What is the Pass-Through Entity Tax

The Elective Pass-Through Entity Tax or PET Tax allows a partnership, Sub-S corporation or limited liability com- pany to file a single income tax return on behalf of the entity and paying the income tax on behalf of all owner members. The PET tax is not available to C corporations, trusts, sole proprietorships, or limited liability companies taxed as C corporations for federal income tax purposes. **The PET tax is effective for tax years beginning on or after January 1, 2022**. The PET tax rate for all taxpayers will be the same for all owner members and will be equal to the highest income tax rate for individuals. The tax rate on capital gains will be one half of the rate of tax on other types of income of an entity subject to the PET tax. For tax years beginning in 2022, the tax rate on income other than capital gains will be 5.5% and the tax rate for capital gains will be 2.75%. The due date for the PET tax will be the same as other income taxes and will be April 15 for calendar year filers. The PET tax will be subject to all provisions of the Arkansas Tax Procedures Act and all penalty and interest provisions, statute of limitations for refunds and assessments and other provisions will apply.