



# Partnership Income Tax Instructions

## Reminders:

### Partnerships and LLCs File Same as Federal (Act 965 of 2003)

This act adopts the federal “check the box” regulations and requires partnerships and LLCs to file in the same manner in which the entity files and pays federal income tax.

### Section 179 Depreciation (Act 372 of 2009)

Arkansas adopted section 179 of the Internal Revenue Code of 1986, **as in effect on January 1, 2009**, regarding depreciation and expensing of property for the purpose of computing Arkansas income tax liability.

You can find more information about Arkansas tax code by visiting the Department of Finance and Administration web site at [www.arkansas.gov/incometax](http://www.arkansas.gov/incometax)

**Act 1283 of 1999.** Under this act, income attributable to an investment partnership’s qualifying investment securities would not be taxed if distributed to a nonresident partner. “Investment partnership” is defined as a partnership with at least 90% of its assets comprised of investment securities plus office equipment. Only income derived from dividends, interest and gains would be excluded from a nonresident partner’s income. The provisions of this act do not apply to income derived from investment activity that is interrelated with any trade or business activity of the nonresident or an Arkansas entity in which the nonresident owns an interest.

## GENERAL INSTRUCTIONS

Form AR1050 is used to file the income of a partnership. Every domestic or foreign partnership doing business within the State of Arkansas **or** in receipt of income from Arkansas sources, regardless of amount, must file an AR1050. This form is also to be used by business organizations that are two or more member limited liability companies unless the LLC has “checked the box” to file as a corporation for federal tax purposes. **(Non-resident partners may choose to be included in an Arkansas composite filing. For details see instructions for AR1000CR.)**

## WHEN AND WHERE TO FILE

File Form AR1050 for the calendar year or the fiscal year. Fiscal year corporation returns must be filed on or before the fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) month following the close of the fiscal year. *(Calendar year corporation returns are filed on*

*or before March 15.)* All other fiscal year returns must be filed on or before the fifteenth (15<sup>th</sup>) day of the fourth (4<sup>th</sup>) month following the close of the fiscal year. *(All other calendar year returns are filed on or before April 17, 2012.)* The form should be mailed to State Income Tax, P. O. Box 8026, Little Rock, AR 72203-8026.

## LINE BY LINE INSTRUCTIONS

**To compute amounts to enter in the Arkansas column use an allocation method based on “direct accounting”. The allocation method must be both rational and consistent.**

### INCOME

- Line 1.** Enter gross receipts or sales from all business operations other than those listed on Lines 4 through 10.
- Line 2.** Complete Schedule A on Page 2 of AR1050. Enter on Line 2, the amount shown on Line 7 of Schedule A.
- Line 3.** Subtract cost of goods sold, Line 2, from gross receipts or sales, Line 1 and enter the difference.
- Line 4.** Enter the income from any other partnerships or fiduciaries. Attach schedule/federal schedule.
- Line 5.** Enter the amount of interest and/or dividends received or credited to the account of the partnership. Attach schedule/federal schedule.
- Line 6.** Enter the net profit/loss for the rent of property. Attach schedule/federal schedule.
- Line 7.** Enter the net profit/loss received as royalties. Attach schedule/federal schedule.
- Line 8.** Enter the net profit/loss received from farming. Attach schedule/federal schedule.
- Line 9.** Enter the net profit/loss from the sale of capital assets. Attach schedule/federal schedule.
- Line 10.** Enter any other taxable income not included on Lines 3 through 9. Attach statement or schedule.
- Line 11.** Add Lines 3 through 10 and enter the total.

## DEDUCTIONS

Do not list deductions here if they have already been included on Lines 1 through 10.

- Line 12.** Enter the amount of salaries and wages paid.
- Line 13.** Enter the amount of payments or credits to a partner for services.
- Line 14.** Enter rent paid on business property.
- Line 15.** Enter the amount of interest paid on business indebtedness to others.
- Line 16.** Enter taxes paid or incurred on business property for carrying on a trade or business.
- Line 17.** Enter the amount of bad debts. You may deduct bad debts when they become worthless, or make a reasonable addition to a reserve for bad debts. Attach schedule.
- Line 18.** Enter the cost of incidental repairs that do not add to the value of the property or appreciably prolong its life.
- Line 19.** Enter the allowable amount for depreciation of business property. Arkansas adopted IRC §179 as in effect on January 1, 2009, thus allowing greater dollar limits and phase out thresholds. The maximum deduction allowed for property placed in service during the tax year is now \$25,000. The deduction is decreased "dollar for dollar" for property over \$200,000, and no deduction is allowed for property over \$225,000. (Arkansas has not yet adopted the most recent federal changes.) Attach schedule.
- Line 20.** Enter the amount of depletion. Attach schedule.
- Line 21.** Enter the contributions made by the partnership for its common-law employees under a qualified retirement plan. Attach schedule.

**Line 22.** Enter any other deductions not included in Lines 12 through 21. Attach schedule.

**Line 23.** Add Lines 12 through 22 and enter the total.

## PARTNERS' SHARES OF INCOME

Enter each partner's name, address, Social Security Number, and share of the net income, **whether distributed or not**. If the distributed income is determined on a basis other than a percentage basis, attach an explanatory statement.

## SCHEDULE A – COST OF GOODS SOLD

To compute the cost of goods sold, answer all questions and enter the amount listed on Line 7 of Schedule A on Line 2, page 1, of AR1050.

## SCHEDULE B – BALANCE SHEET

The balance sheet is to report the assets and liabilities at the beginning and end of the tax year. The amounts should agree with the partnership's books and records. Attach a statement explaining any differences.

## Individual Income Tax Information

Taxpayer Services Branch..... (501) 682-1100  
or (800) 882-9275