



# STATE OF ARKANSAS

## 2005 Fiduciary Tax Return and Instructions

### Reminders for 2005:

**DUE DATE: April 17th for calendar year filers. Fiscal year filers must file 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.**

### INCOME TAX SURCHARGE (Act 63 of 2005)

This act repeals the 3% Income Tax surcharge imposed by Ark. Code Ann. § 26-51-207 for tax years beginning in 2005.

### 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, the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Working Families Relief and American Jobs Creation Acts of 2004 or the Energy Tax Incentive Act of 2005.

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 **and**
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 (15<sup>th</sup>) day of the fourth (4<sup>th</sup>) month following the close of the fiscal year (calendar year returns on or before April 17, 2006). 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. If you do not file for a calendar year, fill in the fiscal year 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, an Amended Return, or a Final Return. Fill in the exact name of the estate or trust in the area provided.

### INTEREST 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 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, complete and attach Form 2210 and list 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 gains 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/AR1002NR 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 Lines 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 are 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 schedule 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.** Do not adjust this figure.

**Line 21.** 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 22.** Enter the total allowable credits from AR1020BIC. Attach the AR1020BIC and supporting documents.

**Line 23.** Add Lines 20 through 22. Enter on Line 23.

**Line 24.** Subtract Line 23 from Line 19. Enter the total on Line 24.

**The instructions for Lines 24A through 24D are for use with Form AR1002NR only. If using Form AR1002, skip this section and go to the instructions for Line 25.**

#### **TAX APPORTIONMENT**

**Line 24A.** Enter the amount from Line 18 column B.

**Line 24B.** Enter the amount from Line 18 column A.

**Line 24C.** Divide the amount on Line 24A by the amount on Line 24B to arrive at the Arkansas percentage. Round the percentage to the nearest whole percent. **DO NOT ROUND TO ZERO.**

**Line 24D.** Multiply the amount on Line 24 by the percentage on Line 24C. Enter the total on Line 24D.

#### **TAX DUE OR REFUND COMPUTATION**

**Line 25.** If you paid estimated tax enter the amount on this line.

**Line 26.** Enter amount paid with extension.

**Line 27.** Enter payments made with or after the filing of the original return.

**Line 28.** Add Lines 25, 26 and 27. Enter the total on Line 28.

**Line 29.** Enter the total of all overpayments/refunds received on previously filed returns.

**Line 30.** Subtract Line 29 from Line 28. Enter the total on Line 30.

**Line 31.** If Line 30 is larger than Line 24 of the AR1002 or Line 24D of the AR1000NR enter the difference on Line 31.

**Line 32.** Enter the amount of your refund you want carried forward on Line 32. The overpayment from your 2005 AR1002 or AR1002NR will be applied to your 2006 Estimated Account.

**Line 33.** Subtract Line 32 from Line 31. This is the amount to be refunded to you.

**Line 34.** If Line 24 of the AR1002 or Line 24D of the AR1002NR is larger than Line 30 enter the difference on Line 34. 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**

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.