

## Corporation Income Tax Frequently Asked Questions

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## **1. When is an Arkansas “C” corporation income tax return due?**

Arkansas Code Annotated (ACA) 26-51-806 has been amended to require Arkansas corporation income tax returns to be filed on or before the 15th day of the 4th (fourth) month after the close of the corporation’s tax year. If the corporation has filed an extension the due date will be October 15<sup>th</sup> and Exempt organizations due date is May 15<sup>th</sup> for a corporation filing its return based on a calendar year. Corporate tax filers may E-file their returns through an outside software vendor or file and pay taxes through our ATAP portal at <https://atap.arkansas.gov/> /. The E-file form and instructions can be found at [www.dfa.arkansas.gov](http://www.dfa.arkansas.gov). under the Corporation Income tax link.

## **2. What tax identification number is required for the Arkansas corporation income tax return?**

Arkansas requires all corporations to use the federal employer identification number (FEIN) assigned to the corporation by the Internal Revenue Service. To obtain an FEIN, contact the Internal Revenue Service Center in your area. In Arkansas, contact the Memphis Service Center, Memphis, Tennessee, Telephone number (901) 546-3920.

## **3. What is the statute of limitations for filing an Arkansas amended corporation income tax return?**

ACA 26-18-306(i) states that an amended return may be filed within three (3) years of the original return filing date or two (2) years from the date the tax was paid, whichever event occurred later. Use form AR1100CT and check the Amended return box for tax years 2010 and after. For tax years 2009 and prior use form AR1100CTX.

## **4. Who must sign the Arkansas corporation income tax return (form AR1100CT) or Arkansas amended corporation income tax return?**

ACA 26-51-804(b) requires the return be signed by a corporate officer, which may be the president, vice-president, treasurer, or other principal officer. If someone other than a corporate employee prepared the return, that individual or firm must also sign the return as the preparer and provide the requested information.

## **5 Will Arkansas recognize an automatic federal extension, Form 7004?**

Yes. ACA 26-51-807 states any person who requests an automatic extension of time for filing a federal income tax return will be granted an extension of time for filing the corresponding Arkansas income tax return until the extended due date of the federal return. A copy of Federal Form 7004 is no longer required to be attached to the Arkansas return if the Federal Extension box is checked on Arkansas Form AR1100CT. However, interest at the rate of ten percent (10%) per annum is due on all returns (including those with extensions) if the tax is not paid by the original return due date. Interest will be computed on a daily rate of .00027397. To avoid interest and/or penalty, any tax due payment must be made on or before the 15th day of the 4th month following the close of the Corporation’s tax year. Any tax due balance remaining after the original Arkansas return due date or the extended return due date will be subject to the penalties referenced in ACA 26-18-208. **Act 629 of 2021** amends Arkansas Code Annotated 26-51-807(a) to allow taxpayers an extension to file of one month after the extended due date for a federal income tax return for tax years beginning on or after January 1, 2021. The one month extended due date does not apply to returns for which a federal extension is not requested and does not extend the original due date. As a reminder all tax payments are due on the original return due date and interest at 10% per annum and failure to pay penalties at 5% per month will be assessed on all taxes unpaid after the original due date which is April 15 for calendar year filers and the 15<sup>th</sup> day of the fourth month after the end of a tax year that does not end in December.

**6. Will Arkansas grant an extension beyond the federal automatic extension?**

Yes. ACA 26-18-505 states that, for good cause and upon written request, an Arkansas extension of 60 days beyond the automatic federal extension due date will be granted. Complete and mail Arkansas form AR1155, Request for Extension of Time for Filing Income Tax Returns, by the federal extended due date to the Corporation Income Tax Section. The Arkansas extension request must be postmarked on or before the Arkansas return due date or the federal extended return due date, whichever is applicable. Arkansas extensions must be attached to the Arkansas income tax return. Any tax due balance remaining after the original Arkansas return due date or the extended return due date will be subject to the penalties referenced in ACA 26-18-208.

**7. Is a copy of the corporation's federal income tax return (form 1120,1120A or 1120S) required to be attached to the Arkansas return?**

Yes. ACA 26-51-806(d)(1) requires every corporation filing an Arkansas corporation income tax return to attach a completed copy of its federal tax return as filed with the IRS, including all schedules and attachments. If a line-item amount listed on the federal return is different than the amount listed on the Arkansas return, a reconciliation schedule must be attached for each line item amount that is different.

**8. When should an Internal Revenue Service Revenue Agent's Report (RAR) be reported to Arkansas?**ACA 26-18-306(b) requires the RAR be reported to Arkansas within one hundred eighty (180) days from the receipt of the notice and demand for payment from the Internal Revenue Service. The RAR must be reported on an Arkansas form AR1100CT and check the Amended return box on the form for tax years 2010 and after. Use form AR1100CTX if amending tax years 2009 and prior.

**9. What are the requirements to file an Arkansas consolidated income tax return?**

ACA 26-51-805 establishes which corporations are eligible to be a member of an Arkansas consolidated group. The following is a brief summary of those requirements:

1. All federal eligible members must be a part of the federal consolidated income tax return.
2. Only those federal eligible members with income sources within Arkansas may be part of Arkansas consolidated group.
3. All of the Arkansas eligible members must consent to and join in the filing of Arkansas consolidated return prior to the last day for filing a return.
4. Once election to file an Arkansas consolidated return is made, all Arkansas eligible members must continue to file as part of the Arkansas consolidated group.

Each entity in the Arkansas consolidated group must separately compute its taxable income or loss on a separate form AR1100CT and consolidate the total taxable income or loss from each entity on a group return, form AR1100CT.

**10. Has Arkansas adopted the new federal depreciation rules?**

Arkansas did not adopt the bonus depreciation provisions contained the IRS Code 168(k). Arkansas adopted Sections 167, 168(a)-(j), 179 and 179A of the IRS Code of 1986 as in effect on January 1, 2015 for property purchased in tax years beginning on or after January 1, 2014. The Section 179 expense election is \$133,000 for tax years beginning on or after January 1, 2009. The Section 179 expense election is \$134,000 for tax years beginning on or after January 1, 2010. For tax years beginning on or after January 1, 2011 the Section 179 expense election will be \$25,000. No bonus depreciation is allowed for Arkansas income tax purposes.

**11. When should the AR1100REC form be attached to the Arkansas corporate return?**The AR1100REC form is required to be filed with form AR1100CT when there is a difference between Interest Income, the Taxes Deduction and/or the Depreciation Deduction reported on the federal return versus the Arkansas return.

**12. Are corporations allowed to deduct Arkansas income tax on its Arkansas return?**No. ACA 26-51-416 does not allow Arkansas or federal income tax or taxes that increase the value of assessed property to be taken as a deduction.

**13. Is a net operating loss (NOL) carry-back allowed on the Arkansas return?** Act 822 amends Arkansas Code Annotated 26-51-427 to allow net operating losses occurring in tax years beginning on or after January 1, 2020 to be carried forward 8 tax years and net operating losses occurring in tax year beginning on or after January 1, 2021 to carry forward 10 tax years. Prior years to January 1, 2020 net operating loss (NOL) will carry forward 5 tax years.

**14. What are the new rules and regulations for factoring apportionment of income on the Arkansas corporation income tax return?**

Act 822 of 2019 amends Arkansas Code Annotated 26-5-101, Article IV and 26-51-709 through 26-51-718 to provide for a single sales factor to apportion income from within and without Arkansas for tax years beginning on or after January 1, 2021. For tax years beginning on or after January 1, 2021, all taxpayers with income from sources within and without Arkansas must use a single sales factor to apportion income from Arkansas unless the taxpayer is subject to a special industry apportionment method authorized for;

1. Railroads by Regulation 1.26-51-204,
2. Private Railcar Operators by Regulation 2.26-51-204
3. Construction Contractors by Regulation 1.26-51-718(d)
4. Television and Radio Broadcasting by Regulation 2.26-51-718(d)
5. Publishing by Regulation 3.26-51-718(d), and
6. Pipelines by Regulation 6.26-51-718(d).

Airlines are required to use sales factor apportionment only under Regulation 4.26-51-718(d) and Bus Lines and Trucking Companies are required to apportion using a mileage factor only under Regulation 5.26-51-718(d) and the mileage should be reported in the sales factor area of Schedule A for Form AR1100CT.

**15. When are Arkansas “C” corporation estimated income tax payments due?**

ACA 26-51-913 amended the due date for Arkansas “C” corporation estimated income tax payments for tax years beginning on or after January 1, 2003, as follows:

1. First installment, Voucher 1, is due on or before the 15th day of the fourth month of the tax year.
2. Second installment, Voucher 2, is due on or before the 15th day of the sixth month of the tax year.
3. Third installment, Voucher 3, is due on or before the 15th day of the ninth month of the tax year.
4. Fourth installment, Voucher 4, is due on or before the 15th day of the twelfth month of the tax year.

**16. Why are certain corporations required to pay its estimated quarterly income tax payments through the Electronic Funds Transfer (EFT) method?**

ACA 26-19-106 requires any corporation with an estimated quarterly income tax liability equal to or greater than twenty thousand dollars (\$20,000) to pay its estimated quarterly income tax due by the EFT method. Corporation Income tax Section will determine which corporations will be required to remit its estimated quarterly income tax payments through the EFT method. This determination will be based on the corporation's average quarterly tax liability for its prior tax year.

**17. May a corporation voluntarily pay its estimated quarterly income tax payments and extension payments through the Electronic Funds Transfer (EFT) method?**

A corporation may voluntarily participate in the EFT payment method upon completion and acceptance of an Authorization Agreement, Form EFT-1. The corporation must remit all of its estimated quarterly income tax payments by the EFT method for a least one tax year. Estimate and extension payments may also be made on the ATAP website, [www.atap.arkansas.gov](http://www.atap.arkansas.gov). All payments may be made through EFT, ATAP, check or visiting our office in person at 1816

W. 7th Street, Room 2250, Little Rock, AR. The taxpayer must be able to verify their payment account in order to make a payment. Corporation Income Tax does not accept credit cards or wire transfers for payments.

**18. Will the corporation be penalized if it does not remit its estimated quarterly income tax payment through the EFT method?**

Yes. ACA 26-19-107 authorizes the assessment of a five percent (5%) penalty based on the amount of taxes due. This penalty is in addition to any other penalty authorized in ACA 26-18-208. The penalties stated above will apply to those corporations required to pay or those who volunteered to pay the estimated quarterly income tax payments through the EFT method. Failure to transmit the requested information or have adequate funds available for the EFT in the required time frame will also subject the corporation to the penalties referenced above.

**19. May a tax due balance reflected on an Arkansas return be transmitted through the EFT payment method?**

No. At the present time, only estimated quarterly income tax payments and extension payments are permitted to be made through the EFT payment method. Return payments must be made by check or through ATAP at [www.atap.arkansas.gov](http://www.atap.arkansas.gov).

**20. Will Arkansas fax corporation income tax forms?**

No. Arkansas "C" corporation and "S" corporation forms, along with schedules may be obtained via download at: <https://www.dfa.arkansas.gov/income-tax/corporation/corporation-forms/>, or a written request to: Corporation Income Tax Section, P O Box 919, Little Rock, AR 72203-0919.

**21. Who do we contact regarding Arkansas withholding tax?**

Arkansas Withholding Tax Section, P O Box 8055, or for payments P O Box 9941, Little Rock, AR 72203, telephone (501) 682-7290

**22. Who do we contact regarding Arkansas corporation franchise tax, to file Articles of Incorporation, or to dissolve a corporation?**

Arkansas Secretary of State, State Capitol Building, Attention Corporation Division, Little Rock, AR 72201, telephone number (501) 682-3409. The website can be found at [www.sos.arkansas.gov/](http://www.sos.arkansas.gov/).

**23. Who do we contact regarding Arkansas Sales or Use Tax?**

Arkansas Sales & Use Tax Section, P O Box 1272, Little Rock, AR 72203-1272, telephone number (501) 682-7104.

**24. Are there certain Economic or Covid-19 related tax exemptions related to U.S. Government payments?**

Act 95 of 2020 created Arkansas Code Annotated 26-51-316 and exempts from Arkansas income tax payments made to a taxpayer by the United States Department of Agriculture under the Market Facilitation Program authorized by 15 U.S.C. §714c as it existed on January 1, 2020. Expenses for losses related to the receipt of a payment to a taxpayer under the Market Facilitation Program are not deductible or otherwise permitted to offset any other income from the tax year in which the loss or expenses are incurred. Act 95 of 2020 is effective for tax years beginning on or after January 1, 2020.

Act 248 of 2021 amended Arkansas Code Annotated 26-51-404(b) to add the following exclusions from gross income;

1. Title 15 U.S.C. § 626A(i) as in effect on January 1, 2021 exempts sums received under the Paycheck Protection Program of loan forgiveness as included in § 304(b), 276(a) and 276(b) of the Consolidated Incentive Act of 2021, Public Law 116-260.
2. Section 277 of the Consolidated Appropriations Act concerning the tax treatment of certain emergency financial aid grants to students.
3. Section 278 of the Consolidated Appropriations Act concerning the clarification of the tax treatment of certain loan forgiveness and other business financial assistance. Section 278 includes exemptions for Paycheck Protection Program loan forgiveness under section 1109(d)(2)(d) of the CARES Act, Economic Injury Disaster Loan grants also known as EIDL Grants from the Small Business Administration under section 1110(c) of the Cares Act and section 331 of the Hard-Hit Small Businesses, Nonprofits and Venues Act, Subsidies for certain SBA loan payments described in Section 1112(c) of the Cares Act and Grants for Shuttered Venue Operators under Section 324 of the Hard-Hit Small Businesses, Nonprofits and Venues Act.
4. Payments received under the Corona-virus Food Assistance Program described in 7 C.F.R. Part 9 as it existed on January 19, 2021.

Expenses related to the exclusion of income under Act 248 of 2021 are deductible. Income exempted under **Act 248 of 2021** and **Act 95 of 2020** must be added back in the calculation of net operating loss as required by Arkansas Code Annotated 26-51-427(2). There are a number of federal and state financial assistance programs that are not exempt from Arkansas income taxes. Among the assistance programs that are not exempt are any government assistance programs included in the American Rescue Plan Act (ARPA) such as;

- 1.the Restaurant Revitalization Fund Grants,
- 2.Rural Health Care and Development Grants, USDA loan subsidies,
- 3.EIDL Grants under ARPA,
- 4.PPP loan forgiveness under ARPA,
- 5.Emergency Rental Assistance under ARPA and the Consolidated Appropriations Act,
- 6.Arkansas Ready for Business Grants and
- 7.any other federal, state or local financial assistance program not specifically exempted by Arkansas law

