2025

ARKANSAS
PARTNERSHIP Income Tax Instructions AR1050

ATAP

Please visit our secure website ATAP (Arkansas Taxpayer Access Point) at www.atap.arkansas.gov. ATAP allows taxpayers or their representatives to log on, make payments and manage their account online.

ATAP features include:

- View account letters

ATAP is available 24 hours a day.

(Registration is not required to make payments or to check refund status.)

Simple Reasons to e-file!

- Filing Confirmation Provided
- Makes Complex Returns Easy
- File Federal & State Forms Together
- Secure

Mailing Address:
State of Arkansas
Partnership Income Tax Section
P.O. Box 919
Little Rock, Arkansas 72203-0919

Physical Address:
Partnership Income Tax
1816 W 7th St, Room 2250
Ledbetter Building
Little Rock, AR 72201-1030

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TAX HELP AND FORMS

Internet

You can access the Department of Finance and Administration's website at **www.dfa.arkansas.gov.**

- Get current and prior year forms and instructions
- Access latest income tax info and archived news
- Get e-file information

You can e-mail questions to:

https://www.dfa.arkansas.gov/office/taxes/income-tax-administration/partnership-llc/partnership-llc-forms/

Phone

General Information..(501) 682-4775

Representatives are available to assist callers at the number above during normal business hours (Monday through Friday from 8:00 a.m. to 5:00 p.m.) with:

- Taxpayer Assistance
- Forms
- Audit and Examination
- Notices Received
- Amended Returns
- Payment Information

Other useful phone numbers:

Tax Credits	(501) 682-7106
Withholding Tax	(501) 682-7290
Collections	(501) 682-5000
Revenue Legal Counsel	(501) 682-7030
Individual Income Tax	(501) 682-1100
Sales and Use Tax	(501) 682-7104
Problem Resolution and Tax Information Office (Offers In Compromise)	(501) 682-7751
Internal Revenue Service	(800) 829-1040
Social Security Administration	(800) 772-1213

Forms

To obtain a booklet or forms you may:

1. Access our website at:

   https://www.dfa.arkansas.gov/office/taxes/income-tax-administration/partnership-llc/partnership-llc-forms/

2. Call: (501) 682-4775

ATAP

Arkansas Taxpayer Access Point (ATAP) allows taxpayers or their representatives to log on to a secure site and manage their account online.

Access ATAP at **www.atap.arkansas.gov** to:

- Make Tax Payments
- Make Estimated Tax Payments
- Make name and address changes
- View account letters

(Registration is not required to make payments or to check refund status.)

Mail

Partnership Income Tax Section
P. O. Box 919
Little Rock, AR 72203-0919

Be sure to apply sufficient postage or your return will not be delivered by the U.S. Postal Service.

Walk-In

Representatives are available to assist walk-in taxpayers with partnership income tax questions, but are **not available to prepare your return.**

No appointment is necessary, **but plan to arrive before 4:00 p.m. to allow sufficient time for assistance.**

The Partnership Income Tax Office is located at:
1816 W. 7th Street, Room 2250
Ledbetter Building, Little Rock, AR 72201

Office hours are Monday through Friday from 8:00 a.m. to 5:00 p.m.

WHAT'S NEW for 2025

NOTE: The following is a brief description of Acts affecting Arkansas Income Tax and is not intended to replace a careful reading of each Act in its entirety.

On April 16, 2025, Arkansas Gov. Sarah Huckabee Sanders signed Senate Bill 567 into law as Act 719 of 2025, modernizing the state's income tax apportionment for multi-state businesses.This Income Tax reform legislation will align Arkansas with 34 other states with the adoption of Market-Based Sourcing for Sales of Services and Intangibles, which is based on the location where they are delivered to the customer. It reduces the risk of double taxation and makes the state more competitive for jobs and investments in services and technology by leveling the playing field for in-state service providers.

Market-Based Sourcing - adopting market-based sourcing (MBS) to replace the current cost-of-performance (COP) sourcing methodology.

Apportionable Income - amended the provisions related to business income.

Nexus Threshold - the bill also adopts an economic income tax nexus by establishing a $250,000 receipts threshold for non-resident corporations or partnerships without a physical presence in the state.

Updates to Alternative Apportionment: section 26-51-718 to follow the MTC model for UDITPA section 18 related to alternative apportionment provisions that are expanded/clarified concerning cases where standard methods do not fairly represent a taxpayer's business activity.

Apportionable Income: Replaces business and nonbusiness income definitions with apportionable and non-apportionable income. Apportionable income includes all income that is apportionable under the United States Constitution and is not otherwise allocable under the laws of this state.

Telecommunications 10-Year Option - the bill allows providers of telecommunications services, internet services, and some television services to elect to use the COP sourcing method until Dec. 31, 2035.

The Income Tax changes in Act 719 of 2025 are effective for tax years beginning on or after January 1, 2026.

<u>Tax rate and other important changes</u>

Act 696 of 2025. Provides an income tax exemption for USDA relief payments from the American Relief Act of 2025.

Act 701 of 2025. Amends the Wood Energy Products and Forest Tax Credit incentive.

Act 719 of 2025. Adopts market-based sourcing for Income Tax apportionment of multistate services and intangibles and updates other provisions to modernize Arkansas's adoption of the MTC compact.

Act 838 of 2025. Amends the Natural State Opportunity Zone tax incentive.

Act 881 of 2025. Creates an income tax credit incentive for relocation of a Corporate Headquarters to Arkansas.

Act 882 of 2025. Creates an income tax credit incentive for modernization and automation.

IMPORTANT REMINDERS for 2025

Tax rate and other important changes

Act 485 of 2023 to enhance economic competitiveness by phasing out the throwback rule amends Arkansas Code Annotated 26-51-716 and 26-5-101, Article IV to provide that sales of tangible personal property are in this state if:

1) the property is delivered or shipped to a purchaser within this state regardless of the f.o.b. point or other conditions of the sale; or

2) the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the taxpayer is not taxable in the state of the purchaser in which case the sales shall be sourced as follows:

Tax Year Beginning	Sales Within Arkansas	Sales Outside Arkansas
2024	85.71%	14.29%
2025	71.42%	28.58%
2026	57.13%	42.87%
2027	42.84%	57.16%
2028	28.55%	71.45%
2029	14.26%	85.74%
2030	0%	100%

The Act is effective for tax years beginning on or after January 1, 2024.

Act 4 of the second Extraordinary Session of 2024 amends Arkansas Code Annotated 26-51-205 to reduce the maximum corporation income tax rate to 4.3% for all taxable income exceeding $11,000 for tax years beginning on or after January 1, 2024. The maximum income tax rate for corporations will remain 5.1% for all taxable income exceeding $25,000 for tax years beginning on or after January 1, 2023.

For tax years beginning on or after January 1, 2016, Arkansas has adopted the due date of April 15th for calendar year filers.

Arkansas Code Annotated 26-51-427 allows net operating losses occurring in tax years beginning on or after January 1, 2020 to carry forward for 8 tax years and losses occurring in tax years beginning on or after January 1, 2021 to carry forward 10 years. Net operating losses that occur in tax years beginning before January 1, 2020 carry forward 5 tax years.

Arkansas Code Annotated 26-51-428 was amended to adopt Title 26 U.S.C. Section 179, as in effect on January 1, 2022, for the purpose of computing Arkansas income tax liability for property purchased in tax years beginning on or after January 1, 2022, for tax years beginning on or after January 1, 2024. The adoption of Internal Code Section 179 will result in the Arkansas Section 179 deduction being raised from $25,000 per year to $1,250,000 for tax years beginning in 2022 and for the dollar-for-dollar phaseout being raised from $200,000 to $3,130,000. The lower limits will remain in place for years beginning prior to 2022, including any carryforward of Section 179 that could not be claimed in earlier years. Please refer to the line item instructions for Depreciation and the instructions for Form AR1100REC for further details.

Act 143 of 2021 amends Arkansas Code Annotated 26-51-102 to include a definition for tax practitioner and Arkansas Code Annotated 26-51-806 to require a tax practitioner who files federal income tax returns electronically to also file Arkansas returns electronically and allows DFA to waive the requirement if the requirement would cause an undue hardship on the practitioner.

Partnerships that elect the PET tax should not file Form AR1050.

Act 629 of 2021 amends Arkansas Code Annotated 26-51-807(a) to allow taxpayers an extension to file of one month after the extended due date for a federal income tax return for tax years beginning on or after January 1, 2021. The one month extended due date does not apply to returns for which a federal extension is not requested and does not extend the original due date. As a reminder all tax payments are due on the original return due date and interest at 10% per annum and failure to pay penalties at 5% per month will be assessed on all taxes unpaid after the original due date which is April 15 for calendar year filers and the 15th day of the fourth month after the end of a tax year that does not end in December.

The Arkansas K-1 form has been developed for partnerships to report each partner's share of the partnership's income, deductions, credits, etc. The Arkansas Schedule K-1 (AR K-1) is required to be submitted. Adjustments to convert federal amounts may be necessary for a number of items including but not limited to capital gains, interest income, depreciation, Section 179 deductions, contributions and others. The amount reported for each partner should be the total Arkansas amount for an item of income, deduction or credit multiplied by the shareholders ownership percentage.

ATAP – Arkansas Taxpayer Access Point

Arkansas Taxpayer Access Point (ATAP) is available for the filing of most Arkansas Income Tax returns and tax payments. Federal returns and other required schedules must be attached with the ATAP filing or mailed separately to the Partnership Income Tax Section. They may be provided on CD, in PDF, or in paper form. The secure online filing, managing, and payment options of ATAP are available at www.atap.arkansas.gov. Taxpayers and their authorized representatives will be able to view and manage their Income Tax activity including other tax activity such as Individual Income Tax, Sales Tax, Withholding Tax, and other taxes administered by DFA.

Accountants and attorneys must obtain permission from their clients to access and view their client's accounts. ATAP is a web-based service that will give taxpayers, or their designated representative, online access to their tax accounts, and offers the following services:

Register a business, file a return online, file a return using XML return upload, change a name, change an address, amend a return, make a payment, store banking information for use during payment submission, view tax period financial information (tax, penalty, interest, credits, balance, etc.), view payment received, view recent account activity, view correspondence from the department.

If you are currently enrolled with our online systems to either make payments or file a return electronically, you will need to sign up in ATAP to take advantage of the enhanced services. To correctly process payments on ATAP, make sure you are choosing the correct type of payment and applying it to the correct tax year.

Arkansas
Partnership Income Tax Return Instructions (AR1050)

CAUTION: *Report only trade or business activity income on page 1 of the AR1050. Do not report section 179 deductions, charitable contributions, net rental real estate income, other rental activities, royalties, capital gains (losses), interest, dividends, and other income on these lines. P1, column B of the AR1050 should include trade or business activity on an Arkansas basis. All other separately stated items such as interest, dividends, capital gains, etc. should be reported on Schedule K, P3, which will be further reported on each partner's AR K-1.*

INCOME

Line 4. Enter gross receipts or sales from all business operations other than those listed on lines 7 through 10.

Line 5. Complete Schedule B, Part I on P4 of AR1050. Enter on line 5 the amount shown on line 7 of Schedule B, Part I.

Line 6. Subtract cost of goods sold, line 5, from gross receipts or sales, line 4 and enter the difference.

Line 7. Enter the income from any other partnerships or fiduciaries of which is defined as business income for the filing partnership. Partnership income received from activities in this state is to be allocated to this state as opposed to apportionment per ACA 26-51-802(c)(2). Attach schedule/federal schedule.

Line 8. Enter the net profit/loss received from farming. Attach federal Schedule F.

Line 9. Enter the ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity.

Line 10. Enter any other taxable income not included on lines 6 through 9. Attach statement or schedule.

Line 11. Add lines 6 through 10 and enter the total.

DEDUCTIONS

Do not list deductions here if they have already been included on lines 4 through 10.

Line 12. Enter the amount of salaries and wages paid.

Line 13. Enter the amount of payments or credits to a partner for services.

Line 14. Enter rent paid on business property.

Line 15. Enter the amount of interest paid on business indebtedness to others.

Line 16. Enter taxes paid or incurred on business property for carrying on a trade or business.

Line 17. Enter the amount of bad debts. You may deduct bad debts when they become worthless or make a reasonable addition to a reserve for bad debts. Attach schedule.

Line 18. Enter the cost of incidental repairs that do not add to the value of the property or appreciably prolong its life.

Line 19. Enter the allowable amount for depreciation of business property. Attach schedule AR1100REC to reconcile any differences between federal and state amounts.

NOTE: Arkansas has adopted IRC section 179 in its entirety, effective January 1, 2022.

Line 20. Depletion: Enter the amount of depletion. Attach schedule.

Line 21. Retirement plan, etc.: Enter the contributions made by the partnership for its common-law employees under a qualified retirement plan. Attach schedule.

Line 22. Enter any other trade or business deductions not included in lines 12 through 21. Attach schedule.

Line 23. Add lines 12 through 22 and enter the total.

Line 24. Subtract line 23 from line 11 or Schedule A Part II, line 8.

PARTNERS' SHARES OF INCOME

NOTE: *A completed Schedule K is required to calculate each partner's distributive share items. An AR K-1 for each member of the partnership is also required to be attached to this return.*

Enter each partner's name, address, tax ID number, and share of the business net income, whether distributed or not. If the distributed income is determined on a basis other than a percentage basis, attach an explanatory statement.

SCHEDULE A - INSTRUCTIONS

APPORTIONMENT INSTRUCTIONS

For Taxpayers with Income from Sources Within and Without the State

Multistate partnerships should complete Part I and Part II of Schedule A. The net income or loss from Part II, line 8 should be reported on line 24 column B of AR1050. column A of the AR1050 should be completed by multistate partnerships. However, column B, lines 4-23 will not be completed for multistate partnerships.

Business income is defined in ACA 26-51-701(a) as income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the taxpayer's trade or business operations. In essence, all income which arises from the conduct of trade or business operations of a taxpayer is business income. Income of any type or class and from any source is business income if it arises from transactions and activity occurring in the regular course of a trade or business. In general, all transactions and activities of the taxpayer's economic enterprise as a whole constitute the taxpayer's trade or business and will be considered "Business income" unless otherwise excluded by Arkansas law. ACA 26-51-701(e) defines nonbusiness income as all income other than business income.

Unitary Determination of Intangible Income: Interest, dividends (less than 80% directly owned), rents, royalties and gains and losses from multistate partnerships are apportionable to Arkansas if a unitary business relationship exists between the intangible income and the State of Arkansas. Generally, a unitary business relationship will exist when an activity conducted in one state benefits and is benefited by an activity conducted in another state.

Apportionment Formula

In general, taxpayers with income derived from activities both within and without the State are required to apportion Business Income and allocate the Nonbusiness and Partnership income. **For tax years beginning on or after January 1, 2021, all multistate partnerships should use the single sales factor only, unless required to use an approved alternative apportionment method.**

Financial Institutions must use the single sales factor as outlined in Arkansas Codes Annotated 26-51-1403. Construction companies, pipelines, private railcar operators, bus lines and trucking companies, airlines, television and radio broadcasting companies, and publishers will use sales factor only as modified in the regulations. **Railroads operating within and without the State may use either single sales factor or three-factor double-weighted sales apportionment method beginning tax years effective January 1, 2023.** Requirements for apportionment formulas of the businesses listed in this paragraph (except for financial institutions) are contained in the Arkansas Corporation Income Tax Regulations which may be obtained from **www.dfa.arkansas.gov/income-tax/corporation/**.

SCHEDULE A - APPORTIONMENT OF INCOME FOR MULTISTATE PARTNERSHIP

Part I: Income to Apportion

Line 1: Enter total ordinary business income/loss from federal 1065.

Line 2: Enter any added adjustments and attach schedule. Additions should be any other income not listed on lines 4-10 of the AR1050 that constitute business income that should be apportioned. Use this line to remove any allocable income (loss). Amounts sourced to Arkansas will be directly allocated in Part II, line 7.

Line 3: Enter any deducted adjustments and attach schedule. Subtractions should be any other deductions not listed on lines 12-22 of the AR1050 that constitute business deductions that should be apportioned. Deduction adjustments should also include income that is to be allocated to Arkansas (e.g. income from other partnerships) and will be added back after apportionment on Schedule A line 7.

Line 4: Line 1 plus line 2 less line 3 = line 4, Total Apportionable Income. Continue to Part II.

Part II: Apportionment Factor

Column A is for Amounts in Arkansas; column B is the Total Everywhere; column C is the Percentage of column (A)÷(B). Calculate all percentages to six (6) places beyond whole percentages. Example 26.123456%.

Sales/Receipts Factor: The receipts factor is a fraction, the numerator of which is the total sales of the taxpayer in this State during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period. The method of calculating receipts for purposes of the denominator is the same as the method used in determining receipts for purposes of the numerator. The receipts factor shall include only those receipts which constitute business income and are included in the computation of the apportionable income base for the taxable year. Arkansas requires receipts to be gross receipts instead of net receipts.

Line 1. Sales/Receipt

(a) Enter Destination Shipped from Within Arkansas: Sale of property that is delivered or shipped by a seller located in Arkansas to a purchaser located in Arkansas.

(b) Enter Destination Shipped from Without Arkansas: Sale of property that is delivered or shipped to a purchaser located in Arkansas regardless of the f.o.b. point or other conditions of the sale.

Line 2: Origin Sales From Arkansas

(c) Enter Origin Shipped from Within Arkansas to Other Non-Taxable Jurisdictions: Sales of property that is shipped from an office, store, warehouse, factory or other place of storage in Arkansas to a taxpayer that is not taxable in the state of the purchaser.

Beginning January 1, 2024, a percentage of sales to which the throwback rule applies as taxable to Arkansas and a percentage as taxable to the destination state, with the amount taxable to the destination state increasing each year as the amount taxable to Arkansas decrease.

The percentages will be as follows:

• 2025: 71.42% to Arkansas and 28.58% to the destination state.

Line 3: Other Sales/Receipts

Items such as **d.** capital & ordinary gains, **e.** dividends, **f.** interest, **g.** rents, **h.** royalties, and **i.** services will be reported in the appropriate boxes. For **j.** other business gross receipts, attach schedule.

Gross receipts from transactions other than sales of tangible personal property are attributed to Arkansas if:

1) The income producing activity is performed entirely within Arkansas or, 2) If the income producing activity is performed both inside and outside of Arkansas, the income reportable to Arkansas is determined by calculating the property, payroll, and sales factor excluding sales from transactions other than the sale of tangible personal property and applying the resulting percentage to the Arkansas sales factor numerator for gross receipts from transactions other than sales of tangible personal property. (k) Total Sales/Receipts: (Add Lines 1a through 3j). Divide Line 3k in Column A by Line 3k in Column B to arrive at the percentage for Line 3k in Column C.

Line 4: Alternative Apportionment Percentage: If the partnership is subject to special industry and alternative apportionment, check the box and enter the percentage from Form AR-718, Line 5, Column C.

Line 5: Enter Percentage Attributable to Arkansas: Enter the percentage from Line 3k, Column C. If required to complete form AR-718, enter percentage from AR-718, Column C, Line 5.

Part C - Arkansas Taxable Income

Line 6: Enter Income Apportioned to Arkansas. (Part I, Line 4) x (Part II, Line 5).

Line 7: Enter Direct Income Allocated to Arkansas: Include non-business income and partnership income/ loss that are sourced to Arkansas. **Arkansas Regulation 1.26-51-802(b)** requires partnerships to directly allocate other partnership Arkansas income or loss received rather than including partnership income and apportionment factors in the partnership's apportionment formula. The partnership income received should be deducted on Part I, Line 3 (Deduct Adjustments). Partnership losses should be added on Part I, Line 2 (Add Adjustments). The partnership income or loss sourced to Arkansas should then be entered on Part C, Line 2 Add: Direct Income Allocated to Arkansas line.

Line 8: Net Income or Loss: Add or subtract line 7 from line 6. Enter the amount here and on P1, line 24, Arkansas column.

SCHEDULE K - PARTNERS' DISTRIBUTIVE SHARE ITEMS

Schedule K summarizes all the partners' shares of the partnership's income, credits, deductions, etc. Rental activity income (loss) and portfolio income aren't reported on P1 of the AR1050. These amounts aren't combined with trade or business activity income (loss). Schedule K is used to report the totals of these and other amounts. The Schedule K is required for all partnerships.

NOTE: *A completed AR K-1 for each member of the partnership is required to be attached to this return.*

Total/Arkansas Column Instructions
"Total Under Arkansas Law" column refers to the total federal items of income, deductions, etc. as adjusted under Arkansas Law.

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

IMPORTANT: For entities operating only in Arkansas, Form AR-KREC MUST be attached reconciling differences between Total and Arkansas amounts. For multistate filers subject to apportionment/allocation, Schedule AR1100ADJ must be attached itemizing the appropriate add/deduct adjustments to apportionable income. If additional adjustments were made outside the scope of these schedules, attach a supplemental schedule.

Part I: Income (Loss)

1. Ordinary business income (loss)

Enter the amount from P1, line 24 of the AR1050. Do not include rental activity income (loss) or portfolio income (loss).

2. Net rental real estate income (loss)

Enter the net income (loss) from rental real estate activities. Attach federal Form 8825.

3. Other net rental income (loss)

Enter net income from rental activities other than those reported on federal Form 8825. Attach statement showing how you calculated net rental income (loss).

4. Interest income

Enter taxable portfolio interest. Tax-exempt interest income is not to be reported on this line. Report tax-exempt interest income on line 16a or b of Part III.

5. Dividends

Enter taxable dividends including any qualified dividends.

6. Royalties

Enter royalties received by the partnership.

7. Net short-term capital gain (loss)

Enter the short-term gain (loss) and attach federal Schedule D (Form 1065).

8a-b. Net long-term capital gain (loss)

Enter the portfolio capital gain or loss. Attach federal Schedule D (Form 1065). Note: Capital gains from collectibles are taxed at the ordinary income rates in Arkansas.

9. Net section 1231 gain (loss)

Enter any net section 1231 gain (loss) and attach federal Form 4797.

10. Other income (loss)

Enter any other item of income or loss that is not included on lines 1-9. Identify the type of income in the space provided. If there is more than one type of income, attach a statement that identifies each type and amount.

Part II: Deductions

11. Section 179 deduction

Figure the partnership's section 179 expense deduction. Report the allowable amount on the Arkansas column. Attach Form 4562. Note: The partnership does not take the deduction itself but instead passes it through to the partners on AR K-1.

12a. Cash charitable contributions

Enter any cash charitable contributions made by the partnership.

12b. Non-cash charitable contributions

Enter any non-cash charitable contributions made by the partnership.

12c. Other deductions

Enter any allowable deductions. Identify the type of deduction in the space provided. If there is more than one type of deduction, attach a detailed schedule that identifies each by type and amount.

Part III: Other Information

13. Guaranteed payments

Enter any guaranteed payments to partners.

14. Credits

If the partnership has any applicable Arkansas-sourced credits allocated to partners, enter them here.

NOTE: *Recent legislation may have amended, increased, or extended some of the provisions for Tax Credits. Use of any credit is subject to the limitations and carryover provisions provided by the respective Arkansas statute. A summary of the Tax Credit Programs can be found at: www.dfa.arkansas.gov If you have any questions, please contact the Tax Credits/Special Refunds Section at (501) 682-7106.*

15. Items affecting partners basis

Enter any relevant items of information affecting the partner(s) basis as a result of activities from the partnership in the taxable year.

16a-c. Tax-exempt interest income

Enter any interest income that is tax exempt on 17a, as well as other tax-exempt income on 17b. Nondeductible expenses are to be entered on 17c.

17a-b. Distributions of cash and marketable securities

Enter the amount of partnerships distributions of cash, marketable securities on 18a, and other property on 18b.

18a-c. Investment income

Enter the investment income, expenses, and other items and amounts.

Analysis of Net Income (Loss)

19. Net income (loss)

Combine Schedule K, lines 1 - 10. From the result, subtract the sum of Schedule K, lines 11 through 12c.

SCHEDULE B - ADDITIONAL PARTNERSHIP INFORMATION

Part I: Cost of Goods Sold

To compute the cost of goods sold, answer all questions and enter the amount listed on line 7 of Schedule B on line 5, P1, of AR1050.

Part II: Balance Sheet

The balance sheet is to report the assets and liabilities at the beginning and end of the tax year. The amounts should agree with the partnership's books and records. Attach a statement explaining any differences.