

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

**Guidance: Reporting USDA Disaster and Relief Payment Exemptions  
Pass-Through Entities: Partnerships, S Corporations, and PET 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 partnership, S corporation, and pass-through entity tax 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 BY FORM AND FILING STATUS**

Form	Filing Status	Schedule / Line	Reporting Instructions
<b>AR1050</b>	Status 1 (AR Only)	Form AR1050, P1, Line 8 (Farm Income)	Subtract the exempt USDA payments from the amount reported on the Farm Income line. The net farm income on Line 8 should reflect income after the exempt payments have been removed. Attach a schedule showing the details by type and amount.
<b>AR1100S</b>	Status 1 (AR Only)	Form AR1100S, P1, Line 25 (Other Deductions)	Enter the exempt USDA payments on Line 25 (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).
<b>AR1100PET</b>	Status 1 (AR Only)	Schedule AR-KREC	Use Schedule AR-KREC to adjust from the federal amount to the amount under Arkansas law. The adjustment flows to Schedule K (P2), which is then reflected on Page 1 of the AR1100PET. Attach a schedule showing the details by type and amount.
<b>AR1050, AR1100S, AR1100PET</b>	Status 2 (Multistate)	Deduct Adjustments line on Schedule A (AR1050 / AR1100S) or P3, Section A (AR1100PET)	All multistate filers report the exempt payments as a deduct adjustment to apportionable income. Enter the amount on the Deduct Adjustments line (Line 3) of the applicable schedule and attach Schedule AR1100ADJ. Include the adjustment on Schedule AR1100ADJ in the Deduction Adjustments Section, on Line 11, Other, and attach a schedule showing the details by type and amount.

**IMPORTANT CONSIDERATIONS**

**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 Corporate Income Tax Section at (501) 682-4775.*