



STATE OF ARKANSAS  
**Department of Finance  
and Administration**

**REVENUE DIVISION  
Individual Income Tax  
Withholding Branch**  
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### **Texarkana Withholding Exemption Rules**

This is a brief explanation of the rules concerning the taxability of income earned from Arkansas sources while a resident of Texarkana, Arkansas or Texarkana, Texas. This exemption only applies if the taxpayer is living within the city limits of Texarkana, Arkansas or Texarkana, Texas. The exemption does not apply if the taxpayer lives on a rural route or in a town in the surrounding area of Texarkana. This supersedes any previous withholding rules. Any questions should be referred to the Arkansas Withholding Branch.

#### **Texarkana, Arkansas Residents**

Arkansas residents whose permanent residence is within the city limits of Texarkana, Arkansas are exempt from Arkansas individual income taxes. All income received is exempt while the taxpayer is a resident of Texarkana, Arkansas. The taxpayer is required to file an Arkansas Individual Income Tax Return and submit all appropriate W-2's and schedules to support the income and deductions. The form AR-TX is also submitted with the tax return which reports the exempt amount of wages earned from a particular employer.

Arkansas employers are not required to withhold Arkansas taxes on these employees as long as a form AR-TX is completed stating that the employee actually lives within the city limits of Texarkana, Arkansas and reports the amount of exempt wages. **This form is completed by the employer** and given to the employee to be filed with the Arkansas individual income tax return. A copy is also sent to the State Withholding Branch along with the state's copy of W-2's.

Arkansas employers are required to withhold Arkansas taxes if the employee moves from Texarkana, Arkansas. The form AR-TX will then report only the exempt amount of wages (Those earned while a resident of Texarkana, Arkansas)

#### **Texarkana, Texas Residents**

Texas residents whose permanent residence is within the city limits of Texarkana, Texas are exempt from Arkansas individual income taxes on income earned from businesses in Texarkana, Arkansas only. This is the only income that is exempt. Any income received from any other sources in Arkansas is fully taxable. The taxpayer is required to file an Arkansas Individual Income Tax Return and submit all appropriate W-2's and schedules to support the income and deductions. The form AR-TX is also submitted with the tax return which reports the exempt amount of wages earned from a particular employer.

Texarkana, Arkansas employers are not required to withhold Arkansas taxes on these employees as long as a form AR-TX is completed stating that the employee actually lives within the city limits of Texarkana, Texas and reports the amount of exempt wages.

This form is completed by the employer and given to the employee to be filed with the Arkansas individual income tax return. A copy is also sent to the State Withholding Branch along with the State's copy of W-2's.

Non-Texarkana, Arkansas employers must withhold Arkansas taxes on employees regardless of the fact that they live in Texarkana, Texas.

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