



M2K Advisors



# TAXATION IN ARKANSAS

# Franchise Tax

The Franchise Tax in Arkansas applies to C Corporations, S Corporations, limited liability companies (LLCs), limited partnerships (LPs), limited liability partnerships (LLPs), banks & insurance companies and other similar business entities that are organized or registered in Arkansas or have a presence in the state.



The Arkansas Franchise Tax must be filed by **May 1st each year** and there is no extension provided for the same. If the corporations / LLCs, fail to file the form within the due date, then a late filing penalty of **USD 25** shall be levied **and** interest shall be calculated at **0.0274% per day**, multiplied by total tax and penalty due.

All corporations **without authorized stock<sup>1</sup>** will pay a fixed amount for their franchise tax i.e., USD 300. Corporations **with authorized stock**, however, will pay **0.3% of their Arkansas capital stock** or USD 150 **whichever is greater**. Arkansas capital stock refers to the percentage of assets (value of real and personal property apportioned to Arkansas) multiplied by the Issued and outstanding stock<sup>2</sup>

LLCS are obliged to pay a **flat USD 150** as franchise tax payment, if the franchise tax **report is filed within the due date**.

The franchise tax report is submitted to provide essential information about the entity's net worth, total assets, and other relevant details.

<sup>1</sup>The no. of shares & the par value of these shares that may be issued by a corporation.<sup>2</sup> The portion of a corporation's stock issued for cash / other considerations

# Corporate Income Tax

The corporate income tax in Arkansas applies to both C corporations and S corporation (whether it is an Arkansas based corporation or foreign corporation that derives income from Arkansas sources). Entities in Arkansas must report their income, deductions, and credits using the respective **Arkansas Corporation Income Tax Return** applicable (Refer the table in Slide #3). The Arkansas corporation income tax rate is a graduated rate applied to the Arkansas Net Taxable Income ('NTI') as follows:

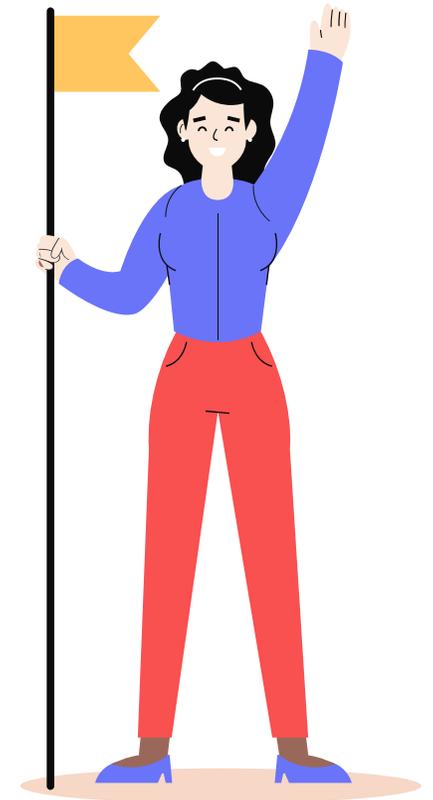
Net Taxable Income (USD)	Rate
First USD 3,000 of NTI	1.0%
Next USD 3,000 of NTI	2.0%
Next USD 5,000 of NTI	3.0%
Next USD 14,000 of NTI	5.0%
Over USD 25,000 of NTI	5.9%

*Corporate Income Tax in Arkansas is determined by apportionment of business income by multistate businesses for income tax purposes. Arkansas uses an apportionment formula consisting of property, payroll, and sales factors to apportion income of a multistate business.*



# Filing Requirements

Type of entity	C-Corp	S-Corp	Pass-through entities*	<p>The penalty for late filing and late payment is 5% per month not to exceed 35%. The interest shall be computed using a daily rate of 0.027397 from the due date until the date the tax is paid.</p>
Tax Return Form	Form AR1100CT	Form AR1100S	Form AR1100CT.	
Due date	15th day of the Fourth month following the end of the tax year.			
Extension for filing tax return	<p>The extension provides an additional <b>six months</b> beyond the original due date. However, it's important to note that the extension only applies to the filing of the return, <b>not the payment of any tax due</b>. To request an extension, corporations must file <b>Form AR1155</b>.</p>			



\*A pass-through entity filing as an LLC or Partnership, or a pass-through entity electing to file as a corporation

# Estimated Corporation Income Tax



- All corporations are required to file estimated corporation income tax payment vouchers 1 through 4. These corporations must use the forms provided or approved by the Corporation Income Tax Section to ensure the payment is properly applied.
- The estimated vouchers, with payments attached, are due in four (4) equal installments on or before the 15th day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> month of the tax year, respectively. These must be remitted no later than the day before each quarterly due date if made through the Electronic Funds Transfer (EFT) method.
- It shall be noted that a corporation with an **estimated quarterly income tax liability equal to or greater than USD 20,000** is required to pay the estimates by the EFT method. Others may elect to pay by the EFT method with prior approval.
- The corporation may file these estimated income tax payments through the Arkansas Taxpayer Access Point (ATAP) method.

# Individual Income Tax

S Corporations, partnership LLCs, and LLPs in Arkansas are **pass-through entities** for income tax purposes. This means that the income, deductions, and credits of these entities flow through to the individual shareholders, members, or partners. These individual shareholders, members and partners, must primarily report their share of income, deductions, and credits from the respective entity in the **Arkansas Individual Income Tax Return Form AR1000**.



Arkansas has a progressive tax rate structure for individual income tax. The rates range from **2% to 5.9%** for different income brackets.

The due date for filing individual income tax returns is generally **April 15th of each year**. However, if the due date falls on a weekend or holiday, the deadline may be extended to the next business day.

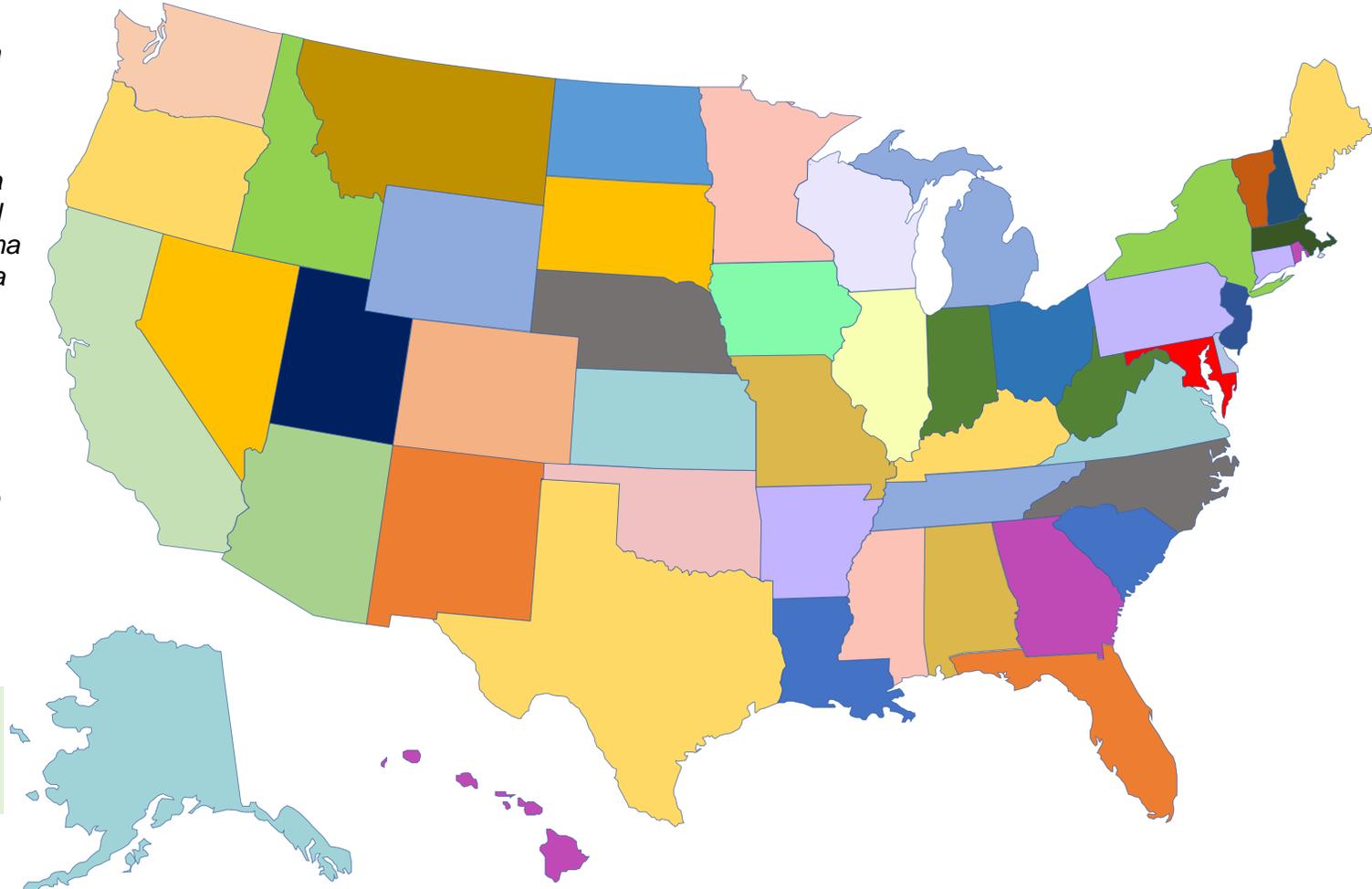
A request for extension to file individual income tax returns can be sought. The extension provides an **additional six months** beyond the original due date. To request an extension, individuals must file **Form AR1055**.

The penalty & interest for late-filing or late payment of these taxes are similar to corporate income tax return .

# Upcoming Series

Please find below the list of completed alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

- |                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| 1. <a href="#">Delaware</a>   | 18. Kansas         | 35. North Dakota   |
| 2. <a href="#">New Jersey</a> | 19. Kentucky       | 36. Ohio           |
| 3. <a href="#">California</a> | 20. Louisiana      | 37. Oklahoma       |
| 4. <a href="#">Alabama</a>    | 21. Maine          | 38. Oregon         |
| 5. <a href="#">Alaska</a>     | 22. Maryland       | 39. Pennsylvania   |
| 6. <a href="#">Arizona</a>    | 23. Massachusetts  | 40. Rhode Island   |
| 7. Arkansas                   | 24. Michigan       | 41. South Carolina |
| 8. Colorado                   | 25. Minnesota      | 42. South Dakota   |
| 9. Connecticut                | 26. Mississippi    | 43. Tennessee      |
| 10. Columbia                  | 27. Missouri       | 44. Texas          |
| 11. Florida                   | 28. Montana        | 45. Utah           |
| 12. Georgia                   | 29. Nebraska       | 46. Vermont        |
| 13. Hawaii                    | 30. Nevada         | 47. Virginia       |
| 14. Idaho                     | 31. New Hampshire  | 48. Washington     |
| 15. Illinois                  | 32. New Mexico     | 49. West Virginia  |
| 16. Indiana                   | 33. New York       | 50. Wisconsin      |
| 17. Iowa                      | 34. North Carolina | 51. Wyoming        |



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