



INSTRUCTIONS FOR FORM AR1100ADJ

These instructions are used for Form AR1100ADJ to report adjustments to apportionable net income for Federal to State for reporting adjustments for Corporations and Pass-Through Entities with filing Multi-state Apportionment.

Name: Enter the Corporation/Entity Name as it appears on the return.

FEIN: Enter the Corporation/Entity FEIN as it appears on the return

Part A: ADD ADJUSTMENTS:

Line 1: ARKANSAS INCOME TAX. Arkansas does not permit the deduction of Arkansas Income Taxes.

Line 2: NON-ARKANSAS MUNICIPAL BOND INTEREST INCOME. Municipal interest, not taxable for federal purposes, is an addition to income for Arkansas.

Line 3: FEDERAL BONUS DEPRECIATION. Arkansas does not conform to the federal bonus depreciation provisions. The Arkansas deduction must be computed as if those provisions were not in effect.

Line 4: FEDERAL CHARITABLE CONTRIBUTIONS. Arkansas has adopted IRC Section 170 in ACA 26-51-419 as in effect 1/1/2019 and shall not exceed 10 percent of the taxpayer's taxable income. Unused contributions are not allowed to increase NOL carry forward but rather carry forward separately up to the 10% limitation for up to 5 years. Each member of the affiliated group shall calculate its contribution limits separately.

Line 5: FEDERAL CAPITAL LOSSES. A.C.A. Sec. 26-51-424 contains no limitation on the deduction of capital losses as IRC Section 1211(a) does. Any capital losses sustained during the taxable year that are not deductible in arriving at federal net income may be subtracted in computing Arkansas income. Because capital losses are deductible in full in the year sustained for Arkansas purposes, there is no carryback or carryover of capital losses for Arkansas purposes. Therefore, any capital loss carryover or carryback allowed in arriving at federal net income must be added back.

Line 6: EXPENSES RELATED TO NONTAXABLE INCOME. ACA 26-51-431 (c) provides that no deductions shall be allowed for expenses otherwise allowable as deductions which are allocable to income other than interest (whether or not any amount of income is received or accrued) wholly exempt from the taxes authorized by Arkansas law; or interest on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law. Therefore, the expenses that were deducted for federal purposes that are related to income that is not taxed by Arkansas be added back.

Line 7: PARTNERSHIP LOSSES. A.C.A. Sec. 26-51-802 requires all partnership income from activities within this state shall be allocated to this state by each partner as determined and reported on the Arkansas partnership return. Therefore, any partnership net losses should be added back to apportionable income, and any Arkansas amounts to be directly allocated on Line C.2 of AR1100CT, Sch. A, AR1100S, Sch. A, or AR1100PET, Sch. A.

Line 8: ALLOCATED LOSSES. Any non-business or other losses not included in ordinary business income should be added back here and any Arkansas amounts directly allocated on Line C.2 of AR1100CT, Sch. A, AR1100S, Sch. A, or AR1100PET, Sch. A.

Line 9: OTHER. Enter any other amounts allowed as deductions from Federal net income tax purposes that are not allowed as deductions from apportionable business income in Arkansas. Include any disallowed related party interest or intangible expense deductions. **Attach a detailed schedule by type and amount.**

Line 10: TOTAL ADJUSTMENTS. Enter the Sum of Lines. 1 through Line 9. Enter here on Line 10 and on Line A.2, Form AR1100CT, Sch. A, AR1100S, Sch. A, or AR1100PET, Sch. A.

Part B: DEDUCT ADJUSTMENTS:

Line 1: U.S. GOV'T OBLIG. INTEREST. Arkansas statute exempts interest on obligations of the U.S. and its possessions.

Line 2: DIVIDENDS RECEIVED DEDUCTION. The amount of the federal dividends received deduction is not allowed for Arkansas. Arkansas law grants an exemption for dividends received by a corporation from its subsidiary if at least 80% of the subsidiary's capital stock is owned by a corporation doing business in Arkansas.



Line 3: ARKANSAS DEPRECIATION ADJUSTMENT. Arkansas does not conform to the federal bonus depreciation provisions. The Arkansas deduction must be computed as if those provisions were not in effect. Enter any additional Arkansas regular depreciated deduction allowable.

Line 4: PARTNERSHIP INCOME. Ark. Corp. Inc. Tax Regs. § 1.26-51-802(b) provides that any taxpayer with an interest in a partnership which has gross income from sources within Arkansas must directly allocate the partnership's Arkansas income to Arkansas, rather than include partnership income and apportionment factors in the taxpayer's apportionment formula. Thus, the partnership income is subtracted from the F.T.I. and the amount of partnership income allocated to Arkansas based on the taxpayer's pro-rata share of the partnership's Arkansas income as per the partnership's Arkansas return is picked up as income allocated to Arkansas.

Line 5: ARKANSAS ALLOWABLE CHARITABLE CONTRIBUTIONS. Arkansas has adopted IRC Section 170 in ACA 26-51-419 as in effect 1/1/2019 and shall not exceed 10 percent of the taxpayer's taxable income. Unused contributions are not allowed to increase NOL carry forward but rather carryforward separately up to the 10% limitation for up to 5 years. Each member of the affiliated group shall calculate its contribution limits separately.

Line 6: SECTION 78 GROSS-UP & FOREIGN TAXES. Since Arkansas law does not allow a foreign tax credit and has no provisions for the inclusion in income of a "Deemed Dividend" as the federal law does, the federal Section 78 dividend gross-up included in federal income is excluded for Arkansas purposes. Arkansas also allows a deduction for foreign income taxes not deducted on the federal return because a foreign tax credit is taken for federal purposes.

Line 7: FEDERAL UNALLOWED CREDITS. Arkansas law does not provide for the following: (1) any reduction in the salary deduction as a result of the taxpayer's having claimed a federal jobs tax credit with respect to those wages, (2) an addition to income for the amount of the alcohol fuel credit or the off-highway fuel use credit, or (3) any reduction for the amount of the credit for clinical testing of certain drugs.

Line 8: ARKANSAS CAPITAL LOSSES. The Arkansas statute on capital losses does not limit the deduction for capital losses to the amount of capital gain as IRC 1211(a) does. Therefore, any capital losses sustained during the tax year that are not deductible in arriving at federal net income due to the IRC 1211(a) limitation are subtraction adjustments in computing Arkansas income.

Line 9: NON-BUSINESS INCOME. Any non-business or other income not included in ordinary business income should be deducted here and Arkansas amounts directly allocated on Line C.2 of AR1100CT, Sch. A, AR1100S, Sch. A, or AR1100PET, Sch. A.

Line 10: ARKANSAS MUNICIPAL BOND INTEREST. Interest upon obligations of the State of Arkansas or any political subdivision of the State of Arkansas are exempt.

Line 11: OTHER. Enter any other amounts allowed as deductions from Arkansas apportionable net income for tax purposes that are not allowed otherwise as deductions for Federal Income Tax purposes. **Attach a detailed schedule by type and amount.**

Line 12: TOTAL DEDUCT ADJUSTMENTS. Enter the Sum of Lines. 1 through Line 11. Enter here on Line 10 and on Line A.3, Form AR1100CT, Sch. A, AR1100S, Sch. A, or AR1100PET, Sch. A.