

2005

ARKANSAS SHORT FORM - AR1000S INDIVIDUAL INCOME TAX RETURN AND INSTRUCTIONS

Due Date for Filing: April 17, 2006

A Message to Arkansas Taxpayers

There are several tax law changes for 2005. Some of those that impact the greatest number of taxpayers are:

- Repeal of the 3% Income Tax Surcharge
- Increase the income exemption for military enlisted personnel from \$6,000 to \$9,000
- Federal tax treatment of Health Savings Accounts was adopted
- For a partial list of changes made during the 2005 Legislative Session see page 5 of this booklet.

Other Important information for 2005:

Your state return is due on April 15, 2006 the same as your federal return. Since the due date is on a weekend, returns must be postmarked by Monday, April 17th.

This booklet contains an Arkansas Use Tax Form for taxpayers to report and pay Arkansas tax on out of state purchases made from catalogs or the Internet, or other transactions where Arkansas tax is due and has not been paid.

Arkansas continues to be one of the more successful states for Electronic Filing. Last year, over 50% of all Arkansas returns were filed electronically. Arkansas is now a member of the Free E-File Alliance. Many qualifying Arkansas taxpayers may file free over the Internet. Visit our web site at: www.arkansas.gov/dfa/ for information about on-line e-file opportunities. If you elect not to e-file from home, your tax preparer can e-file for you

For your convenience, the Arkansas Voter Registration Application is included in this booklet. This form can be used for new voter registrations or to update current registration information. If needed, complete the form and send it to the Secretary of State's office.

Please do not mail it to the Revenue Division or enclose it with your tax return.

We appreciate your suggestions and constructive criticism. We want to provide you with the best service possible. Please mail your suggestions and comments to: Manager, Individual Income Tax Section, P.O. Box 3628, Little Rock, Arkansas 72203-3628. Thank you.

Sincerely,



Tim Leathers
Commissioner of Revenue

Important addresses for additional information and assistance:

Internet: www.arkansas.gov/dfa/
E-Mail: individual.income@rev.state.ar.us



Governor Mike Huckabee

397207
State of Arkansas
State Income Tax
P. O. Box 1000
Little Rock, AR 72203-1000

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ELECTRONIC FILING

Last year over 598,000 taxpayers used an electronic filing option to file their Arkansas Individual Income Tax Return. Electronic filing allows you to file your Arkansas Tax Return with a tax professional or by computer.

FEDERAL/STATE ELECTRONIC FILING

The State of Arkansas participates in the Federal/State Electronic Filing Program for Individual Income Tax. The benefits of Electronic Filing are:

- *Simultaneous Federal/State filing* Both your Federal and State of Arkansas Income Tax Returns are filed electronically in one transmission.
- *Processing* If you file a complete and accurate return, your refund will be issued within ten (10) days **after acknowledgment**. Taxpayers with Tax Due Returns will be sent billing notices on unpaid balances as of April 17th.
- *Accuracy* Computer programs catch 98% of tax return errors before your return is received and accepted.
- *Acknowledgment* The State of Arkansas notifies your transmitter within two (2) days if your return has been received and accepted.

This program is available to full year residents, certain qualifying nonresidents and part-year residents filing a 2005 Arkansas Individual Income Tax Return. However, filers claiming business and incentive tax credits are not eligible to file electronically. Electronic filing is available whether you prepare your own return or use a preparer. In addition to tax preparers, other firms are approved to offer electronic filing services. Check with your tax preparer or electronic filing service to see if they are participating in the Federal/State program.

ON-LINE FILING

Over 76,700 taxpayers took advantage of On-Line Filing last year. The same advantages are obtained by on-line filing as by electronic filing but it does not require a preparer. For a nominal fee your federal and state returns are prepared and filed electronically.

TELEFILE

This service is no longer available.

PAYING YOUR TAXES BY CREDIT CARD

Taxpayers who file an Arkansas Individual Income Tax Return may now pay their tax due by credit card. Credit card payments may be made by telephone, by calling 1-800-2PAY-TAXSM (1-800-272-9829), or over the Internet by visiting www.officialpayments.com and clicking on the "Payment Center" link.

Both options will be processed by Official Payments Corp, a private credit card payment services provider. A convenience fee will be charged to your credit card for the use of this service. The State of Arkansas does not receive this fee. You will be informed of the exact amount of the fee before you complete your transaction. After you complete your transaction you will be given a confirmation number to keep with your records.



IMPORTANT NOTICE FOR 2005

NOTICE OF POSSIBLE REFUND

TO: (1) ALL FEDERAL RETIREES WHO PARTICIPATED IN THE CIVIL SERVICE RETIREMENT SYSTEM OR FEDERAL EMPLOYEES RETIREMENT SYSTEM AND THAT FILED ARKANSAS STATE INCOME TAX RETURNS SINCE JULY 27, 1999; (2) ALL PERSONS REPORTING INCOME TO THE STATE SINCE JULY 27, 1999, FROM NON-DEDUCTIBLE INDIVIDUAL RETIREMENT ACCOUNTS; AND (3) ALL OTHER PERSONS REPORTING INCOME TO THE STATE SINCE JULY 27, 1999, FROM RETIREMENT PLANS TO WHICH THEY MADE AFTER-TAX CONTRIBUTIONS.

The Department of Finance and Administration has been ordered to refund illegally exacted taxes to all federal retirees who participated in the Civil Service Retirement System or Federal Employees Retirement System and who filed Arkansas state income tax returns since July 27, 1999; all persons reporting income to the state since July 27, 1999 from non-deductible Individual Retirement Accounts, and all other persons reporting income to the State from employer-sponsored retirement plans; in which they made after tax contributions. The court ordered the State to refund all illegally exacted taxes by recalculating each class member's respective tax liability since July 27, 1999, and mail the refund, less attorney's fees and costs, directly to the taxpayer. The State shall include a Notice of Calculation with the refund setting forth the taxpayer's name, address, Social Security Number, income adjustments, tax adjustments, amount of tax and interest refunded for each tax year since July 27, 1999, amount of refund net of attorney's fees and costs, the right to request verification or correction of information contained therein, and enclosing a separate claim form to correct errors.

The court ruled that these class members are entitled to a refund of the tax paid on their after-tax contributions to the extent of the net retirement income reported on line 18 of the tax returns filed since July 27, 1999, plus interest of 10% from the due date of the tax return, less attorney's fees and costs. This refund arises from Orders of the Honorable Collins Kilgore in the Circuit Court of Pulaski County, Arkansas, 13th Division in the case of McFadden, et al. v. Weiss, No. OT-99-3939. Information regarding the Court ordered refund is available on the Department of Finance and Administration website at <http://www.arkansas.gov/dfa/>.

Most McFadden lawsuit claimants have fully recovered their total original cost of contributions to their employment-sponsored retirement plans by way of the refund granted in that case. Taxpayers who have fully recovered their cost of contribution may not make the adjustment to their retirement income provided under Internal Revenue Code §72.

Please check our website for updated information.

FORM AR1000S

There are three types of income tax returns for individuals. Form AR1000NR is used by nonresidents and part-year residents. Form AR1000 and Form AR1000S are used only by full year residents. All full year residents may use Form AR1000, but you may save time if you are able to use Form AR1000S instead. However, some people must use Form AR1000 as explained below.

IF YOU ARE:

- Single
- Married
- Head of Household
- Married filing separately on the same return or
- Qualifying Widow(er) with dependent child

THEN YOU MAY USE FORM AR1000S IF:

- You are a full year Arkansas resident, **and**
- Your income is only from wages, salaries, tips, interest, dividends and miscellaneous income (See Line 10 instructions for examples of miscellaneous income), **and**
- You do not itemize your deductions, **and**
- Your only credits are:
 - a) Personal tax credits (except for a developmentally disabled individual) and
 - b) Child and Dependent Care Expenses or Early Childhood Program Credits.

YOU MUST USE FORM AR1000 IF:

- You file as Married Filing Separately on Different Returns (Filing Status 5).
- You had income other than wages, salaries, tips, interest, dividends and miscellaneous income, such as pension or annuity income, gain from the sale of property, barter income, alimony, or self employment income (including farm income).
- You claim an exemption for military compensation pay.
- You claim a \$6,000 exemption for an employment related pension plan, qualified IRA and/or military retirement.
- You are a minister claiming a housing allowance.
- You file Federal Schedules C or CE-Z, D, E or F.
- You file Federal Form 2555, Foreign Earned Income.
- You must pay tax on an Individual Retirement Account (IRA) and file Federal Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts.
- You claim adjustments to gross income for the border city exemption, payments to an IRA, MSA, HSA, SEP, SIMPLE or Keogh plan, interest paid on student loans, contributions to an intergenerational trust, moving expenses, self-employed health insurance, forfeited interest penalty for premature withdrawal, alimony paid, a permanently disabled individual, organ donation or for contribution to an Arkansas tax deferred tuition savings plan.
- You have capital gain or loss income for 2005.
- You itemize your deductions.
- You file Form AR1000TD, Tax on Lump Sum Distributions.
- You claim credits against your tax for the:
 - a) Other State(s) Tax Credit
 - b) State Political Contributions Credit
 - c) Adoption Expense Credit
 - d) Phenylketonuria Disorder Credit, or
 - e) Business and Incentive Tax Credit.
- You made estimated tax payments.
- You file Form AR2210, Underpayment of Estimated Tax by Individuals, **or**
- You want to apply any part of your 2005 refund to your estimated taxes for 2006.

IMPORTANT INFORMATION FOR 2005

NOTE: THE FOLLOWING IS A BRIEF DESCRIPTION OF EACH ACT AND IS NOT INTENDED TO REPLACE A CAREFUL READING OF THE ACT IN ITS ENTIRETY.

Due Date April 17, 2006

If April 15 falls on a Saturday, Sunday, or a legal holiday, the return shall be considered timely filed if it is postmarked on the next succeeding business day which is not a Saturday, Sunday or legal holiday.

This year April 15 falls on a Saturday, therefore the return is not due until the next business day which is April 17.

Personal Tax Credit Increased Pursuant to Act 1819 of 2001

Act 1819 of 2001 authorizes the indexing of the personal tax credit if certain budget requirements are met. The requirements have been met therefore the personal tax credit has been increased to \$21.

Income Tax Surcharge Repealed (Act 63 of 2005)

This act repeals the 3% Income Tax surcharge imposed by Ark. Code Ann. §26-51-207 for tax years beginning in 2005. This act is effective on February 1, 2005 for tax years beginning on or after January 1, 2005.

Extension of Time to File Clarified (Act 686 of 2005)

This act allows the Director to grant an extension of time for filing an Arkansas income tax return of not more than 120 days, and in extraordinary circumstances, an additional extension of 60 days.

Payment of Interest Clarified (Act 262 of 2005)

This act clarifies that interest on overpayments of tax is to be calculated from the due date of the return or the date the return was filed, whichever occurs later. The act allows the Director 90 days from the return due date or the date the return was filed, whichever occurs later, to refund an overpayment of tax without interest.

Income Tax Technical Corrections Act (Act 675 of 2005)

This act amends Arkansas Code to adopt changes to the Internal Revenue Code (IRC). The act adopts or readopts the following IRC Sections:

1. Readopts IRC §2(b) regarding the definition of Head of Household;
2. Readopts IRC §152 regarding the definition of Dependent;
3. Readopts IRC §2(a) regarding the definition of Head of Household and Qualifying Widow or Widower with a dependent child.

This act applies to tax years beginning January 1, 2005 and after.

New Setoff Added (Act 277 of 2005)

This act adds the Office of Personnel Management of the Department of Finance and Administration as a claimant agency for purposes of recovering debts by obtaining a setoff of State Income Tax refunds.

Two New Check-Offs Added for 2005 (Acts 1028 and 1821 of 2005)

Military Family Relief (Act 1028) - This act creates the Military Family Relief Check-off Program on Arkansas income tax returns. Taxpayers will be able to designate a portion of their Arkansas income tax refunds to go to the program or make a contribution to the program. The check-off program is effective for tax years beginning on or after January 1, 2005 and for donations made on or after August 1, 2005.

Area Agencies on Aging (Act 1821) - This act creates an income tax check-off for contributions of all, or a part, of the taxpayer's income tax refund to the Area Agencies on Aging. This act is effective for tax returns filed for tax year 2005 and thereafter.

SPECIAL INFORMATION FOR 2005

COLORED PEEL OFF LABEL

As a security measure, the colored peel off label containing your personal information no longer includes your Social Security Number(s). YOU MUST ENTER YOUR SOCIAL SECURITY NUMBER(S) ON YOUR RETURN IN THE SPACE PROVIDED OR YOUR RETURN CANNOT BE PROCESSED AND WILL BE RETURNED TO YOU.

EXTENSION TO FILE

Arkansas recognizes all valid Federal extensions. If you have filed an Application for Automatic Extension of Time to File, Federal Form 4868, it is no longer necessary to attach this form to your Arkansas return. When the return is complete and ready to file, simply check the box on the front of your Arkansas Return and mail the return prior to the final date stated on the Federal Extension. **Do not mail in an incomplete AR1000 to claim the extension to file.**

PAYMENTS REQUIRED ON EXTENDED RETURNS

If you owe a tax due and the due date of your Arkansas return has been extended, you must pay at least ninety percent (90%) of the tax due by April 17, 2006 or be subject to a Failure to Pay Penalty of one percent (1%) of the unpaid tax per month. Payments made on extension should be made on Form AR1000ES, Voucher 5.

SETOFF REFUNDS

If you owe a debt to one of the agencies listed below or if you have filed jointly with a spouse or former spouse who owes, all or part of your refund may be withheld to satisfy the debt. Agencies and other entities that may claim your refund are:

Dept. of Finance & Administration	Dept. of Human Services
State of Arkansas Supported Colleges, Universities & Technical Institutes	Dept. of Higher Education
Arkansas Circuit, County, District & City Courts	UAMS & Affiliated Clinics
DFA Office of Personnel Management	Employee Benefits Division
	Child Support
	Housing Authorities

If your refund is withheld, you will receive a letter stating which agency claimed your refund and the appropriate telephone number. You must contact the agency claiming the refund to resolve any questions or differences. Income Tax personnel will be unable to assist you regarding these matters.

If you owe a debt for Arkansas income tax, your federal refund may be captured to satisfy this state debt.

NOTICE TO MARRIED TAXPAYERS

If only one of the married taxpayers owes the debt, the taxpayer who is not liable can avoid having his/her refund applied to the debt if both taxpayers file status 5, married filing separately on different returns. (See Instructions for filing Status 5.)

The State of Arkansas's automated telephone information system allows taxpayers to listen to recorded information about general filing information. It is recommended that you have your tax information on hand as well as a pencil to write down important information. The different services and telephone numbers are listed below:

Automated Refund Inquiry

(501) 682-0200 or 1 800 438-1992 (In Arkansas only)

This service allows taxpayers with a touch-tone telephone to check the current status of their refund. The system will ask for information from your tax return so have a copy of the return with you when you call. The average time to process a refund is approximately 6 to 8 weeks. This time can vary based on how early you filed your tax return or if you made any mistakes preparing the return. This service is available 24 hours a day, 7 days a week and is updated weekly.

Individual Income Tax Information Hot-Line

(501) 682-1100 or 1 800 882-9275 (In Arkansas only)

This system is designed to allow taxpayers 24 hour access to general information about filing. Personal assistance is available during normal business hours (Monday through Friday 8:00 a.m. to 4:30 p.m.). The areas that can be reached by this system are as follows:

Taxpayer Assistance Branch	Refund Group	Amended Group
Audit and Examination Branch	Delinquent Income Tax Group	Forms Group

Other Useful Telephone Numbers

Hearing Impaired Access for Information, Assistance and Forms(501) 682-4795

This number can only be reached by the use of a Text Telephone Device.

Tele-Tax

(501) 682-0200 or 1 800 438-1992 (In Arkansas Only)

In addition to the Tax Information Hot-Line for recorded general filing information, the State of Arkansas has a Tele-Tax information service to access more specific information. Listed below are topics of additional information or explanation. Using a touch-tone telephone, enter the three-digit code to access additional information. This service is available 24 hours a day, 7 days a week.

TELE-TAX INFORMATION

Using a touch-tone telephone dial (501) 682-0200 or 1 800 438-1992 (In Arkansas only); when prompted, enter the subject number:

FILING REQUIREMENTS

- 100 Who Must File
- 101 Which Form - AR1000,
AR1000NR, AR1000S

- 102 When, where, and how to file
- 103 Which filing status
- 104 Dependents
- 106 Amended returns

INCOME DEFINITIONS

- 200 Wages, salaries and tips
- 201 Interest received
- 202 Dividends received
- 301 Nontaxable income

TAX COMPUTATION

- 600 Choosing the correct tax table
- 601 Standard Deduction

TAX COMPUTATION (con't.)

- 603 Tax credits, general
- 604 Child Care Credit

GENERAL INFORMATION

- 700 Substitute forms
- 701 Refunds - how long to wait
- 702 How to request copies of tax returns
- 703 Extensions of time to file
- 704 Penalty for underpayment
- 705 W-2 forms - what to do if not received

NOTICES AND ERRORS

- 800 Taxpayer Bill of Rights
- 801 Billing Procedures
- 802 Penalty and interest charges
- 803 Collections procedures

INSTRUCTIONS

THESE INSTRUCTIONS ARE FOR GUIDANCE ONLY AND DO NOT STATE THE COMPLETE LAW

A. WHO MUST FILE A TAX RETURN

1. IF YOU LIVED IN ARKANSAS IN 2005 AND ANY OF THESE STATEMENTS DESCRIBE YOU:

- (a) SINGLE (under 65) and your gross income is \$7,800 or more.
- (b) SINGLE (65 or older) and your gross income is \$9,300 or more.
- (c) HEAD OF HOUSEHOLD (under 65) and your gross income is \$12,100 or more.
- (d) HEAD OF HOUSEHOLD (65 and older) and your gross income is \$13,000 or more.
- (e) MARRIED FILING JOINT (both under 65) and your gross income is \$15,500 or more.
- (f) MARRIED FILING JOINT (one 65 and older) and your gross income is \$15,600 or more.
- (g) MARRIED FILING JOINT (both 65 and older) and your gross income is \$16,200 or more.
- (h) QUALIFYING WIDOW(ER) (under 65) and your gross income is \$15,500 or more.
- (i) QUALIFYING WIDOW(ER) (65 and older) and your gross income is \$16,000 or more.
- (j) MARRIED FILING SEPARATELY (any age) and your gross income is \$3,999 or more.

2. THE EXECUTOR OR ADMINISTRATOR OF THE ESTATE OF SOMEONE WHO DIED LAST YEAR must file a tax return for the person who died if any conditions listed below apply:

- (a) The person was SINGLE (under 65) and earned a gross income of \$7,800 or more between January 1 and the time of death.
- (b) The person was SINGLE (65 and older) and earned a gross income of \$9,300 or more between January 1 and the time of death.
- (c) The person was MARRIED (both under 65) with a combined gross income of \$15,500 or more.
- (d) The person was MARRIED (one under 65) with a combined gross income of \$15,600 or more.
- (e) The person was MARRIED (both 65 and older) with a combined gross income of \$16,200 or more.

3. **Even if you do not have to file, to get a refund of Arkansas Income Tax withheld from any payments to you, you must file a tax return.**

B. WHEN TO FILE YOUR TAX RETURN

You can file your calendar year tax return any time after December 31, 2005, but NO LATER THAN APRIL 17, 2006, (unless an extension has been granted). PLEASE FILE EARLY. If the State owes you a refund and you wait until APRIL 17th to file, it will take longer for you to get your refund.

If April 15 falls on a Saturday, Sunday or a legal holiday, the return shall be considered timely filed if it is postmarked on the next succeeding business day which is not a Saturday, Sunday or legal holiday.

NOTE: *The date of the postmark stamped by the U.S. Postal Service is the date you filed your return. Be sure to apply enough postage or your return will not be delivered by the Postal Service. The Income Tax Section does not refuse mail; that is done at the Post Office.*

C. WHERE TO FILE

1. If you owe tax, mail your TAX DUE RETURN and check or money order to:

Arkansas State Income Tax
P.O. Box 2144
Little Rock, AR 72203-2144

2. Make your check or money order payable to:

Department of Finance and Administration.

Be sure to write your Social Security Number on the check.

3. If you do not owe tax, mail your NO TAX DUE RETURN to:

Arkansas State Income Tax
P.O. Box 8026
Little Rock, AR 72203-8026

4. If you are expecting a refund, mail your REFUND RETURN to:

Arkansas State Income Tax
P.O. Box 1000
Little Rock, AR 72203-1000

D. FORMS

The Department of Finance and Administration mails a tax booklet of forms and instructions to most taxpayers. If you need forms, you may get them at your county revenue office, or by visiting the DFA website at:

www.arkansas.gov/dfa/

You may also obtain forms by writing:

State Income Tax Forms
P.O. Box 3628
Little Rock, AR 72203-3628

If you wish to call for forms, the numbers are: (501) 682-1100 and Text Telephone Device (Hearing-Impaired Access): (501) 682-4795.

E. PENALTIES & INTEREST

1. If you owe any additional tax, you must mail your tax return by April 17, 2006. Any return not postmarked by April 17, 2006, unless you have a valid extension, will be considered delinquent. A penalty of one percent (1%) per month for failure to pay and five percent (5%) per month for failure to file, with a maximum of thirty-five percent (35%), will be assessed on the amount of tax due. Interest of ten percent (10%) per annum will also be assessed on any additional tax due, calculated from the original due date to the date you filed your return.

An extension to file is not an extension to pay. If you have filed an extension, you must pay at least ninety percent (90%) of the amount due by the original due date or be subject to a failure to pay penalty of 1% per month of the unpaid balance.

2. In addition to any penalty assessed, a penalty of \$500 will be assessed if any taxpayer files what purports to be a return, but the return does not contain information on which the correctness of the return may be judged, and such conduct is due to a position which is frivolous, or an effort to delay or impede the administration of any State law.
3. If you owe additional tax in excess of \$1,000, a penalty for failure to make a declaration of Estimated Tax and pay on any quarterly due date the equivalent of ninety percent (90%) of the amount actually due, or an amount equal to or greater than the tax liability of the preceding income tax year, a penalty of ten percent (10%) will be assessed.

F. DECEASED TAXPAYER OR DEPENDENT

A tax return should be filed for a taxpayer who died during the taxable year as if the taxpayer had lived the entire year. The word "DECEASED" should appear after his/her name along with the date of death.

A dependent who died during the year may be claimed as a dependent for the entire year.

G. DEVELOPMENTALLY DISABLED INDIVIDUAL CREDIT

To claim a credit for a developmentally disabled individual you must file a certified AR1000RC5 every five (5) years. If the credit was received on a prior year's return, you do not have to file another AR1000RC5. The Income Tax Section will notify you when you need to recertify.

If you are claiming the Developmentally Disabled Individual Credit you must file using Form AR1000. You cannot claim the credit using Form AR1000S.

H. DEFINITIONS

1. DOMICILE

This is the place you intend to have as your permanent home, the place you intend to return to whenever you are away. You can have only one domicile. Your domicile does not change until you move to a new location and intend to make your permanent home there. If you move to a new location but intend to stay there only for a limited time (no matter how long), your domicile does not change. This also applies if you are working in a foreign country.

2. FULL YEAR RESIDENT

You are a FULL YEAR RESIDENT if you lived in Arkansas all of tax year 2005, or if you have maintained a domicile or Home of Record in Arkansas during the tax year.

3. DEPENDENT

You may claim as a dependent any person who received over half of his or her support from you, and earned less than \$3,200 in gross income, **and** was your:

Child	Stepchild	Mother
Father	Grandparent	Brother
Sister	Grandchild	Stepbrother
Stepsister	Stepmother	Stepfather
Mother-In-Law	Father-In-Law	Brother-In-Law
Sister-In-Law	Son-In-Law	Daughter-In-Law

Or, if related by blood: Uncle, Aunt, Nephew, Niece

Or, an individual (other than your spouse) that was a member of your household for the **entire** year.

The term dependent includes a Foster Child if the child had as his principle place of abode the home of the taxpayer and was a member of the taxpayer's household for the taxpayer's **entire** tax year.

Arkansas has adopted Internal Revenue Code §151(c)(6) regarding the tax treatment of kidnapped children.

The term "dependent" does not apply to anyone who was a citizen or subject of a foreign country UNLESS that person was a resident of the United States, Mexico or Canada. For death of a dependent during the tax year, refer to Section F for instructions.

If your child/stepchild was under age 19 at the end of the year, the \$3,200 gross income limitation does not apply. Your child may have had any amount of income and still be your dependent if the other dependency requirements are met.

4. STUDENT

If your child/stepchild was a student, under age 24 at the end of the calendar year, the \$3,200 gross income limitation does not apply. The other requirements in Section 3 still must be met.

To qualify as a student, your child must have been a full-time student for five (5) months during the calendar year at a qualified school, as defined in current Internal Revenue Service directives.

5. GROSS INCOME

Gross income means any and all income (before deductions) that you received except the kinds of income specifically described in Section I, items 1 through 7.

NOTE: *If all or part of your income is described in Section I, the described portion is exempt. You do not pay tax on it. **If any part of your income is listed in Section I, you may not use this form, you must file on Form AR1000 AR1000NR.***

I. INCOME EXEMPT FROM TAX

1. Money you received from a life insurance policy, because of death of the person who was insured, is exempt from tax.

NOTE: You must include any interest payments made to you from the insurer (the insurer is the insurance company that issued the policy) as taxable income.

2. Money you received from LIFE INSURANCE, an ENDOWMENT, or a PRIVATE ANNUITY CONTRACT for which you paid the premiums, is allowed cost recovery pursuant to Internal Revenue Code §72.
3. Amounts you received as child support payments are exempt.
4. You do not pay taxes on a gift, inheritance, bequest or devise. **Scholarships, grants and fellowships are taxed pursuant to Internal Revenue Code §117.** Stipends are taxable in their entirety.
5. Interest you received from direct United States obligations, its possessions, the State of Arkansas, or any political subdivision of the State of Arkansas is exempt from tax. Obligations include bonds and other evidence of debt issued pursuant to a government unit's borrowing power. (Interest due on tax refunds is not exempt income because it does not result from a debt issued by the United States, or the State of Arkansas or any political subdivision of the State of Arkansas.) Interest from government securities paid to individuals through a Mutual Fund is exempt from tax.
6. Social Security benefits, VA benefits, Worker's Compensation, Unemployment Compensation, Railroad Retirement Benefits, and related supplemental benefits are exempt from tax.
7. Proceeds from a disability insurance policy in which you paid the premium are exempt from tax pursuant to Internal Revenue Code §104.
8. If you received U.S. military compensation pay, a portion of your gross income is exempt from tax.
9. If you received income from an employment related retirement plan, including disability retirement (premiums paid by your employer), or if you received a qualified IRA distribution, the first \$6,000, after cost recovery, is exempt from tax. The total exemption from all plans cannot exceed \$6,000 per taxpayer.

NOTE: The exemptions in 8 and 9 above cannot be claimed on Form AR1000S. To claim either exemption you must use AR1000/AR1000NR.

J. IF YOU NEED MORE TIME TO FILE

A taxpayer who requests an extension of time to file his or her Federal income tax return (by filing Federal Form 4868 with the IRS) shall be entitled to receive the same extension on the taxpayer's corresponding Arkansas income tax return. In order to take advantage of the Federal Extension for state purposes, the taxpayer must check the box on the front of the Arkansas return indicating that the federal extension has been filed. **The Department no longer requires that a copy of Federal Form 4868 be attached to the taxpayer's state tax return as long as the box is checked on the front of the return.**

The federal automatic extension extends the deadline to file until October 16th. When the return is complete and ready to file, simply check the box on the front of the return.

NOTE: If the box on the front of the AR1000S is not checked, you will not receive credit for your federal extension.

If you do not file a Federal Extension, you may file an Arkansas extension using Form AR1055 before the filing due date of April 17th.

Send your request to:

Individual Income Tax Section
ATTN: Extension
P.O. Box 3628
Little Rock, AR 72203-3628

NOTE: The maximum extension that will be granted on an AR1055 is one hundred and twenty (120) days extending the due date until August 15th.

Interest and Failure To Pay Penalty will be due if any tax due is not paid by April 17, 2006.

The date of the postmark stamped by the U.S. Postal Service is the date you filed your return or request for extension.

Attach a copy of your approved AR1055 extension to the front of your tax return WHEN YOU FILE. IF YOU DO NOT ATTACH YOUR EXTENSION, YOUR RETURN WILL BE CONSIDERED DELINQUENT AND PENALTIES WILL BE ASSESSED. **Inability to pay is not a valid reason to request an extension.**

K. HOW TO COMPLETE YOUR ARKANSAS RETURN

STAPLE all required W-2 Form(s) to your return. **Use only BLUE or BLACK ink, or type.**

If you received your income tax return through the mail and there is a colored peel off label inside the booklet, use the colored label only if all the information on the label is correct. **As a security measure, the label no longer includes your Social Security Number(s). You MUST enter your Social Security Number(s) on your return, in the space provided, or your return cannot be processed and will be returned to you.** Be sure that your name(s) and address are correct. If it is not correct or you do not have a label, enter the name, address, and Social Security Number(s) for you and your spouse. Enter the telephone number for your home and your work.

NOTE: If you are married filing on the same form, and using different last names, you must separate the last names by use of a slash.

EXAMPLE: John Q. and Mary M. Doe/Smith or
Mary M. and John Q. Smith/Doe

Be sure that the placement of the last name matches placement of the first name. You must be legally married to file in this manner.

FILING STATUS

DETERMINE YOUR FILING STATUS

LINE 1 Filing Status 1

Check this box if you are SINGLE or UNMARRIED and DO NOT qualify as Head of Household. (Read the section for "Line 3" to determine if you qualify for Head of Household.) Check the boxes on LINE 7A that describe you.

LINE 2 Filing Status 2

Check this box if you are MARRIED and are filing jointly. If you are filing a joint return, you must add both spouses' incomes together. Enter the total amount in "Column A" on Line 8 through Line 11 under "Your Income." Check the boxes on Line 7A that describe you and your spouse.

LINE 3 Filing Status 3

To claim Head of Household you must have been unmarried or legally separated on December 31, 2005 and meet either 1 or 2 below. The term "Unmarried" includes certain married persons who live apart, as discussed below.

1. You paid over half the cost of keeping up a home for the entire year that was the main home of your parent whom you can claim as a dependent. Your parent did not have to live with you in your home, **or**
2. You paid over half the cost of keeping a home in which you lived and in which one of the following also lived for more than six (6) months of the year (temporary absences such as vacation or school are counted as time lived in the home):
 - a. Your unmarried child, grandchild, great-grandchild, etc., adopted child, or stepchild. (This child does not have to be your dependent, but your foster child must be your dependent.)
 - b. Your married child, grandchild, etc., adopted child, or stepchild. (This child must be your dependent.)
 - c. Any other relative whom you can claim as a dependent.

Check the box on Line 3 and check any boxes on Line 7A that describe you.

MARRIED PERSONS WHO LIVE APART

Even if you were not divorced or legally separated in 2005, you may be considered unmarried and file as Head of Household. See Internal Revenue Service instructions for Head of Household to determine if you qualify.

MARRIED COUPLES READING THIS MAY SAVE MONEY

If you and your spouse have separate incomes, you may want to calculate your tax separately. Couples OFTEN SAVE MONEY by filing this way. Explained below is the method to calculate your taxes separately using Form AR1000S.

List your income separately under Column (A) (Your Income). List spouse's income separately under Column (B) (Spouse's Income). Calculate your tax separately and then add your taxes together. See the instructions for LINE 4, Filing Status 4 below. Your net result will be either a COMBINED REFUND or a COMBINED TAX DUE.

LINE 4 Filing Status 4

Check this box if you are Married and filing SEPARATELY ON THE SAME TAX RETURN. This is a method of tax computation which may reduce the tax liability if both spouses have income. The net result will be either a COMBINED REFUND or a COMBINED TAX DUE.

LINE 5 Filing Status 5

You cannot use the AR1000S form for filing status 5 (married filing separately on different returns). Use Form AR1000/AR1000NR for this filing status.

LINE 6 Filing Status 6

Check this box if you are a QUALIFYING WIDOW(ER). Check any boxes on Line 7A that describe you.

You are eligible to file as a QUALIFYING WIDOW(ER), if your spouse died in 2003 or 2004, you have not remarried **and** you meet the following tests:

1. You were entitled to file a MARRIED FILING JOINT return or MARRIED FILING SEPARATELY ON THE SAME RETURN return, with your spouse for the year your spouse died. (It does not matter whether you actually filed a joint return.)
2. You did not remarry before the end of the tax year.
3. You have a child, stepchild, adopted child or a foster child who qualified as your dependent for the year.
4. You paid more than half the cost of keeping up your home, which was the main home of that child for the entire year except for temporary absences.

PERSONAL TAX CREDITS

THE PERSONAL TAX CREDITS INCREASED FROM \$20 TO \$21 FOR TAX YEARS BEGINNING JANUARY 1, 2005.

LINE 7A. You can claim additional Personal Tax Credits if you can answer "Yes" to any of these questions:

- On January 1, 2006, were you 65 or older?
- On December 31, 2005, were you deaf?
- On December 31, 2005, were you blind?

Any taxpayer sixty-five (65) or older not claiming a retirement income exemption, is eligible for an additional \$21 (per taxpayer) tax credit. Check the block marked "65 Special" if this additional credit applies to you.

Check the box or boxes that apply to you and/or your spouse. You CANNOT claim any of these credits for your children or dependents. Blindness is defined as any person who cannot tell light from darkness or whose eyesight in the better eye does not exceed 20/200 with corrective lens, or whose field of vision is limited to an angle of 20 degrees. You can claim the Deaf Credit only if the average loss in speech

frequencies (500 to 2000 Hertz) in the better ear is 86 decibels, I.S.O., or worse.

Add the number of boxes you checked on Line 7A. Write the total in the box provided. Multiply the number by \$21 and write the answer in the space provided.

LINE 7B. List the names of your dependent(s) in the spaces provided on this line. The people you can claim as dependents are described in SECTION H, number 3, of these instructions.

Add the number of boxes you checked on Line 7B. Write the total in the box provided. Multiply the number by \$21 and write your final answer in the space provided on Line 7B.

LINE 7C. Total the tax credits from Lines 7A and 7B. Enter the total on this line and on Line 16.

INCOME

Please round all figures to the nearest dollar amount. For example, if your W-2 Form shows \$10,897.50, round to \$10,898.00. If the amount on the W-2 Form is \$10,897.49, round to \$10,897.00.

LINE 8. Add the wages, salaries, tips, etc. listed on your W-2 Form(s). Write the total on this line. Be sure you staple the state copy of each of your W-2 Form(s) to the front left margin of the return.

LINE 9. List interest and dividend income. If you had interest from bank deposits, notes, mortgages, corporation bonds, savings and loan association deposits, and/or on credit union deposits, enter all interest received or credited to your account during the year on the line provided. If the interest amount is over \$1,500, fill out the schedule on the back of AR1000S. List the name of the payer(s) and the amount(s).

If you had dividends and other distributions, enter amounts received as dividends from stocks in any corporation in the space provided. If the dividend amount was over \$1,500, fill out the schedule on the back of AR1000S. List the name of the payer(s) and the amount(s).

LINE 10. If you had miscellaneous income, enter the amount in the space(s) provided. Attach a statement explaining the source and amount of the income. Examples of income to be reported on this line are: prizes, awards, T.V. and radio contest winnings (cash or merchandise) and gambling winnings. You must report reimbursement of medical expenses from a previous year, if you itemized deductions and it reduced your tax. Include amounts you recovered on bad debts that you deducted in an earlier year. If the miscellaneous income requires the use of a federal schedule, you must file on Form AR1000/AR1000NR.

LINE 11. Add Lines 8 through 10 and enter the totals. This is your **Total Income**.

TAX COMPUTATION

LINE 12. SELECT THE PROPER TAX TABLE

You will fall into one of the two categories listed below:

- (1) You qualify for the Low Income Table, **or**
- (2) You do not qualify for the Low Income Table

YOU QUALIFY FOR THE LOW INCOME TABLE:

If your adjusted gross income from all sources falls within the limits listed below, you qualify for the Low Income Table:

\$ 0 - \$11,400 - Filing Status 1 - (Single)

\$ 0 - \$16,200 - Filing Status 2 - (Married Filing Joint) or
Filing Status 6 - (Qualifying Widow(er) with
dependent child)

\$ 0 - \$16,200 - Filing Status 3 - (Head of Household)

Taxpayers filing Status 4 or 5 **MAY NOT** use the Low Income Table

NOTE: If you qualify for the Low Income Table, enter zero (0) on Line 12, Column (A), then go to Line 13.

YOU DO NOT QUALIFY FOR THE LOW INCOME TABLE:

If you do not use the Low Income Tax Table, enter your Standard Deduction as shown below:

Single - \$2,000 or amount of Total Income on Line 11 if less than \$2,000.

Married Filing Joint - \$4,000 or amount of Total Income on Line 11 if less than \$4,000.

Head of Household - \$2,000 or amount of Total Income on Line 11 if less than \$2,000.

Married Filing Separately - \$2,000 each or amount of Total Income on the Same Return on Line 11 if less than \$2,000.

Qualifying Widow(er) - \$2,000 or amount of Total Income on Line 11 if less than \$2,000.

NOTE: The \$2,000 Standard Deduction does not apply to taxpayer's dependents.

LINE 13. Subtract Line 12 [either zero (0) or the amount of your Standard Deduction] from Total Income, Line 11, to determine your Taxable Income.

LINE 14. IF YOU QUALIFY FOR THE LOW INCOME TAX TABLE, find the amount of your income on Low Income Tax Table 1, under the column that describes your Filing Status. Locate the tax on your income. Enter the tax you owe.

IF YOU DO NOT QUALIFY FOR THE LOW INCOME TAX TABLE, find the amount of your taxable income on Regular Tax Table 2. Locate the tax amount and enter on Line 14(A) if Filing Status is 1, 2, 3, or 6. Use Lines 14(A) and 14(B) if Filing Status 4, Married Filing Separately on the same return.

NOTE: If you use this form, you cannot file married filing separately on different returns (Filing Status 5).

LINE 15. Add Lines 14(A) and 14(B) together and enter the total. This is your **Total Tax**.

TAX CREDITS

LINE 16. Enter the total personal tax credits from Line 7C in the space provided.

LINE 17. The Child Care Credit allowed on the Arkansas Return is computed by taking TWENTY PERCENT (.20) of the amount taken on your Federal Return. A copy of the "Credit for Child and Dependent Care Expenses" Federal Form 2441 or a copy of your 1040A, Schedule 2 must be attached to your Arkansas Return. If this credit is for the **APPROVED** Early Childhood Credit, see instructions for Line 21.

LINE 18. Add Lines 16 and 17 and enter the amount.

LINE 19. Subtract Line 18 from Line 15. This is your **Net Tax**. If Line 18 is greater than Line 15 enter zero (0).

PAYMENTS

LINE 20. Arkansas State Income Tax withheld is listed on your W-2 Form(s). You have already paid this amount of tax during the year. Write the total in the space provided. Attach State copy(s) of your W-2 Form(s).

If you and your spouse are filing on the same return, add the Arkansas State Income Tax withheld on all your W-2 Form(s). Enter combined total in the space provided. Attach State copy(s) of your W-2 Form(s).

WHAT TO DO IF YOU DO NOT HAVE A W-2 FORM(S)

If you do not receive (or lost) your W-2 Form(s) and if Arkansas Tax was withheld from your income, ask your employer(s) for copies of your W-2 Form(s). If you have made a reasonable effort to get your W-2 Form and you still do not have one, complete Federal Form 4852. On the Federal Form 4852, write the amount of State Income Tax withheld. Attach it securely to your State Return. Also attach a copy of your payroll stub or other documentation to support your figures.

CAUTION: *You WILL NOT receive credit for your tax withheld, unless you attach CORRECT AND LEGIBLE W-2 Form(s) or other documentation to your tax return.*

DO NOT include FICA, Federal Income Tax, or tax paid to another state on Line 20.

If your W-2 Form(s) is incorrect, DO NOT correct the W-2 Form(s) yourself. Your employer must issue you a corrected W-2 Form(s). If ARKANSAS State Tax was withheld in error, your employer must refund it to you.

LINE 21. Enter approved Early Childhood Credit equal to twenty percent (.20) of the Federal Child Care Credit to individuals with a dependent child which was placed in an approved child care facility while the parent or guardian sought gainful employment. An approved child care facility is a facility approved by the Arkansas Department of Education as having an appropriate Early Childhood Program as defined by Arkansas law. Enter the certification number where requested and attach Federal Form 2441 or 1040A and Certification Form AR1000EC. **Contact your child care facility for Form AR1000EC.**

LINE 22. Add Lines 20 and 21 and enter the amount. This is your **Total Payments**.

FIGURE YOUR TAX DUE OR TAX REFUND

LINE 23. If Line 22 is greater than Line 19 of the AR1000S you overpaid your tax. Write the difference on this line. This is your **Overpayment**. If you want a refund only, skip Line 24 and enter the amount of refund on Line 25.

LINE 24. If you wish to contribute a portion or all of your overpayment to the Arkansas Disaster Relief Program, the U.S. Olympic Fund, the AR Schools for the Blind/Deaf, the Baby Sharon's Children's Catastrophic Illness Program, the Organ Donor's Awareness Education Program, the Area Agencies on Aging Program, or the Military Family Relief Program, complete Schedule AR1000CO and enter the total amount of your donation(s) on this line. **Attach Schedule AR1000CO to your return, otherwise the overpayment will be refunded to you.**

PLEASE NOTE THAT THE AMOUNT ENTERED ON LINE 24 WILL BE DEDUCTED FROM THE AMOUNT OF OVERPAYMENT LISTED ON LINE 23. Your net refund (if any) after this contribution will be mailed to you. The amount(s) contributed to these funds may be deducted as a charitable contribution if you itemize your deductions for tax year 2006.

LINE 25. Subtract Line 24 from Line 23 and enter on this line. This is your **Refund**. If your refund is less than one dollar (\$1), you must write a letter requesting the refund.

SETOFF REFUNDS

If you, your spouse or former spouse owes a debt to the Department of Finance and Administration, State supported colleges, universities and technical institutes, Child Support, the Department of Human Services, the Department of Higher Education, Arkansas Circuit, County, District, or City Courts, the Employee Benefits Division of the Department of Finance and Administration, to any Housing Authority, or to the Office of Personnel Management of the Department of Finance and Administration and you have filed an Arkansas State Income Tax return, your refund is subject to being withheld in order to satisfy the debt. You may have all or part of your Income Tax Refund withheld.

If your refund has been applied to a debt to one of these agencies, you will receive a letter reporting which agency has claimed all or part of your refund. If the debt has already been satisfied, it is the agency's responsibility to refund any Setoff amount paid to the agency in error. Contact the agency at the telephone number furnished to you on your "Adjustment Letter" to resolve any questions or differences.

If you owe a debt for Arkansas income tax, your federal refund may be captured to satisfy this state debt.

NOTICE TO MARRIED TAXPAYERS

If only one of the married taxpayers owes the debt, the taxpayer who is not liable can avoid having his/her refund applied to the debt if both taxpayers file Status 5, married filing separately on different returns.

LINE 26. If not enough tax was withheld, the amount on Line 19 will be larger than the amount on Line 22. Subtract Line 22 from Line 19 and enter the result. This is the **Amount You Owe**. If Line 26 is less than one dollar (\$1), you do not have to pay it.

Attach a check or money order to your return. Make your check payable to: Department of Finance and Administration. **Write your Social Security Number, daytime phone number, and "2005 Form AR1000S" on your check or money order before you mail it.**

NOTE: Do not send currency or coin by mail. Postage stamps are not accepted.

There is a penalty for not paying enough tax during the year. You may have to pay a penalty if:

The amount you owe (Line 26) is \$1,000, or more, **and**

The amount of Arkansas income tax withheld (Line 20) is less than ninety percent (90%) of the amount of your net tax (Line 19).

You may choose to have income tax personnel calculate the penalty for you. If you owe a penalty, we will send you a bill. However, if you want to calculate the penalty yourself, use Form AR1000 and Form AR2210 to do so. The penalty may be waived under certain conditions. (See Form AR2210 instructions for details.)

DO NOT FORGET TO SIGN AND DATE YOUR TAX RETURN

Your tax return will not be legal and cannot be processed unless you SIGN IT. Write in the DATE. If you and your spouse are filing a joint return or filing separately on the same return, both of you must sign it. If someone prepares your return, that person must complete the Preparer Information section on the bottom of the form.

IN CASE THE IRS AUDITS YOU

If the Internal Revenue Service examines your return for any tax year and changes your net taxable income, you must, within thirty (30) days from the receipt of the notice and demand for payment by the Internal Revenue Service, report to the Arkansas Department of Finance and Administration the corrected federal tax, taxable income, or taxable estate for the taxable year(s) covered by the change.

File an amended return for the year(s) involved using Form AR1000A/AR1000ANR. Attach a copy of the Federal changes to your amended return.

If you fail to notify this Department within thirty (30) days and do not file the required amended return, the Statute of Limitations will remain open for eight (8) years on the year(s) in question. Additional interest will be added on any tax you owe the State of Arkansas.

IF YOU HAVE QUESTIONS ABOUT YOUR TAX RETURN OR REFUND

If you have any questions when you fill out your Individual Income Tax Return, please contact us.

IF YOU LIVE IN PULASKI COUNTY:

Call Phone (501) 682-0200

IF YOU LIVE OUTSIDE PULASKI COUNTY

Call 1-800-438-1992

(This service is available 24 hours a day, 7 days a week. The Income Tax Section does not accept collect calls.)

or come by our office:

Joel Y. Ledbetter Building, Room 2300
7th and Wolfe
Little Rock, Arkansas

Correspondence about your AR1000S must be addressed to:

Individual Income Tax
P.O. Box 3628
Little Rock, AR 72203-3628

Include your Social Security Number when making any inquiry about your return.

INDIVIDUAL INCOME TAX INFORMATION HOT-LINE

(501) 682-1100 or 1-800-882-9275 (In Arkansas Only)

This system allows taxpayers 24 hour access to general information about filing. Personal assistance will be available during normal business hours (Monday through Friday – 8:00 am to 4:30 pm). The areas that can be reached by this system are as follows:

Taxpayer Assistance Branch	Forms Group
Refund Group	Amended Group
Audit & Examination Branch	Delinquent Income Tax Group

Hearing Impaired Access for Information, Assistance, and Forms. This number can only be reached by use of a Text Telephone Device. (501)682-4795

ADDITIONAL INDIVIDUAL INCOME TAX SECTION TELEPHONE NUMBERS

Estate Tax Information (501) 682-7230
Estimated Tax Branch (501) 682-7272
Withholding Tax Branch (501) 682-7290

OTHER USEFUL TELEPHONE NUMBERS

Corporate Income Tax Information (501) 682-4775
Franchise Tax Information, Corporate (501) 682-3409
Internal Revenue Service
Assistance 1-800-829-1040
Forms 1-800-829-3676
Sales & Use Tax Information (501) 682-1895