



Arkansas State Revenue Tax Quarterly

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[DFA HOMEPAGE](#)

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OFFICE OF INCOME TAX ADMINISTRATION

1099-C Forms

1099-C forms are causing considerable amounts of tax problems for 2012. An estimated 6.3 million 1099-C forms reporting cancellation of debt income have been mailed to taxpayers. The forms are being mailed to taxpayers from their creditors for very old debts they never thought they would have to deal with again.

The National Taxpayer Advocate, Nina E. Olson, which serves as an advocate for taxpayers to the IRS and Congress, has noted that 1099-C forms for Cancellation of Debt Income (CODI) can be a burden to taxpayers, stating in a report to Congress that “creditors sometimes make errors on the form that debtors then may have to wage an uphill battle to correct.”

If you receive a 1099-C form, please go to the following link for more assistance: [What to Do If You Receive a 1099-C Form?](#)

Also, if you are completing a 1099-C form, please go to the following link for instructions: [2012 Instructions for Completing Form 1099-C](#). In these instructions, the IRS provides the following as guidance to creditors.

A debt is deemed canceled on the date an identifiable event occurs or, if earlier, the date of the actual discharge if you choose to file Form 1099-C for the year of cancellation.

Below are a few identifiable events:

- A cancellation or extinguishment when the statute of limitations for collecting the debt expires, or when the statutory period for filing claim or beginning a deficiency judgment proceeding expire. An expiration of the statute of limitations is an identifiable event only when a debtor’s affirmative statute of limitations defense is upheld in a final judgment or decision of a court and the appeal period has expired.
- A discharge of indebtedness because of a decision or policy of the creditor to discontinue collection activity and cancel the debt. A creditor’s defined policy can be in writing or an established business practice of the creditor. A creditor’s established practice to stop collection activity and abandon a debt when a particular non-payment period expires is a defined policy.
- A expiration of non-payment testing period. This event occurs when the creditor has not received a payment on the debt during the testing period. The testing period is a 36-month

period ending on December 31, plus anytime when the creditor was precluded from collection activity by a stay in bankruptcy or similar bar under state local law.

Information for this article was cited from the article, "1099-C: The Worst Tax Mess of the Year?" by Gerri Detweiler. The article can be found at the following link: [1099-C: The Worst Tax Mess of the Year?](#)

OFFICE OF INCOME TAX ADMINISTRATION

Traditional and Roth Individual Retirement Accounts (IRAs)

Traditional Individual Retirement Accounts (IRAs)

Whether a taxpayer can take a traditional individual retirement account (IRA) deduction depends on the amount of the taxpayer's adjusted gross income and whether he or she is an active participant in an employer-sponsored retirement plan.

If an individual participated in an employer's retirement plan, or if an individual is married and filed a joint return or separately on the same return and either one of the spouses participated in an employer's retirement plan, the dollar limit on their IRA deduction may be reduced, depending on the amount of their modified adjusted gross income and whether that income falls within a phase out range. It is recommended that taxpayers use the federal IRA phase out chart to calculate their allowable IRA deduction.

Even though an individual's deductible IRA contributions may be reduced or eliminated, an individual can make non-deductible contributions to new or existing IRAs. Earnings on non-deductible and deductible contributions are not taxable until withdrawn.

For 2012, the amount of deductible and/or non-deductible cash contributions to your IRA are limited to the lesser of \$5,000 or your compensation that must be included in income for the year.

Roth IRAs

Contributions to a Roth IRA are not excluded from income. Distributions and accumulated earnings are exempt from income if the funds were held for at least five years, and distributions are made after age 59 ½.

For 2012, a taxpayer may contribute up to \$5,000 annually subject to phase out based on income limitations and your taxable compensation for the year.

Information for this article was cited from the following link: [Traditional and Roth Individual Retirement Accounts \(IRAs\)](#).

Earnings of Clergy

If a taxpayer is a clergy member, his or her offerings, fees for marriages, baptisms, funerals, religious services, and his or her salary is taxable.

If housing is furnished to a clergy member, the fair rental value of the housing is not subject to income tax. If the clergy member is paid a specific amount designated as a rental allowance, the amount is not subject to income tax if it is set aside to rent or to provide a home. If the clergy member does not use his or her allowance to rent or to provide a home, he or she must include that unused portion of the allowance as gross income.

If a clergy member performed ministerial services as an employee of a church, his or her salary will be reported on a W-2 form. If a clergy member is claiming deductions for travel and transportation expenses related to ministerial services performed as an employee of a church, he or she must fill out and attach [Federal Form 2106, Employee Business Expenses](#), to [Form AR1000F](#) or [AR1000NR](#). The amount of the clergy member's expenses from Federal Form 2106 is listed on [Form AR3](#) as a miscellaneous deduction. The amount is deductible only to the extent it exceeds 2% of the clergy member's adjusted gross income. The clergy member must report offerings and fees he or she received for marriages, baptisms, etc., and their related deductions on [Federal Form Schedule C, Profit or Loss from Business](#).

Information for this article was cited from the following link: [Earnings of Clergy](#).

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Individuals with Permanent Disabilities

Arkansas allows a \$500 adjustment from total income to a taxpayer who maintains, supports, and cares for an individual with total and permanent disabilities in their home. The individual with a total and permanent disability must have been a natural or adopted child or dependent of the taxpayer to qualify for the adjustment.

The individual with a total and permanent disability must have been unable to engage in any substantial activity for reasons medically determined by a physical or mental impairment which was expected to result in death or last for a period of twelve months or more.

The \$500 adjustment should be entered on [Form AR1000ADJ](#). Arkansas also allows a credit for individuals with developmental disabilities on [Form AR1000RC5](#).

Act 68 of the 2011 Arkansas Regular Session clarified the definition of a qualifying diagnosis that established eligibility for developmental disability services and also includes the \$500 credit for taxpayers who care for an individual with a total and permanent disability. Act 68 can be found at the following link: [Act 68](#).

Information for this article was cited from the following link: [Individuals with Permanent Disabilities](#).

HELPFUL WEBPAGE LINKS

[LIST OF ARKANSAS DFA REVENUE OFFICES & PHONE NUMBERS](#)

[PULASKI COUNTY ASSESSOR'S OFFICE](#)

[ARKANSAS 2011 INDIVIDUAL INCOME TAX BOOKLET](#)

[INDIVIDUAL INCOME TAX E-FILE](#)

[INCOME TAX REFUND INQUIRY](#)

[INDIVIDUAL INCOME TAX FILING INFORMATION AND FORMS](#)

[INDIVIDUAL INCOME TAX ACCOUNT CHANGE FORM](#)

[OFFERS IN COMPROMISE \(OIC\) FORMS](#)

[POWER OF ATTORNEY \(POA\) FORM](#)

[CORPORATION INCOME TAX FORMS](#)

[ARKANSAS SECRETARY OF STATE'S OFFICE](#)

[ARKANSAS CHILD SUPPORT HOMEPAGE](#)

[ARKANSAS DEPARTMENT OF WORKFORCE SERVICES](#)

[FEDERAL EMPLOYER IDENTIFICATION NUMBER APPLICATION](#)

[MOTOR FUEL TAX](#)

[SMALL BUSINESS CORPORATE \(SUB-S\) REPORTING FORMS](#)

[SALE OR CLOSURE OF BUSINESS FORM](#)

[TAX CREDITS AND SPECIAL REFUNDS](#)

[IRS--WHERE'S MY REFUND LINK](#)

[CREDIT CARD PAYMENT INFORMATION](#)

OFFICE OF EXCISE TAX ADMINISTRATION

Streamlined Sales Tax Collections

Arkansas is a full member of the Streamlined Tax Governing Board. The following table illustrates how Streamlined Sales Tax Collections have increased since 2005.

Calendar Year	Sales and Local Tax Collections	Registrations
Oct-Dec 2005	\$142,891	110
2006	\$2,057,138	561
2007	\$4,972,311	664
2008	\$6,716,412	1,167
2009	\$7,259,093	1,203
2010	\$8,434,499	1,409
2011	\$9,545,195	1737
2012	\$1,387,553 (As of February 2012)	1,739 (As of April 2012)

For additional information on the Streamlined Sales Tax Project, click on the following links: [Streamlined Sales Tax Project](#) & [Streamlined Sales Tax Governing Board](#).

You may also contact Tom Atchley, Administrator for the Office of Excise Tax Administration, at the Arkansas Department of Finance and Administration at 501-682-7200.

**OFFICE OF EXCISE TAX
ADMINISTRATION**
**Rule 2012-2 Arkansas Sales Tax
Holiday**

Rule 2012-2, Arkansas Sales Tax Holiday, has completed the promulgation process. Rule 2012-2 became effective on June 16, 2012.

This rule contains information that will provide consumers and retail businesses with a better understanding of the recently enacted Arkansas annual “Sales Tax Holiday” sales and use tax exemption. The exemption, which is in effect throughout the first weekend of August each year, applies to the purchase of school supplies, clothing and other related items. This rule implements the provisions of Act 757 of 2011, which is codified at Ark. Code Ann. §26-52-444.

To read more information on this rule, please go to the Final Rule Section on the [DFA Rule Webpage](#).



ATAP is a **FREE** web-based service that gives taxpayers or their designated representative online access to their tax accounts and offers the following services:

- ❖ Make a payment.
- ❖ Register a business.
- ❖ File a return on-line (except individual income tax).
- ❖ File a return using XML return upload.
- ❖ Change a name on an account.
- ❖ Change an address on an account.
- ❖ Amend a return.
- ❖ Store banking information for use during payment submission.

- ❖ View tax period financial information (tax penalty, interest, credits, balance, & etc.).

- ❖ View payments received.
- ❖ View recent account activity.
- ❖ View correspondence from the department.

The information for this article was cited from the following webpage: [ATAP Information](#).

To sign up on ATAP, please go to: [ATAP Homepage](#).

**OFFICE OF MOTOR VEHICLE
ADMINISTRATION**

Auto Renewal



To renew your vehicle registration, change your address on your vehicle registration, or receive vehicle registration renewals by email, please go to the following link: [ARSTAR](#).

For more information on registration renewal, please contact the Office of Motor Vehicle Administration at 501-682-4692 or email at rev.arstar@dfa.arkansas.gov.

**Important: Upcoming Local Sales & Use Tax
Changes in Arkansas Counties & Towns**

Updates to Local Sales and Use Taxes
Please call 501-682-7104 for Periodic Updates or click on the following link:
[Local Sales and Use Tax Updates](#)

Name	Code	Effective Date	%	Recent Action
Batesville	32-01	07/01/12	2.00	Increased
Blytheville	47-05	07/01/12	2.25	Increased
Crossett	02-01	07/01/12	1.25	Decreased
Lincoln	72-15	07/01/12	2.00	Increased
Plumerville	15-04	07/01/12	2.00	Increased
Salesville	03-07	07/01/12	1.00	Enacted
Pike County	55-00	07/01/12	2.00	Decreased

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OFFICE OF FIELD AUDIT ADMINISTRATION

Reporting Suspicious Tax Activities

To report suspicious tax activities, please go to the following webpage: [Reporting Suspicious Tax Activities](#).

For more information on reporting suspicious activity, please contact the Office of Field Audit by phone at 501-682-4616 or email at fieldAudit@dfa.arkansas.gov.

DFA Revenue Personnel Changes

Mr. Travis Venable replaced Mr. David Foster in the position of Integration Manager for the AIRS Section. Mr. Foster is the current Assistant Commissioner of Operations and Administration which is the position formerly held by Mr. Mike Munns who passed away on November 5, 2011.

Mr. Clarence Collins, Administrator for the Income Tax Section, retired on June 30, 2012. Mr. Warren Fagan has been announced as the new administrator for the Income Tax Section.

OFFICE OF CHILD SUPPORT ENFORCEMENT (OCSE)

OCSE MyWorkers Website



OFFICE OF CHILD SUPPORT ENFORCEMENT
WEBSITE FOR EMPLOYERS

Log on to **OCSE MyWorkers**
to have access to your online
company information.

New!

<https://www.ark.org/MyWorkers>

Calendar of Due Dates

July 20th through July 31st

07/20/12—Dyed Diesel—Motor Fuel Tax. Sales & Use Tax. Miscellaneous Tax (Oil Producer Report, Other Tobacco Products, Waste Tire, Wheat).

07/24/12—Sales Tax (2nd monthly prepayment).
07/25/12—Motor Fuel Tax (Except IFTA). Miscellaneous Tax (Oil Producer, Brine, Severance, Timber, Natural Gas Severance).

07/31/12—IFTA. Miscellaneous Tax. (Soybean).

August

08/13/12—Sales Tax (1st monthly prepayment).
08/15/12—Employee monthly withholding tax, for prior month. Miscellaneous Tax (Cigarette, Cigarette Papers, Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Bingo).

08/20/12—Dyed Diesel—Motor Fuel Tax. Sales & Use Tax. Miscellaneous Tax (Oil Producer Report, Other Tobacco Products, Waste Tire, Wheat).

08/24/12—Sales (2nd monthly prepayment).
08/27/12—Motor Fuel Tax (Except IFTA). Miscellaneous Tax (Oil Producer, Brine, Severance, Timber, Natural Gas Severance).

08/31/12—Miscellaneous Tax (Soybean).

September

09/12/12—Sales Tax (1st monthly prepayment).
09/14/12—3rd Qtr estimated income tax (Based on calendar year filer) (EFT filers only).

09/17/12—Employee monthly withholding tax, for prior month. Ark income tax returns (Cooperative association) (Based on calendar year filers; return due date 8 ½ months after end of tax year) 3rd Qtr estimated income tax (Based on calendar year filer). Miscellaneous Tax (Cigarette, Cigarette Papers, Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Bingo).

09/20/12—Dyed Diesel—Motor Fuel Tax. Sales & Use Tax. Miscellaneous Tax (Oil Producer Report, Other Tobacco Products, Waste Tire, Wheat).

09/24/12—Sales Tax (2nd monthly prepayment).
09/25/12—Motor Fuel Tax (Except IFTA). Miscellaneous Tax (Oil Producer, Brine, Severance, Timber, Natural Gas Severance).

Through October 15th

10/01/12—Miscellaneous Tax (Soybean).
10/10/12—Miscellaneous Tax (Ad Valorem-final installment).

10/12/12—Sales Tax (1st monthly prepayment).
10/15/12—Employee monthly withholding tax, for prior month. Miscellaneous Tax (Cigarette, Cigarette Papers, Telecommunications, Construction Surcharges, Soft Drink, Beer, Liquor, Wine, Beef Promotion, Brucellosis, Catfish Promotion, Rice, Corn & Sorghum, Bingo).

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Upcoming State Observed Holidays

DFA Revenue offices will be closed for the following state observed holidays:

- ✚ Monday, September 3rd, in observance of Labor Day.

Contact Info

Corporate Income Tax	501-682-4775
Taxpayer Assistance for Individual Income Tax	501-682-1110 800-882-9275
Sales and Use Tax (Tax Inquiries)	501-682-7104
Motor Fuel Tax	501-682-4880
Problem Resolution and Tax Information Office	501-682-7751
Collections	501-682-5000 501-682-4720
Revenue Legal Counsel	501-682-7030
Motor Vehicle Administration	501-682-4692
Field Audit Administration	501-682-4616
Driver Services Administration	501-682-7060
Revenue Administration	501-682-7025
Withholding Tax	501-682-7290
Miscellaneous Tax Section	501-682-7187
IRS (Taxpayer Advocate)	501-396-5978
IRS Taxpayer Assistance/Refund Information	800-829-1040
IRS Federal Tax Forms	800-829-3676

Arkansas Excise and Income Tax Due Date Calendar for 2012

The 2012 Arkansas Excise & Income Tax Due Date Calendar is available at the following link: [2012 Arkansas Excise & Income Tax Due Date Calendar](#).



The Arkansas State Revenue Tax Quarterly is a publication of the Problem Resolution and Tax Information Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas.

To be added or deleted from the e-mail list, contact Monica Carmichael by email at: Monica.Carmichael@dfa.arkansas.gov, or by mail at Problem Resolution and Tax Information Office, Ledbetter Building, Room 2460, P. O. Box 1272, Little Rock, Arkansas 72203-1272.

To view previous Arkansas State Revenue Tax Quarterlies, click on the following link: [Previous Arkansas State Tax Quarterlies](#).

Suggestions Corner

If you have any suggestions about items to be included on any future newsletters, please email your suggestions to Monica.Carmichael@dfa.arkansas.gov.

DFA Rule Email Distribution List Sign-Up information

The Problem Resolution and Tax Information Office notifies all interested parties via email when the Revenue Section of DFA promulgates any rules.



To be added to the email distribution list, please email Monica Carmichael at: Monica.Carmichael@dfa.arkansas.gov.

Please state in the email that you would like to be added to the email distribution list to be notified about any changes to DFA's Revenue rules.

The rules (regulations) can be accessed at the following link: [Revenue Rules](#).