



STATE OF ARKANSAS 2004 Fiduciary Tax Return and Instructions

Reminders for 2004:

DUE DATE: April 15th for calendar year filers, fiscal year filers must file on or before the fifteenth (15th) day of the fourth (4th) month following the close of the fiscal year.

INCOME TAX SURCHARGE (Act 38 of the First Extraordinary Session of 2003)

For tax years beginning in 2003, the act imposes a 3% income tax surcharge on all Arkansas taxpayers. The 3% applies to the tax liability computed using existing rates. The surcharge also applies to residents of Texarkana who are otherwise exempt from Arkansas income tax.

STATE TAX DEPRECIATION PROVISION UNAFFECTED BY NEW FEDERAL LAW

Arkansas has not adopted the depreciation provisions contained in the Job Creation Workers Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003.

While the new depreciation provision may be used for federal returns, many states, including Arkansas, operate under a different tax code. On Arkansas income tax returns, taxpayers must file following the rules in sections 167, 168, 179, and 179A under the Internal Revenue Code of 1986, enacted January 1, 1999. Arkansas law would have to be changed during a legislative session before these new depreciation rules would apply in Arkansas.

GENERAL INSTRUCTIONS

The Fiduciary Return is used to report the income of an estate or trust. Every fiduciary, or at least one of the joint fiduciaries must file a return for the estate or trust for which he/she acts, provided:

1. Any income of such estate or trust is currently distributable
2. The tax is payable by the beneficiaries or by the grantor
3. The net income of such estate or trust is \$3,000.00 or over
4. Any beneficiary of such estate or trust is a nonresident

The line by line instructions contained in this booklet apply to both the AR1002, and the AR1002NR tax forms.

File the Form AR1002 or the AR1002NR for the calendar or the fiscal year. Fiscal year returns must be filed on or before the fifteenth (15th) day of the fourth (4th) month following the close of the fiscal year (calendar year returns on or before April 15). Application for extension of time for filing may be granted if good cause exists and the request is made before the date prescribed by law for filing such return. The year should be indicated in the space provided on the top right of the form. If you do not file for a calendar year fill in the tax year space at the top center of the form. The moment of death determines the end of the decedent's tax year and the beginning of the estate's tax year.

The Federal Employer Identification Number must be entered in the space provided on the top right side of the form. A separate Employer Identification Number is required for each estate or trust.

Indicate by checking a box whether you are filing an original return, or an Amended Return. Fill in the exact name of the estate or trust in the area provided.

INTERESTS AND PENALTIES

Interest will be charged on taxes not paid by their due date, even if an extension of time to file is granted. The law also provides a late filing penalty and a failure to pay penalty.

UNDERPAYMENT OF ESTIMATED TAX (FORM AR2210)

You may have to pay an additional charge if the tax you owe is more than \$1,000 and you owe it because you did not file a Declaration of Estimated Tax required by Arkansas Tax Codes, or you did not pay adequate installments on your estimated tax.

If you are claiming an exception from the Underestimate Penalty, enter the exception number in Part III of Form AR2210.

WHERE TO MAIL

Mail Tax Due Returns to: State Income Tax
P.O. Box 2144
Little Rock, Arkansas 72203-2144.

Mail Refund Returns to: State Income Tax
P.O. Box 1000
Little Rock, Arkansas 72203-1000

Mail No Tax Due Returns to: State Income Tax
P.O. Box 8026
Little Rock, Arkansas 72203-8026

Mail Amended Returns to: State Income Tax
P.O. Box 3628
Little Rock, Arkansas 72203-3628

WHERE TO CALL

(501) 682-1100 or Toll Free: 1-800-882-9275 (In Arkansas Only)

LINE BY LINE INSTRUCTIONS

Line 1. Enter the total of all taxable interest income received or credited to the account of the estate or trust. Attach a schedule showing all interest income and identify any nontaxable interest.

Line 2. Enter the total of all taxable dividends. Attach schedule.

Line 3. Enter the net profit (or loss) from a trade or business. Attach the Federal schedule.

Line 4. If you have gain or losses from the sale of real estate, stocks, bonds, or gains or losses from capital assets from Partnerships, S Corporations or Fiduciaries, complete the worksheet on the back of the AR1002/1002NR and enter in the space provided.

Line 5. Enter the net rent and royalty income, the estate's or trust's share of profits from a partnership, and income from another estate or trust (whether received or not). Attach a schedule.

Line 6. Enter the net profit (or loss) from farming. Attach the Federal schedule.

Line 7. Enter taxable income not reported elsewhere. Attach a statement identifying the source.

Line 8. Add Line 1 through 7. Enter total on Line 8.

DEDUCTIONS

Line 9. Enter any interest paid that is not deducted elsewhere. **DO NOT** include interest on capital invested in or advanced to the business by the estate or trust.

Line 10. Enter any taxes paid during the tax year that is not deducted elsewhere. **DO NOT** include assessments for local benefit of a kind tending to increase the value of the property assessed. **DO NOT** include Federal or State of Arkansas taxes, nor taxes imposed upon the estate or trust on its corporation which are paid by the estate or trust. Attach schedule detailing all taxes.

Line 11. Enter the deductible fees paid or incurred by the fiduciary for administering the estate or trust during the year.

Line 12. Enter the amount that was paid or permanently set aside during the year for charitable organizations.

Line 13. Enter the deductible attorney, accountant and return preparer fees paid or incurred during the year.

Line 14. Enter any other authorized deductions allowed by Arkansas Law. Include on this line: bad debts, casualty losses, and involuntary conversion of property not used in a trade or business. Attach a sheet listing and explaining all deductions.

Line 15. Add Lines 9 through 14. Enter total on Line 15.

Line 16. Subtract Line 15 from Line 8. Enter the total on Line 16.

Line 17. Enter the total amount of income or loss to be distributed to all the beneficiaries during the year.

Line 18. Subtract Line 17 from Line 16. Enter the total on Line 18.

Line 19. Compute the tax on the amount on Line 18B if you are required to use Form AR1002. Compute the tax on the amount on Line 18A if you are required to use Form AR1002NR. Use the enclosed tax table and write the amount on Line 19.

Line 20. Multiple Line 19 by 3% (.03) and enter the result here.

Line 21. Total Tax. Add Lines 19 and 20 and enter the result here.

Line 22. Do not adjust this figure.

Line 23. Enter the total amount of state income tax owed to other states. This credit is allowable only to resident estates or trusts when the income was reported and taxable on the other state's tax return and on the Arkansas Fiduciary Return. Attach a copy of the tax return filed with the other state(s).

Line 24. Enter the total allowable credits from AR1020BIC. Attach the AR1020BIC and supporting documents.

Line 25. Add Lines 22 through 24. Enter on Line 25.

Line 26. Subtract Line 25 from Line 21. Enter the total on Line 26.

The instructions for Lines 26A through 26D are for use with Form AR1002NR only. If using Form AR1002 go to the instructions for Line 27.

TAX APPORTIONMENT

Line 26A. Enter the amount from Line 18 column B.

Line 26B. Enter the amount from Line 18 column A.

Line 26C. Divide the amount on Line 26A by the amount on Line 26B to arrive at your Arkansas percentage. Round the percentage to the nearest whole percent. **DO NOT ROUND TO ZERO.**

Line 26D. Multiply the amount on Line 26 by the percentage on Line 26C. Enter the total on Line 26D.

TAX DUE OR REFUND COMPUTATION

Line 27. If you made an estimated declaration and paid tax enter the amount on this line.

Line 28. Enter any amounts paid with an extension.

Line 29. Enter the amount of tax payments made with or after the filing of the original return.

Line 30. Add Lines 27, 28 and 29. Enter the total on Line 30.

Line 31. Enter the total amount of all overpayments/refunds received on previously filed returns.

Line 32. Subtract Line 31 from Line 30. Enter the total on Line 32.

Line 33. If Line 32 is larger than Line 26 of the AR1002 or Line 26D of the AR1002NR enter the difference on Line 33.

Line 34. Enter the amount of your refund you want carried forward on Line 34. The overpayment from your 2004 AR1002 or AR1002NR will be applied to your 2005 Estimated Account.

Line 35. Subtract Line 34 from Line 33. This is the amount to be refunded to you.

Line 36. If Line 26 of the AR1002 or Line 26D of the AR1002NR is larger than Line 32 enter the difference on Line 36. This is the amount of tax due. Mail your payment to the Department of Finance and Administration. Write the Federal Identification Number on the check or money order.

DISTRIBUTIONS TO BENEFICIARIES

The beneficiaries' share of income is listed in this section. Include all information required. If additional space is needed attach a separate sheet. Any income properly paid, credited, and/or distributable to a beneficiary is taxable to the beneficiary.

Resident beneficiaries must include distributions from any estate or trust in their total Arkansas income to determine if an AR1000 should be filed. Nonresident beneficiaries who have distributions from an Arkansas estate or trust must file an Arkansas Individual Income Tax Return (AR1000NR) that reflects the total income received from an Arkansas source regardless of the amount of distribution.