

STATE OF ARKANSAS
EMPLOYEE TUITION REIMBURSEMENT TAX CREDIT
INSTRUCTIONS FOR FORM AR1036

Tax Year - Enter the entity's beginning and ending date of its tax year in a Month, Day, Year (MM/DD/YYYY) format.

FEIN/SSN - Enter the entity's federal employer identification number (FEIN) or if Sole Proprietorship without an FEIN, enter the entity owner's Social Security number (SSN).

Name and Address of Entity - Enter the legal name of the entity as listed on the entity's Arkansas income tax return and the entity's complete mailing address.

NAICS - Enter the entity's business activity code based on the North American Industry Classification System (NAICS). This is normally the same code as entered on the entity's federal income tax return.

SECTION A: OWNERSHIP CLASSIFICATION - Check the appropriate box **(1-6)** reflecting the business classification type for this entity. If the box for Partnership, LLC or Subchapter S corporation is checked, you must complete the "Allocation of Total Tax Credit for Pass-Through Entity Member's", Section D of the form.

SECTION B: ELIGIBILITY CLASSIFICATION

- 7. Eligibility number** - Enter the numeric value (and alpha if applicable) which reflects the entity's business classification from the eligibility list under Eligible Business Types, Page 2, Item 15 of the instructions.
- 8. Percentage of Revenue from Out-of-State Sales** - Divide the entity's revenue from out-of-state sales by the entity's total revenue from all sales and enter calculated percentage for the tax year.
- 9. Percentage of Retail Sales to General Public** - Divide the entity's retail sales to the general public by the entity's total sales for the tax year, and enter calculated percentage for the tax year.
- 10. Average Hourly Wages Paid** - Divide the entity's total hourly wages paid by the total hours worked by the employees paid on an hourly basis during the tax year. The average hourly wage determination for a salaried employee shall be based on a forty (40) hour work week.

SECTION C: ELIGIBLE TAX CREDIT FOR THIS TAX YEAR

- 11. Total Tax Credit** - Amount subject to income tax liability limitation. Enter the amount from SECTION E, Page 2, Line 2.
NOTE: If Ownership Classification box 4, 5 or 6 is checked in Section A, skip Lines 12-14 and complete Section D, "Allocation of Total Tax Credit for Pass-Through Entity Members".
- 12. Entity's Income Tax Liability for this Tax Year:** - Enter entity's tax liability for the tax year.
- 13. Income Tax Liability Limitation:** - Enter twenty-five percent (25%) of the entity's tax liability (Multiply Line 12 by 25%).
- 14. Eligible Tax Credit available for the Tax Year only:** - Enter the smaller of Line 11 or Line 13.

SECTION D: ALLOCATION OF TOTAL TAX CREDIT FOR PASS-THROUGH ENTITY MEMBERS

Member's Name - Enter each member with an ownership interest in the Partnership, Limited Liability Company (LLC) or Subchapter S corporation. Each member's name must be listed as it appears on the member's Arkansas income tax return.

Percentage of Ownership - Enter each member's percentage of ownership in the Partnership, LLC or Subchapter S corporation.

Member's SSN/FEIN - Enter each member's Social Security number or federal ID as it appears on the member's Arkansas income tax return.

Member's Share of Eligible Total Tax Credit - Enter the dollar amount of each member's proportionate share of the entity's eligible tax credit for the tax year as computed on Line 11. The member's proportionate share is generally the ownership percentage times the entity's eligible tax credit for the tax year.

SECTION E: SCHEDULE OF TUITION PAID OR REIMBURSED BY EMPLOYER

Tax Year Beginning and Ending - Enter the tax year the tuition was paid or reimbursed.

Name of Entity - Enter the name of entity and SSN/FEIN.

Employee's Name - Enter the employee's name as listed in entity's payroll records. The employee must be a full time permanent employee for the entity paying or reimbursing the qualified tuition expense incurred.

Name of Institution - Enter the name of the accredited educational institution as listed on the transcript issued to the employee by the qualified institution. The qualified institution must be located in Arkansas.

City - Enter the name of the city in Arkansas where the qualified institution is located.

Date Tuition Paid or Reimbursed - Enter the date the tuition was paid or reimbursed.

Amount Paid or Reimbursed - Enter the total amount paid or reimbursed by the entity on behalf of each employee. The amount paid will include the cost of tuition, books and fees incurred by the qualified employee.

Line 1.Total Amount Paid or Reimbursed - Enter total amount of qualified tuition expense paid or reimbursed by the entity for all qualified employees.

Line 2.Total Amount of Tax Credit - Multiply Line 1 X 30%, enter here and on Line 11, Page 1, Section C.

15. Eligible Business Types: Enter Number (and letter if applicable) on Page 1, Line 7

- (1) A manufacturer classified in sectors 31-33 in the North American Industry Classification System, as it existed on January 1, 2005.
- (2) A Business:
 - (A) Primarily engaged in:
 - (i) The design and development of prepackaged software;
 - (ii) Digital content production and preservation;
 - (iii) Computer processing and data preparation services; and
 - (iv) Information retrieval services; and
 - (B) That derives at least seventy-five percent (75%) of its revenue from out-of-state sales and has less than ten percent (10%) of its retail sales to the general public;
- (3) A business primarily engaged in motion picture productions and that derives at least seventy-five percent (75%) of its revenue from out-of-state sales and has less than ten percent (10%) of its retail sales to the general public;
- (4) A distribution center for the reception, storage, or shipping of:
 - (A) A business's own products or products that the business wholesales to retail businesses or ships to its own retail outlets;
 - (B) Products owned by other companies with which the business has contracts for storage and shipping if seventy-five percent (75%) of the sales revenues are from out-of-state customers; or
 - (C) Products for sale to the general public if seventy-five percent (75%) of the sales revenues are from out-of-state customers;
- (5) An office sector business with less than ten percent (10%) of its retail sales to the general public;
- (6) A national or regional corporate headquarters with less than ten percent (10%) of its retail sales to the general public;
- (7) A firm primarily engaged in commercial, physical and biological research as classified in the North American Industry Classification System Code 541710, as in effect on January 1, 2005;
- (8) A scientific and technical services business if:
 - (A) The business derives at least seventy-five percent (75%) of its revenue from out-of-state; and
 - (i) The average hourly wages paid by the business exceed one hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.
 - (B) (ii) The average hourly wage threshold determined at the signing date of the financial incentive agreement shall be the threshold for the term of the agreement; and
- (9) Any other business classified as an eligible business by the Director of the Arkansas Economic Development Commission if the following conditions exist:
 - (A) The business receives at least seventy-five percent (75%) of its revenue from out-of-state; and
 - (B) The business proposes to pay wages in excess of one hundred ten percent (110%) of the county or state average wage, whichever is less.