

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4

As Engrossed: H3/7/17

A Bill

HOUSE BILL 1559

5 By: Representative Jett
6

For An Act To Be Entitled

8 AN ACT TO AMEND THE CORPORATE INCOME TAX WITHHOLDING
9 REQUIREMENTS FOR MEMBERS OR OWNERS OF A PASS-THROUGH
10 ENTITY; AND FOR OTHER PURPOSES
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Subtitle

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14 TO AMEND THE CORPORATE INCOME TAX
15 WITHHOLDING REQUIREMENTS FOR MEMBERS OR
16 OWNERS OF A PASS-THROUGH ENTITY.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code § 26-51-919(a)(2), concerning the withholding
22 of income tax by pass-through entities, is amended to read as follows:

23 ~~(2)(A)~~ *“Member” means a shareholder of a Subchapter S*
24 *corporation, a partner in a general partnership, a partner in a limited*
25 *partnership, a partner in a limited liability partnership, a member of a*
26 *limited liability company, or a beneficiary of a trust-*

27 ~~(B) “Member” does not mean a Subchapter C corporation as~~
28 ~~defined in 26 U.S.C. § 1361(a), in effect January 1, 2005;~~
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30 SECTION 2. Arkansas Code § 26-51-919(b)(1)(A)(i), concerning the
31 withholding of income tax by pass-through entities, is amended to read as
32 follows:

33 ~~(b)(1)(A)(i) A pass-through entity shall withhold Arkansas income tax~~
34 ~~at the highest income tax rate levied under §§ 26-51-201 and 26-51-202 on On~~
35 ~~the share of income of the pass-through entity that is derived from or~~
36 ~~attributable to sources within this state and distributed to each nonresident~~



1 member, a pass-through entity shall withhold Arkansas income tax at the
 2 highest income tax rate levied under:

3 (a) Section 26-51-201;

4 (b) Section 26-51-202; and

5 (c) Section 26-51-205, the revenues collected
 6 under this subdivision (b)(1)(A)(i)(c) to be distributed only as provided in
 7 § 26-51-205(d)(2).

8
 9 SECTION 3. Arkansas Code § 26-51-919(d), concerning the withholding of
 10 income tax by pass-through entities, is amended to read as follows:

11 (d)(1) A pass-through entity may file a composite income tax return on
 12 behalf of electing nonresident members reporting and paying Arkansas income
 13 tax at the highest income tax rate under §§ 26-51-201 and 26-51-202 on the
 14 nonresident member's pro rata or distributive shares of income of the pass-
 15 through entity from doing business in or deriving income from sources within
 16 this state.

17 (2) A nonresident member whose only source of income within this
 18 state is from one (1) or more pass-through entities may elect to be included
 19 in a composite return filed pursuant to this section.

20 (3) A nonresident member who has been included in a composite
 21 return may file an individual income tax return and shall receive credit for
 22 income tax paid on the nonresident member's behalf by the pass-through
 23 entity.

24 (4) A Subchapter C corporation shall not be included as part of
 25 a composite return filed under this section.

26 (5) On or before the fifteenth day of the fourth month following
 27 the ~~close~~ end of the pass-through entity's tax year, a pass-through entity
 28 shall file an annual composite return with the director showing the total
 29 amount of income distributed or credited to its nonresident members and the
 30 amount of tax withheld and shall remit the tax due on the composite income
 31 tax return.

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 33 SECTION 4. EFFECTIVE DATE. Sections 1 through 3 of this act are
 34 effective for tax years beginning on and after January 1, 2017.

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 36 /s/Jett