

Subject 201

Interest Received

Interest you received, or that was credited to your account and can be withdrawn, is taxable income. Examples of taxable interest are interest on bank accounts, money market certificates, and insurance dividends you leave on deposit. Interest on U.S. government obligations and Arkansas municipal bonds is exempt, however interest on municipal bonds from other states is taxable.

Interest payments received from an individual as a result of the sale of your home or other property must be reported.

Certain distributions, commonly referred to as dividends, are actually interest. They include "dividends" from cooperative banks, credit unions, domestic savings and loan associations, federal savings and loan associations, and mutual savings banks.

You should receive a Form 1099 INT, Statement for Recipients on Interest Income, or a similar statement, from each payer of interest of \$10 or more, showing the interest you must report. This information is often included on your year-end account statement. Even if you do not receive a statement, you are still responsible for reporting all taxable interest income.

If your total interest income was more than \$1,500, you must complete Form AR4, Interest and Dividend Income Schedule. If your total interest or dividend income was \$1,500 or less, you only need to report that income on the proper line on Form AR1000, AR1000NR, or AR1000S.