

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 86th General Assembly
3 Regular Session, 2007
4

A Bill

HOUSE BILL 2218

5 By: Representative Lowery
6 By: Senator Capps
7

For An Act To Be Entitled

10 AN ACT TO REQUIRE A SUBCHAPTER S CORPORATION TO
11 ATTACH A COPY OF ITS FEDERAL INCOME TAX RETURN TO
12 ITS ARKANSAS INCOME TAX RETURN; TO REQUIRE THAT
13 SUBCHAPTER S ELECTION AND SHAREHOLDER CONSENT BE
14 FILED ON FORMS PRESCRIBED BY THE DIRECTOR OF THE
15 DEPARTMENT OF FINANCE AND ADMINISTRATION; AND FOR
16 OTHER PURPOSES.

Subtitle

17
18
19 TO REQUIRE A SUBCHAPTER S CORPORATION TO
20 ATTACH A COPY OF ITS FEDERAL RETURN TO
21 ITS ARKANSAS RETURN AND TO FILE ELECTION
22 AND CONSENT FORMS AS PRESCRIBED BY THE
23 DIRECTOR OF THE DEPARTMENT OF FINANCE
24 AND ADMINISTRATION.
25

26
27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
28

29 SECTION 1. Arkansas Code § 26-51-409 is amended as follows:

30 26-51-409. Federal Subchapter S adopted.

31 (a) Subchapter S of the Internal Revenue Code of 1986, as in effect on
32 January 1, ~~2005~~ 2007, regarding small business corporations, is adopted for
33 the purpose of computing Arkansas income tax liability.

34 (b)(1) The corporate election and shareholder consents required to be
35 filed under Subchapter S of the Internal Revenue Code of 1986 for Arkansas
36 income tax purposes shall be filed with the Director of the Department of



1 Finance and Administration in the same manner and at the same time as
2 required under Subchapter S of the Internal Revenue Code of 1986, on forms to
3 be prescribed by the director.

4 (2) A corporation may elect Subchapter S treatment for Arkansas
5 income tax purposes only if it has elected Subchapter S treatment for federal
6 income tax purposes for the same tax year.

7 (c)(1) However, all ~~nonresident~~ shareholders of S corporations
8 receiving a prorated share of income, loss, deduction, or credit pursuant to
9 the provisions of this section must file a properly executed state income tax
10 return with the director and remit the applicable state income tax due.

11 (2) Failure to so report and remit on the part of any
12 ~~nonresident~~ shareholder shall be grounds upon which the director may revoke
13 the corporation's Subchapter S election and collect the tax from the
14 corporation by any manner authorized by the Income Tax Act of 1929, § 26-51-
15 101 et seq.

16 (d) When filing an Arkansas Subchapter S income tax return, a
17 corporation shall attach to its Arkansas Subchapter S income tax return a
18 complete copy of the corporation's federal Subchapter S income tax return
19 filed with the federal Internal Revenue Service for that taxable year.

20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36