

Income/Franchise:

Arkansas: New Law Establishes Annual Election to Pay Tax at Passthrough Entity Level

H.B. 1209, signed by gov. 3/15/21. New law allows certain passthrough entities to elect to pay state income tax at the entity level on an annual basis. More specifically, for tax years beginning on or after January 1, 2022, a qualifying passthrough entity may elect to pay state income tax at the entity level at the rate of 5.9% on “net taxable income” if owners of at least 50% of the voting rights of the passthrough entity elect to do so. Correspondingly, the income of a member that is subject to this new passthrough entity tax would be excluded from Arkansas income tax. Additionally, under the new law, nonresident members of an entity subject to the new passthrough entity tax are not required to file an Arkansas income tax return if all passthrough entities the member has an ownership interest in pay the Arkansas passthrough entity-level tax. Please contact us with any questions.

URL: <https://www.arkleg.state.ar.us/Bills/Detail?id=hb1209&ddBienniumSession=2021%2F2021R&Search=>

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