STATE OF ARKANSAS
Partnership Income Tax Return Instructions
AR1050

2017

Reminders:

Partnerships and LLCs File Same as Federal (Act 965 of 2003)

This act adopts the federal “check the box” regulations and requires partnerships and LLCs to file in the same manner in which the entity files and pays federal income tax.

Section 179 Depreciation

Act 580 of 2015 adopted Internal Revenue Code Section 179, **as in effect on January 1, 2009**, regarding depreciation and expensing of property for the purpose of computing Arkansas income tax liability. The maximum deduction allowed for property placed in service during the tax year is $25,000. The deduction is decreased “dollar for dollar” for property over $200,000, and no deduction is allowed for property over $225,000.

You can find more information about Arkansas tax code by visiting the Department of Finance and Administration web site at **www.arkansas.gov/incometax**

Act 1283 of 1999. Under this act, income attributable to an investment partnership’s qualifying investment securities would not be taxed if distributed to a nonresident partner. “Investment partnership” is defined as a partnership with at least 90% of its assets comprised of investment securities plus office equipment. Only income derived from dividends, interest and gains would be excluded from a nonresident partner’s income. The provisions of this act do not apply to income derived from investment activity that is interrelated with any trade or business activity of the nonresident or an Arkansas entity in which the nonresident owns an interest.

GENERAL INSTRUCTIONS

Form **AR1050** is used to file the income of a partnership. Every domestic or foreign partnership doing business within the State of Arkansas **or** in receipt of income from Arkansas sources, regardless of amount, must file an **AR1050**. This form is also to be used by business organizations that are two or more member limited liability companies unless the LLC has “checked the box” to file as a corporation for federal tax purposes. **(Nonresident partners may choose to be included in an Arkansas composite filing. For details see instructions for AR1000CR.)**

WHEN TO FILE

The due date is April 15th for calendar year filers. Fiscal year filers must file on or before the fifteenth (15th) day of the fourth (4th) month following the close of the fiscal year.

If you request an extension of time to file your federal partnership tax return (with federal Form 7004) you can receive the same extension on your state return. If you do not file a federal extension, you can request a 180 day Arkansas extension using Form **AR1055-PE** before the filing date of April 15th (for calendar year filers). Send Form **AR1055-PE** to:

Individual Income Tax Section
ATTN: Extension
P.O. Box 3628
Little Rock, AR 72203-3628

LINE BY LINE INSTRUCTIONS

INCOME

Line 4. Enter gross receipts or sales from all business operations other than those listed on Lines 7 through 13.

Line 5. Complete Schedule B on Page 3 of **AR1050**. Enter on Line 2, the amount shown on Line 7 of Schedule B.

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. Attach schedule/federal schedule.

Line 8. Enter the amount of interest and/or dividends received or credited to the account of the partnership. Attach schedule/federal schedule.

Line 9. Enter the net profit/loss for the rent of property. Attach schedule/federal schedule.

Line 10. Enter the net profit/loss received as royalties. Attach schedule/federal schedule.

Line 11. Enter the net profit/loss received from farming. Attach schedule/federal schedule.

Line 12. Enter the net profit/loss from the sale of capital assets. Attach schedule/federal schedule.

Line 13. Enter any other taxable income not included on Lines 6 through 12. Attach statement or schedule.

Line 14. Add Lines 6 through 13 and enter the total.

DEDUCTIONS

Do not list deductions here if they have already been included on Lines 4 through 13.

Line 15. Enter the amount of salaries and wages paid.

Line 16. Enter the amount of payments or credits to a partner for services.

Line 17. Enter rent paid on business property.

Line 18. Enter the amount of interest paid on business indebtedness to others.

Line 19. Enter taxes paid or incurred on business property for carrying on a trade or business.

Line 20. 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 21. Enter the cost of incidental repairs that do not add to the value of the property or appreciably prolong its life.

Line 22. Enter the allowable amount for depreciation of business property. Arkansas adopted IRC §179 as in effect on January 1, 2009, thus allowing greater dollar limits and phase out thresholds. The maximum deduction allowed for property placed in service during the tax year is now $25,000. The deduction is decreased "dollar for dollar" for property over $200,000, and no deduction is allowed for property over $225,000. (Arkansas has not yet adopted the most recent federal changes.) Attach schedule.

Line 23. Enter the amount of depletion. Attach schedule.

Line 24. Enter the contributions made by the partnership for its common-law employees under a qualified retirement plan. Attach schedule.

Line 25. Enter any other deductions not included in Lines 15 through 24. Attach schedule.

Line 26. Add Lines 15 through 25 and enter the total.

Line 27. Subtract Line 26 from Line 14 or schedule A Part 3, Line 3.

PARTNERS' SHARES OF INCOME

Enter each partner's name, address, Social Security Number, and share of the 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 – APPORTIONMENT OF INCOME FOR MULTISTATE PARTNERSHIPS

Enter the FEIN in the box provided.

Part I – Income to Apportion:

Line 1: Enter federal taxable income before any adjustments or special deductions from Line 22 of the federal Form 1065.

Line 2: Enter any Add Adjustments. Examples include: Bonus Depreciation and Federal Charitable Contributions. (Attach detailed schedule)

Line 3: Enter any Deduct Adjustments. Examples include: AR Depreciation and AR Charitable Contributions. (Attach detailed schedule)

Line 4: Enter Arkansas Total Apportionable Income. Line 1 + Total Amount from Line 2 - Total Amount from Line 3 = Line 4, Total Arkansas Apportionable Income.

Note: Lines 2 and 3 are for reporting any adjustments to taxable income that result in differences between Federal and Arkansas tax laws. The examples listed above are not intended as an all-inclusive list of required adjustments.

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%

Property Factor: The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this State during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax period. **(ACA 26-51-710)**

Line 1. Enter Property Used in Business

Line a. Tangible Assets Used in Business and Inventories (less construction in progress):

(a1) Enter the amount at the beginning of the year in both Column A and Column B.

(a2) Enter the amount at the end of the year in both Column A and Column B.

(a3) Enter total amounts: *(Add Lines a1 and a2) in both Columns.*

(a4) Enter Average of Tangible Assets: *(Line 3 ÷ 2) in both Columns.*

Line b. Enter Rental Property: *(8 times annual rent) Column A and B.*

Line c. For Financial Institutions Only, refer to ACA 26-51-1404. *Enter Average Value of Intangible Property in Column A and B. (Attach schedule)*

Line d. Enter Total Property in both Columns: *(Add Lines a4, b and c).*

In Column C, calculate the Arkansas percent by dividing the amount on Line d, Column A by the amount on Line d, Column B.

Payroll Factor: The payroll factor is a fraction, the numerator of which is the total amount paid in this State during the tax period by the taxpayer for compensation and the denominator of which is the total compensation paid everywhere during the tax period. The payroll factor shall include only that compensation which is included in the computation of the apportionable income tax base for the taxable year. **(ACA 26-51-713 and ACA 26-51-1405)**

Column A is total compensation paid within Arkansas; Column B is total compensation paid everywhere during the tax year; Column C is the percentage of Column (A) ÷ (B).

Line 2. Enter Salaries, Wages, Commissions and Other Compensation Related to the Production of Business.

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. Financial institutions cannot double weight the sales/receipts factor. **(ACA 26-51- 715 and ACA 26-51-1403).**

Line 3: Sales/Receipts

(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.

(c) Enter Origin Shipped from Within Arkansas to U.S. Government: Gross receipts from sales of tangible personal property to the United States Government are in this state if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the purchaser is the U.S. Government.

(d) 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.

Gross receipts from transactions other than sales of tangible personal property are attributed to Arkansas if: The income producing activity is performed entirely within Arkansas **or** the income producing activity is performed both inside and outside of Arkansas, in which event the portion of income reportable to Arkansas shall be determined by utilizing the formula for apportioning income to Arkansas during the year of the sale by including the income from income producing activity in the numerator and denominator of the taxpayer's sales factor.

(f) Enter Total Sales/Receipts: (Add Lines 3a through 3e). Divide Line 3f in Column A by Line 3f in Column B to arrive at the percentage for Line 3f in Column C.

(g) Enter Double Weighted: (Financial Institutions must use Single Weighted Factor, Column C, Line 3f x 2).

Line 4: Enter Sum of Percentages: (Single Weighted: Add Column C, Lines 1d, 2a and 3f) (Double Weighted: Add Column C, Lines 1d, 2a and 3g).

Line 5: Enter Percentage Attributable to Arkansas: Line 4 divided by the Single/Double Weighted Factor. For Part 2, Line 5, divide Line 4 by number of entries other than zero which you make on Part 2, Column B, Lines (1d), (2a) and (3f). Also, an entry other than zero in Part 2, Column B, Line (3f), counts as two (2) entries unless using Single Weighted Factor.

Part III – Arkansas Taxable Income

Line 1: Enter Income Apportioned to Arkansas: (Part 1, Line 4) x (Part 2, Line 5, Column C).

Line 2. Enter Direct Income Allocated to Arkansas: Include non-business income that are sourced to Arkansas. (Attach schedule).

Line 3: Enter Total Income Taxable to Arkansas: Total of Lines 1 and 2. (Enter here and on Line 24, page 1, Column B.)

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 2, page 1, 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.

Individual Income Tax Information

Taxpayer Services Branch.............................. (501) 682-1100
or (800) 882-9275