is held invalid, such invalidity shall not affect  
14 other provisions or applications of the act which can be given effect without  
15 the invalid provision or application, and to this end the provisions of this  
16 act are declared to be severable.

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18 SECTION 5. All laws and parts of laws in conflict with this act are  
19 hereby repealed.

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*/s/Senator Yates*

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