

Income/Franchise:

Arkansas Rulings Address Intercompany Expenses, Alternative Apportionment, Sourcing and NOLs

Opinion No. 22-457; Opinion No. 22-017; Opinion No. 22-699; Opinion No. 22-700; Opinion No. 22-701, Ark. Dep't of Fin. & Admin., Office of Hearings & Appeals (9/12/22). A series of newly released and redacted Arkansas Office of Hearings & Appeals (OHA) rulings involving an Arkansas corporate income taxpayer functioning as an investment company addresses, among other issues, whether:

URL: <https://www.ark.org/dfa-act896/index.php/api/document/download/22-457.pdf>

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URL: <https://www.ark.org/dfa-act896/index.php/api/document/download/22-700.pdf>

URL: <https://www.ark.org/dfa-act896/index.php/api/document/download/22-701.pdf>

- It may deduct certain intercompany interest expenses related to loans from related parties;
- The Arkansas Department of Finance and Administration may employ an alternative apportionment methodology under the facts;
- Certain income at issue must be sourced to Arkansas; and
- It is entitled to an Arkansas net operating loss (NOL) deduction for certain tax years at issue.

Based on the provided facts in these lengthy OHA rulings, the underlying assessments were largely upheld. Please contact us with any questions.

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