

SUMMARY OF PROPOSAL #31
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: To Require Combined Reporting for Multistate Corporations

Summary of Proposal for Consideration

To amend Arkansas Code §§ 26-51-804 and 26-51-805 to require a corporation to file a combined income tax return, effective for tax years beginning January 1, 2019.

Fiscal Analysis

According to the Department of Finance and Administration, the department is unable to determine the revenue impact resulting from requiring combined reporting.

Legal Analysis

Background

ACT 118 of 1929 created the Income Tax Act of 1929 providing that each corporation shall file a return with Arkansas.

ACT 708 of 1979 allowed a corporation to elect to file a consolidated income tax return and has not been materially amended since.

Potential Legal Issues

None.

Other States

- Iowa: Does not require combined reporting, and it allows consolidated returns. (IA St. § 422.37)
- Louisiana: Does not require combined reporting, and it does not allow consolidated returns. (LA Rev. St. § 287.612)
- Mississippi: Does not require combined reporting, and it allows consolidated returns. (MS St. § 27-7-37)
- Missouri: Does not require combined reporting, and it allows consolidated returns. (MO St. § 143.431)
- Oklahoma: Does not require combined reporting, and it allows consolidated returns. (68 OK St. § 2367)

- Tennessee: Does not require combined reporting for its franchise and excise taxes, and consolidated or combined returns are allowed only for certain types of businesses (unitary groups of financial institutions, captive real estate investment trust affiliated groups, and other permitted business entities). (TN St. § 67-4-2007)
- Texas: Requires combined reporting for the franchise tax. (Tex. Tax Code § 171.1014)