



Arkansas State Revenue Tax Quarterly

Mike Beebe, Governor	Department of Finance & Administration (DFA) Revenue Division	Richard A. Weiss, Director Tim Leathers, Commissioner
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OFFICE OF EXCISE TAX ADMINISTRATION

Commercial Farming Sales Tax Exemption

Arkansas Code Ann. §26-52-403 provides an exemption from sales tax for new and used farm machinery and equipment. "Farm machinery and equipment" is defined as agricultural implements used exclusively and directly for the agricultural production of food or fiber as a business.

The exemption only applies to purchasers that are engaged in the business of commercial farming.

For the purchase to be tax-exempt, the taxpayer must certify the machinery will be:

- Used exclusively in the agricultural production of food or fiber as a retail business, and

- Used directly in the actual agricultural production of food or fiber to be sold in processed form or otherwise at retail, or

Used directly in the agricultural production of farm products to be fed to livestock or poultry which is to be sold ultimately in processed form at retail. If the purchaser is not selling farm products produced in the course of an ongoing farming business, the purchaser is not entitled to this exemption.

Examples of non-exempt items would be:

- A machine owned by a commercial farmer; but also used at a location other than the farming property (such as duck club or deer camp).
- A machine owned by a commercial farmer but also used for any purpose at any time for activities other than commercial farming even while at the commercial farm (such as pleasure riding, household activities, residential yard work, gardening, hunting, and fishing).
- A machine purchased by a commercial farmer who also uses the machine to produce food or fiber primarily for his own consumption.
- Attachments to and accessories not essential to the operation of the implement itself (except when sold as part of an assembled unit).
- Repair labor and repair parts.
- Fencing materials.

To purchase the machinery exempt from sales tax, the purchaser must certify in writing that he is engaged in the business of commercial farming and that the farm machinery and equipment will be used only in

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commercial farming. The seller then must certify to the Arkansas Department of Finance and Administration (DFA) that the contract price of the item(s) has been reduced to grant the full benefit of the exemption.

Any accessories not pre-assembled by the manufacturer are taxable, even if purchased at the same time. Subsequent parts or repairs are taxable sales.

Violation of this regulation by the purchaser or seller is a misdemeanor. Any taxpayer who wrongfully claims the farm machinery exemption will be assessed tax, interest, and penalty upon audit by the Arkansas DFA.

The information for this article was cited from the following link: [Commercial Farming Sales Tax Exemption](#). Included in the previous link is the Commercial Farming Machinery and Equipment Sales Tax Exemption Certification Form (Form ST-403).

Feel free to contact the Office of Excise Tax Administration at 501-682-7104 for more information.

OFFICE OF INCOME TAX ADMINISTRATION

Section 179

Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year. That means that if you buy (or lease) a piece of qualifying equipment, you can deduct the full purchase price from your gross income.

Brief Explanation of Section 179 for 2011

Arkansas adopted IRC §179 as in effect on January 1, 2009, allowing greater dollar limits and phase out thresholds.

- ❖ Deduction limit-25,000.
- ❖ Cost of qualifying property limit-\$200,000.
- ❖ No deduction allowed above \$225,000.
- ❖ More than one property placed in service-limit \$25,000 deduction per taxpayer per year.

- ❖ Any cost not deducted in one year may be carried forward to next year.
- ❖ Deduction may not be used to reduce taxable income below zero.

If you recently received the Arkansas 2011 Individual Income Tax Booklet, the booklet contained incorrect information on page 22 under the heading “Depreciation Information”.

The Income Tax Section has also recently mailed notices which included the correct amounts to taxpayers.

The information for this article was cited from the following webpage: [Section 179](#) and also the Arkansas 2011 Individual Income Tax Booklet.

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Important Payment Information

At this time, all income tax payments must be submitted with an appropriate voucher including payments made with returns.

If a taxpayer does not send a voucher with a payment, his or her payment will be delayed in processing, which could result in a billing notice being sent.

These payment vouchers should be filled out on a computer before printing. As you type, your information will be entered into the scan line at the bottom of the voucher which will allow our scanners to accurately process your payment.

The information for this article was cited from the following link: [Important Payment Voucher Information](#).

IRS Tax Tip



In recent years, more financial institutions would rather not mail you statements.

One might want to consider downloading monthly statements, or let the financial institution store them. Some financial institutions let you access files online dating back 10 years, but you may face fees to retrieve older information. Ask your financial institution about its policies.

To Create Digital Versions of Your Existing Records:

- Buy an all-in-one scanner/copier/fax machine for \$100 or so.
- Scan forms that verify your reported income (such as your W-2 or a 1099) as well as tax-related receipts and financial statements from the past three years.

If You Store Scanned Documents on Your Computer, Create Backups:

- ✚ Copy your records to CDs or a USB drive and keep them in a safe-deposit box.
- ✚ Use an online storage service such as Mozy or Carbonite for as little as \$50 a year.

Not Comfortable Going Paperless, You Can Still Simplify Your Records:

- ❖ Keep your tax returns indefinitely because you or your heirs may need the information.
- ❖ Shred supporting documentation after three years (when the risk of an audit is reduced).

Please keep records for your 2011 return until at least April 2015. The IRS can extend the three year time span if it suspects a taxpayer underreported their income by 25 percent or more. **PLEASE NOTE: THERE'S NO TIME LIMIT IF YOU'RE SUSPECTED OF FRAUD.**

Keep records for the following assets as long as you own them plus three years or seven years if you claim a deduction for a worthless security:

- Home
- Stock

Finally, store W-2 forms until you begin receiving social security benefits.

If you need more information on getting a copy of your IRS tax documents or any other information listed above, please go to the following IRS website to access Publication 552, "Recordkeeping for Individuals": [IRS Publication 552](#).

The information for this article was cited from, "A Financial Spring Cleaning," an article written by columnist, Liz Weston.

If the IRS Audits You

If the IRS examines your federal tax return for any tax year and amends your net taxable income, you must report the changes to the Arkansas Department of Finance and Administration (DFA) **within ninety (90) days** from the receipt of the notice and demand for payment from the IRS.

File Arkansas Form AR1000F/AR1000NR Amended Individual Income Tax Return, reporting the changes to your Arkansas income tax return for the year(s) in question. **Also, attach a copy of the federal changes.**

If you fail to notify Arkansas DFA within ninety (90) 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 calculated on any tax due amount you owe the state of Arkansas.

If you have any questions pertaining to IRS Audits, please go to the following webpage: [IRS Audit Information](#).

You may also contact the Arkansas DFA's Individual Income Tax Section at 682-1100 or feel free to go to their webpage at: [Income Tax Section](#).

OFFICE OF INCOME TAX ADMINISTRATION

Arkansas Income Tax Booklets

Many taxpayers and tax preparers are electronically filing income tax returns and do not need a hard copy tax booklet for reference.

To conserve paper and mailing costs beginning income tax year 2012, income tax booklets will not be mailed.

To obtain a booklet, you have the following options:

- Visit your local revenue office,
- Visit your local library, or
- Call the Arkansas Income Tax Section at (501) 682-1100 (Individual Section) or (501) 682-4775 (Corporate Section).

OFFICE OF INCOME TAX ADMINISTRATION

Definition of Developmental Disability Expanded for Tax Year 2011

According to the Arkansas 2011 Individual Income Tax Forms and Instruction Booklet, the definition of developmental disability for Arkansas income tax return purposes has expanded which is in response to the changes implemented in Act 68 of the 2011 Arkansas Regular Session.

Act 68 adds spina bifida and Down syndrome as conditions that qualify for developmental disability services, including a \$500 individual income tax credit available to a taxpayer who supports an individual with a developmental disability.

To view Form AR1000RC5 and its instructions, please click on the following link: [Form AR1000RC5](#).

Also, for more information on Act 68 of the 2011 Arkansas Regular Session, go to the following link: [Act 68 of 2011 Arkansas Regular Session](#).

In Memoriam

Two highly respected employees at the Arkansas Department of Finance and Administration's (DFA) Revenue Division passed away recently.

Mr. Michael Munns passed away on November 5, 2011. He was the current Assistant Commissioner of Revenue of Operations and Administration. Also, as an employee at the Arkansas DFA, he previously worked as the Administrator for the Offices of Motor Vehicle and Driver Services, and he was also an employee in the Office of Revenue Legal Counsel. Mr. Munns also served as the president of the American Association of Motor Vehicle Administrators, Region II from 2008-2009, and he was on the Board of Directors from 2008-2011.

Ms. Nancy Hamm passed away on October 31, 2011. She was an Attorney Specialist in the Office of Revenue Legal Counsel at the Arkansas DFA. During her 25 year legal career, she worked in the following positions: private practice, Professor of Legal Research and Writing at the University of Arkansas College of Law, and Assistant General Counsel at Wal-Mart.

Both of these employees were a focal point in the daily activities at the Arkansas DFA's Revenue Division, and they will be greatly missed.



ATAP is a **FREE** web-based service that gives taxpayers or their designated representative online access to their tax accounts and offers the following services:

- ❖ Make a payment.
- ❖ Register a business.
- ❖ File a return on-line (except individual income tax).
- ❖ File a return using XML return upload.
- ❖ Change a name on an account.
- ❖ Change an address on an account.
- ❖ Amend a return.
- ❖ Store banking information for use during payment submission.
- ❖ View tax period financial information (tax penalty, interest, credits, balance, & etc.).
- ❖ View payments received.

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- ❖ View recent account activity.
- ❖ View correspondence from the department.

The information for this article was cited from the following webpage: [ATAP Information](#).

To sign up on ATAP, please go to: [ATAP Homepage](#).

HELPFUL WEBPAGE LINKS

[INDIVIDUAL INCOME TAX E-FILE](#)

[INCOME TAX REFUND INQUIRY](#)

[INDIVIDUAL INCOME TAX FILING INFORMATION AND FORMS](#)

[CORPORATION INCOME TAX FORMS](#)

[FEDERAL EMPLOYER IDENTIFICATION NUMBER APPLICATION](#)

[OFFERS IN COMPROMISE \(OIC\) FORMS](#)

[POWER OF ATTORNEY \(POA\) FORM](#)

[MOTOR FUEL TAX](#)

[SMALL BUSINESS CORPORATE \(SUB-S\) REPORTING FORMS](#)

[TAX CREDITS AND SPECIAL REFUNDS](#)

[ARKANSAS CHILD SUPPORT HOMEPAGE](#)

[IRS--WHERE'S MY REFUND LINK](#)

OFFICE OF MOTOR VEHICLE ADMINISTRATION

Auto Renewal



To renew your vehicle registration, change your address on your vehicle registration, or receive vehicle registration renewals by email, please go to the following link: [ARSTAR](#).

For more information on registration renewal, please contact the Office of Motor Vehicle Administration at 501-682-4692 or email at rev.arstar@dfa.arkansas.gov.

Important: Upcoming Local Sales & Use Tax Changes in Arkansas Counties & Towns

Updates to Local Sales and Use Taxes
Please call 501-682-7104 for Periodic Updates or click on the following link:
[Local Sales and Use Tax Updates](#)

Name	Code	Effective Date	%	Recent Action
Batesville	32-01	1/01/12	1.00	Decreased
Carlisle	43-04	1/01/12	2.125	Increased
Cherokee Village	67-08	1/01/12	1.00	Enacted
Gurdon	10-03	1/01/12	1.50	Decreased
Little Rock	60-05	1/01/12	1.50	Increased
Marmaduke	28-03	1/01/12	1.25	Enacted
Paragould	28-05	1/01/12	0.75	Decreased
Rockport	30-03	1/01/12	2.00	Increased

OFFICE OF FIELD AUDIT ADMINISTRATION

Reporting Suspicious Tax Activities

To report suspicious tax activities, please go to the following webpage: [Reporting Suspicious Tax Activities](#).

For more information on reporting suspicious activity, please contact the Office of Field Audit by phone at 501-682-4616 or email at fieldAudit@dfa.arkansas.gov.

Calendar of Due Dates

January

01/12/12—Sales tax (1st monthly prepayment).
01/17/12—4th Qtr Individual estimated income tax (Based on calendar year filer). Employee monthly withholding tax, for prior month. Miscellaneous tax (Cigarette, Cigarette Papers, Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Bingo).

1/20/12—Dyed Diesel—Motor fuel tax. Sales & Use tax. Miscellaneous tax (Oil Producer Report, Other Tobacco Products, Waste Tire, Wheat).

1/24/12—Sales Tax (2nd monthly prepayment).
1/25/12—Motor fuel tax (Except IFTA). Miscellaneous tax (Oil Producer, Brine, Severance, Timber, Natural Gas Severance).

1/31/12—Employee withholding tax report for prior year (Annual filers only). IFTA. Miscellaneous tax (Soybean).

February

02/13/12—Sales tax (1st monthly prepayment).
02/15/12—Employee monthly withholding tax, for prior month. Miscellaneous tax (Cigarette, Cigarette Papers, Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Bingo).

02/21/12—Dyed Diesel—Motor fuel tax. Sales & Use tax. Miscellaneous tax (Oil Producer Report, Other Tobacco Products, Waste Tire, Wheat).

02/24/12—Sales tax (2nd monthly prepayment).
02/27/12—Motor fuel tax (Except IFTA). Miscellaneous tax (Oil Producer, Brine, Severance, Timber, Natural Gas Severance).

02/29/12—Employer's annual reconciliation of income tax withhold (including W-2's & 1099's). Miscellaneous tax (Soybean).

March

03/12/12—Sales tax (1st monthly prepayment).
03/15/12—Employee monthly withholding tax, for prior month. Ark income tax returns ("C" or "S" corporation, check the box partnership, LLC). (Based on calendar year filers; return due date 2 ½ months after end of tax year). Miscellaneous tax (Cigarette, Cigarette Papers,

Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Bingo).

03/20/12—Dyed Diesel—Motor fuel Tax. Sales & Use tax. Miscellaneous tax (Oil Producer Report, Other Tobacco Products, Waste Tire, Wheat).

03/26/12—Sales tax (2nd monthly prepayment). Motor fuel tax (Except IFTA). Miscellaneous tax (Oil Producer, Brine, Severance, Timber, Natural Gas Severance).

Through April 16th

04/02/12—Miscellaneous tax (Soybean, Motor Carrier Report).

04/12/12—Sales tax (1st monthly prepayment).
04/13/12—1st Qtr estimated income tax (Based on calendar year filer) (EFT filers only).

04/16/12—Employee monthly withholding tax, for prior month. Ark income tax returns (partnership, LLC, individual). (Based on calendar year filers; return due date 3 ½ months after end of tax year). Extension Payment Voucher 5 (Individual Income Tax). 1st Qtr estimated income tax (Based on calendar year filer). Miscellaneous tax (Cigarette, Cigarette Papers, Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Ad Valorem-installment 1, Bingo).

Arkansas Excise and Income Tax Due Date Calendar for 2012

The 2012 Arkansas Excise & Income Tax Due Date Calendar is available at the following link: [2012 Arkansas Excise & Income Tax Due Date Calendar](#).

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The Arkansas State Revenue Tax Quarterly is a publication of the Problem Resolution and Tax Information Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas.

To be added or deleted from the e-mail list, contact Monica Carmichael by email at: Monica.Carmichael@dfa.arkansas.gov, or by mail at Problem Resolution and Tax Information Office, Ledbetter Building, Room 2460, P. O. Box 1272, Little Rock, Arkansas 72203-1272.

To view previous Arkansas State Revenue Tax Quarterlies, click on the following link: [Previous Arkansas State Tax Quarterlies](#).

Contact Info

Corporate Income Tax 501-682-4775

Taxpayer Assistance for Individual Income Tax 501-682-1110
800-882-9275

[Sales and Use Tax](#) 501-682-7104
(Tax Inquiries)

Motor Fuel Tax 501-682-4800

[Problem Resolution and Tax Information Office](#) 501-682-7751

Collections 501-682-5000
501-682-4720

[Revenue Legal Counsel](#) 501-682-7030

[Motor Vehicle Administration](#) 501-682-4692

[Field Audit Administration](#) 501-682-4616

[Driver Services Administration](#) 501-682-7060

[Revenue Administration](#) 501-682-7025

[Withholding Tax](#) 501-682-7290

[Miscellaneous Tax Section](#) 501-682-7187

[IRS \(Taxpayer Advocate\)](#) 501-396-5978

[IRS Taxpayer Assistance/Refund Information](#) 800-829-1040

[IRS Federal Tax Forms](#) 800-829-3676

Suggestions Corner

If you have any suggestions about items to be included on any future newsletters, please email your suggestions to Monica.Carmichael@dfa.arkansas.gov.

DFA Rule Email Distribution List Sign-Up information

The Problem Resolution and Tax Information Office notifies all interested parties via email when the Revenue Section of DFA promulgates any rules.



To be added to the email distribution list, please email Monica Carmichael at: Monica.Carmichael@dfa.arkansas.gov.

Please state in the email that you would like to be added to the email distribution list to be notified about any changes to DFA's Revenue rules.

The rules (regulations) can be accessed at the following link: [Revenue Rules](#).