



Starting a New Business in Arkansas

*An Educational Guide for Arkansas
Taxpayers*

Office of Problems Resolution and Tax Information

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SALES AND USE TAX

Vendors located and operating in Arkansas must register under the Gross Receipts Tax Law if the vendor sells property or services subject to sales tax. Sales tax is levied on sales of tangible personal property and various types of services performed within Arkansas. A completed application for a sales tax permit and a fifty dollar (\$50) non-refundable fee is required to register new businesses. It will take approximately eight to ten working days to process the application. The permit will be mailed to the address listed on the application.

The application form, "Application for Arkansas Business Permit," is available online at: <http://www.dfa.arkansas.gov/offices/exciseTax/salesanduse/Pages/Forms.aspx>.

The sales tax report, Form ET-1, is due on the 20th day of the month following the tax period. Sales tax reports will be mailed to new businesses. Sales tax reports may also be filed online. For additional information about registering and filing online, please go to the following webpage: <https://atap.arkansas.gov/>. Use this webpage monthly to file the Sales and Use Tax Report. Payment will be drafted from the bank account indicated when the online filing was initiated.

In addition to the six and a half percent state sales tax, any applicable city and county sales taxes should also be collected and remitted. A listing of all city and county sales tax is available on the webpage, http://www.arkansas.gov/dfa/excise_tax_v2/st_zip.html.

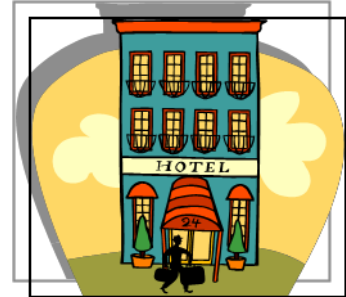
There are other taxes to be collected and remitted; there are short-term rental tax, vehicle rental tax, aviation tax, and tourism tax. Some examples of the additional filing requirements and additional tax to be collected are listed below:

1. **Alcoholic beverages.** A supplemental mixed drink tax of 10 percent is imposed on the sale of alcoholic beverages (excluding beer) at restaurants. Also, an additional four percent tax is due on the sale of all mixed drinks (except beer and wine) sold for "on-premises" consumption. There is a three percent "off premises" tax on retail sales of liquor and wine. There is an additional one percent tax due on the retail sale of beer for off premise consumption. Additional documents must also be filed with the Alcohol Beverage Control Division. Phone numbers and web page addresses are provided at the end of this publication.
2. **Cigarettes.** If the business sells cigarettes, additional documents must also be filed with the Tobacco Control Board. Phone numbers and web page addresses are provided at the end of this publication.
3. **Additional tax is collected on a rental vehicle.** The following example lists sales and rental tax that is collected for a rental vehicle in Little Rock, Arkansas.

6.50%	State Sales (Gross Receipts) Tax
10.00%	State Rental Vehicle Tax
1.00%	Pulaski County Sales (Gross Receipts) Tax
1.00%	Pulaski County Rental Vehicle Tax
1.50%	Little Rock Sales (Gross Receipts) Tax

1.50% Little Rock Rental Vehicle
21.50% Total tax on Rental Vehicle

4. **Sales tax also applies to the service of furnishing rooms by hotels, apartment hotels, lodging houses, tourist camps, or courts to transient guests who rent on less than a month-to-month basis.** An additional two percent tourism tax applies to these lodging services as well as to the admission price to tourist attractions, watercraft rental, boat motors and related marine equipment, life jackets and cushions, water skis, and oars or paddles.



A business making sales of tangible personal property from outside Arkansas by means of sales persons, solicitors, distributors, agents, or by taking orders for sales of the same must register under the Compensating Use Tax Law.

If a business purchases items from outside of Arkansas for use, storage, distribution, or consumption within State boundaries and the Arkansas use tax is not collected by the seller, the business must register under the Compensating Use Tax Law and remit the use tax directly to the State.

If there is any change in the type of ownership, e.g., from a sole proprietorship to a LLC, a sole proprietorship to a corporation, or a change from a partnership to a corporation, the business must apply for a new sales tax permit.

For the rules and regulations for Sales and Use Tax collected and remitted in Arkansas, please review the DFA Revenue Rules webpage on the following link: <https://www.dfa.arkansas.gov/revenue-policy-legal/dfa-revenue-rules/>

For additional information, contact the Sales & Use Tax Section at the address below or access its website for forms and instructions.

Department of Finance and Administration
Sales and Use Tax Section
P. O. Box 1272
Little Rock, AR 72203-1272
Phone: (501) 682-7104 Fax: (501) 682-7904
<https://www.dfa.arkansas.gov/excise-tax/sales-and-use-tax>

INCOME TAX WITHHOLDING

Employers are required to withhold tax from wages of employees who work within the State of Arkansas. An employer or withholding agent is required to register by completing the Combined Business Tax Registration Form. Once the Registration form has been submitted an account id will assigned for your business.

Information is also available on the Withholding Tax webpage,
<http://www.dfa.arkansas.gov/offices/incomeTax/withholding/Pages/withholdingForms.aspx>.

Employers are required to remit monthly the full amount withheld from the wages of all employees. Payments are due on the 15th of the following month.

Each year, some smaller businesses which remit taxes of \$1,000 per year or less are reclassified as annual filers for the succeeding year. Notices are mailed to taxpayers when this occurs.

The Annual Reconciliation (Form AR3MAR) and W-2 forms are to be filed by the 31st of January of the following year. W-2s can be uploaded electronically. To validate and upload W2 forms, please go to the webpage:

For additional information, contact the Income Tax Withholding Section at the address below or access its website for forms and instructions: [DFA W-2 File Submission Service](#)

Department of Finance and Administration
Withholding Tax Unit
P. O. Box 9941
Little Rock, AR 72203-9941
Phone: (501) 682-7290 Fax: (501) 683-1036
<https://www.dfa.arkansas.gov/income-tax/withholding-tax-branch>

FEDERAL Employer Identification Number:

A Federal Employer Identification Number (EIN), also known as a Federal Tax Identification Number, is a nine-digit number that the Internal Revenue Service (IRS) assigns to business entities. Taxpayers that give tax statements to employees are required to have an EIN. Taxpayers can apply for an EIN with the IRS using the Federal Form SS-4 by:

1. Telephone: Call the Toll-Free EIN number, 1-800-829-4933, Monday-Friday, 7:00 am – 10:00 pm to receive an EIN immediately.
2. Fax: Fax the completed Form SS-4 to (859) 669-5760 to receive an EIN within four business days. The fax number is available 24 hours a day, seven days a week.
3. Mail: Complete Form SS-4, date and mail it to: Internal Revenue Service, Attn: EIN Operation, Cincinnati, OH 45999. The EIN will be mailed within four to six weeks.
4. Internet-EIN: Form SS-4 Internet-EIN (I-EIN) application opens another avenue for customers to apply for and obtain an EIN. Click on this link to go to the page within the IRS website to apply for the EIN: <https://sa1.www4.irs.gov/modiein/individual/index.jsp>

MISCELLANEOUS TAX

The Miscellaneous Tax Section handles various areas of taxation for the Department of Finance and Administration:

Timber Processing	Beef, Wheat, Rice, and Soybean Promotions
Severance Tax on Natural Resources	Swine Pseudo Rabies Eradication
Cigarettes	Merchandise Vending
Tobacco Products	Beauty Pageant Registration Fees
Cigarette Paper	Bromine and Museum Fund
Imported Wine	Waste Tire Fee
Domestic Wine	Corn and Grain Sorghum
Liquor and Beer	Catfish Fee Assessment
Amusements	Construction Permit Surcharges
Real Property Transfers	Brucellosis Assessments
Soft Drinks	Bingo and Raffle
Ad Valorem Assessments	Electronic Games of Skill
Telephone Tariff	Hard Cider*
Paid Fantasy Sports*	

*Effective January 1, 2018

The DFA website has many forms available online. Please click on this link:

<https://www.dfa.arkansas.gov/excise-tax/miscellaneous-tax/registration-forms/>

For additional information, contact the Miscellaneous Tax Section at the address below or access its website for additional forms:

Department of Finance and Administration
Miscellaneous Tax Section
P. O. Box 896
Little Rock, AR 72203-0896
Phone: (501) 682-7187 Fax: (501) 682-1103
<https://www.dfa.arkansas.gov/excise-tax/miscellaneous-tax>

INDIVIDUAL ESTIMATED TAX

Every taxpayer subject to the Income Tax Act of 1987, as amended, shall make and file with the Department of Finance and Administration a declaration of the estimated tax for the income year if the taxpayer can reasonably expect their estimated tax to be more than \$1,000. Estimated taxes are paid in quarterly installments. Payment due dates for estimated taxes are April 15, June 15, September 15, and January 15.

An exception is granted to individuals whose income from farming for the income year can reasonably be expected to amount to at least $\frac{2}{3}$ of the total gross income from all sources for the income year. These individuals may file and pay estimated tax on the 15th day of the 2nd month after the close of the income year. In lieu of filing any declaration, the income tax return and payment in full of the tax due may be made on the 15th day of the 3rd month after the close of the income year.

Other exceptions for not imposing underestimated penalty are the following:

The estimated tax paid is as much as was due on your return for the preceding income tax year.

You filed an income tax return and paid the tax by January 31st, or on the last day of the first month after the close of the income year.

The preceding tax year was a tax year of twelve months, and you did not have a tax liability for the preceding tax year, and you were a resident of Arkansas throughout the preceding tax year.

The Commissioner of Revenues determines that because of casualty, disaster, or other unusual circumstances the imposition of such penalty would be against equity and good conscience.

The Commissioner determines that:

- A. You retired after having turned age 62, or became disabled in the tax year for which the estimated payments were required to be made or in the tax year preceding that tax year, and
- B. Underpayment was due to reasonable cause and not to willful neglect.

To avoid penalties for underestimating a tax liability, taxpayers must pay at least 90 percent of the current year's tax liability or 100 percent of the previous tax year's liability. If a taxpayer does not pay enough tax through withholding or fails to make a declaration of estimated tax, a penalty of ten percent (10%) per annum will be assessed. The per annum penalty of the ten percent (10%) is applied quarterly; If a taxpayer has an uneven income, he or she may calculate and apply the penalty on annual basis. To determine if you must pay a penalty complete Form **AR2210**, Underpayment of Estimated Tax by Individuals. If you have one quarter during the year when the majority of income was earned, completing Form **AR2210A**, Annualized Penalty for Underpayment of Estimated Income by Individuals, may reduce or eliminate your penalty.

When filing for an extension of time, an additional estimated payment may be paid with the extension. This payment does not affect the underestimated penalty, but it does stop interest from

accruing. The state extension form (AR1055) is valid for up to 180 days. The Federal Extension Form 4868 is honored by the Department of Finance and Administration as a valid state extension. The extended due date is the 15th day of October for calendar year filers. The box on the front page of the Arkansas tax return should be checked to indicate whether a state or federal extension has been filed.

The following table shows the tax rates effective for the tax year 2017 only, and is based on an individual's net taxable income.

2017 Indexed Tax Brackets

The new indexed tax tables are based on the following brackets:

At Least	But Not More Than	Tax Rate
\$0	\$4,399	.9%
\$4,400	\$8,699	2.4% minus \$ 65.99
\$8,700	\$13,099	3.4% minus \$152.98
\$13,100	\$21,699	4.4% minus \$283.97
\$21,700	\$36,299	5.0% minus \$396.86
\$36,300	\$77,400	6.0% minus \$759.85
\$77,401	\$78,400	6.9% minus \$1,380.54
\$78,401	\$79,400	6.9% minus \$1,280.54
\$79,401	\$80,600	6.9% minus \$1,180.54
\$80,601	\$81,600	6.9% minus \$1,080.54
\$81,601	\$82,600	6.9% minus \$980.54
\$82,601	and above	6.9% minus \$940.54

If you use a formula to calculate Arkansas income tax, the results **must** match the table exactly. The calculations in the table are made at the midpoint of each income level.

EXAMPLE 1: For income level \$75,900 to \$76,000.

$(\$75,900 + \$76,000) / 2 = \$75,950 \times .06 = \$4,557.00 - \$759.85 = \$3,797.15$ rounded to \$3,797.00

Tax from table: \$3,797.00

EXAMPLE 2: For income level \$14,800 to \$14,900.

$(\$14,800 + \$14,900)/2 = \$14,850 \times .044 = \$653.40 - \$283.97 = \369.43 rounded to \$369.00

Tax from table: \$369.00

For additional information, contact the Estimated Tax Section at the address below or access its website for forms and instructions:

Department of Finance and Administration
Estimated Tax Unit
P. O. Box 3628
Little Rock, AR 72203-3628
Phone: (501) 682-1100 Fax: (501) 682-7692
<https://www.dfa.arkansas.gov/income-tax/individual-income-tax/forms/>

PARTNERSHIPS AND LLC's

Every partnership doing business in Arkansas or having income from Arkansas source, regardless of the amount, must file an Arkansas Partnership Income Tax Return. An Arkansas Partnership Return of Income (Form AR1050) is required, but federal schedules (including K-1s) are acceptable to support income and expenses. Limited liability companies (LLCs) with two or more members are treated as partnerships for income tax purposes. Single member LLC's are considered disregarded entities and should not file a partnership return. The individual member should report the single member LLC's income and deductions on a Federal Schedule C included with their individual income tax return.

All resident and non-resident partners, including corporations, must report and pay taxes on any income derived from an Arkansas partnership.

Act 965 of 2003 adopted the federal "check the box" regulations and requires partnerships and LLCs to file in the same manner in which the entity files and pays federal income tax. A taxpayer must calculate its Arkansas income tax liability using the same accounting method for Arkansas income tax purposes as used for federal income tax purposes (Ark. Code Ann. § 26-51-401).

Partnership tax returns (Form 1050) for fiscal year filers are due on the 15th day of the fourth month following the end of the fiscal year. For calendar-year filers, the returns are due on April 15 of the following year. A taxpayer must calculate its Arkansas income tax liability using the same income year for Arkansas income tax purposes as used for federal income tax purposes (Ark. Code Ann. § 26-51-402).

The federal extension forms, "Application for Automatic Extension of Time to File U.S. Return for a Partnership, REMIC, or for Certain Trusts" (Form 8736) and "Application for Additional Extension of Time to file U.S. Return for a Partnership, REMIC, or for Certain Trusts" (Form 8800), will be honored as valid state extensions. If a federal extension form was not filed, the Partnership or LLC should file an Arkansas Extension Form AR1055.

Act 580 of 2015 adopted Internal Revenue Code Section 179, as in effect on January 1, 2009, regarding depreciation and expensing of property for the purpose of computing Arkansas income tax liability. The maximum deduction allowed for property placed in service during the tax year is \$25,000. The deduction is decreased "dollar for dollar" for property over \$200,000, and no deduction is allowed for property over \$225,000.

Arkansas did not adopt the depreciation provisions contained in the American Recovery and Reinvestment Act of 2009. The State of Arkansas does not allow bonus depreciation provisions.

Act 1982 of the 2005 Regular Session amended Arkansas law by providing for the withholding of income tax by pass-through entities on non-resident taxpayers. This act

became effective for tax years beginning on or after January 1, 2006. Rule 2006-3, Income Tax Rule Withholding of Nonresident Members of pass-through entities was promulgated by the Department of Finance and Administration. This rule was necessary to properly administer the withholding provisions of Act 1982 which are codified at Ark. Code Ann §26- 51-919. This rule can be found online on the DFA webpage: <https://www.dfa.arkansas.gov/revenue-policy-legal/dfa-revenue-rules/>

A pass-through entity that makes a distribution to a non-resident member is required to deduct and withhold Arkansas income tax from distributions of taxable income being made with respect to Arkansas source income. The entity will remit withholding tax for the member on form AR941PT, and the member is not required to file an Arkansas individual income tax return. For tax years beginning in 2018 and after, pass-through entities should withhold Arkansas income tax at 6.5% on non-resident corporate members, defined as corporations headquartered outside of Arkansas. If the entity withholds on the distributions, the entity must register with the Withholding Section, using form AR4ER, even if the entity is already registered for income tax withholding to remit payroll tax withholding.

If a member “opts out” by signing the form AR4PT, part C, the entity will not withhold Arkansas income tax from distributions of taxable income, and the member can do one of the following:

- Elect to be included in the entity’s composite return; or
- File an Arkansas nonresident individual tax return.

The entity will have additional filing requirements to report to the Department of Finance and Administration listing the members that filed the AR4PT with the entity.

Act 48 of 2017 adopted the April 15 Federal filing date, for corporate income tax returns. S Corporation and C Corporation income tax returns are due on or before the 15th day of the fourth month, following the close of a corporation’s tax year.

Act 482 of 2017 requires a partnership that files an Arkansas partnership return and has income from both within and without Arkansas shall apportion income to Arkansas under the Uniform Division of Income for Tax Purposes Act, § 26-51-701 et seq. Each partner as determined and reported on the Arkansas partnership return who has an income from activities within this state shall allocate to this state. If the apportionment of income by a partnership having income from both within and without Arkansas does not fairly represent the extent of the partnership’s business activity in this year, the partnership may petition for or the Director of the Department of Finance and Administration may require, in respect to all or any part of the taxpayer’s business activity, if reasonable:

- A. Separate accounting;
- B. The exclusion of any one (1) or more factors;
- C. The inclusion of one (1) or more additional factors; or that will fairly represent the taxpayer’s business activity in this state; or
- D. The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer’s partnership income.

Act 482 is effective for tax beginning on and after January 1, 2018.

For additional information, contact the Partnership Tax Section at the address below or access its website:

Department of Finance and Administration

Partnership Tax Unit

P. O. Box 3628

Little Rock, AR 72203-3628

Phone: (501) 682-1100 Fax: (501) 682-7692

<https://www.dfa.arkansas.gov/income-tax/partnership-llc/>

SUBCHAPTER S CORPORATIONS (Small Businesses)

A corporation may elect Subchapter S treatment for Arkansas income tax purposes only if it has elected Subchapter S treatment for federal income tax purposes for the same tax year. The following conditions must be met to be recognized as an Arkansas Subchapter S Corporation:

1. The business must be registered with the Arkansas Secretary of State.
2. The business must elect Subchapter S treatment for federal income tax purposes by filing an Election by Small Business (Form 2553) with the IRS.
3. The business must file an Election by Small Business (Form AR1103) with the State of Arkansas during the first 75 days of the taxable year and attach a copy of the federal Notice of Acceptance as an S Corporation.

NOTE: Submitting an election to the IRS does not automatically allow filing as a small business corporation for Arkansas purposes. If the Arkansas Election by Small Business (Form AR1103) is filed prior to receipt of the federal Notice of Acceptance as an S Corporation, a copy of the federal Notice of Acceptance form must be sent to Arkansas upon receipt from the Internal Revenue Service. Act 434 of 2017 requires a corporation filing a Federal Subchapter income tax return to file an Arkansas income tax return also. A corporation that elects to file as a Subchapter S corporation on its Federal Income Tax return will be treated as a Subchapter S corporation on its Arkansas Income Tax return. A corporation will not be treated as a C corporation on an Arkansas Income Tax return if it has elected to be treated as an S corporation on its Federal Income Tax return.

The income tax return for a Subchapter S Corporation (Form AR1100S) is due on or before the 15th day of the fourth month following the close of a corporation's tax year. The return is filed with the Department of Finance and Administration's Corporation Income Tax Section.

The federal extension form, "Application for Automatic Extension of Time to File Corporation Income Tax Return" (Form 7004), will be honored as a valid state extension. If you have filed for and received a Federal Extension of time to file, it is not necessary to complete an Arkansas Extension Request (Form AR1155) unless you want an Arkansas Extension beyond the Federal Extended due date. If it is determined that more time is needed to complete the AR1100CT or AR1100S in addition to the Automatic Federal Extension (Form 7004), a sixty (60) day State extension can be requested on the Arkansas Form AR1155 by checking the box on line 2A. It is not necessary to send a copy of the approved Federal Extension with Form AR1155. If you are requesting a State Extension for 180 days and do not have an Automatic Federal Extension, check Box 2B only. An Arkansas extension request, Form AR1155, may be filed for one of the two scenarios listed below:

1. The corporation has filed a federal extension, Form 7004, and desires to request an additional sixty (60) day Arkansas extension to file the Arkansas corporation income tax return from the federal extended return due date, or
2. The corporation did not file a federal extension, Form 7004, and desires to request a one hundred eighty (180) day Arkansas extension to file the Arkansas corporation income tax

return from the original due date of the Arkansas return.

A copy of the AR1155 will be returned indicating whether the extension was approved or denied.

A taxpayer must calculate its Arkansas income tax liability using the same income year for Arkansas income tax purposes as used for federal income tax purposes (Ark. Code Ann. § 26-51-402). A taxpayer must calculate its Arkansas income tax liability using the same accounting method for Arkansas income tax purposes as used for federal income tax purposes (Ark. Code Ann. § 26-51-401).

Arkansas did not adopt the bonus depreciation provisions contained in Internal Revenue Code 168(k). The following IRC Code was adopted: Sections 167, 168(a)-(j), and 179A of the IRS Code of 1986 as in effect on January 1, 2015 and Section 179 as in effect on January 1, 2009 for property purchased in tax years beginning on or after January 1, 2014. For tax years beginning on or after January 1, 2011 the Section 179 expense election is \$25,000 with phase out beginning at \$200,000. Attach Arkansas Schedule AR1100REC to the AR1100CT to reconcile Federal and Arkansas depreciation (Ark. Code Ann. § 26-51-428).

Act 1982 of the 2005 Regular Session amended Arkansas law by providing for the withholding of income tax by pass-through entities on non-resident taxpayers. This act became effective for tax years beginning on or after January 1, 2006. Rule 2006-3, Income Tax Rule Withholding of Nonresident Members of pass-through entities was promulgated by the Department of Finance and Administration. This rule was necessary to properly administer the withholding provisions of Act 1982 which are codified at Ark. Code Ann §26- 51-616(e). This rule can be found online on the DFA webpage: https://www.dfa.arkansas.gov/images/uploads/revenuePolicyLegalOffice/it2006_3.pdf

A pass-through entity that makes a distribution to a non-resident member is required to deduct and withhold Arkansas income tax from distributions of taxable income being made with respect to Arkansas source income. The entity will remit withholding tax for the member on form AR941PT, and the member is not required to file an Arkansas individual income tax return. If the entity withholds on the distributions, the entity must register with the Withholding Section, using form AR4ER, even if the entity is already registered for income tax withholding to remit payroll tax withholding.

If a member “opts out” by signing the form AR4PT, part C, the entity will not withhold Arkansas income tax from distributions of taxable income, and the member can do one of the following:

- Elect to be included in the entity’s composite return; or
- File an Arkansas nonresident individual tax return.

The entity will have additional filing requirements to report to the Department of Finance and Administration listing the members that filed the AR4PT with the entity.

For additional information, contact the Subchapter S Corporation Section at the address below or access its website:

Department of Finance and Administration
Subchapter S Corporation Group
P. O. Box 919
Little Rock, AR 72203-0919
Phone: (501) 682-4775 Fax: (501) 682-7114
<https://www.dfa.arkansas.gov/income-tax/small-business-corporate-sub-s/>

CORPORATION INCOME TAX

Every corporation organized or registered under the laws of this state, or having income from Arkansas sources as defined in Ark. Code Ann. § 26-51-101 et seq. (with an exception granted to corporations under Ark. Code Ann. § 26-51-303, exempt organizations that have notified DFA of its exempt status, and Ark. Code Ann. § 26-57-602, insurance companies which pay Arkansas Premium Tax) must file an income tax return.

All corporations that are eligible members of an affiliated group filing a Federal Consolidated Corporation Income Tax Return may elect to file an Arkansas Consolidated Income Tax Return. However, only corporations in the affiliated group that have gross income from sources within the state that is subject to Arkansas income tax are eligible to file consolidated income tax returns in Arkansas.

The Corporation Income Tax return (Form AR1100CT) is due on or before the 15th day of the fourth month following the close of a corporation's tax year. The return is filed with the Department of Finance and Administration's Corporation Income Tax Section. The mailing address is at the end of this tax section.

The federal extension, form, "Application for Automatic Extension of Time to File Corporation Income Tax Return" (Form 7004), will be honored as a valid state extension. Please note that all federal extensions will be honored as valid state extensions. If you have filed for and received a Federal Extension of time to file, it is not necessary to complete an Arkansas Extension Request (Form AR1155) unless you want an Arkansas Extension beyond the Federal Extended due date. If it is determined that more time is needed to complete the AR1100CT or AR1100S in addition to the Automatic Federal Extension (Form 7004), a sixty (60) day State extension can be requested on the Arkansas Form AR1155 by checking the box on line 2A. It is not necessary to send a copy of the approved Federal Extension with Form AR1155. If you are requesting a State Extension for 180 days and do not have an Automatic Federal Extension, check Box 2B only.

An Arkansas extension request, Form AR1155, may be filed for one of the two scenarios listed below:

1. The corporation has filed a federal extension, Form 7004, and desires to request an additional sixty (60) day Arkansas extension to file the Arkansas corporation income tax return from the federal extended return due date, or
2. The corporation did not file a federal extension, Form 7004, and desires to request a one hundred eighty (180) day Arkansas extension to file the Arkansas corporation income tax return from the original due date of the Arkansas return.

A copy of the AR1155 will be returned indicating whether the extension was approved or denied.

A corporation must calculate its Arkansas income tax liability using the same income year for Arkansas income tax purposes as used for Federal income tax purposes (Ark. Code Ann. § 26-51-402). A corporation must calculate its Arkansas income tax liability using the same accounting method for Arkansas income tax purposes as used for federal income tax purposes (Ark. Code Ann. § 26-51-401).

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. For tax years beginning on or after January 1, 2011 the Section 179 expense limit is \$25,000 with phase out beginning at \$200,000. No bonus depreciation is allowed for Arkansas income tax purposes.

Any corporation having income from business activity which is taxable both within and without this state, other than activity as a public utility or the rendering of purely personal services by an individual, shall allocate and apportion his net income as provided in Ark. Code Ann. § 26-51-701 through § 26-51-723. A financial institution with business activity which is taxable both within and without this state shall allocate and apportion its net income in accordance with Ark. Code Ann. § 26-51-1401 through § 26-51-1405.

Every domestic and foreign corporation doing business with Arkansas shall pay a graduated income tax on its entire Arkansas net taxable income based on the following tax rate:

Taxable Income	Tax % Rate
On the first \$3,000 or any part thereof	1.0%
On the second \$3,000 or any part thereof	2.0%
On the next \$5,000 or any part thereof	3.0%
On the next \$14,000 or any part thereof	5.0%
On the next \$75,000 or any part thereof	6.0%
On income over \$100,000	6.5%

Corporation Estimated Tax Payments:

Every corporation who can reasonably expect to owe an Arkansas income tax in excess of \$1,000 must make a declaration and timely pay the estimated tax in equal quarterly installments. Those corporations whose income from farming for the tax year can reasonably be expected to amount to at least two-thirds (2/3) of the total gross income from all sources for the tax year, may file such declaration and pay the estimated tax on or before the 15th day of the 2nd month after the close of the tax year or in lieu of filing any declaration, may file an income tax return and pay the tax on or before the 15th day of the 3rd month after the close of the tax year.

To avoid an underestimate penalty, a corporation required to make quarterly payments must remit an estimated amount not less than 90% of the actual amount due. Should a taxpayer fail to make an estimate on any quarterly due date equivalent to at least 90% of the final tax due, there shall be added a penalty of 10% on the amount of the underestimate. The quarterly payments are due as follows:

Payment #	Due date
1	15 th day of the 4 th month of tax
2	15 th day of the 6 th month of tax
3	15 th day of the 9 th month of tax
4	15 th day of the 12 th month of tax

A corporation which has an estimated quarterly state income tax liability equal to or greater than twenty thousand dollars (\$20,000) must pay its estimated quarterly state income tax liability by Electronic Funds Transfer (EFT). The EFT remittance must be made no later than the day before each quarterly due date.

A corporation may also remit its Corporation Extension Income Tax Payment, Voucher 5, through the EFT program.

Act 760 of 2017 requires partnerships to withhold income tax on all corporate partners at the maximum corporation income tax rate of 6.5%, unless the corporation has signed an agreement to file Arkansas income tax returns and be subject to the jurisdiction of Arkansas courts seeking to enforce Arkansas income taxes for tax years beginning on and after January 1, 2018. The Act also allows corporations to participate in a composite return if their only activity in Arkansas is the ownership of partnerships that do business in Arkansas. Section 4 subsection (d) (4) states ‘on or before the fifteenth day of the fourth month following the end of the pass-through entity’s tax year, a pass-through entity shall file an annual composite return with the director showing the total amount of income distributed or credited to its nonresident members and the amount of tax withheld and shall remit the tax due on the composite income tax return.’

For additional information, contact the Corporation Income Tax Section at the address below or access its website for forms and instructions:

Department of Finance and Administration
 Corporation Income Tax Section
 P. O. Box 919
 Little Rock, AR 72203-0919
 Phone: (501) 682-4775 Fax: (501) 682-7114
<https://www.dfa.arkansas.gov/income-tax/corporation/>

MOTOR FUEL TAX

Any company requesting a Gasoline Distributor or Diesel Supplier license in Arkansas must contact the Motor Fuel Tax Section to obtain the proper application and bond forms. No import or export of gasoline or diesel fuel is permitted in Arkansas without the appropriate license. For additional information, please refer to the contact information listed below.

MOTOR CARRIER FUEL TAX

Arkansas is a member of the *International Fuel Tax Association (IFTA)*. The International Fuel Tax Agreement (IFTA) is a fuel tax reciprocity agreement among the 48 continental states of the United States and the 10 Provinces of Canada which provides a payment of motor fuel taxes on the basis of consumption of motor fuels used in the propulsion of qualified motor vehicles.

The advantage of IFTA to both the jurisdictions and the motor carriers is a motor carrier is only required to obtain a single fuel tax license and vehicle credentials from their base jurisdiction which allows them to travel into all IFTA jurisdictions without further fuel registration. A quarterly tax return is filed with the base jurisdiction and this tax return contains detailed information about vehicle operations within each IFTA jurisdiction.

The Arkansas Motor Carrier System (AMCS) is available to Arkansas-based IFTA carriers in order to accommodate their various IFTA account needs. This online reporting system allows the carriers to do the following:

- Update their account information Renew
- their IFTA annual decals
- Order additional or replacement IFTA decals Reprint their
- IFTA license
- Calculate and file their quarterly IFTA tax returns online Pay their
- IFTA taxes online by credit card or E-Check

Carriers can access the online system at the following website: <http://www.arirp.com>

For additional information, contact the Motor Fuel Tax Section at the address below or access its website for forms and instructions:

Department of Finance and Administration
Motor Fuel Tax Section
P. O. Box 1752
Little Rock, AR 72203-1752
Phone: (501) 682-4800 Fax: (501) 682-5599
<https://www.dfa.arkansas.gov/excise-tax/motor-fuel-tax>

ELECTRONIC FUNDS TRANSFER

If the director of the Department of Finance and Administration determines that a corporation's estimated quarterly state income tax liability under § 26-51-911 et seq. equals or exceeds twenty thousand dollars (\$20,000), the corporation shall pay the quarterly income taxes due by EFT. If the Director of the Department of Finance and Administration determines that a taxpayer's monthly liability for the following taxes for fiscal year equals or exceeds twenty thousand dollars (\$20,000), the taxpayer shall pay any tax due by EFT:

- Income withholding taxes under the Arkansas Income Tax Withholding Act of 1965, § 26-51-901 et seq.
- Gross receipts or sales taxes under the Arkansas Gross Receipts Act of 1941, § 26-52-101 et seq., §§ 26-74-201 — 26-75-705, or the Local Government Bond Act of 1985, § 14-164-301 et seq.;
- Compensating or use taxes under the Arkansas Compensating Tax Act of 1949, § 26-53-101 et
- Privilege taxes
- Special alcoholic beverage excise taxes under § 3-7-201;
- Alcoholic beverage supplemental taxes under §§ 3-9-213 and 3-9-223; and
- Any other taxes supplemental to the taxes in subdivisions (a)(1)(A)-(F) of this section or required to be collected and remitted in the same manner as sales or use taxes or any other law of this state.
- Taxes on tobacco products under the Arkansas Tobacco Products Tax Act of 1977, § 26-57-201 et seq.
- Severance taxes under §§ 26-58-101 — 26-58-303; or
- Taxes on spirituous liquors, wines, malt liquors, and beer under §§ 3-5-101 — 3-7-114.
- Soft drink taxes under the Arkansas Soft Drink Tax Act, § 26-57-901 et seq.

Prepayment(s)

Ark. Code Ann. § 26-52-512 requires that all businesses in Arkansas with average net sales of \$200,000.00 or more per month must make prepayments of their Sales Tax and Vender Use tax. Act 1142 requires out-of-state sellers with taxable sales averaging more than \$200,000 per month to begin making prepayments equal to 80% of the monthly state liability twice each month beginning January 1, 2012. Ark Code Ann. §26-52-512 also requires that prepayments must be paid by electronic funds transfer (EFT).

EFT/Prepayment(s) Penalties

Failure to pay tax by EFT as required will result in a 5% penalty of the amount of taxes due. Failure to prepay your sales or use tax as required will result in a 5% penalty and loss of discount, if applicable, for each occurrence. Act 665 requires that prepayments must be paid by electronic fund transfer (EFT). Failure to EFT your prepayments will result in a 5% penalty for each occurrence. For more information and instructions detailing the EFT payment methods and electronic filing options offered by Arkansas click on the link [Electronic Filing/Payment Options](#). Contact the individual tax units for information concerning filing requirements, due dates, and tax procedures or visit the Department of Finance and Administration's web site at www.dfa.arkansas.gov.

For additional information on Electronic Funds Transfer, contact EFT:

P.O. Box 3566
Little Rock, AR 72203
Phone: (501) 682-7105
Email: EFTUnit@dfa.arkansas.gov

OTHER IMPORTANT STATE CONTACTS

Name of Agency	Description
Alcoholic Beverage Control Division 1515 W. Seventh, Suite 503 Little Rock, AR 72201 Phone: (501) 682-1105 https://www.dfa.arkansas.gov/alcoholic-beverage-control/	Mixed drink and beer permits are issued by Alcoholic Beverage Control.
Secretary of State State Capitol Building and Victory Building 1401 W Capitol Avenue, Suite 250 Little Rock, AR 72201-1094 Phone (501) 682-3409 https://www.sos.arkansas.gov/	Corporations conducting business in Arkansas must file their corporate charter with the SOS. An annual franchise tax report is also filed with the Secretary of State. Online filing is available.
Arkansas Workers Compensation Commission 324 Spring Street Little Rock, AR 72203 Phone: (501) 682-3930 http://www.awcc.state.ar.us/	Provides facts about Worker's Compensation in Arkansas. Administers actions required or authorized by Arkansas workers' compensation law.
Arkansas Department of Workforce Services (formerly Arkansas Employment Security Department) #2 Capitol Mall Little Rock, AR 72201 Phone: (501) 682-2121 https://www.dws.arkansas.gov/	Businesses with employee's report wages and remit unemployment insurance to this department quarterly. Federal and State law requires that new employees must be reported to the New Hire Reporting Center. Online filing is available.
Arkansas Tobacco Control 101 East Capitol, Suite 401 Little Rock, AR 72201 Phone: (501) 682-9756 http://www.atc.arkansas.gov/	Arkansas Tobacco Control issues specific retail, wholesale and manufacturer's permits plus cigarette vending machine permits and stamps.
Arkansas Department of Labor 10421 West Markham Little Rock, AR 72205 Phone: (501) 682-4500 http://www.labor.arkansas.gov/	Provides list of required state and federal employee notices as well as safety services, wage and hour services, and other services.
Arkansas Contractors Licensing Board 4100 Richards Road North Little Rock, AR 72117 Phone: (501) 372-4661 http://www.aclb.arkansas.gov/	Regulates the issuance of a license for contractors and regulates the Arkansas State Contractors Bond law.

OTHER IMPORTANT CONTACTS

Name	
Internal Revenue Service Phone: (800) 829-1040 https://www.irs.gov/	
Department of Labor U.S. Occupational Safety and Health Administration (OSHA), Little Rock Area Office 10810 Executive Center Drive Danville Bldg. 2, Suite 206 Little Rock, Arkansas 72211 (501) 224-1841 (866) 487-9243 https://www.osha.gov/oshdir/ar.html	This organization works to assure safe and healthful working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education and assistance.
Arkansas Small Business and Technology Development Center University of Arkansas at Little Rock 2801 S. University Ave., Little Rock, AR 72204 Phone: (501) 683-7700 http://asbtcd.org/	This is a university-based economic development program that assists both new and seasoned entrepreneurs, to achieve success and to promote economic development throughout the state. They help small business with every aspect of business creation, management, and operation.

