

Income/Franchise:

Arkansas Administrative Ruling Addresses Economic Nexus and Alternative Apportionment

Opinion Nos. 22-154, 22-155, 22-156, Ark. Dep't of Fin. & Admin., Office of Hearings & Appeals, (3/22/22). A redacted administrative ruling addresses whether an out-of-state taxpayer subject to a Multistate Tax Commission audit had sufficient nexus with Arkansas for state corporate income tax purposes, and if so, how it must source revenue from the sale of its digital products. Examining the facts at hand, the Arkansas Office of Hearings & Appeals (OHA) concluded that the taxpayer's in-state activities exceeded the mere solicitation of orders, were *not* trivial, infrequent, or inconsequential, and showed it had sufficient economic nexus with Arkansas for state corporate income tax purposes. Furthermore, the OHA held that the auditor's suggested alternative apportionment method constituted a "reasonable method," and its use was warranted in this case, requiring sourcing of the sales commissions at issue to be based on the end customers' locations rather than underlying costs of performance. Please contact us with any questions.

URL: <https://www.ark.org/dfa-act896/index.php/api/document/download/22-154%2C22-155%2C22-156.pdf>

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