

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019
4

A Bill

HOUSE BILL 1953

5 By: Representative M. Gray
6

For An Act To Be Entitled

8 AN ACT TO ADOPT RECENT CHANGES TO THE INTERNAL
9 REVENUE CODE; AND FOR OTHER PURPOSES.
10

Subtitle

11 TO ADOPT RECENT CHANGES TO THE INTERNAL
12 REVENUE CODE.
13

14
15
16
17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
18

19 SECTION 1. Arkansas Code § 26-51-404(b)(10), concerning exclusions
20 from the definition of "gross income" under the Income Tax Act of 1929, is
21 amended to read as follows:

22 (10) Title 26 U.S.C. §§ 108 and 1017, as in effect on January 1,
23 ~~2017~~ 2019, regarding income from the discharge of indebtedness, are adopted
24 for the purpose of computing Arkansas income tax liability;
25

26 SECTION 2. Arkansas Code § 26-51-404(b), concerning exclusions from
27 the definition of "gross income" under the Income Tax Act of 1929, is amended
28 to add an additional subdivision to read as follows:

29 (30) Title 26 U.S.C. § 118, as in effect on January 1, 2019,
30 regarding the recognition or nonrecognition of income for contributions to
31 capital, is adopted for the purpose of computing Arkansas income tax
32 liability.
33

34 SECTION 3. Arkansas Code § 26-51-409(a), concerning the adoption of
35 federal Subchapter S for income tax purposes, is amended to read as follows:

36 (a) Subchapter S of the Internal Revenue Code, 26 U.S.C. § 1361 et



1 seq., as in effect on January 1, ~~2017~~ 2019, regarding small business
2 corporations, is adopted for the purpose of computing Arkansas income tax
3 liability.

4
5 SECTION 4. Arkansas Code § 26-51-412(d), concerning gains and losses
6 in relation to exchanges of property for income tax purposes, is amended to
7 read as follows:

8 (d) Title 26 U.S.C. §§ 351, 354-358, 361, 362, 367, and 368, as in
9 effect on January 1, ~~2017~~ 2019, regarding corporate organization,
10 reorganization, and recognition of gain, are adopted for the purpose of
11 computing Arkansas income tax liability.

12
13 SECTION 5. Arkansas Code § 26-51-419(a)(1), concerning the income tax
14 deduction for charitable contributions, is amended to read as follows:

15 (a)(1) Title 26 U.S.C. § 170, as in effect on January 1, ~~2017~~ 2019,
16 regarding deductions for charitable contributions, is adopted for the purpose
17 of computing Arkansas income tax liability.

18
19 SECTION 6. Arkansas Code § 26-51-423(a)(1), concerning the income tax
20 deduction from net income for certain expenses, is amended to read as
21 follows:

22 (1) Business Expenses. All of 26 U.S.C. § 162, except subsection
23 (n), as in effect on ~~March 30, 2010~~ January 1, 2019, regarding trade or
24 business expenses, is adopted for the purpose of computing Arkansas income
25 tax liability;

26
27 SECTION 7. Arkansas Code § 26-51-423(b), concerning the income tax
28 deduction from net income for certain expenses, is amended to read as
29 follows:

30 (b) Title 26 U.S.C. § 274, as in effect on January 1, ~~2007~~ 2019,
31 regarding the deductions of expenses for entertainment, amusement,
32 recreation, business meals, travel, et cetera, is adopted for the purpose of
33 computing Arkansas income tax liability.

34
35 SECTION 8. Arkansas Code § 26-51-428(a), concerning the income tax
36 deduction for depreciation and expensing of property, is amended to read as

1 follows:

2 (a) Title 26 U.S.C. §§ 167 and 168(a)-(j), as in effect on January 1,
3 ~~2017~~ 2019, and 26 U.S.C. § 179, as in effect on January 1, 2009, regarding
4 depreciation and expensing of property, are adopted for the purpose of
5 computing Arkansas income tax liability for property purchased in tax years
6 beginning on or after January 1, 2014.

7

8 SECTION 9. Arkansas Code § 26-51-429 is amended to read as follows:
9 26-51-429. Deductions – Depletion allowances.

10 (a) In the case of all natural resources for which a deduction for
11 depletion is allowed under 26 U.S.C. §§ 611, the provisions of 26 U.S.C. §§
12 611-613, 614, 616, and 617, as in effect on January 1, ~~2007~~ 2019, are adopted
13 in computing the depletion allowance deduction under Arkansas income tax law.

14 (b) In computing the depletion allowance deduction allowed by this
15 section for oil and gas wells, the provisions of 26 U.S.C. § 613 are not in
16 effect, but instead the computation of the amount of the depletion deduction
17 is controlled by the provisions of 26 U.S.C. § 613A, as in effect on January
18 1, ~~2011~~ 2019, which are adopted as part of the state income tax law.

19

20 SECTION 10. Arkansas Code § 26-51-436(3), concerning limitations on
21 certain income tax deductions, is amended to read as follows:

22 (3) Title 26 U.S.C. § 280F(a)-(d), as in effect on January 1,
23 ~~2011~~ 2019, regarding investment tax credit and depreciation for luxury
24 automobiles and other property, is adopted for purposes of computing Arkansas
25 income tax liability;

26

27 SECTION 11. Arkansas Code § 26-51-439(a), concerning the
28 capitalization of certain business expenses for income tax purposes, is
29 amended to read as follows:

30 (a) Title 26 U.S.C. § 263A(a)-(h) as in effect on January 1, ~~2007~~
31 2019, regarding capitalization and inclusion in inventory costs of certain
32 expenses, are adopted for the purpose of computing Arkansas income tax
33 liability.

34

35 SECTION 12. Arkansas Code § 26-51-440(a)(1), concerning the adoption
36 of federal Subchapter M for income tax purposes, is amended to read as

1 follows:

2 (a)(1) Subchapter M of the Internal Revenue Code, 26 U.S.C. § 851 et
3 seq., as in effect on January 1, ~~2017~~ 2019, relating to regulated investment
4 companies, real estate investment trusts, real estate mortgage investment
5 conduits, and financial asset securitization investment trusts, is adopted
6 for the purpose of computing Arkansas income tax liability and shall govern
7 all corporations that are registered as investment companies under the
8 Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as in effect on
9 January 1, ~~2017~~ 2019.

10

11 SECTION 13. Arkansas Code § 26-51-443(b), concerning unstated interest
12 and foregone interest under the Income Tax Act of 1929, is amended to read as
13 follows:

14 (b) Title 26 U.S.C. § 7872, as in effect on January 1, ~~2007~~ 2019,
15 regarding the taxation of foregone interest on a below-market loan, is
16 adopted for the purpose of computing Arkansas income tax liability.

17

18 SECTION 14. Arkansas Code Title 26, Chapter 51, Subchapter 4, is
19 amended to add an additional section to read as follows:

20 26-51-460. Deduction – Research and development.

21 Title 26 U.S.C. §§ 174 and 280C, as in effect on January 1, 2019,
22 concerning the deduction of research and development costs, is adopted for
23 the purpose of computing Arkansas income tax liability.

24

25 SECTION 15. EFFECTIVE DATE. Sections 1-14 of this act are effective
26 for tax years beginning on or after January 1, 2019.

27

28

29

30

31

32

33

34

35

36