

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4
5 By: Representative Jett
6

A Bill

HOUSE BILL 1563

For An Act To Be Entitled

8 AN ACT CONCERNING A CORPORATION'S ABILITY TO ELECT
9 SUBCHAPTER S TREATMENT FOR ARKANSAS INCOME TAX
10 PURPOSES; TO REQUIRE A CORPORATION FILING A FEDERAL
11 SUBCHAPTER S INCOME TAX RETURN TO FILE AN ARKANSAS
12 SUBCHAPTER S INCOME TAX RETURN; AND FOR OTHER
13 PURPOSES.
14
15

Subtitle

16
17 TO REQUIRE A CORPORATION FILING A FEDERAL
18 SUBCHAPTER S INCOME TAX RETURN TO FILE AN
19 ARKANSAS SUBCHAPTER S INCOME TAX RETURN.
20
21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. Arkansas Code § 26-51-409(b), concerning the administration
25 of federal Subchapter S corporations, is amended to read as follows:

26 (b)(1) ~~(A) The corporate election and shareholder consents required to~~
27 ~~be filed under Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et~~
28 ~~seq., for Arkansas income tax purposes shall be filed with the Director of~~
29 ~~the Department of Finance and Administration in the same manner and at the~~
30 ~~same time as required under Subchapter S of the Internal Revenue Code, 26~~
31 ~~U.S.C. § 1361 et seq., on forms to be prescribed by the director. A~~
32 corporation shall be treated as a Subchapter S corporation for Arkansas
33 income tax purposes if the corporation has elected Subchapter S treatment for
34 federal income tax purposes for the same tax year.

35 (B) An election made under Subchapter S of the Internal
36 Revenue Code, 26 U.S.C. § 1361 et seq., for federal income tax purposes is



1 deemed to have been made for Arkansas income tax purposes.

2 (2) ~~A corporation may elect Subchapter S treatment for Arkansas~~
 3 ~~income tax purposes only if it has elected Subchapter S treatment for federal~~
 4 ~~income tax purposes for the same tax year. A corporation that has elected to~~
 5 ~~be treated as a Subchapter S corporation for federal income tax purposes~~
 6 ~~shall not elect to be treated as a Subchapter C corporation for Arkansas~~
 7 ~~income tax purposes.~~

8 (3) When filing an Arkansas Subchapter S income tax return, a
 9 corporation shall attach to its Arkansas Subchapter S income tax return a
 10 complete copy of the corporation's federal Subchapter S income tax return
 11 filed with the Internal Revenue Service for that taxable year.

12
 13 SECTION 2. Arkansas Code § 26-51-413(b), concerning corporate
 14 liquidations, is repealed.

15 ~~(b) However, a corporation that has made an election under Subchapter~~
 16 ~~S of the Internal Revenue Code, 26 U.S.C. § 1361 et seq., and that has not~~
 17 ~~made a corresponding election to be treated as an S Corporation for Arkansas~~
 18 ~~income tax purposes pursuant to § 26-51-409(b), will not be deemed to have~~
 19 ~~made elections under 26 U.S.C. § 338 for Arkansas income tax purposes, unless~~
 20 ~~it has filed a separate election with the Director of the Department of~~
 21 ~~Finance and Administration stating that it is making an election under 26~~
 22 ~~U.S.C. § 338 for Arkansas income tax purposes.~~

23
 24 SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective
 25 for tax years beginning on and after January 1, 2018.