

1 State of Arkansas *As Engrossed: H3/7/17 H3/10/17*

2 91st General Assembly

A Bill

3 Regular Session, 2017

HOUSE BILL 1559

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5 By: Representative Jett

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For An Act To Be Entitled

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AN ACT TO AMEND THE CORPORATE INCOME TAX WITHHOLDING

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REQUIREMENTS FOR MEMBERS OR OWNERS OF A PASS-THROUGH

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ENTITY; AND FOR OTHER PURPOSES

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Subtitle

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TO AMEND THE CORPORATE INCOME TAX

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WITHHOLDING REQUIREMENTS FOR MEMBERS OR

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OWNERS OF A PASS-THROUGH ENTITY.

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

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21 SECTION 1. Arkansas Code § 26-51-919(a)(2), concerning the withholding
22 of income tax by pass-through entities, is amended to read as follows:

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(2)(A) "Member" means a shareholder of a Subchapter S

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corporation, a partner in a general partnership, a partner in a limited

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partnership, a partner in a limited liability partnership, a member of a

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limited liability company, or a beneficiary of a trust-

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~~*(B) "Member" does not mean a Subchapter C corporation as*~~

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~~*defined in 26 U.S.C. § 1361(a), in effect January 1, 2005;*~~

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SECTION 2. Arkansas Code § 26-51-919(b)(1)(A)(i), concerning the

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withholding of income tax by pass-through entities, is amended to read as

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follows:

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(b)(1)(A)(i) A pass-through entity shall withhold Arkansas income tax

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at the highest income tax rate levied under §§ 26-51-201, ~~and 26-51-202,~~ and

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26-51-205 on the share of income of the pass-through entity that is derived

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from or attributable to sources within this state and distributed to each



1 *nonresident member.*

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3 *SECTION 3. Arkansas Code § 26-51-919(c)(5)(A), concerning the*
4 *withholding of income tax by pass-through entities, is amended to read as*
5 *follows:*

6 *(5)(A) The pass-through entity has filed with the director on*
7 *forms prescribed by the director the nonresident member's signed agreement to*
8 *timely file an Arkansas corporation, nonresident individual, or trust income*
9 *tax return, to pay any tax due on the return, and to be subject to the*
10 *jurisdiction of the Department of Finance and Administration in the courts of*
11 *this state for the purpose of determining and collecting any Arkansas income*
12 *tax together with interest and penalties owed by the nonresident member.*

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14 *SECTION 4. Arkansas Code § 26-51-919(d), concerning the withholding of*
15 *income tax by pass-through entities, is amended to read as follows:*

16 *(d)(1) A pass-through entity may file a composite income tax return on*
17 *behalf of electing nonresident members reporting and paying Arkansas income*
18 *tax at the highest income tax rate under §§ 26-51-201, ~~and 26-51-202,~~ and 26-*
19 *51-205 on the nonresident member's pro rata or distributive shares of income*
20 *of the pass-through entity from doing business in or deriving income from*
21 *sources within this state.*

22 *(2) A nonresident member whose only source of income within this*
23 *state is from one (1) or more pass-through entities may elect to be included*
24 *in a composite return filed pursuant to this section.*

25 *(3) A nonresident member who has been included in a composite*
26 *return may file an ~~individual~~ income tax return and shall receive credit for*
27 *income tax paid on the nonresident member's behalf by the pass-through*
28 *entity.*

29 *(4) On or before the fifteenth day of the fourth month following*
30 *the ~~close~~ end of the pass-through entity's tax year, a pass-through entity*
31 *shall file an annual composite return with the director showing the total*
32 *amount of income distributed or credited to its nonresident members and the*
33 *amount of tax withheld and shall remit the tax due on the composite income*
34 *tax return.*

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36 *SECTION 5. EFFECTIVE DATE. Sections 1 through 4 of this act are*

1 effective for tax years beginning on and after January 1, 2018.

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/s/Jett

APPROVED: 03/30/2017