

**Arkansas Pass-Through Entity Tax**  
**Reconciliation and Capital Gains Changes**

**Total/Arkansas Schedule K Reconciliation**

There have been several reports of software vendors no longer providing a way for tax preparers to reconcile their federal/state pass-through income reported on the AR1100PET. For tax year 2024, we removed the Accounting Income Statement and the AR1100REC and replaced with Schedule K with a Federal and Arkansas column to report differences between federal and state amounts. However, many vendors have removed all reconciliation functionality and will not allow users to override reportable amounts.

Form changes for AR1100PET in 2024 were an attempt to simplify reporting for pass-through entity income. It was not the Department's intent to remove reconciliation functionality. Please see the updated AR1100PET instructions. Any differences between Total and Arkansas amounts must be accompanied with a supplemental schedule. This schedule must provide details of each item with differences and the amounts that total the overall Fed/State difference. The schedule can be a binary attachment. Vendors who wish to use the legacy AR1100-REC are allowed to do so, but the form is not built within the schema. It can be a binary attachment.

In future filing seasons, we will re-visit an established form for reconciliation. We apologize for any inconvenience.

**Total/Arkansas Column Instructions**

"Total" column refers to the total federal items of income, deductions, etc. Complete the appropriate lines in the total column without regard to Arkansas-specific adjustments.

"Arkansas" column refers to Arkansas apportioned or allocated items of income, deductions, etc. Include Arkansas-only amounts. Pass-through entities operating only in Arkansas will complete both the federal and Arkansas columns.

**IMPORTANT:** A supplemental schedule **MUST** be attached reconciling differences between Total and Arkansas amounts.

## **Schedule K – Capital Gains Calculations**

Capital gains reported on Schedule K of AR1100PET have been corrected to include lines 7, 8, 9, and 10 of Part I. This affects calculations for line 20 and line 23 of Schedule K. The inclusion of unrecaptured section 1250 gain and net section 1231 gain is necessary for the overall capital gain/loss to be reported on page 1, line 3. AR1100PET instructions have also been updated. Please make the necessary revisions.

### **Line 20 – Net income (loss)**

Combine Schedule K, lines 1 through 12. From the result, subtract lines **7-10,13** through 14c. Net capital gains/losses are to be removed from the net taxable income calculation and reported separately on line 23 of Schedule K.

**Lines 21 through 23 – Complete if filing status 1: pass-through entity operating only in Arkansas.**

Entities operating only in Arkansas will report lines 22 and 23 (Arkansas Column) of Schedule K on AR1100PT, page 1, lines 1 and 3.

### **Line 21 – Net Operating Loss Deduction**

Enter the net operating loss deduction. Attach schedule AR1100NOL.

### **Line 22 – Total**

Subtract line 21 – net operating loss deduction from line 20 – net income (loss).

### **Line 23 – Net Capital Gains**

Enter the total net capital gains by adding lines **7-10**.