

**STATE OF ARKANSAS**  
**DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**INCOME TAX ADMINISTRATION**

**Guidance: Reporting USDA Disaster and Relief Payment Exemptions**  
**Individual Income Tax and Fiduciary Filers**

*Act 696 of 2025 and A.C.A. § 26-51-314*

**OVERVIEW**

Act 696 of 2025 amended A.C.A. § 26-51-316 to exempt from Arkansas income tax payments made to a taxpayer by the USDA under programs authorized by Division B, Title I, of the American Relief Act of 2025 (Pub. L. No. 118-158). This includes payments from the Emergency Commodity Assistance Program (ECAP) and the Supplemental Disaster Relief Program (SDRP). Additionally, A.C.A. § 26-51-314 exempts payments to cattle farmers or cattle ranchers from agricultural disaster programs, including the Emergency Livestock Relief Program (ELRP). This guidance explains how to properly report these exemptions on individual income tax and fiduciary returns.

**QUALIFYING PROGRAMS**

- Emergency Commodity Assistance Program (ECAP) – A.C.A. § 26-51-316(a)(3)
- Supplemental Disaster Relief Program (SDRP) – A.C.A. § 26-51-316(a)(3)
- Emergency Livestock Relief Program (ELRP) – A.C.A. § 26-51-314

**HOW TO REPORT THE EXEMPTION**

<b>Form</b>	<b>Schedule / Line</b>	<b>Reporting Instructions</b>
<b>AR1000F / AR1000NR</b>	Form AR-OI, Line 18 (Other, Subtractions from Income); flows to AR1000F/NR, Line 22	Enter the exempt USDA payments on Form AR-OI, Line 18 (Other, Subtractions from Income). This amount flows to Line 22 (Other Income/Depreciation Differences) of the AR1000F or AR1000NR. Attach a schedule showing the details by type and amount.
<b>AR1002F / AR1002NR</b>	Form AR1002F/NR, Line 15 (Other Deductions)	Enter the exempt USDA payments on Line 15 (Other Deductions). Attach a schedule identifying the type and amount and the applicable exemption authority (A.C.A. § 26-51-316(a)(3) or A.C.A. § 26-51-314).

**IMPORTANT CONSIDERATIONS**

**Pass-Through Entity and Trust Income:** Individuals who receive farm income from a pass-through entity or trust should be aware that the applicable exempt program payments should already have been subtracted at the entity level. No further subtraction should be made on the individual return for those amounts. The reporting instructions above apply only to exempt payments received directly by the individual taxpayer or fiduciary.

**Net Operating Loss (NOL):** Although these USDA payments are exempt from Arkansas income tax, the exemption is added back as an adjustment for nontaxable income when calculating a net operating loss carryforward. A.C.A. § 26-51-427. Taxpayers should not include the exempt amount as a deduction when computing any NOL carryforward deductions on Schedule AR1100NOL.

**Filing Requirement / Gross Income:** The exempt payments are not excluded from the calculation of gross income for purposes of determining who is required to file an Arkansas return. Accordingly, these payments must be added back to gross income when determining whether the minimum filing threshold is met.

*For questions, contact the Individual Income Tax Section at (501) 682-1100.*