

Stricken language would be deleted from present law. Underlined language would be added to present law.

1 State of Arkansas  
2 81st General Assembly  
3 Regular Session, 1997  
4

As Engrossed: H3/19/97 S3/28/97

## A Bill

ACT 1189 OF 1997  
HOUSE BILL 1400

5 By: Representatives Newman and Cunningham  
6  
7

### For An Act To Be Entitled

9 "AN ACT TO AMEND §26-51-404 TO EXCLUDE FROM TAXABLE INCOME  
10 DIVIDENDS RECEIVED BY A PARENT CORPORATION FROM A  
11 SUBSIDIARY WHICH IS AT LEAST 80% OWNED BY THE PARENT  
12 CORPORATION; AND FOR OTHER PURPOSES."  
13

### Subtitle

14 "EXCLUDES FROM CORPORATE INCOME  
15 DIVIDENDS RECEIVED FROM A SUBSIDIARY  
16 CORPORATION WHICH IS AT LEAST 80% OWNED  
17 BY THE PARENT CORPORATION."  
18  
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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22 SECTION 1. Ark. Code Ann. § 26-51-404(b)(9) concerning nontaxable  
23 income is amended to read as follows:

24 "(9) Dividends received by a corporation doing business within this  
25 state from a subsidiary if at least ~~ninety-five percent (95%)~~ eighty percent  
26 (80%) of the subsidiary's capital stock is owned by a corporation doing  
27 business within this state;"  
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29 SECTION 2. The provisions of this act shall be effective for all tax  
30 years beginning on or after January 1, 1997.  
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32 SECTION 3. It is determined by the General Assembly that Arkansas  
33 income tax laws concerning the taxability of dividends received from a  
34 subsidiary are at variance with corresponding federal income tax laws,  
35 although the existence or non-existence of any such variance with respect to  
36 corporations filing an Arkansas consolidated tax return is subject to existing

1 disputes. It is further determined that state income tax laws should have  
2 been the same as federal income tax laws and this Act is adopted to clarify  
3 that these dividends are to be treated for state income tax purposes in the  
4 same manner they would be treated for federal income tax purposes for all  
5 corporations to which the Act is applicable. It is further found that there  
6 are pending cases and controversies involving the taxability of dividends from  
7 subsidiaries for state income tax purposes and that this Act is not intended  
8 to affect any existing cases or controversies this issue or to have any effect  
9 upon the interpretation of prior law.

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11 SECTION 4. All provisions of this act of a general and permanent nature  
12 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
13 Revision Commission shall incorporate the same in the Code.

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15 SECTION 5. If any provision of this act or the application thereof to  
16 any person or circumstance is held invalid, such invalidity shall not affect  
17 other provisions or applications of the act which can be given effect without  
18 the invalid provision or application, and to this end the provisions of this  
19 act are declared to be severable.

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21 SECTION 6. All laws and parts of laws in conflict with this act are  
22 hereby repealed.

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24 /s/Rep. Newman, et al

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26 APPROVED: 4-08-97

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