



# STATE OF ARKANSAS

## Partnership Income Tax Instructions

### Reminders for 2004:

#### 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.

#### Return Filing Dates Changed (Act 774 of 2003)

1. Changes the due dates of state income tax returns to the due date for the corresponding federal income tax return, March 15 for calendar year corporation filers and April 15 for all other calendar year filers.
2. Changes the dates that interest and penalty on unpaid income tax begins to accrue to the new return due dates.
3. Changes the dates that estimated tax payments are due to the corresponding federal due date for payments of estimated tax.

#### State Tax Depreciation Unaffected by New Federal Law

Arkansas has not adopted the depreciation provisions contained in the Job Creation Workers Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003.

While the new depreciation provision may be used for federal returns, many states, including Arkansas, operate under a different tax code. On Arkansas income tax returns, taxpayers must file following the rules in sections 167, 168, 179, and 179A under the Internal Revenue Code of 1986, enacted January 1, 1999.

You can find more information about Arkansas tax code by visiting the Department of Finance and Administration web site at [www.arkansas.gov/dfa](http://www.arkansas.gov/dfa).

**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 sources therein, regardless of amount, shall file an AR1050. This form is also to be used by business organizations that are limited liability companies.

### WHEN AND WHERE TO FILE

File Form AR1050 for the calendar year or the fiscal year. Fiscal year corporation returns must be filed on or before the fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) month following the close of the fiscal year. (Calendar year corporation returns are filed on or before March 15.) All other fiscal year returns must be filed on or before the fifteenth (15<sup>th</sup>) day of the fourth (4<sup>th</sup>) month following the close of the fiscal year. (All other calendar year returns are filed on or before April 15.) The Form should be mailed to State Income Tax, P. O. Box 8026, Little Rock, AR 72203-8026.

### LINE BY LINE INSTRUCTIONS

#### INCOME

- Line 1.** Enter gross receipts or sales from all business operations other than those listed on Lines 4 through 10.
- Line 2.** Complete Schedule A on page 2 of AR1050. Enter on Line 2, the amount shown on Line 7 of Schedule A.
- Line 3.** Subtract cost of goods sold, Line 2, from gross receipts or sales, Line 1. Enter the difference on Line 3.
- Line 4.** Enter the income from any other partnerships or fiduciaries. Attach schedule/Federal schedule.
- Line 5.** Enter the amount of interest received or credited to the account of the partnership. Attach schedule/Federal schedule.
- Line 6.** Enter the net profit/loss for the rent of property. Attach schedule/Federal schedule.
- Line 7.** Enter the net profit/loss received as royalties. Attach schedule/Federal schedule.
- Line 8.** Enter the net profit/loss received from farming. Attach schedule/Federal schedule.

- Line 9.** Enter the net profit/loss from the sale of capital assets. Attach schedule/Federal schedule.
- Line 10.** Enter any other taxable income not included on Lines 3 through 9. Attach statement or schedule.
- Line 11.** Add Lines 3 through 10. Enter the total on Line 11.

**DEDUCTIONS**

Do not list deductions here if they have already been included on Lines 1 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 business bad debt. You may deduct business 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 no add to the value of the property or appreciably prolong its life.
- Line 19.** Enter the allowable allowances for depreciation of business property. Section 168 (26 U.S.C. 168) Internal Revenue Code of 1986, effective January 1, 1999, has been adopted for computing Arkansas depreciation. Section 179 (26 U.S.C. 179) Internal Revenue Code of 1986, effective January 1, 1999 has been adopted for computing Arkansas depreciation.
- Line 20.** Enter the amount of depletion. Attach schedule.
- Line 21.** Enter the contributions made by the partnership for its common-law employees under a qualified retirement plan.
- Line 22.** Enter any other deductions not included in Lines 12 through 21. Attach schedule.
- Line 23.** Add Lines 12 through 22. Enter the total on Line 23.

**PARTNER'S SHARE 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 – COST OF GOODS SOLD**

This schedule is to compute the cost of goods sold. Answer all questions and enter the amount listed on Line 7 of this schedule on Line 2, page 1, of AR1050.

**SCHEDULE B – BALANCE SHEET**

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

**Individual Income Tax Information Hot-Line**

(501) 682-1100 or 1-800-882-9275 (In Arkansas Only)

This system is designed to allow taxpayers to access general information about filing 24 hours a day. Personal assistance will be available during our normal business hours (Monday through Friday - 8:00 a.m. to 4:30 p.m.). The areas that can be reached by this system are as follows:

- |   |                |
|---|----------------|
| Taxpayer Assistance Branch  | Forms Branch   |
| Audit and Examination Branch  | Amended Branch |
| Delinquent Income Tax Branch  | Refund Branch  |
| Hearing Impaired Access for Information,<br>Assistance and Forms (501) 682-4795 |                |

This number can only be reached by use of a Text Telephone Device.

**Other Individual Income Tax Section Telephone Numbers**

- Estate Tax Information ..... (501) 682-7230
- Estimated Tax Branch ..... (501) 682-7272
- Withholding Tax Branch ..... (501) 682-7290