

Income/Franchise:

Arkansas: Adopted Rule Implements Election to Pay Tax at the Pass-through Entity Level

New Rule 2022-6, Ark. Dept. of Fin. & Admin. (11/18/22). The Arkansas Department of Finance and Administration (Department) adopted an administrative rule reflecting legislation enacted last year that allows certain pass-through entities to elect to pay state income tax at the entity level on an annual basis [see H.B. 1209 (2021) and *State Tax Matters*, Issue 2021-11, for more details on this new law]. The new rule seeks to implement state law that provides the following for tax years beginning on or after January 1, 2022:

URL: https://www.dfa.arkansas.gov/images/uploads/revenuePolicyLegalOffice/ProposedRule_2022-6.pdf

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

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/STM/210319_1.html

- A qualifying pass-through entity may elect to pay state income tax at the entity level if owners that hold more than 50% of the voting rights of the pass-through entity elect to do so; and
- Correspondingly, the income of a member that is subject to this new pass-through entity tax is excluded from Arkansas income tax.

The new rule applies for taxable years beginning on or after January 1, 2022. Please contact us with any questions.

— Scott Bedunah (Dallas)
Partner
Deloitte Tax LLP
sbedunah@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Gregory Bergmann (Chicago)
Partner
Deloitte Tax LLP
gbergmann@deloitte.com

Roburt Waldow (Minneapolis)
Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Shirley Wei (Los Angeles)
Senior Manager
Deloitte Tax LLP
shiwei@deloitte.com

Crissy Williams (Dallas)
Senior Manager
Deloitte Tax LLP
crwilliams@deloitte.com

Olivia Schulte (Washington, DC)
Manager
Deloitte Tax LLP
oschulte@deloitte.com

John Volk (Dallas)
Manager
Deloitte Tax LLP
jovolk@deloitte.com

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