

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1562**

**Amendment Number: S1**

**Bill Subtitle: TO REQUIRE THAT PARTNERSHIP INCOME BE DETERMINED FOR STATE INCOME TAX PURPOSES BY USING AN APPORTIONMENT METHOD.**

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### **Basic Change :**

HB1562-S1 amends the language contained in the original bill for partnerships whose income may not be fairly represented by apportionment as provided in the Uniform Distribution of Income for Tax Purposes Act, (UDIPTA). The amendment allows for these partnerships to petition the Department of Finance and Administration (DFA) for an alternative apportionment method.

Original Bill --- Current law provides that partnerships are to allocate their taxable income to Arkansas. Allocation of taxable income requires a partnership to separately identify the state where items of income and expenses are properly attributable. Partnerships operating in multiple states have a difficult time allocating taxable income because of the difficulty in assigning a transaction that benefits the entire partnership to a particular state. This same problem was previously addressed in Arkansas law for corporations by providing that multistate corporations are to apportion their income to Arkansas using a formula designed to approximate the proper amount of income in this state. This bill provides that partnerships should apportion their income to Arkansas in the same manner currently used by corporations. This change will simplify the tax reporting requirements for multistate partnerships and will have no effect on partnerships that operate solely within Arkansas. Each individual partner will continue to allocate their share of the partnership income to Arkansas as under current law.

### **Revenue Impact :**

None.

### **Taxpayer Impact :**

None.

### **Resources Required :**

None.

### **Time Required :**

None.

### **Procedural Changes :**

None.

### **Other Comments :**

None.

### **Legal Analysis :**

None.