Arkansas 2009

Individual Income Tax

Forms and Instructions

Full Year Resident
Part Year Resident
Nonresident

GREAT SEAL OF THE STATE OF ARKANSAS

Governor Mike Beebe

Using e-file will allow you to:

- Join the 791,500 who e-filed last year.
- Get a confirmation # proving you filed.
- Receive a refund in less than 10 days.
- Choose direct deposit option for faster refund and additional security.
- File your return free of math errors.

Other E-Services available for all filers:

- On-line refund inquiry 24/7 to avoid time consuming phone calls
- Pay tax by credit card
- See page 4 of the booklet for details

Arkansas e-file

Free File Alliance:

- Want to file your return for free?
- Did you make $54,000 or less?
- Are you eligible for the Federal Earned Income Tax Credit?
- Are you a member of the military?

As a member of the "Free File Alliance", the State of Arkansas is able to offer certain taxpayers the opportunity to electronically file their return with no fee. If you meet certain criteria you may be eligible for this program. Go to our website for details.

www.arkansas.gov/dfa/income_tax/freefile.html

Tax Tables:

The tax brackets are indexed for inflation. The highest tax rate on net income now begins at $32,600 (increased from $31,700 in 2008).

For your questions/comments:

Manager, Individual Income Tax
P. O. Box 3628
Little Rock, AR 72203

TAX HELP AND FORMS

AUTOMATED REFUND INQUIRY (501) 682-0200 OR (800) 438-1992

Internet

You can access the Department of Finance and Administration's website at:

www.arkansas.gov/dfa

- Check the status of your refund
- Download current and prior year forms and instructions
- Access latest income tax news and archived news
- Get e-file information

You can e-mail questions to:

individual.income@dfa.arkansas.gov

Phone

Automated Refund Inquiry.................................... (501) 682-0200
or (800) 438-1992

By calling the automated refund lines, 24 hours a day, 7 days a week taxpayers may access general refund information.

Individual Income Tax Hotline............................... (501) 682-1100
or (800) 882-9275

Representatives are available to assist callers at the numbers above during normal business hours (Monday through Friday from 8:00 a.m. to 4:30 p.m.) with:

- Taxpayer Assistance
- Forms
- Audit and Examination
- Notices Received
- Amended Returns
- Payment Information

(For Hearing Impaired Access call (501) 682-4795 using a Text Telephone Device.)

Other Useful Phone Numbers:

Estimated Tax .... (501) 682-1100
Withholding Tax .... (501) 682-7290
Collections .... (501) 682-4720
Revenue Legal Counsel .... (501) 682-7030
Corporate Income Tax .... (501) 682-4775
Sales and Use Tax.......................... (501) 682-7104
Office of Problem Resolution and... (501) 682-7751
Tax Information Office (Offers In Compromise)

Internal Revenue Service .... (800) 829-1040
Social Security Administration .... (800) 772-1213

Mail

Choose the appropriate address below to mail your return:

TAX DUE RETURN:
Arkansas State Income Tax
P.O. Box 2144
Little Rock, AR 72203-2144

REFUND RETURN:
Arkansas State Income Tax
P.O. Box 1000
Little Rock, AR 72203-1000

NO TAX DUE RETURN:
Arkansas State Income Tax
P.O. Box 8026
Little Rock, AR 72203-8026

Be sure to apply sufficient postage or your return will not be delivered by the U.S. Postal Service.

Walk-In

Representatives are available to assist walk-in taxpayers with income tax questions, but are not available to prepare your return.

No appointment is necessary, but plan to arrive before 4:00 p.m. to allow sufficient time for assistance.

The Individual Income Tax Office is located in Room 2300, Ledbetter Building, at 1816 W. 7th Street in Little Rock.

Office hours are Monday through Friday from 8:00 a.m. to 4:30 p.m.

Forms

- Access our website at:
  www.arkansas.gov/dfa
- Call the Individual Income Tax Hotline (see "Phone")
- Obtain at county revenue offices
- Write to:
  Arkansas State Income Tax Forms
  P.O. 3628
  Little Rock, AR 72203-3628

CONTENTS

ELECTRONIC FILING

Begins January 15, 2010

www.arkansas.gov/dfa/income_tax/tax_efile.html

Direct Deposit Option!

- **E-file is hassle-free**–both your federal and Arkansas income tax returns are filed electronically in one transmission.
- **E-file is smart**–computer programs catch 98% of tax return errors.
- **E-file is worry-free**–receive acknowledgement within 2 days if your return has been received and accepted.
- **E-file gets your money to you fast**–refunds are issued within 10 days after you receive state acknowledgement.

Paid Preparer

Arkansas participates in the Federal/State Electronic Filing Program for Individual Income Tax. The program is available to most full year residents and certain qualifying nonresidents and part year residents.

Since Arkansas is a member of the **"Free File Alliance,"** depending on the level of income, taxpayers may qualify to file returns for free. (Go to **www.arkansas.gov/dfa/income_tax/freefile.html** for details.)

Online From Home

Over 150,600 taxpayers took advantage of On-line Filing last year. The same advantages are obtained by On-line Filing as by Electronic Filing, but it does not require a preparer. For a nominal fee your federal and state returns can be prepared and filed electronically.

OTHER E-SERVICES

These services are available for all filers **(paper and electronic).**

Available Now:

- Refund Inquiry
- Pay by Credit Card
  (vendor charges nominal fee)

Coming Soon:

- Pay by E-check

OFFICIAL PAYMENTS CORP.

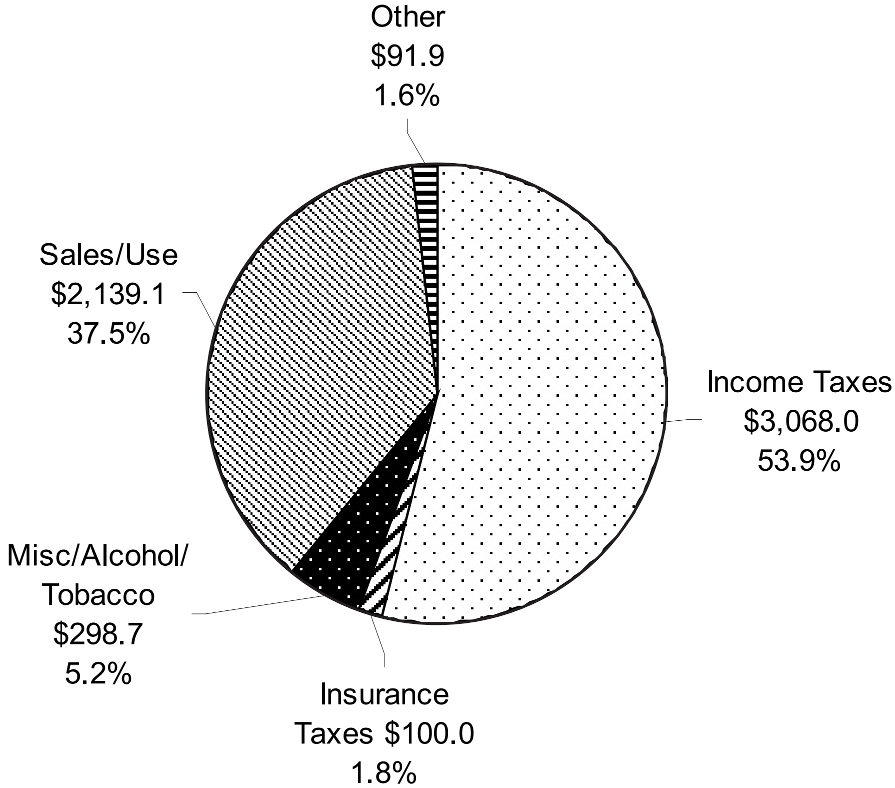
Cards

www.officialpayments.com
or call (800) 272-9829

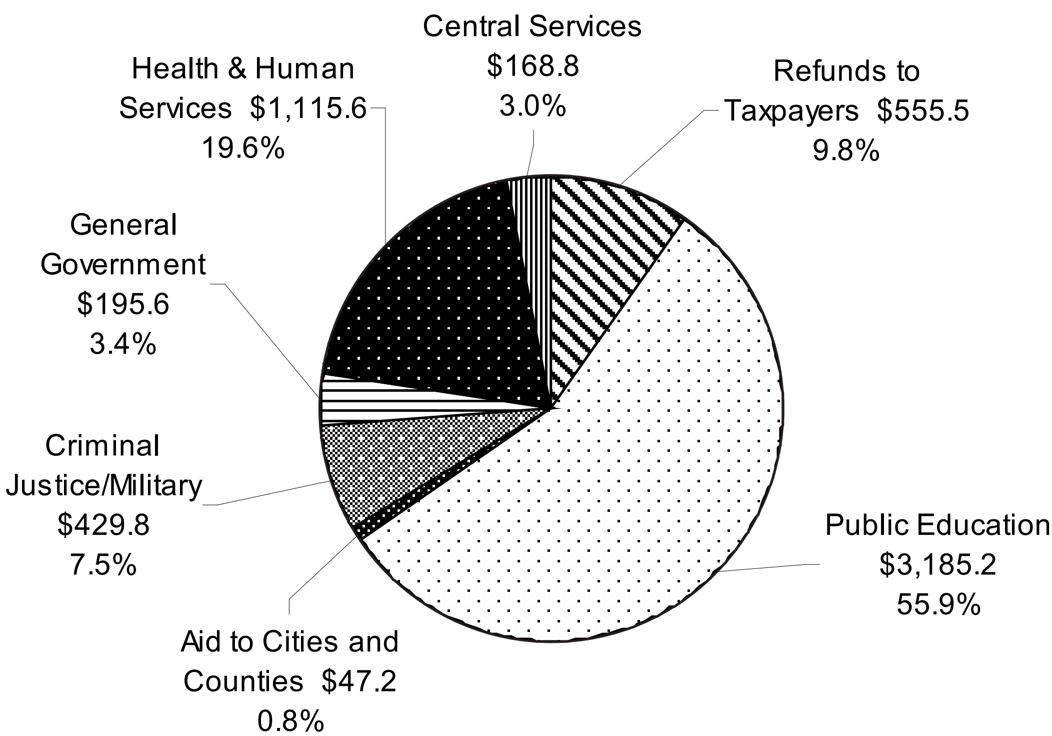
FOR TAXPAYERS' INFORMATION

Individual and Corporation income taxes are the largest source of state general revenue.

$5,697.7 MILLION GENERAL REVENUE TAX
Where It Comes From:



$5,697.7 MILLION GENERAL REVENUE TAX
Where It Is Spent:



SPECIAL INFORMATION FOR 2009

New Check-off Added (Act 211 of 2009)

Beginning with tax year 2009 taxpayers are allowed to divert all or part of their state income tax refund to an Arkansas Tax Deferred Tuition Savings Program account. See Form AR1000-CO for instructions.

Extension of Time for Veterans (Retirees) to File for Refund (Act 238 of 2009)

Extends the statute of limitations for a veteran to file a claim for refund of an overpayment that results from retroactive determination by the Secretary of Veterans Affairs that part or all of the uniformed service retirement payments to the taxpayer are payments made for a service-connected disability and are not included in gross income. Effective January 1, 2001.

Military Spouses Residency Relief Act

Exempts a military spouse's income from Arkansas tax if the service member's Home of Record is not Arkansas and the spouse's domicile is the same as the service member's Home of Record. Effective January 1, 2009. (Write the words "military spouse" at top of tax return and attach a copy of service member's LES to verify Home of Record.)

New Set Off Added (Act 713 of 2009)

Authorizes a set off against an Arkansas income tax refund for a debt owed to the Internal Revenue Service. Provides a procedure for non-debtor taxpayer or spouse to challenge the setoff of a joint tax refund. Effective January 1, 2009.

Income Tax Technical Corrections Act (Act 372 of 2009)

IRC §121 and §134 as in effect on January 1, 2009 regarding the exclusion from income of qualified military benefits provided to members of the United States military. The adoption of these sections of the Internal Revenue Code includes the provisions of the Military Family Tax Relief Act of 2003 previously not adopted by Arkansas.

IRC §163 as in effect on January 1, 2009 regarding deduction of qualified mortgage insurance premiums as interest expense.

IRC §165(h) and §165(i) as in effect on January 1, 2009 regarding losses arising from a casualty or disaster. **For 2009 only** the deductible amount is $500 per loss.

IRC §108 and §1017 as in effect January 1, 2009 allows up to $2 million forgiveness of certain debt on taxpayer's principal residence ($1 million for a married person filing a separate return).

IRC §170 as in effect on January 1, 2009 allows taxpayers 70 1/2 and older who own IRAs to roll over any amount up to $100,000 to public charities. (There is no charitable deduction for the IRA rollover and the distribution is not included in the donor's taxable income.)

IRC §179 as in effect on January 1, 2009, allows greater dollar limits and phase out thresholds. The maximum deduction allowed for property placed in service during tax year 2009 is now $133,000. The deduction is decreased "dollar for dollar" for property over $530,000, and no deduction is allowed for property over $663,000. (See Page 22 for more information).

NOTE: Arkansas has not adopted provisions included in the American Recovery and Reinvestment Act of 2009.

Changes: Business Incentive Credits

Arkansas Historic Rehabilitation Act (Act 498 of 2009) allows an income tax credit for the rehabilitation of historic structures located in Arkansas. Effective January 1, 2009, and ending on or before December 31, 2015.

Geotourism Tax Credit (Act 349 of 2009) amends geotourism credit to transfer to other tourism projects and allows a geotourism income tax credit to carry forward.

Arkansas Private Wetland and Riparian Zone Creations (Act 351 of 2009) amends title to "Arkansas Private Wetland and Riparian Zone Creation, Restoration, and Conservation Tax Credits" and clarifies and defines subsections of the act.

Windmill Blade Tax Credit (Act 736 of 2009) amends employment and investment thresholds for compliance for windmill blade and windmill component manufacturers and provides incentives for windmill blade and component manufacturers.

Certain Tax Credits Repealed/Amended (Act 716 of 2009) Repealed the Biotechnology and Advanced Fuels Act of 1999 and Arkansas Emerging Technology Development Act of 1999. Amended the Consolidated Incentive Act of 2003.

Cigarette Receptacle Credit (Act 1500 of 2009), if budget contingencies are met, allows an income tax credit for a business that purchases a cigarette receptacle to help reduce cigarette litter in Arkansas.

MILITARY PERSONNEL

Military Spouses Residency Relief Act

Exempts a military spouse's income from Arkansas tax if the service member's Home of Record is not Arkansas and the spouse's domicile is the same as the service member's Home of Record. Effective January 1, 2009. (Write the words "military spouse" at top of tax return and attach a copy of service member's LES to verify Home of Record.)

The Military Family Tax Relief Act of 2003 (Act 372 of 2009)

This act adopts IRC 121, 134, and 162 as in effect on January 1, 2009. Provisions of this act include exclusion of gain on sale of principle residence, deduction of overnight travel expenses for National Guard and Reserve members, and exclusion from income of "qualified military benefits". (See **IRS Publication 3, Armed Forces' Tax Guide,** for more information.)

Extension of Time for Veterans (Retirees) to File for Refund (Act 238 of 2009)

This act extends the statute of limitations for a veteran to file a claim for refund of an overpayment that results from retroactive determination by the Secretary of Veterans Affairs that part or all of the uniformed service retirement payments to the taxpayer are payments made for a service-connected disability and are not included in gross income. Effective January 1, 2001.

Treatment of Combat Pay Clarified (Act 29 of 2005)

This act adopts Sections 112 and 692 of the Internal Revenue Code as in effect on January 1, 2005 to clarify that combat zone compensation is exempt from Arkansas individual income tax and that the income of a member of the armed forces is exempt in the year of the person's death. This act applies to tax years beginning on or after January 1, 2005.

The Servicemembers Civil Relief Act

Deferral of Tax - Upon notice to the Internal Revenue Service or the tax authority of a state or a political subdivision of a state, the collection of income tax on the income of a servicemember falling due before or during military service shall be deferred for a period not more than 180 days after termination of or release from military service, if a service member's ability to pay such income tax is materially affected by military service.

Accrual of Interest or Penalty - No interest or penalty shall accrue for the period of deferment by reason of nonpayment on any amount of tax deferred under this section.

Statute of Limitations - The running of a statute of limitations against the collection of tax deferred under this section, by seizure or otherwise, shall be suspended for the period of military service of the servicemember and for an additional period of 270 days thereafter.

Residence or Domicile - A servicemember shall neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the servicemember by reason of being absent or present in any tax jurisdiction of the United States solely in compliance with military orders.

Military Service Compensation - Compensation of a servicemember for military service shall not be deemed to be income for services performed or from sources within a tax jurisdiction of the United States if the servicemember is not a resident or domiciliary of the jurisdiction in which the servicemember is serving in compliance with military orders.

Reminder:

U.S. Military retirement **DOES NOT** qualify as U.S. Military compensation, and **IS NOT** eligible for the $9,000 military exemption on Lines 9A or 9B. U.S. Military retirement is eligible for the $6,000 retirement exemption and should be listed on Lines 18A and/or 18B.

FREQUENTLY ASKED QUESTIONS

You may get additional information on the following topics by accessing our website at:

www.arkansas.gov/dfa/income_tax/tax_individual_faqs.html

TOPICS:

FILING REQUIREMENTS
- Who must file
- Which form - AR1000, AR1000NR, AR1000S
- When, where and how to file
- Which filing status
- Dependents defined
- Estimated tax
- Amended returns

INCOME DEFINITIONS
- Wages, salaries
- Interest received
- Dividends received
- Alimony received
- Business income
- Capital gains and losses
- Pensions and annuities
- Farming and fishery income
- Gambling income
- Nontaxable income
- Earnings of clergy

ADJUSTMENTS TO INCOME
- Individual Retirement Accounts (Traditional)
- Alimony paid
- Border city exemption (Texarkana - AR and TX)
- Permanently disabled individual
- Medical Savings Accounts and Health Savings Accounts
- Intergenerational trusts
- Moving expenses
- Interest paid on student loans

ITEMIZED DEDUCTIONS
- Should you itemize
- Medical and dental expenses
- Taxes
- Contributions
- Interest expenses
- Casualty losses
- Miscellaneous expenses
- Limitation if AGI over certain amount
- Post Secondary Tuition Deduction

TOPICS:

TAX COMPUTATION
- Choosing the correct table
- Standard Deduction
- Capital Gains Tax
- Tax credits, general
- Child Care Credit
- Other State Tax Credit
- Business and incentive credits
- Adoption Credit
- Political Contributions Credit
- Gambling Winnings Tax

GENERAL INFORMATION
- Refunds - how long to wait
- How to request copies of tax returns
- Extensions of time to file
- Penalty for underpayment of estimated tax
- W-2 form - what to do if not received
- Estate tax

NOTICES AND LETTERS
- Taxpayer Bill of Rights
- Billing procedures
- Penalty and interest charges
- Collection procedures

NONRESIDENT - PART YEAR RESIDENT
- Which return to use
- How to compute tax
- How to apportion tax liability

ELECTRONIC FILING
- Electronic filing program

DEFINITIONS

GROSS INCOME

Gross income is any and all income (before deductions) other than the kinds of income specifically described as exempt from tax on pages 11 and 12 “Exempt From Income Tax”.

Exception: The $6,000 **exemption on retirement** income and the $9,000 **exemption on military income** as described on page 12 **are included in gross income.**

DOMICILE

This is the place you intend to have as your permanent home and the place you intend to return to whenever you are away. You can have only one domicile. Your domicile does not change until you move to a new location which you intend to make your permanent home. If you move to a new location but intend to stay there only for a limited time (no matter how long), your domicile does not change. This also applies if you are working in a foreign country.

FULL YEAR RESIDENT

You are a full year resident if you lived in Arkansas all of tax year 2009, or if you have maintained a domicile or Home of Record in Arkansas during the tax year.

NONRESIDENT

You are a nonresident if you did not make your domicile in Arkansas.

PART YEAR RESIDENT

You are a part year resident if you established a domicile in Arkansas or moved out of the state during calendar year 2009.

MILITARY PERSONNEL

If Arkansas is your Home of Record (HOR) and you are stationed outside the State of Arkansas, you are still required to file an AR1000 reporting all of your income, including U.S. Military Compensation. If you are stationed in Arkansas and your Home of Record is another state, Arkansas does not tax your U.S. Military Compensation.

U.S. Military compensation includes wages received from the Army, Navy, Air Force, Marine Corps, Coast Guard, National Guard, Reserve Units, and the U.S. Public Health Service.

DEPENDENTS

You may claim as a dependent any person who received over half of his or her support from you, earned less than $3,650 in gross income, and was your:

Child	Stepchild	Mother	Father	Grandparent	Brother
Sister	Grandchild	Stepbrother	Stepsister	Stepmother	Stepfather
Mother-In-Law	Father-In-Law	Brother-In-Law	Sister-In-Law	Son-In-Law	Daughter-In-Law

Or, if related by blood: Uncle, Aunt, Nephew, Niece or, an individual (other than your spouse) who, for the taxable year of the taxpayer, had the same principal place of abode as the taxpayer and was a member of the taxpayer’s household. The term “dependent” includes a foster child if the child had as his principal place of abode the home of the taxpayer and was a member of the taxpayer’s household for the taxpayer’s entire tax year.

The term “dependent” does not apply to anyone who is a citizen or subject of a foreign country UNLESS that person is a resident of **Mexico or Canada.**

If your child/stepchild was under age 19 at the end of the year, the $3,650 gross income limitation does not apply. Your child/stepchild may have earned any amount of income and still be your dependent if the other dependency requirements in this section were met.

If your child/stepchild was a student under age 24 at the end of the calendar year, the $3,650 gross income limitation does not apply. The other requirements in this section still must be met.

To qualify as a student, your child/stepchild must have been a full-time student for five (5) months during the calendar year at a qualified school, as defined by the Internal Revenue Service.

If your dependent died during the tax year, you may claim the full amount of tax credit for the dependent on your tax return regardless of when the death occurred during the year.

Arkansas has adopted Internal Revenue Code §151(c)(6) regarding the tax treatment of kidnapped children.

You may be able to save money on your taxes. Did any of the following apply to you in 2009?

- **You had a disabled dependent**–See instructions for Line 7C, Page 13, and Line 11, Form AR1000ADJ.
- **You were an Arkansas resident and worked in another state**–See instructions for Line 38, Pages 15 and 16.
- **You were married and both you and your spouse had income**–See "Married Couples–Choosing the Best Filing Status," Page 12.
- **Your child was enrolled in an approved Early Childhood Education program**—See instructions for Line 48, Page 17.
- **You received military income**–See instructions for Lines 9A and 9B, Page 13. (For military retirement see Page 14.)
- **You received employer-sponsored retirement or a qualified traditional IRA**–See instructions for Lines 18A and 18B, Page 14.
- **You paid tuition for yourself, your spouse, or your dependent to attend a post-secondary institution**—See Form AR1075. (Form not available in booklet; see "Forms", Page 2, for more information.)
- **You contributed to an Arkansas Tax Deferred Tuition Savings Program (529 Plan)**–See instructions for Line 24, Page 15.

INSTRUCTIONS

THESE INSTRUCTIONS ARE FOR GUIDANCE ONLY AND DO NOT STATE THE COMPLETE LAW

WHO MUST FILE A TAX RETURN

FULL YEAR RESIDENTS (Use Form AR1000)

If your **MARITAL STATUS** is:	and your **FILING STATUS** is:	and your **AGE** is:	file if **GROSS INCOME*** is at least
Single (Including divorced and legally separated)	Single	under 65	$7,800
		65 or over	$9,300
	Head of Household	under 65	$12,100
		65 or over	$13,000
Married	Married Filing Joint	under 65 (both spouses)	$15,500
		65 or over (one spouse)	$15,600
		65 or over (both spouses)	$16,200
	Married Filing Separately	any age	$3,999
Widowed in 2007 or 2008, and not remarried in 2009	Qualifying Widow(er) with dependent child	under 65	$15,500
		65 or over	$16,000

***Gross income is all income (before deductions) other than income specifically described as exempt on pages 11 and 12 "Exempt From Income Tax."**

Exception: The $6,000 **exemption on retirement** income and the $9,000 **exemption on military income** as described on page 12 **are included in gross income.**

If your gross income was less than the amount shown in the last column for your filing status, you are not required to file a return. **However, you must file a return to claim any refund due.**

NONRESIDENTS (Use Form AR1000NR)

Nonresidents who received any taxable income from Arkansas sources must file a return (regardless of marital status, filing status, or amount).

PART YEAR RESIDENTS (Use Form AR1000NR)

Part year residents who received any taxable income while an Arkansas resident must file a return (regardless of marital status, filing status, or amount).

WHEN TO FILE

1. You can file your calendar year tax return any time after December 31, 2009, but NO LATER THAN **APRIL 15, 2010**, (unless an extension has been granted).

2. If you file a fiscal year tax return, your return is due NO LATER THAN **three and one-half (3 ½) months following the close of the income year.**

NOTE: **The date of the postmark stamped by the U.S. Postal Service is the date you filed your return.**

3. If the due date of your return falls on a Saturday, Sunday, or legal holiday, the return will be considered timely filed if it is postmarked on the next business day.

4. Statute of Limitations – Refunds. An amended return or verified claim for refund of an overpayment of any state tax for which the taxpayer is required to file a return must be filed by the taxpayer within three (3) years from the time the return was filed or two (2) years from the time the tax was paid, whichever is later.

IF YOU NEED MORE TIME

If you request an extension of time to file your federal income tax return (by filing **federal Form 4868** with the IRS) you are entitled to receive the same extension on your Arkansas income tax return. The federal automatic extension extends the deadline to file until October 15th. In order to receive the extension for state purposes, when you file your return check the box on the face of the Arkansas return indicating you filed a federal extension.

The Department no longer requires that a copy of **federal Form 4868** be attached to your state tax return. When the return is complete and ready to file, simply check the box on the face of the return.

NOTE: If the box on the front of the AR1000 is not checked, you will not receive credit for your federal extension.

If you do not file a federal extension, you can file an Arkansas extension using **Form AR1055** before the filing due date of April 15th. **Inability to pay is not a valid reason to request an Arkansas extension.** Send your request to:

Individual Income Tax Section
ATTN: Extension
P.O. Box 3628
Little Rock, AR 72203-3628

NOTE: *The maximum extension that will be granted to an individual on an **AR1055** is one hundred and eighty (180) days, extending the due date until October 15th.*

Attach a copy of your approved AR1055 extension to the face of your tax return WHEN YOU FILE. IF YOU DO NOT ATTACH YOUR EXTENSION, YOUR RETURN WILL BE CONSIDERED DELINQUENT AND PENALTIES WILL BE ASSESSED.

Payments made on extension should be made on Form AR1000ES, Voucher 5.

See Page 17 for information on penalties and interest.

EXEMPT FROM INCOME TAX

NOTE: List exempt income on AR4, Part III and include the total on AR1000/AR1000NR, Line 56. (You do not need to list exclusion amounts from numbers 10-12.)

1. **Money you received from a life insurance policy because of the death of the person who was insured** is exempt from tax.

NOTE: *You must include as taxable income any interest payments made to you from the insurer (the insurance company that issued the policy).*

2. **Money you received from life insurance, an endowment, or a private annuity contract for which you paid the premiums is allowed cost recovery** pursuant to Internal Revenue Code §72.

3. **Amounts you received as child support payments** are exempt from tax.

4. **Gifts, inheritances, bequests, or devises** are exempt from tax.

5. **Scholarships, grants, and fellowships are taxed pursuant to Internal Revenue Code §117. Stipends are taxed in their entirety.** For additional information on scholarships, fellowships, and stipends see instructions for Line 21.

6. **Interest you received from direct United States obligations, its possessions, the State of Arkansas, or any political subdivision of the State of Arkansas is exempt from tax.** Obligations include bonds and other evidence of debt issued pursuant to a government unit's borrowing power. (Interest received on tax refunds is not exempt income, because it did not result from a debt issued by the United States, the State of Arkansas, or any political subdivision of the State of Arkansas.) Interest from government securities paid to individuals through a mutual fund is exempt from tax.

7. **Social Security benefits, VA benefits, Workers' Compensation, Unemployment Compensation, Railroad Retirement benefits and related supplemental benefits** are exempt from tax.

8. **The rental value of a home or the housing allowance paid to a duly ordained or licensed minister of a recognized church is exempt to the extent that it was used to rent or provide a home.** The rental value of a home furnished to a minister includes utilities furnished to the minister as part of compensation. The housing allowance paid to a minister includes an allowance for utilities paid to the minister as part of compensation to the extent it was used to furnish utilities in the home.

9. **Disability income** MAY BE exempt from tax pursuant to Internal Revenue Code §104.

10. **The first $9,000 of U.S. Military Compensation** is exempt from tax.

11. **If you received income from an employer sponsored retirement plan, including disability retirement, that is not exempt under IRC §104, the first $6,000 is exempt from tax. For tax years 2003 and later**, if you contributed after-tax dollars to your plan, you are allowed to recover your cost (investment) in your retirement plan in accordance with Internal Revenue Code §72. Then the first $6,000 of the balance is exempt from tax. (If you received income from military retirement, you may adjust your figures if the payment included Survivor's Benefit Payments. The amount of adjustment must be listed on the income statement, and supporting documentation must be submitted with the return.)

12. **If you received a traditional IRA distribution after reaching the age of fifty-nine and one-half (59 1/2), the first $6,000 is exempt from tax.** Your traditional IRA distribution may be adjusted for nondeductible IRA contributions, if any, by completing **Federal Form 8606** and attaching it to your Arkansas return. Premature distributions made on account of the participant's death or disability also qualify for the exemption. **All other premature distributions or early withdrawals including, but not limited to, those taken for medical expenses, higher education expenses or a first-time home purchase do not qualify for the exemption.**

A surviving spouse qualifies for the exemption; however he/she is limited to a single $6,000 exemption.

NOTE: ***The total exemptions from all plans described under 11 and 12 cannot exceed $6,000 per taxpayer, not including recovery of cost.***

Gambling winnings from Arkansas electronic games of skill are not included as income and the 3% withholding is excluded from Line 45. To determine if your gambling winnings are taxable, see instructions for Line 21.

FILING STATUS

DETERMINE YOUR FILING STATUS

BOX 1. Filing Status 1 (Single)

Check this box if you are SINGLE or UNMARRIED and DO NOT qualify as HEAD OF HOUSEHOLD. (Read the instructions for BOX 3 to determine if you qualify for HEAD OF HOUSEHOLD.)

BOX 2. Filing Status 2 (Married Filing Joint)

Check this box if you were MARRIED and are filing jointly. IF YOU ARE FILING A JOINT RETURN, YOU MUST ADD BOTH SPOUSES' INCOME TOGETHER. Enter the total amount in column A on Lines 8 through 22 under "Your/Joint Income".

NOTE: *If you are married, filing on the same form, and using different last names, separate the last names by using a slash.*

EXAMPLE:
John Q. and Mary M. Doe/Smith, or
Mary M. and John Q. Smith/Doe

Be sure the placement of the last name matches placement of the first name. (You must be legally married to file in this manner.)

MARRIED COUPLES—CHOOSING THE BEST FILING STATUS

If you and your spouse had separate incomes, you might save money by figuring your tax separately using one of the following two methods. Use the method that suits you best.

METHOD A. List your income separately under Column A ("Your Income"). List your spouse's income separately under Column B ("Spouse's Income"). Figure your tax separately and then add your taxes together. See instructions for Married Filing Separately on the Same Return, Box 4.

If you use Method A, your result will be either a COMBINED REFUND or a COMBINED TAX DUE.

METHOD B. File separate individual tax returns. See instructions for Married Filing Separately on Different Returns, Box 5.

If you use Method B, one of you may owe tax and the other may get a refund. The tax due must be paid with the proper tax return and the refund will be due on the other return. YOU MAY NOT OFFSET ONE AGAINST THE OTHER.

BOX 3. Filing Status 3 (Head of Household)

To file as Head of Household you must have been unmarried or legally separated on December 31, 2009 and meet either 1 or 2 below. The term "Unmarried" includes certain married persons who lived apart, as discussed at the end of this section.

1. You paid over half the cost of keeping a home for the entire year that was the main home of your parent whom you can claim as a dependent. Your parent did not have to live with you in your home.

OR

2. You paid over half the cost of keeping a home in which you lived, **and** in which one of the following also lived, for more than six (6) months of the year (temporary absences, such as vacation or school, are counted as time lived in the home):

   a. Your unmarried child, grandchild, great-grandchild, adopted child or stepchild. This child did not have to be your dependent, but your foster child must have been your dependent.

   b. Your married child, grandchild, adopted child or stepchild. This child must have been your dependent.

   c. Any other relative whom you could claim as a dependent.

MARRIED PERSONS WHO LIVED APART

Even if you were not divorced or legally separated in 2009, you may be considered unmarried and file as Head of Household. See Internal Revenue Service instructions for Head of Household to determine if you qualify.

BOX 4. Filing Status 4 (Married Filing Separately on the Same Return)

Check this box if you were married and are filing SEPARATELY ON THE SAME TAX RETURN. This method of tax computation may reduce your tax liability if both spouses had income. The result will be either a combined refund or a combined tax due.

IF ONE SPOUSE HAD A TOTAL NEGATIVE INCOME, YOU MUST FILE MARRIED FILING JOINTLY.

BOX 5. Filing Status 5 (Married Filing Separately on Different Returns)

Check this box if you were married and are filing separate tax returns.

BOX 6. Filing Status 6 [Qualifying Widow(er)]

Check this box if you are a QUALIFYING WIDOW(ER).

You are eligible to file as a QUALIFYING WIDOW(ER) if your spouse died in 2007 or 2008 and you meet each of the following tests:

1. You were entitled to file MARRIED FILING JOINTLY or MARRIED FILING SEPARATELY ON THE SAME RETURN with your spouse for the year your spouse died. It does not matter whether you actually filed a joint return.

2. You did not remarry before the end of 2009.

3. You had a child, stepchild, adopted child, or foster child who qualified as your dependent for the year.

4. You paid more than half the cost of keeping a home, which was the main home of that child for the entire year except for temporary absences.

PERSONAL TAX CREDITS

LINE 7A. Each taxpayer and spouse is entitled to one personal tax credit. You can claim additional Personal Tax Credits if you can answer "Yes" to any of these questions:

Is your filing status **Head of Household** or **Qualifying Widow(er)?**
On January 1, 2010, were you age **65 or over?**
On December 31, 2009, were you **deaf?**
On December 31, 2009, were you **blind?**

Check the box or boxes that apply to you and/or your spouse. You CANNOT claim any of these credits for your children or dependents.

Blindness is defined as being unable to tell light from darkness, having eyesight in the better eye not exceeding 20/200 with corrective lens, or having a field of vision limited to an angle of 20 degrees.

You can claim the **Deaf** Credit only if the average loss in speech frequencies (500 to 2000 Hertz) in the better ear is 86 decibels, I.S.O., or worse.

Any taxpayer **age 65 and over** not claiming a retirement income exemption on Line 18 is eligible for an additional **$23** (per taxpayer) tax credit. Check the box(es) marked "65 Special".

Add the number of boxes you checked on Line 7A. Write the total in the box provided. Multiply the number by **$23** and write amount in space provided.

LINE 7B. List the name(s) of your dependent(s) in the space provided. DO NOT INCLUDE YOURSELF AND/OR YOUR SPOUSE. The individual(s) you can claim as dependent(s) are described on Page 9.

Add the number of boxes you checked on Line 7B. Write the total in the box provided. Multiply the number by **$23** and write that amount in the space provided.

LINE 7C. If one or more of your dependents were developmentally disabled, enter his/her name(s) on the line. Multiply $500 by number of developmentally disabled dependents. Enter the total.

NOTE: You must attach a certified AR1000RC5 to your return if this is the first year you claim the Developmentally Disabled Individual Credit.

A certified AR1000RC5 must be filed with your tax return every five **(5)** years. If credit was received on a prior year's return, do not file another AR1000RC5 until the Individual Income Tax Section notifies you.

LINE 7D. Total the tax credits from Lines 7A, 7B, and 7C. Enter the total on this line and on Line 36.

INCOME

FULL YEAR RESIDENTS
If your filing status is Married Filing Separately on the Same Return, both Column A and Column B must be used. Write your income in Column A and your spouse's income in Column B. For all other filing statuses, write all income in Column A only.

PART YEAR AND NONRESIDENTS
Complete Column A and Column B of the AR1000NR as if you were a full year resident. List all of your income from all sources for the entire year in these two columns.

List in Column C the total combined income (for both spouses) earned while Arkansas residents and income derived from Arkansas sources.

The total tax must be computed on the income totals in Columns A and B. After all allowable tax credits have been subtracted from the total tax, prorate the remaining balance. See instructions for Lines 44A, 44B, 44C, and 44D.

PART YEAR RESIDENTS AND NONRESIDENTS MUST ATTACH A COPY OF YOUR FEDERAL RETURN, OR YOUR ARKANSAS RETURN WILL NOT BE PROCESSED.

Round all amounts to the nearest dollar. (For example, if your Form W-2 shows $10,897.50, round to $10,898. If your Form W-2 shows $10,897.49, round to $10,897.)

Staple the state copy of each of your W-2(s) and 1099-R(s) to the left margin of the front of the return.

LINE 8. Add the wages, salaries, tips, etc. reported on your W-2(s). Enter the total on this line. **Attach W-2(s).**

Enter U.S. Military Compensation on Line 9.

LINE 9A. If you had **U.S. Military Compensation**, enter gross income in space provided. You are **entitled to a $9,000 exemption** from your gross income. The balance is taxable. **Attach W-2(s)**.

Filing Status 2 (Married Filing Joint):
If you and your spouse both had U.S. Military Compensation, enter your total gross income in the appropriate space provided on Line 9A. You and your spouse are each entitled to an exemption from your respective gross incomes.

Enter U.S. Military Retirement on Line 18.

LINE 9B. (Filing Status 4 Only) If your spouse had **U.S. Military Compensation**, enter gross income in the space provided. Your spouse is **entitled to a $9,000 exemption** from his/her gross income. The balance is taxable. **Attach W-2(s).**

Enter U.S. Military Retirement on Line 18.

HOME OF RECORD OTHER THAN ARKANSAS: If your Home of Record is not Arkansas, do not report to Arkansas your income or your nonresident spouse's income.

LINE 10. If you were a duly ordained or licensed minister, you received a housing allowance from your church, and you do not file a federal Schedule C or C-EZ, enter your gross compensation from the ministry less rental value of your home. The balance is subject to tax. **Attach W-2(s) if not using federal Schedule C or C-EZ.**

LINE 11. If you received interest from bank deposits, notes, mortgages, corporation bonds, savings and loan association deposits, and credit union deposits, enter all interest received or credited to your account during the year. **If the total is over $1,500, complete and attach Form AR4.**

LINE 12. If you received dividends and other distributions, enter amounts received as dividends from stocks in any corporation. **If the total is over $1,500, complete and attach Form AR4.**

LINE 13. Enter alimony or separate maintenance received as the result of a court order.

LINE 14. If you had business or professional income and filed a **federal Schedule C or C-EZ**, enter the total dollar amount(s) of net income (or loss) from your federal Schedule C or C-EZ. If you did not file a federal Schedule C or C-EZ, submit a similar schedule and enter the net income (or loss). **If you filed a federal Schedule C or C-EZ, attach it to your return.**

Business income may not be split between you and your spouse unless a partnership was legally established. Report Partnership Income on Form AR1050 and attach K-1(s) for each partner.

Include on Line 21, Other Income, any federal/state depreciation differences.

LINE 15. If you had gains or losses from the sale of real estate, stocks or bonds, or gains or losses from capital assets from Partnerships, S Corporations, or Fiduciaries, enter your taxable share. **Adjust the amount of gain or loss for any federal/state depreciation differences.**

If, after the netting process, you had a capital gain or loss reported on the **federal Schedule D** or on Form 1040/1040A, use Arkansas Form **AR1000D** to determine the taxable amount to enter on AR1000/AR1000NR, Line 15. **Attach federal Schedule D and Form AR1000D to your return.**

The amount of capital loss that can be deducted after offsetting capital gains is limited to $3,000 ($1,500 per taxpayer for filing Status 4 or 5). If your capital loss was more than the yearly limit on capital loss deductions, you can carry over the unused part to later years until used up.

The gain on the sale of your personal residence is exempt up to $250,000 per taxpayer ($500,000 for married couples filing on the same return). The property must, during the 5 year period ending on the day of sale, be owned and used by the taxpayer(s) as the principal residence for periods aggregating 2 years or more.

LINE 16. Enter the ordinary gain or (loss) from Part II of federal Form 4797. **Adjust for any differences in Arkansas and federal depreciation.** The capital loss limit does not apply. **Attach federal Form 4797.**

LINE 17. Use this line to report taxable lump-sum distributions, annuities, and traditional IRA distributions. Include early withdrawal of traditional IRA distributions on this line. List only the amount of withdrawal and attach the federal Schedule 5329 showing the tax on premature distribution. Also, enter ten percent **(10%)** of the tax from the federal Schedule 5329, Part I and Part II, on Line 34. If you received a distribution which does not qualify for the Lump-Sum Distribution Averaging Schedule (AR1000TD), list the total distribution received in 2009. (See AR1000TD to determine if you qualify to use the averaging method.) **Attach 1099-R(s)**.

Premature distributions are amounts you withdrew from your traditional IRA, deferred compensation, or thrift savings plans before you were either age 59 ½ or disabled. Rollovers of premature distributions are tax exempt.

McFadden and Maples Claimants: If you received a 1099-R and a claim was filed on your behalf under McFadden v. Weiss or Maples v. Weiss your Arkansas basis (cost of contributions) may have been fully recovered for tax purposes. If your basis has been fully recovered, enter the amount from Box 1 of your 1099-R as the "Gross" and "Taxable Amount" on Line 18.

LINE 18A. If you had income from an employment-related pension plan or a qualified traditional IRA distribution, enter the gross amount(s) from Box 1 of your 1099-R(s) in the space provided. Enter the federal taxable amount from Box 2a of your 1099-R(s) in the space provided. If Box 2a is blank, use the Simplified Method Worksheet in the federal 1040 Instruction Booklet to calculate the taxable amount of your distribution. You are entitled to a **$6,000** exemption from the taxable amount; the balance is taxable to Arkansas. Enter the balance on Line 18A, Column A. **Attach 1099-R(s).**

FILING STATUS 2 (Married Filing Joint) ONLY: If you and your spouse both had income from a retirement plan and/or qualified traditional IRA distribution, enter the combined gross income amount from Box 1 of your 1099-R(s). Enter the combined federal taxable amount from Box 2a of your 1099-R(s). If Box 2a is blank, use the Simplified Method Worksheet in the federal 1040 Instruction Booklet to calculate the taxable amount of your distribution. Both you and your spouse are entitled to a **$6,000** exemption from your respective taxable retirement plan income; the balance is taxable to Arkansas. Enter the balance on Line 18A. **Attach 1099-R(s).**

LINE 18B. FILING STATUS 4 (Married Filing Separately on the Same Return) ONLY: If your spouse had income from an employment related pension plan or a qualified traditional IRA distribution, enter the gross income from Box 1 of his or her 1099-R(s). Enter the federal taxable amount from Box 2a of his or her 1099-R(s). If Box 2a is blank, use the Simplified Method Worksheet in the federal 1040 Instruction Booklet to calculate the taxable amount of his or her distribution. Your spouse is entitled to a **$6,000** exemption from the taxable amount; the balance is taxable to Arkansas. Enter the balance on Line 18B. **Attach 1099-R(s).**

You are eligible for the **$6,000** exemption for retirement or disability benefits provided the distribution was from public or private employment-related retirement systems, plans, or programs. **(The recipient need not be retired.)** The method of funding is irrelevant. The exemption may be taken from either lump-sum or installment payments. The early withdrawal penalty may be applicable even though the exemption is granted.

If you received a traditional IRA distribution after reaching the age of fifty-nine and one-half (59 1/2), the first **$6,000** is exempt from tax. Premature distributions made on account of the participant's death or disability also qualify for the exemption. All other premature distributions or early withdrawals including, but not limited to, those taken for medical expenses, higher education expenses, or a first-time home purchase **do not** qualify for the exemption.

Note: If you made nondeductible contributions to your traditional IRA, enter taxable amount from federal Form 8606 in the space provided. **Attach federal Form 8606.**

LINE 19. If you had income from rents, royalties, estates or trusts, profits (whether received or not) from partnerships, fiduciaries, small business corporations, etc., enter the amounts as reported on your federal Schedule E. If you are filing a return for a taxable year that is not the same as the annual accounting period of your partnership or trust, report your distributive share(s) of net profits in the accounting period that ends in your taxable year. **Attach federal Schedule E.**

Nonresident beneficiaries pay tax only on Arkansas income.

LINE 20. If you had farm income, enter the amount reported on your federal Schedule F. **Farm income may not be split between you and your spouse unless a partnership was legally established.** Partnership income must be reported on Form AR1050, with K-1(s) for each partner. **Attach federal Schedule F.**

LINE 21. Enter **type** (depreciation, NOLs, foreign earned income exclusion, or contest winnings) **and amount** of all taxable income for which no other place is provided on the return. (If necessary provide additional information on an attached statement.)

Gambling winnings of any type should be entered here, with the following exception: Gambling winnings from Arkansas electronic games of skill are **not** included as income and the 3% tax withheld is **excluded** from Line 45.

You must report reimbursement of medical expenses from a previous year if you itemized deductions in that year and it reduced your tax.

Include amounts recovered on bad debts that you deducted in an earlier year.

Include any adjustment that arises from federal/state depreciation differences.

If you had a **net operating loss (NOL)** in an earlier year to carry forward to 2009, enter it as a negative amount on this line. **Attach a statement showing how you calculated the amount of loss and the year the loss occurred.** A net operating loss may be carried forward for five (5) years.

Scholarships, fellowships, and stipends:

A scholarship or fellowship is exempt from tax only if:

1) You were a **candidate for a degree** at an **educational institution**, **and**

2) The grant was a **qualified scholarship or fellowship.**

A qualified scholarship or fellowship is any amount you received as a scholarship or fellowship grant that was used under the terms of the grant for:

1) Tuition and fees required for enrollment, **or**

2) Fees, books, supplies and equipment required for the course(s) at the educational institution. (These items must have been required of all students in that course.)

Foreign students who are exempt from federal taxes because of a tax treaty must file and pay tax on all income including non-qualified scholarship or fellowship income.

Stipends are taxable.

LINE 22. Add Lines 8 through 21 and enter total in the appropriate columns on this line. This is your **Total Income**.

ADJUSTMENTS

LINE 23. To claim the Texarkana exemption, you must file a return and report **all** Arkansas income you received during the year. Enter the exempt income on Line 23. **Attach AR-TX Form.**

AR-TX Form is supplied by your employer.

The AR-TX Form is not required for non wage income such as interest, dividends, Schedule C (sole proprietor), Schedule F (farm), Schedule E (rents, royalties, partnerships, etc.) or retirement. Additional information may be required for verification if an adjustment for these types of income is allowed.

NOTE: *Taxpayers who claim this exemption must file using their street address in Texarkana, Arkansas or Texarkana, Texas.* ***If you use a Post Office Box, this exemption will not be allowed.***

If you lived within the city limits of Texarkana, Arkansas, you are allowed a full exemption from Arkansas income taxation. **Part year Texarkana residents** claim the exemption only on income earned while a resident of Texarkana, Arkansas.

If you lived within the city limits of **Texarkana, Texas,** you are allowed to deduct the income you earned in the city limits of **Texarkana, Arkansas.** All other Arkansas income is taxable to you.

LINE 24. If you made contributions to a tuition savings account established under the Arkansas Tax Deferred Tuition Savings Program enter the amount here. Contributions to plans established in states other than Arkansas are not deductible. The deductible contribution cannot exceed $5,000 per taxpayer per tax year. Qualified withdrawals from a tuition savings account established under the Arkansas Tax Deferred Tuition Savings Program or a tax-deferred tuition savings program established by another state will be exempt from Arkansas income tax with respect to the designated beneficiary's income.

LINE 25. If you have other allowable adjustments, use Form AR1000ADJ and include the total on this line. **Attach Form AR1000ADJ.**

LINE 26. Add Lines 23, 24, and 25 and enter total on this line. This is your **Total Adjustments**.

LINE 27. Subtract the total on Line 26, **Total Adjustments**, from the total on Line 22, **Total Income**. Enter balance on this line. This is your **Adjusted Gross Income (AGI)**.

TAX COMPUTATION

LINE 28. Enter the amounts from Lines 27(A) and (B), page AR1/NR1 (Adjusted Gross Income) on this line.

LINE 29. SELECT THE PROPER TAX TABLE and check the appropriate box. You will be in one of the following categories:

1) You qualify for a Low Income Table, **or**
2) You must use the Regular Tax Table

See tax tables and qualifications for each table on pages 26-30.

If you use an exclusion for military compensation, employer sponsored pension income, or a qualified traditional IRA distribution, you do not qualify for a Low Income Tax Table. You may elect NOT TO USE the exclusion(s) to which you are entitled and use a Low Income Tax Table if you fall within the income limits.

Caution: If you qualify to use a Low Income Tax Table, enter zero (0) on Line 29A. (The Standard Deduction is already built into the table.)

If you use the regular tax table, enter the larger of your itemized deductions (from Form AR3) or your Standard Deduction on Line 29.

Itemized Deductions:

To compute your itemized deductions, complete Form AR3. Make sure that your total itemized deductions exceed the Standard Deduction. (For Form AR3 instructions see pages 18-19 of this booklet.)

NOTE: *If you are filing Status 4 or 5 and one spouse itemizes, then both spouses must itemize.*

Standard Deduction:

The Standard Deduction for your filing status is the amount shown below. (If the amount on Line 28 is less than the Standard Deduction, enter the amount from Line 28 on Line 29.

Filing Status	**Standard Deduction**
1–Single	$2,000
2–Married Filing Joint	$4,000
3–Head of Household	$2,000
4–Married Filing Separately on Same Return	$2,000 each
5–Married Filing Separately on Different Returns	$2,000
6–Qualifying Widow(er)	$2,000

NOTE: *The $2,000 Standard Deduction does not apply to taxpayer's dependent(s).*

LINE 30. Subtract Line 29 from Line 28. This is your **Net Taxable Income**.

LINE 31. Using the appropriate tax table locate the tax for your income and enter here.

LINE 32. Add Lines 31(A) and 31(B) and enter the total.

LINE 33. If you received a lump-sum (total) distribution from a qualified retirement plan during 2009, you may be eligible to use the averaging method to figure some of your tax at a lower rate. Read the instructions on the back of Form AR1000TD to determine if you are eligible to use this method. If so, complete Form AR1000TD and enter amount here. **Attach Form AR1000TD.**

LINE 34. Taxpayers subject to traditional IRA or employer qualified retirement plan penalties and tax on their federal return are subject to penalties and tax on their state return. Enter ten percent (10%) of the federal penalty amount from Part I of federal Form 5329. Be sure to enter total distribution(s) from Part I, Form 5329, on Line 17 or 18, page AR1/NR1.

If you are subject to a penalty on a distribution from a Coverdell Education Savings Account, include ten percent (10%) of the federal penalty amount from Part II of federal Form 5329 on this line. Be sure to include the taxable amount of the Coverdell Education Savings Account distribution on Line 21, page AR1/NR1 (Other Income).

LINE 35. Add Lines 32 through 34 and enter the total.

TAX CREDITS

LINE 36. Enter the total personal tax credits from Line 7D.

LINE 37. Enter the amount of allowable State Political Contributions Credit(s) on this line. The allowable credit(s) cannot exceed **$50** for Filing Status 1, 3, 5 or 6 or **$100** total for Filing Status 2 or 4. **Attach Form AR1800.**

LINE 38. If you are an Arkansas resident and included income on your Arkansas Return that was also taxed by another state, you may claim a credit for the income tax portion of taxes paid to the other state on that income.

The income tax withheld from your wages by another state is NOT the amount of tax you owed the other state. For that reason, YOU MUST ATTACH TO YOUR ARKANSAS RETURN A **SIGNED** COPY OF THE TAX RETURN(S) YOU FILED WITH THE OTHER STATE(S). Enter the amount of **net income tax liability** to the other state(s).

NOTE: *This credit cannot exceed the Arkansas income tax on the same income and cannot exceed the total tax you owe Arkansas.*

Nonresidents cannot claim this credit on their Arkansas return. Part year residents will not be allowed this credit unless they continued to have taxable income from another state and the other state income is included as taxable income in Column C of the AR1000NR.

A tax credit is allowed for a resident shareholder's pro rata share of any net income tax paid by a Sub S Corporation to a state that does not recognize Sub S Corporation status.

The State of Mississippi enacted a special tax that applies exclusively to gambling winnings. This tax is separate and distinct from Mississippi's income tax. As such, an Arkansas taxpayer cannot claim a credit against his/her Arkansas income tax liability for payment of the gambling winnings tax to the State of Mississippi.

LINE 39. The Child Care Credit allowed is twenty percent **(20%)** of the amount allowed on your federal return. **A copy of federal Form 2441, "Credit for Child and Dependent Care Expenses" must be attached to your Arkansas return. (If this credit is for Approved Early Childhood Credit, see instructions for Line 48.)**

LINE 40. The Adoption Expense Credit allowed is twenty percent **(20%)** of the amount allowed on your federal return. A copy of **federal Form 8839 must be attached to your Arkansas return.**

LINE 41. Enter the allowable Phenylketonuria Disorder Credit. **Attach Form AR1113.**

LINE 42. From the Business and Incentive Tax Credits Summary Schedule (AR1020BIC), enter the total allowable credits. Some credits available are listed below:

- Affordable Neighborhood Housing
- Arkansas Historic Rehabilitation
- Biotechnology Development
- Capital Development Corporation
- Cigarette Receptacle Purchase
- County & Regional Industrial Development
- Delta Geotourism Development
- Economic Development
- Employer-Provided Early Childhood Program
- Enterprise Zone Program
- Equipment Donation or Sale Below Cost
- Equity Investment
- Family Savings Initiative
- Job Creation
- Low Income Housing
- Manufacturing Investment
- Payroll Income
- Private Wetland & Riparian Zone
- Public Roads Improvement
- Rice Straw
- Tourism Project Development
- Tuition Reimbursement
- Venture Capital Investment
- Waste Reduction & Recycling Equipment
- Water Resource Conservation
- Windmill Blade
- Workforce Training
- Youth Apprenticeship

NOTE: *Recent legislation amended, increased, or extended some of the provisions for Business and Incentive Tax Credits. For details on tax credits, refer to the Business and Incentive Tax Credit Package which contains forms for each credit. Business Tax Credit forms may be obtained from the Department of Finance and Administration, Tax Credits, Box 1272, Little Rock, AR 72203,* ***(501) 682-7106.***

LINE 43. Add Lines 36 through 42 and enter the total on Line 43.

LINE 44. Subtract Line 43 from Line 35. This is your **Net Tax**. If Line 43 is greater than Line 35, enter zero (0).

PRORATION

IF FILING A FULL YEAR RESIDENT RETURN, go to instructions for Line 45. The instructions for Line 44A through Line 44D apply only to nonresidents and part year residents.

NONRESIDENTS AND PART YEAR RESIDENTS ONLY, read the following instructions to determine your correct Arkansas tax liability. **Attach a complete copy of your federal return.**

LINE 44A. Enter adjusted gross income from Line 27, Column C.

LINE 44B. Enter total of Columns A and B from Line 27.

LINE 44C. Divide amount on Line 44A by amount on Line 44B to arrive at your Arkansas percentage of income. **Unless your percentage is less than 1%, enter your percentage as a whole number, rounding the percentage to the nearest whole percent.**

If your percentage is less than 1%: Do not round to one (1) or zero (0). Carry the number out to six places to the right of the decimal.
Example: $2,500/$525,000 = .00476190476
(Enter as 00.476190)

LINE 44D. Multiply amount on Line 44 by percentage on Line 44C for Arkansas apportioned tax liability.

PAYMENTS

LINE 45. Enter Arkansas tax withheld from your W-2(s)/1099R(s). You have already paid this amount of tax during the year. If you have MORE THAN ONE W-2, be sure to add the Arkansas Income Tax withheld from all W-2(s). Enter the total withheld.

IF YOU AND YOUR SPOUSE ARE FILING ON THE SAME RETURN, add the Arkansas state income tax withheld from all your W-2(s). Enter the combined total withheld.

If you did not receive (or lost) your W-2(s) and Arkansas tax was withheld from your income, you should take the following steps **IN THE ORDER LISTED BELOW:**

1) **Ask your employer** for copies of your W-2(s). If you cannot obtain them from your employer you should
2) **Contact the Social Security Administration** at (800) 772-1213. Only if you cannot obtain your W-2(s) from your employer or SSA you may
3) **Complete federal Form 4852** and attach a copy of your final pay stub to support your amounts.

CAUTION: *You WILL NOT receive credit for tax withheld or receive a tax refund, unless you attach CORRECT AND LEGIBLE W-2(s) or other approved documentation to your tax return.*

DO NOT include FICA, federal income tax, tax paid to another state or 3% tax withheld from winnings on electronic games of skill. Gambling winnings from Arkansas electronic games of skill are **not** included as income and the 3% tax withheld is **excluded** from Line 45.

DO NOT correct a W-2 yourself. Your employer must issue you a corrected W-2.

LINE 46. If you made an Estimated Declaration and paid estimated tax payments on 2009 income OTHER THAN wages, salaries, tips, etc., write the amounts paid in this space. The only amounts to enter here are payments you made on a 2009 Declaration of Estimated Income Tax (includes January 15, 2010 installment and/or credit brought forward from 2008 tax return).

DO NOT include PENALTIES OR INTEREST as part of the amount paid.

If you and your spouse filed a JOINT declaration and you and your spouse choose to file your tax returns on separate forms this year, payments made under the joint declaration of estimate will be credited to the primary filer.

If you are filing prior year tax returns past the due date of the tax return, the refund/overpayment from those tax returns cannot be carried forward as estimated tax.

LINE 47. If you filed an extension request with the state and paid tax with your request, enter the amount paid.

LINE 48. Enter the **APPROVED** early childhood credit (20% of the federal Child Care Credit) for individuals with a dependent child placed in an **APPROVED** child care facility while the parent or guardian worked or pursued employment. (Facility must be approved by the Arkansas Department of Education as having an appropriate early childhood program as defined by Arkansas law.) **Enter the certification number and attach federal Form 2441 and Certification Form AR1000EC. Contact your child care facility for Form AR1000EC.**

LINE 49. Add the amounts on Lines 45, 46, 47 and 48. This is your **TOTAL TAX PAID.**

REFUND OR TAX DUE

LINE 50. If Line 49 is more than Line 44 on the AR1000 or Line 44D on the AR1000NR, you overpaid your tax. Write the difference on Line 50. If you want a refund only, skip Lines 51 and 52 and enter the amount of your refund on Line 53.

LINE 51. You can apply part or all of the tax you OVERPAID in 2009 to your tax in 2010. Enter the amount you would like to have carried forward. The overpayment will be applied directly to your 2010 estimated account. If you wish to apply only part of Line 50 to pay 2010 tax, you will be issued a refund for the balance of your overpayment.

NOTE: *The amount you carry over to pay 2010 taxes will* ***only be credited to the primary filer.*** *It cannot be divided between the primary filer and spouse.*

LINE 52. If you wish to contribute a portion or all of your overpayment to one or more of the programs listed below, complete Schedule AR1000-CO and enter total amount of your donation. **Attach Schedule AR1000-CO after the AR2/NR2.**

Area Agencies on Aging Program
Arkansas Disaster Relief Program
Arkansas Schools for the Blind and Deaf
Arkansas Tax Deferred Tuition Savings Program
Baby Sharon's Children's Catastrophic Illness Program
Military Family Relief Program
Newborn Umbilical Cord Blood Initiative
Organ Donor Awareness Education Program
U.S. Olympic Committee Program

LINE 53. Subtract Lines 51 and 52 from Line 50. This is the amount of your **Refund**.

The Director is allowed 90 days from the return due date or the date the return was filed, whichever occurs later, to refund an overpayment of tax without interest (Act 262 of 2005).

SET OFF REFUNDS

If you, your spouse, or former spouse owes a debt to one of the agencies below, all or part of your refund is subject to being withheld to satisfy the debt. You will receive a letter advising which agency has claimed your refund.

Any housing authority
Arkansas circuit, county, district, or city courts
AR colleges, universities, and technical institutes
County tax collectors or treasurers
Department of Finance and Administration
Department of Higher Education
Department of Human Services
Employee Benefits Division of DFA
Internal Revenue Service
Office of Child Support Enforcement
Office of Personnel Management of DFA

It is the agency's responsibility to refund any set off amount paid to the agency in error.

If you owe a debt for Arkansas income tax, your federal refund may be captured to satisfy your state income tax debt.

NOTICE TO MARRIED TAXPAYERS:
If only one of the married taxpayers owes the debt, the taxpayer who is not liable can avoid having his/her refund applied to the debt if both taxpayers file Status 5, Married Filing Separately on Different Returns.

LINE 54. If Line 44 of the AR1000 or Line 44D of the AR1000NR is more than Line 49, you owe additional tax. Subtract Line 49 from Line 44 of the AR1000 or Line 44D of the AR1000NR. Enter amount on Line 54. This is the **TAX YOU OWE**.

If you owe additional tax in excess of $1,000, and failed to make a declaration of Estimated Tax (Form AR1000ES, Voucher 1), a penalty of ten percent (10%) will be assessed. See instructions for Lines 55A and 55B for more information.

LINE 55A and 55B. Enter the exception number from Part 3 of the AR2210, or the computed penalty from Line 18 of AR2210 in the appropriate box. **If you completed AR2210A,** enter "6" in box 55A. Enter amount from Line 46 of AR2210A in box 55B.

Form AR2210 or AR2210A must be attached and the exception number entered in box 55A to claim any exclusion from the Underestimate Penalty.

LINE 55C. Add Lines 54 and 55B. Enter total on this line.

LINE 56. Enter the total amount from Form AR4, Part III in the space provided.

Your tax return will not be legal and cannot be processed unless you SIGN IT.

Write in the DATE. If you and your spouse are filing a joint tax return or filing separately on the same return, both of you must sign it.

If someone else prepares your return, that person must sign and complete the Paid Preparer section on page AR2/NR2. If you prepare your own return, **DO NOT** use this section.

PAYMENT INFORMATION

Attach a check or money order to your return. Write your Social Security Number on the check or money order, and make your check payable in U.S. Dollars to the Department of Finance and Administration. Mail on or before April 15, 2010.

Taxpayers may pay their tax due by credit card. Credit card payments may be made by calling **1-800-2PAY-TAX**SM *(1-800-272-9829)*, or by visiting **www.officialpayments.com** and clicking on the "Payment Center" link.

Both options will be processed by Official Payments Corporation, a private credit card payment services provider. A convenience fee will be charged to your credit card for the use of this service. **The State of Arkansas does not receive this fee.** You will be informed of the exact amount of the fee before you complete your transaction. After you complete your transaction you will be given a confirmation number to keep with your records.

NOTE: *Do not send currency or coin by mail.*

OFFICIAL PAYMENTS CORP.

Cards

PENALTIES & INTEREST

If you owe additional tax, you must mail your tax return by April 15, 2010. Any return not postmarked by April 15, 2010 (unless you have an extension) will be delinquent. A penalty of one percent **(1%)** per month for failure to pay and five percent **(5%)** per month for failure to file, a maximum of thirty-five percent **(35%)** will be assessed on the amount of tax due. Interest of ten percent **(10%)** per year will also be assessed on any additional tax due, calculated from the original due date to the date you paid the tax due.

An extension to file is not an extension to pay. If you have not paid the amount due by the original due date you will be subject to a failure to pay penalty of one percent **(1%)** per month of the unpaid balance.

In addition to any other penalties assessed, a penalty of **$500** will be assessed, if any taxpayer files what purports to be a return, but the return does not contain information on which the correctness of the return may be judged, and such conduct is due to a position which is frivolous or an effort to delay or impede the administration of any State law.

INSTRUCTIONS FOR ITEMIZED DEDUCTIONS (FORM AR3)

MEDICAL AND DENTAL EXPENSES

List only amounts you paid and for which you were not reimbursed.

LINE 1. Enter total medical and dental expenses, less reimbursements from insurance or other sources. See chart on Page 19 for examples of deductible and nondeductible expenses.

LINE 2. Enter total amount from Form AR1000/AR1000NR, Lines 28A and 28B.

LINE 3. Multiply Line 2 by **7.5%** (.075).

LINE 4. Subtract Line 3 from Line 1.

TAXES

LINE 5. You may deduct real estate taxes you paid on property you own that was not used for business. Do not include any special assessments or levy taxes.

Some taxes you **cannot** deduct are:

Arkansas income taxes
Car tags
Cigarette and beverage taxes
Dog licenses
Estate taxes
Federal income taxes
Federal Social Security taxes
Hunting and fishing licenses
Improvement taxes
Sales taxes

LINE 6. You may deduct on this line:

City income taxes
Mississippi gambling taxes
Personal property taxes
Taxes paid to a foreign country on income taxed on this return

LINE 7. Add the amounts on Lines 5 and 6.

INTEREST EXPENSE

LINE 8A. You may deduct the home mortgage interest paid to a bank or other financial institution.

The deduction is generally limited to interest attributable to a debt for not more than the cost of the principal, and/or second residence, plus improvements.

LINE 8B. Enter qualified mortgage insurance premiums (PMI) paid in 2009. You cannot deduct your mortgage insurance premiums if the amount on Form AR1000/AR1000NR, Line 28 is more than $100,000 ($50,000 if married filing separately). See worksheet on Page 20.

LINE 9. Deduct home mortgage interest paid to an individual on this line, and list that person's name and address.

LINE 10. Enter the amount of deductible points paid on this line. Deductible points are those that:

1. Are incurred in the purchase or improvement of the taxpayer's principal residence; **and**
2. Reflect an established business practice of charging points in the geographical area where the loan is made; **and**
3. Do not exceed the number of points generally charged for the type of transaction. (Points paid in refinancing a mortgage must be amortized over the life of the loan.)

NOTE: *In order to deduct the full amount of the points paid, payment of the points must be made from separate funds brought to the loan closing.*

LINE 11. Enter deductible investment interest. The deduction is limited to the amount of investment income. Interest that is disallowed because of the limitation can be carried forward to the next year and deducted to the extent of the limitation in the carryover year. **Attach federal Form 4952.**

LINE 12. Add Lines 8A, 8B, 9, 10, and 11.

CONTRIBUTIONS

LINE 13. Enter the total contributions you made by cash or check. If you gave **$3,000** or more to any one organization, list the donee and amount given. If you have non-cash contributions of **$500** or more, **attach Federal Form 8283.**

LINE 14. In addition to other contributions, a deduction is allowed for the donated value of artistic, literary, and musical creations **if the following qualifications are met:**

1. The taxpayer making the donation derived at least **fifty percent (50%)** of his/her current or prior year income from an art related profession;
2. The fair market value of the art work has been verified by an approved independent appraiser, and **a copy of the appraisal is attached;**
3. The artwork was donated to a museum, art gallery, or nonprofit charitable organization qualified under Internal Revenue Code § 501(C)(3) and located in the State of Arkansas; **and**
4. The deduction for donated art work does not exceed **fifteen percent (15%)** of the donor's gross income in the calendar year of donation.

LINE 15. Deduct any check-off contributions made on your 2008 Arkansas return to any of the following:

Area Agencies on Aging Program
Arkansas Disaster Relief Program
Arkansas Schools for the Blind and Deaf
Baby Sharon's Children's Catastrophic Illness Program
Military Family Relief Program
Newborn Umbilical Cord Blood Initiative
Organ Donor Awareness Education Program
U.S. Olympic Committee Program

LINE 16. List other deductible contributions:

1. Unreimbursed amounts spent to maintain an elementary or high school student (other than a dependent or relative) in a taxpayer's home under a program sponsored by a charitable organization.
2. A gift of property to a non-profit organization. Attach a description of the property, date of gift, and method of valuation. For each gift in excess of **$500**, list any conditions attached to the gift, manner of acquisition, and cost or basis if owned by you for less than five (5) years. **Attach a signed copy of appraisal.**

NOTE: *Payments to private academies or other schools for the education of dependents are not deductible as contributions.*

LINE 17. If you made contributions in excess of **fifty percent (50%)** of your adjusted gross income, you may carry the excess deduction over for a period of five (5) years.

If you are deducting an excess contribution from a previous year, enter the amount and year of the original contribution.

LINE 18. Add lines 13, 14, 15, 16 and 17.

CASUALTY AND THEFT LOSSES

LINE 19. The method of computing casualty or theft losses is the same as the federal method with the **$500** exclusion **(2009 only)**. The amount of each loss must exceed **ten percent (10%)** of your adjusted gross income. (For 2009 the 10% floor is waived for property in a federal disaster area.) **Attach federal Form 4684 and provide necessary supporting documents.**

If you have a Disaster Loss in 2010 on property in a federal disaster area, you may elect to deduct the loss as an itemized deduction in 2009. If you elect to report the loss on your 2009 return, you cannot report the loss on your 2010 return.

A disaster loss is the only loss which may be carried back. You may amend your 2008 return to report a disaster loss incurred in 2009. If you elect to amend your 2008 return, you cannot report the loss on your 2009 return. If loss in federal disaster area, list location on Line 19.

LINE 20. Enter your Post-Secondary Education Tuition Deduction and **attach Form AR1075(s).**

MISCELLANEOUS DEDUCTIONS SUBJECT TO THE 2% AGI LIMITATION

LINE 21. Enter unreimbursed employee business expenses. Arkansas recognizes the federal mileage allowance for computing business travel expenses. **Attach federal Form 2106.**

LINE 22. Other deductions include:

- Union or professional dues
- Tax return preparation fees
- Expenses for safety equipment
- Expenses of entertaining customers
- Tools and supplies
- Fees paid to employment agencies

Attach supporting schedule or statement.

LINE 23. Add Lines 21 and 22.

LINE 24. Enter combined amount from Form AR1000/AR1000NR, Lines 28A and 28B.

LINE 25. Multiply Line 24 by **2%** (.02).

LINE 26. Subtract Line 25 from Line 23. This is your total allowable miscellaneous deductions.

OTHER MISCELLANEOUS DEDUCTIONS

LINE 27. Enter your miscellaneous deductions not subject to the 2% AGI limit. **Attach detailed schedule of each deduction.**

LINE 28. Add Lines 4,7,12,18,19,20,26 and 27. If the amount(s) on AR1000/AR1000NR Lines 28A and 28B are greater than $166,800 ($83,400 if married filing separately on separate returns), then complete the itemized deduction worksheet on Page 20 to calculate the amount you may deduct.

PRORATED ITEMIZED DEDUCTIONS

LINE 29. If you are filing separately, Status 4 or 5, you must prorate your itemized deductions between spouses. Enter your AGI from Line 28, Column A and your spouse's AGI from Line 28, Column B of the AR1000/AR1000NR.

LINE 30. Add Lines 29A and 29B.

LINE 31. Divide Line 29A by Line 30 and enter the percentage here. **Round to the nearest whole percent.**

LINE 32. Multiply the total itemized deductions reported on Line 28 by your percentage on Line 31. Enter result here and on AR1000/AR1000NR, Line 29, Column A.

LINE 33. Subtract Line 32 from Line 28. Enter result here and on AR1000/AR1000NR, Line 29, Column B. If you and your spouse are using Filing Status 5, this is the amount of the total itemized deductions your spouse is allowed to claim on his/her tax return.

Deductible vs. Non-deductible Medical Expenses

The chart below lists specific types of expenses and whether or not a deduction for the expense is permitted.

Deductible	**Non-deductible**
Alcoholism, Treatment of	Anticipated medical expenses
Ambulance hire	Baby-sitting expenses to enable parent to see doctor
Attendant to accompany blind or deaf student	Cosmetic surgery, unnecessary
Chiropractor	Diaper Service
Contact lenses	Ear piercing
Contraceptives, prescription	Electrolysis
Dental fees	Funeral expenses
Drug addiction, recovery from	Gravestone
Drugs, prescription	Hair transplants, surgical
Eye examinations and glasses	Health club dues
Hearing aids	Hygienic supplies
Insulin	Insurance premiums-loss of income
Laser eye surgery	Insurance premiums-loss of limb
Long-term care expenses	Marriage counseling
Orthopedic shoes	Maternity clothes
Psychiatric care	Spiritual guidance
Psychologist	Tattoos
Smoking, program to stop	Teeth, whitening
Wheelchair	Toilet articles
X-rays	Trips, general health improvement

ITEMIZED DEDUCTIONS WORKSHEET

Some taxpayers may not be able to deduct all their itemized deductions. If the combined AGI amount on Form AR1000/AR1000NR, Lines 27A and 27B, is more than $166,800 ($83,400 if filing status 5), use worksheet below to figure the amount you may deduct.

1. Add the amounts on page AR3, Lines 4, 7, 12, 18, 19, 20, 26, and 27, and enter the total.............1 ______________

2. Add the amounts on page AR3, Lines 4, 11, and 19,
   plus any gambling losses included on Line 27 and enter the total ....2 ______________

3. Is the amount on Line 2 less than the amount on Line 1?
   - ☐ **NO.** Your deduction is not limited. Enter the amount from Line 1 above on Form AR3, Line 28.
   - ☐ **YES.** Subtract Line 2 from Line 1 ....3 ______________

4. Multiply the amount on Line 3 above by 80% (.80) and *enter the result* ....4 ______________

5. Enter the amount from Column A of AR1000/AR1000NR, Line 27.
   (If filing status 4, enter total of columns A and B)...5 ______________

6. Enter $166,800 if Filing Status is 1, 2, 3, 4 or 6 *($83,400 if Filing Status is 5)* ....6 ______________

7. Is the amount on Line 6 less than the amount on Line 5?
   - ☐ **NO.** Your deduction is not limited. Enter the amount from Line 1 above on Form AR3, Line 28.
   - ☐ **YES.** Subtract Line 6 from Line 5..7 ______________

8. Multiply the amount on Line 7 above by 1% (.01) and enter the result ....8 ______________

9. Enter the **SMALLER** of Line 4 or Line 8 ....9 ______________

10. **Total Itemized Deductions**. Subtract Line 9 from Line 1.
    Enter the result here and on page AR3, Line 28. ....10 ______________

MORTGAGE INSURANCE PREMIUMS (PMI) WORKSHEET

Some taxpayers may not be able to deduct all of their mortgage insurance premiums. If the combined AGI amount on Form AR1000/AR1000NR, Lines 27A and 27B, is more than $109,000 ($54,500 if filing status 5) you cannot deduct your mortgage insurance premiums. If the combined AGI amount on Form AR1000/AR1000NR, Lines 27A and 27B, is more than $100,000 ($50,000 if married filing separately), use the worksheet below to figure the amount you may deduct.

1. Enter the total premiums you paid in 2009 for
   qualified mortgage insurance for a contract issued after December 31, 2006.................................1 ______________

2. Enter the combined amount on Form AR1000/AR1000NR, Line 27A and 27B ....2 ______________

3. Enter $100,000 ($50,000 if married filing separately) ....3 ______________

4. Is the amount on Line 2 more than the amount on Line 3?
   - ☐ **NO.** Your deduction is not limited. Enter the amount from Line 1 above on Form AR3, Line 8B.
   - ☐ **YES.** Subtract Line 3 from Line 2. If the result is not a multiple of $1,000 ($500 if married filing separately), increase it to the next multiple of $1,000 ($500 if married filing separately). For example, increase $425 to $1,000, increase $2,025 to $3,000; or if married filing separately, increase $425 to $500, increase $2,025 to $2,500, etc.....................................4 ______________

5. Divide Line 4 by $10,000 ($5,000 if married filing separately).
   Enter the result as a decimal. If the result is 1.0 or more enter 1.0..5 ______________

6. Multiply Line 1 by Line 5..6 ______________

7. Qualified mortgage insurance premiums deduction.
   Subtract Line 6 from Line 1. Enter the result here and on Form AR3 Line 8B ....7 ______________

STUDENT LOAN INTEREST WORKSHEET

1. Enter the total interest you paid in 2009 on qualified student loans .... 1 _____________
2. Enter the smaller of Line 1 above or $2,500. .... 2 _____________
3. Enter the amount(s) from AR1000/AR1000NR, Line(s) 22A and 22B .... 3 _____________
4. Enter total adjustments not including the deduction for interest paid on student loans, Line 4, AR1000ADJ .... 4 _____________
5. Modified AGI. Subtract Line 4 from Line 3 .... 5 _____________

   Note: If line 5 is $75,000 or more and you are filing Status 1, 3, or 6 **or** $150,000 or more and you are filing Status 2 or 4, **STOP HERE,** you **cannot** take the deduction.

6. Enter: $60,000 if filing Status 1, 3, or 6; $120,000 if filing Status 2 or 4 .... 6 _____________
7. Subtract Line 6 from Line 5.
   If zero or less, enter -0- here and on Line 9, skip Line 8, and go to Line 10 .... 7 _____________
8. Divide Line 7 by $15,000 ($30,000 if filing status 2 or 4.)
   Enter result as a decimal (rounded to at least three places) .... 8 _____________
9. Multiply Line 2 by Line 8 .... 9 _____________
10. Allowable Deduction: Subtract Line 9 from Line 2.
    Enter result here and on Form AR1000ADJ, Line 4 .... 10 _____________

FILING STATUS 4 ONLY

	Yours	Spouse
11. Enter the total interest for each spouse up to the combined amount on Line 1	11A _____________	11B _____________
12. Total amount paid from Line 1	12 _____________	
13. Divide Line 11A by Line 12 Enter result as a decimal (rounded to at least three places)	13 _____________	
14. Multiply Line 10 by the amount on Line 13. Enter here and on AR1000ADJ, Line 4, Column A	14 _____________	

15. Subtract Line 14 from Line 10. Enter here and on AR1000ADJ, Line 4, Column B............ 15 _____________

IRA PHASE OUT CHART

IF YOUR FILING STATUS IS:	YOUR ALLOWABLE TRADITIONAL IRA DEDUCTION	
	Phases Out When Arkansas AGI Exceeds:	Will Be Zero When Arkansas AGI Is:
Single, Head of Household	$55,000	$65,000
Married Filing on Same Return (Status 2 or 4), or Qualifying Widow(er)	$89,000	$109,000
Married Filing on Separate Returns	$0	$10,000
Nonactive Spouse (Income Computed Jointly)	$166,000	$176,000

If your Arkansas AGI is within one of the above phaseout ranges, see IRS Publication 590 to figure your allowable IRA deduction.

SELF-EMPLOYED HEALTH INSURANCE DEDUCTION WORKSHEET

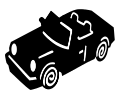
1. Enter the amount you paid in 2009 for health insurance for you, your spouse, and your dependents. .... 1 ______________

2. Enter your net profit and any other earned income* from the business under which the insurance plan was established, less any deductions on **Form AR1000ADJ, Line 8**. .... 2 ______________

3. Enter the smaller of Line 1 or Line 2 here and on **Form AR1000ADJ, Line 7**.
(Do not include this amount in figuring your medical expense deduction on the Itemized Deduction Schedule.) ... 3 ______________

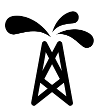
**Earned income includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income. If you were more than a 2% shareholder in an S Corporation, earned income is your wages from that corporation.*

MILEAGE AND DEPLETION ALLOWANCES



Mileage Allowance

Business......................................55 cents per mile
Charitable....................................14 cents per mile
Medical/Moving ....24 cents per mile
Mail Carrier (rural)........... Reimbursement received



Depletion Allowance

Depletion (gas and oil)................ Same as federal
(15% for most gas and oil production)

DEPRECIATION INFORMATION

Section 179 Facts

Arkansas adopted IRC §179 as in effect on January 1, 2009, allowing greater dollar limits and phase out thresholds.

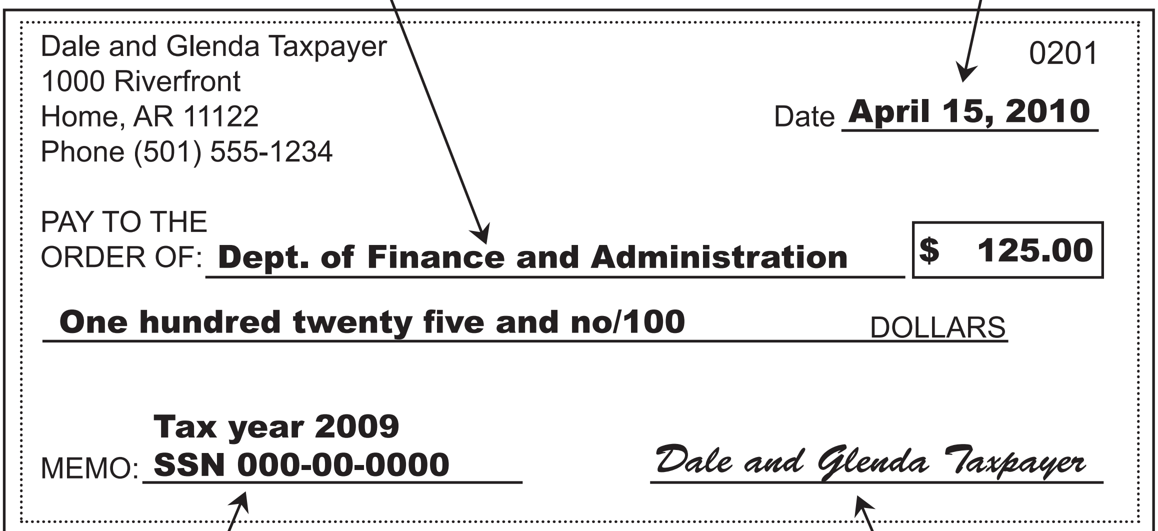
- Deduction Limit – $133,000
- Cost of qualifying property limit – $530,000
- No deduction allowed above $663,000
- More than one property placed in service – limit $133,000 deduction per taxpayer per year
- Any cost not deducted in one year may be carried forward to next year
- Deduction may not be used to reduce taxable income below zero

Note: Arkansas has not yet adopted the most recent federal changes.

HOW TO FILL OUT YOUR CHECK

Make your check payable to "Dept. of Finance and Administration."

Date and mail payment on or before April 15th, 2010.



Include your Social Security Number and the tax year on the memo line.

Don't forget to sign your check!

PRESERVATION OF TAX RECORDS

A taxpayer who files an Arkansas income tax return is required to retain records to prove the accuracy of that return. The records must be retained for at least six years (unless otherwise provided by law) and are subject to examination by the director at any reasonable time during that period.

When a taxpayer fails to preserve and maintain the required records, the director may make an estimated assessment based upon any available information as to the amount of tax due by the taxpayer. Per ACA 26-18-506, the burden of proof of refuting this estimated assessment is upon the taxpayer.

IF THE IRS AUDITS YOU

If the Internal Revenue Service examines your return for any tax year and changes your net taxable income, you must report the changes to the Arkansas Department of Finance and Administration within **ninety (90) days** from the receipt of the notice and demand for payment from the Internal Revenue Service.

File Arkansas Form AR1000A/AR1000ANR Amended Individual Income Tax Return, reporting the changes to your state return for the year(s) in question. **Attach a copy of the federal changes.**

If you fail to notify this Department within ninety (90) days and do not file the required amended return, the statue of limitations will remain open for eight (8) years on the year(s) in question. Additional interest will be calculated on any tax you owe the State of Arkansas.

INFORMATION EXCHANGE PROGRAMS WITH THE IRS

Under authorization of Internal Revenue Code Section 6103(D) the State of Arkansas participates in several information exchange programs with the Internal Revenue Service:

- **CP2000:**
  The IRS matches income reported on a taxpayer's federal income tax return with documents (W-2s, 1099s, etc.) provided to the IRS by the payer to determine whether income was omitted from the taxpayer's return. If unreported income is discovered, the IRS assesses additional federal tax on the omitted income then notifies the State of Arkansas. The taxpayer's state tax return is then reviewed for unreported income. (Some examples of commonly omitted income include wages, pensions, and cancellation of debt.)

- **Revenue Agent Reports "RARs":**
  When the IRS adjusts a taxpayer's federal income tax return as the result of an audit, details are provided to the State of Arkansas. The taxpayer's state tax return is then reviewed and adjusted if appropriate. (Some examples of RAR adjustments include disallowance of deductions, expenses, or dependents and assessment of early withdrawal penalties.)

- **Non-filer Identification:**
  The IRS provides the Arkansas Department of Finance and Administration with a list of taxpayers who filed federal returns using Arkansas addresses. This information is then compared with Arkansas income tax records to identify individuals who filed federal returns using Arkansas addresses but did not file Arkansas returns. Letters are sent inquiring whether the taxpayer is required to file. The taxpayer should file the return in question or provide documentation why he/she is not required to file. If a sufficient response is not received, state tax is assessed using amounts reported on the taxpayer's federal return, and the taxpayer is mailed a Notice of Tax Adjustment.

FILING AMENDED RETURNS

Amended return needed if:

- you need to make changes or adjustments to your original return
- the IRS examines your federal return for any tax year and changes your net taxable income (required to file an Arkansas amended return (Form AR1000A/AR1000ANR) **within 90 days** of notification)

Amended return not needed if:

- **correcting a Social Security Number or address** (Call (501) 682-1100 or write to Individual Income Tax Section, P.O. Box 3628, Little Rock, AR 72203. You may be asked to provide documentation.)
- filing a federal amended return with no impact on your Arkansas income tax return

NOTE: To ensure timely processing, provide all necessary supporting documentation with your amended return. Do not file an amended return until after your original return has been processed.

TAXPAYER BILL OF RIGHTS

You have the right to full explanation of all actions by any agent of the Commissioner of Revenue both during an audit and during collection activities.

- All tax information contained in the records and files of the Commissioner of Revenue (hereinafter "Commissioner") pertaining to you or your business is confidential.

- You may represent yourself in any proceeding or interview before the Commissioner or you may be represented by anyone whom you authorize in writing to be your representative.

- You have the right to consult with a lawyer, accountant, or other representative at any time during an interview with an agent of the Commissioner. The Commissioner shall terminate the interview to allow you to consult with your representative.

- You may record any interview with the Commissioner or his agent at your own expense. You should let the Commissioner or his agent know in advance of your intention to record the interview. The Commissioner may likewise record an interview, and a copy may be obtained within a reasonable time at your expense.

- You may request an administrative review of any proposed assessment of tax. You must request this review within 60 days of your receipt of a proposed assessment. The administrative review may be based on a court hearing, a telephone hearing, or consideration of written documents. If you do not request an administrative hearing, you may still pursue your judicial remedies by filing an action in the circuit court.

- If you receive an unfavorable decision from your administrative review, then you may request a review of the decision by the Commissioner. This review should be requested within 20 days of your receipt of the administrative decision. If you receive an unfavorable decision from the Commissioner on any issue, you may pursue judicial remedies as discussed below.

- After the issuance of the final assessment and demand for payment, you may appeal the tax assessment to circuit court, regardless of whether you protested the assessment and requested an administrative review. To pursue your appeal of a tax assessment to circuit court you must either:

  (a) pay the entire amount of tax due for any taxable period(s) covered by the final assessment within one year of the date of the final assessment or

  (b) file a bond for double the amount of the tax deficiency within 30 days of the issuance of the final assessment. You must file your lawsuit within one year from the date of paying or within 30 days of filing a bond. Within 30 days of the final assessment, the Revenue Division may proceed with collection activities, including the filing of a lien, for any tax, penalty, or interest that is unpaid or not covered by a bond.

- A taxpayer may file an amended return or a verified claim for credit or refund of an overpayment of any State tax within three years of the time the return was filed or two years from the date the tax was paid, whichever is later. Any amended return or claim for refund should be filed with the office of the Revenue Division which administers the type of tax in question.

- If the Commissioner disallows the refund claim either in whole or in part, the Commissioner will issue a proposed notice of refund claim disallowance. You may request an administrative review of the refund disallowance. This request must be made within 60 days of your receipt of the proposed notice. If you receive an unfavorable decision from your administrative review, you may request a review of the decision by the Commissioner. This request must be made within 20 days of your receipt of the administrative decision.

- Following an administrative review, the Commissioner will issue a final notice of refund claim disallowance. After the issuance of the final notice of claim disallowance, you may appeal the decision to circuit court. Judicial review is available whether or not you requested an administrative review. To pursue your appeal of a claim disallowance to circuit court, you must file suit within one year of the date of the final notice of claim disallowance. If the director fails to issue a written decision within six months of the date a claim for refund is filed, the taxpayer may then file suit to recover the amount claimed.

Any taxpayer who wishes to file a complaint regarding any activity concerning the administration or collection of any State tax by the Revenue Division should make the complaint in writing to:

Commissioner of Revenues
Ledbetter Building, Room 2440
PO Box 1272
Little Rock, Arkansas 72203-1272

- In administering the State tax laws, the Commissioner is authorized by law to make an examination or investigation of the business, books, and records of the taxpayer. If the Commissioner determines that an additional amount of tax is due, then a proposed assessment shall be issued to the taxpayer. The taxpayer may seek relief from the proposed assessment as outlined above. If the taxpayer fails to preserve and maintain records suitable to determine the amount of tax due or to prove accuracy of any return, the Commissioner may make an estimated assessment based upon the best information available as to the amount of tax due by the taxpayer.

- The Commissioner may issue a jeopardy assessment against any taxpayer (1) whose tax liability exceeds any bond on file indemnifying the State for the payment of a State tax, (2) who intends to leave the State, remove his property, or conceal himself or his property, (3) who intends to discontinue his business without making adequate provisions for payment of State taxes or, (4) who does any other act tending to prejudice or jeopardize the Commissioner's ability to compute, assess, or collect any State tax. Any taxpayer seeking relief from a jeopardy assessment must request an administrative hearing within five days from the receipt of the notice of jeopardy assessment.

- When collecting any State tax due from a taxpayer, the Commissioner is authorized to file a certificate of indebtedness with the circuit clerk of any county of this State certifying that the person named therein is indebted to the State for the amount of tax due as established by the Commissioner. The certificate of indebtedness shall have the same force and effect as the entry of a judgment rendered by a circuit court and shall constitute a lien upon the title of any real and personal property of the taxpayer in the county where the certificate of indebtedness is recorded.

- After the filing of the certificate of indebtedness, the Commissioner may take all steps authorized by law for the collection of the tax, including the issuance of a writ of execution, garnishment, and cancellation of any State tax permits or registrations.

Any court costs or sheriff's fees which result from the Commissioner's attempt to collect delinquent taxes shall be collected from the taxpayer in addition to the tax, interest, and penalties included in the certificate of indebtedness.