

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013
4

As Engrossed: S2/20/13

A Bill

SENATE BILL 253

5 By: Senator Hester
6

For An Act To Be Entitled

8 AN ACT TO REQUIRE PARTNERSHIPS TO APPORTION INCOME
9 FROM UNITARY BUSINESS ACTIVITIES BOTH WITHIN AND
10 WITHOUT ARKANSAS FOR THE PURPOSE OF DETERMINING THE
11 PROPER AMOUNT OF INCOME TO ALLOCATE TO ARKANSAS; TO
12 MAKE TECHNICAL CORRECTIONS; AND FOR OTHER PURPOSES.
13

Subtitle

14
15 TO REQUIRE THE USE OF APPORTIONMENT
16 FACTORS TO DETERMINE THE AMOUNT OF
17 PARTNERSHIP INCOME TO BE ALLOCATED TO
18 ARKANSAS.
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 *SECTION 1. Arkansas Code § 26-51-405 is amended to read as follows:*
25 *26-51-405. Partnership income.*

26 *(a)(1) An individual or entity carrying on business as a partner in a*
27 *partnership shall be liable for income tax on only ~~in his or her individual~~*
28 *~~capacity and shall include in his or her gross income the distributive share~~*
29 *of the net income or net loss of the partnership received by ~~him or her~~ the*
30 *partner or distributable to ~~him or her~~ the partner during the income year.*

31 *~~(b)~~ (2) The partner shall report all deductions or credits*
32 *distributable to ~~him or her personally~~ the partner as a partner in the*
33 *partnership.*

34 *~~(c)~~ (3) A partner's distributive share of partnership loss shall*
35 *be allowed only to the extent of the adjusted basis of the partner's interest*
36 *in the partnership at the end of the partnership year in which the loss*



1 occurred.

2 ~~(d)~~ (4) Any excess of the loss over the basis shall be allowed
3 as a deduction at the end of the partnership year in which the excess is
4 repaid to the partnership.

5 (b)(1) The distributive share of the net income that is received by a
6 partner from a partnership shall be allocated to Arkansas and included by the
7 partner in the partner's gross income for the income year.

8 (2) The distributive share of the net income that is received by
9 a partner from a partnership that derives income from activities both within
10 and without this state is the partner's share of the amount resulting from
11 the calculation using the apportionment method described in § 26-51-
12 802(c)(2).

13
14 SECTION 2. Arkansas Code § 26-51-802 is amended to read as follows:

15 26-51-802. Partnership returns.

16 (a) A partnership shall be classified and taxed for Arkansas income
17 tax purposes in the same manner as ~~it~~ the partnership is classified and taxed
18 for federal income tax purposes.

19 (b)(1) ~~Every~~ A partnership filing an Arkansas partnership return shall
20 state specifically the items of ~~its~~ the partnership's gross income and the
21 deductions allowed by the Income Tax Act of 1929 and shall include in the
22 return the names and addresses of individuals who would be entitled to share
23 in the net income if distributed and the amount of the distributive share of
24 each individual.

25 (2) ~~The returns~~ return required under subdivision (b)(1) of this
26 section shall be sworn to by one (1) of the partners.

27 (c)(1) ~~The provisions of § 26-51-702 are not applicable to~~
28 ~~partnerships filing Arkansas partnership returns.~~

29 ~~(2)~~ Subject to ~~the provisions of~~ § 26-51-202(e), all partnership
30 income from business activities solely within this state that is reflected on
31 a partnership return shall be allocated to this state.

32 (2)(A) A partnership that has income from business activities
33 both within and without this state shall use the apportionment method
34 described in §§ 26-51-702 – 26-51-717 to determine the amount of the income
35 to be allocated to this state and reported on the partnership return required
36 under subdivision (b)(1) of this section.

