

# 2006

## ARKANSAS SHORT FORM - AR1000S INDIVIDUAL INCOME TAX RETURN AND INSTRUCTIONS

**Due Date is April 15, 2007**

### A Message to Arkansas Taxpayers

It is easier and more convenient this year for taxpayers to check the status of their income tax refunds. Taxpayers may check the status of their refunds directly over the internet by Automated Refund Inquiry. Your refund status information may be found by accessing our web site at [www.arkansas.gov/dfa/](http://www.arkansas.gov/dfa/) and selecting "Income Tax Refund Inquiry". You may also check the status of your refund by touch tone telephone. You can access the Tele-file system by calling 501-682-0200 (Pulaski County) or 1-800-438-1992 (statewide). The refund information on these sites is updated each day, and is available 24 hours a day, 7 days a week. Both sites are simple to use and taxpayers will receive a much faster response than when calling our help line.

This booklet includes a Table of Contents which has not been available in previous years. We hope that you will use this feature and it will assist you in finding the information you need to file your 2006 Arkansas Individual Income Tax Return.

Other reminders for filing 2006 returns:

Your state return is due on April 15, 2007 the same as your federal return.

Arkansas has not adopted federal income tax laws that were recently enacted by the federal Tax Increase Prevention and Reconciliation Act of 2005 and the Pension Protection Act of 2006

This booklet contains an Arkansas Use Tax form for taxpayers to report and pay Arkansas Use Tax on out of state purchases (eg. Purchases made from catalogs, the Internet, or by phone) where no Arkansas sales tax has been collected.

Arkansas continues to be one of the more successful states for electronic filing. Last year over 52% of all Arkansas returns were filed electronically. You can e-file from home using tax preparation software accessed through our web site, or your tax preparer may file your return electronically. Arkansas is now a member of the Free E-File Alliance which allows many qualifying Arkansas taxpayers to file free over the Internet. Visit our web site at: [www.arkansas.gov/dfa/](http://www.arkansas.gov/dfa/) for additional information about all available e-file opportunities.

For your convenience, the Arkansas Voter Registration Application is included in this booklet. This form can be used for new voter registrations or to update current registration information. If needed, complete the form and send it to the Secretary of State's office. Please do not mail your Voter Registration Application to the Revenue Division or enclose it with your tax return.

We appreciate your suggestions and constructive criticism. We want to provide you the best service possible. Please mail your suggestions and comments to: Manager, Individual Income Tax Section, P.O. Box 3628, Little Rock, Arkansas 72203-3628. Thank you.

Sincerely,



Tim Leathers

Important Addresses for additional information and assistance:

Internet: [www.arkansas.gov/dfa/](http://www.arkansas.gov/dfa/)

E-mail: [individual.income@rev.state.ar.us](mailto:individual.income@rev.state.ar.us)



**397207**  
**State of Arkansas**  
**State Income Tax**  
**P. O. Box 1000**  
**Little Rock, AR 72203-1000**

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STATE OF  
ARKANSAS

# QUICK AND EASY ACCESS TO TAX HELP AND FORMS



## Internet

You can access the Department of Finance and Administration's website 24 hours a day 7 days a week, at:

**[www.arkansas.gov/dfa/](http://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@rev.state.ar.us](mailto:individual.income@rev.state.ar.us)**



## Phone

Automated refund inquiry..... (501) 682-0200  
**or** (800) 438-1992

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

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

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

- Taxpayer Assistance
- Refunds
- Forms
- Amended Returns
- Audit and Examination
- Delinquent Income Taxes

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

Other Useful Phone Numbers:

Estimated Tax ..... (501) 682-7272  
Withholding Tax ..... (501) 682-7290  
Corporate Income Tax ..... (501) 682-4775  
Sales and Use Tax..... (501) 682-7104

Internal Revenue Service ..... (800) 829-1040



## 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 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 St. in Little Rock.

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

## Forms

To obtain forms you may:

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

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# BEFORE YOU FILE FORM AR1000S

There are three types of income tax returns for individuals. Form AR1000NR is used by nonresidents and part-year residents. Form AR1000 and Form AR1000S are used only by full-year residents. All full-year residents may use Form AR1000, but you may save time if you are able to use Form AR1000S instead. However some people must use Form AR1000 as explained below.

## IF YOU ARE:

- Single
- Married
- Head of Household
- Married Filing Separately on the Same Return or
- Qualifying Widow(er)

## THEN YOU MAY USE FORM AR1000S IF:

- You are a full-year Arkansas resident, **and**
- Your income is only from wages, salaries, tips, interest, dividends, and miscellaneous income (*See Line 10 instructions for examples of miscellaneous income*), **and**
- You do not itemize your deductions, **and**
- Your only credits are:
  - a) Personal Tax Credits (*except for a developmentally disabled individual*) and
  - b) Child and Dependent Care Expenses or Early Childhood Program Credits.

## YOU MUST USE FORM AR1000 IF:

- You file as Married Filing Separately on Different Returns (*Filing Status 5*).
- You had income other than wages, salaries, tips, interest, dividends, and miscellaneous income, such as pension or annuity income, gain from the sale of property, barter income, alimony, or self employment income (*including farm income*).
- You claim an exemption for military compensation.
- You claim an exemption for an employment-related pension plan, qualified IRA, and/or military retirement.
- You are a minister claiming a housing allowance.
- You file Federal Schedules C or C-EZ, D, E, and/or F.
- You file Federal Form 2555, Foreign Earned Income.
- You must pay tax on an Individual Retirement Account (*IRA*) and file Federal Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts.
- You claim adjustments to gross income for the border city exemption, payments to an IRA, MSA, HSA, SEP, SIMPLE or Keogh plan, interest paid on student loans, contributions to an intergenerational trust, moving expenses, self-employed health insurance, forfeited interest penalty for premature withdrawal, alimony paid, a permanently disabled individual, organ donation, and/or for contribution to an Arkansas tax-deferred tuition savings plan.
- You have capital gain or loss income for 2006.
- You itemize your deductions.
- You file Form AR1000TD, Tax on Lump Sum Distributions.
- You claim any of the following credits against your tax:
  - a) Other State(s) Tax Credit
  - b) State Political Contributions Credit
  - c) Adoption Expense Credit
  - d) Phenylketonuria Disorder Credit, or
  - e) Business and Incentive Tax Credit(s).
- You made estimated tax payments.
- You file Form AR2210, Underpayment of Estimated Tax by Individuals, **or**
- You apply any part of your 2006 refund to your estimated taxes for 2007.



# SPECIAL INFORMATION FOR 2006



## Due Date April 15, 2007

If April 15 falls on a Saturday, Sunday, or legal holiday, the return will be considered timely filed if it is postmarked on the next succeeding business day which is not a Saturday, Sunday, or legal holiday.

This year April 15 falls on a Sunday; therefore, the return is not due until the next business day which is April 16.

## Personal Tax Credit Increased Pursuant to Act 1819 of 2001

Act 1819 of 2001 authorizes the indexing of the personal tax credit if certain budget requirements are met. The requirements have been met; therefore, the personal tax credit has been increased to \$22.

## Payment of Interest Clarified (Act 262 of 2005)

This act clarifies that interest on overpayments of tax is to be calculated from the due date of the return or the date the return was filed, whichever occurs later. The act allows the Director 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.

## Federal Acts not adopted by the State of Arkansas

- Katrina Emergency Tax Relief Act of 2005
- Gulf Opportunity Zone Act of 2005
- Tax Increase Prevention and Reconciliation Act of 2005
- Energy Tax Incentives Act of 2005
- Heroes Earned Retirement Opportunities Act
- Pension Protection Act of 2006

## Income Tax Technical Corrections (Act 675 of 2005)

This act amends Arkansas Code to adopt changes to the Internal Revenue Code (IRC). The act adopts or readopts the following IRC Sections:

1. Readopts IRC §2(b) regarding the definition of Head of Household;
2. Readopts IRC §152 regarding the definition of Dependent;
3. Readopts IRC §2(a) regarding the definition of Head of Household and Qualifying Widow or Widower with a dependent child.

This act applies to tax years beginning January 1, 2005 and after.



# FREQUENTLY ASKED QUESTIONS



You may get additional information on the following topics 24 hours a day, 7 days a week by accessing our website at:

[www.arkansas.gov/dfa/income\\_tax/tax\\_individual\\_faqs.html](http://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
- Amended returns

### INCOME DEFINITIONS

- Wages, salaries and tips
- Interest received
- Dividends received
- Nontaxable income

### TAX COMPUTATION

- Choosing the correct table
- Standard deduction
- Tax credits, general
- Child care credit

## TOPICS

### GENERAL INFORMATION

- Substitute tax forms
- 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 forms - what to do if not received

### NOTICES AND LETTERS

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

### ELECTRONIC FILING

- Arkansas electronic filing program

# ELECTRONIC FILING

Last year over 612,000 taxpayers used an electronic filing option to file their Arkansas Individual Income Tax Returns. Electronic Filing allows you to file your Arkansas tax return with a tax professional, or file your own tax return using a personal computer.



## FEDERAL/STATE ELECTRONIC FILING

The State of Arkansas participates in the Federal/State Electronic Filing Program for Individual Income Tax. The benefits of Electronic Filing are:

- ***Simultaneous Federal/State filing*** Both your Federal and State of Arkansas Income Tax Returns are filed electronically in one transmission.
- ***Processing*** If you file a complete and accurate return, your refund will be issued within ten (10) days **after you receive your state acknowledgment.**
- ***Accuracy*** Computer programs catch 98% of tax return errors before your return is received and accepted.
- ***Acknowledgment*** The State of Arkansas notifies your transmitter within two (2) days if your return has been received and accepted.

This program is available to full-year residents, certain qualifying nonresidents, and part-year residents filing a 2006 Arkansas Individual Income Tax Return. However, filers claiming business and incentive tax credits are not eligible to file electronically. Electronic Filing is available whether you prepare your own return or use a preparer. In addition to tax preparers, other firms are approved to offer electronic filing services. Check with your tax preparer or electronic filing service to see if they are participating in the Federal/State program.



## ON-LINE FILING

Over 86,700 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.



State of Arkansas  
 Department of Finance and Administration  
 Sales and Use Tax Section  
 P. O. Box 8054, Little Rock, AR 72203  
<http://www.state.ar.us/salestax> (501) 682-7104

If you purchased taxable merchandise outside the State of Arkansas for use, storage, consumption or distribution within the state, a state and local consumer use tax may be due on the purchase price, including transportation charges. Due to the rapid increase in purchases being made through mail order, telephone, and the World Wide Web, it has become a concern that individuals may not be aware of their obligation to report the consumer use tax on untaxed out of state purchases. Examples of merchandise subject to the consumer use tax include cassettes, CD's, books, furniture, jewelry, food, and clothing.

The use tax is a companion tax to the sales tax whose purpose is to not only raise revenue for the state, but more importantly to protect local merchants, who must collect sales tax, from the unfair advantage of out of state sellers who do not collect Arkansas's sales tax. The use tax has been in effect since 1949.

The use tax rate is the same as the sales tax rate, 6.00% plus the applicable city and/or county rates where the merchandise is delivered in the state. The tax applies to the purchase price of the merchandise plus any shipping and handling charges that the merchant adds to your bill. If the total tax due is greater than \$100 per month, the use tax report should be filed on a monthly basis. If the total tax due is \$25 - \$100 per month, the use tax report should be filed on a quarterly basis. If the total tax due is less than \$25 per month, the use tax report should be filed on an annual basis.

- Line 1** Indicate the month and year you are reporting.
- Line 2** Fill in the total amount of taxable purchases for the month
- Line 3** Multiply the total taxable purchases by the applicable tax rate. This is the state rate of 6.00% plus the city and/or county tax where you live.
- Line 4** This is the amount of consumer use tax due the State of Arkansas. Please enclose a check for this amount. Write your consumer use tax account number or social security number on the check and the report period.

If you have questions or need additional forms, please call the Sales and Use Tax Office at (501) 682-7104. Forms are also available from our website.

<p style="text-align: center;"><b>Individual Consumer Use Tax Report</b></p> <p style="text-align: center;">Arkansas Department of Finance and Administration          Sales and Use Tax Section          P. O. Box 8054, Little Rock, AR 72203-8054</p>	<p>1. Report Period: _____</p> <p>State Tax Rate 6.00% (Texarkana 7.00%) _____</p> <p>County Rate + _____</p> <p>City Rate + _____</p> <p>Total Tax Rate = _____*</p> <p>2. Taxable Out of State Purchases \$ _____</p> <p>3. Multiply by the Total Tax Rate* x _____</p> <p>4. Tax Due \$ _____</p> <p>Check here if this is an aviation purchase. <input type="checkbox"/>          (Attach a copy of the bill of sale)</p> <p>* The total tax rate is the state rate of 6.00% plus the applicable city and county rates where you live.</p> <p>City and county rate may be obtained from the Sales and Use Tax Section website,</p> <p style="text-align: center;"><b><a href="http://www.state.ar.us/salestax">http://www.state.ar.us/salestax</a></b></p> <p>or by calling (501) 682-7104</p>
Purchaser(s):	
Social Security Number:	
Home Address:	
City/State/Zip:	
Phone Number:	
County of Residence:	
If you live outside the city limits check here. <input type="checkbox"/>	
If you live in a city other than what is shown in your mailing address, please indicate that city here and use that tax rate to compute your tax. _____	



# INSTRUCTIONS

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

### A. WHO MUST FILE A TAX RETURN

#### 1. IF YOU LIVED IN ARKANSAS IN 2006, YOU MUST FILE A TAX RETURN IF ANY OF THESE STATEMENTS DESCRIBE YOU:

- (a) **SINGLE** (*under 65*) and your gross income is \$7,800 or more.
- (b) **SINGLE** (*65 or over*) and your gross income is \$9,300 or more.
- (c) **HEAD OF HOUSEHOLD** (*under 65*) and your gross income is \$12,100 or more.
- (d) **HEAD OF HOUSEHOLD** (*65 or over*) and your gross income is \$13,000 or more.
- (e) **MARRIED FILING JOINT** (*both under 65*) and your gross income is \$15,500 or more.
- (f) **MARRIED FILING JOINT** (*one 65 or over*) and your gross income is \$15,600 or more.
- (g) **MARRIED FILING JOINT** (*both 65 or over*) and your gross income is \$16,200 or more.
- (h) **QUALIFYING WIDOW(ER)** (*under 65*) and your gross income is \$15,500 or more.
- (i) **QUALIFYING WIDOW(ER)** (*65 or over*) and your gross income is \$16,000 or more.
- (j) **MARRIED FILING SEPARATELY** (*any age*) and your gross income is \$3,999 or more.

#### 2. THE EXECUTOR OR ADMINISTRATOR OF THE ESTATE OF SOMEONE WHO DIED IN 2006 must file a tax return for that person if any of the conditions listed below apply between January 1st and the time of death:

- (a) The person was **SINGLE** (*under 65*) and earned a gross income of \$7,800 or more.
- (b) The person was **SINGLE** (*65 or over*) and earned a gross income of \$9,300 or more.
- (c) The person was **MARRIED** (*both under 65*) with a combined gross income of \$15,500 or more.
- (d) The person was **MARRIED** (*one under 65*) with a combined gross income of \$15,600 or more.
- (e) The person was **MARRIED** (*both 65 or over*) with a combined gross income of \$16,200 or more.

#### 3. Even if you are not required to file, you must file a tax return to get a refund of Arkansas Income Tax withheld from any payments to you.

### B. WHEN TO FILE YOUR TAX RETURN

You can file your return any time after December 31, 2006, but **NO LATER THAN APRIL 15, 2007**, (*unless an extension has been granted*).

If April 15 falls on a Saturday, Sunday, or legal holiday, the return is considered timely filed if it is postmarked on the next succeeding business day which is not a Saturday, Sunday, or legal holiday.

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

### C. PENALTIES & INTEREST

1. If you owe additional tax, you must mail your tax return by April 15, 2007. Any return not postmarked by April 15, 2007 (unless you have a valid extension) will be considered delinquent. A penalty of one percent (1%) per month for failure to pay and five percent (5%) per month for failure to file, with 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 filed your return.

**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 1% per month of the unpaid balance.

2. 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.
3. If you owe additional tax in excess of \$1,000, a penalty for failure to make a declaration of Estimated Tax and pay on any quarterly due date the equivalent of ninety percent (90%) of the amount actually due, or an amount equal to or greater than the tax liability of the preceding income tax year, a penalty of ten percent (10%) will be assessed.

### D. DEATH OF TAXPAYER OR DEPENDENT

An Arkansas tax return should be filed for a taxpayer who died during the taxable year as if the taxpayer had lived the entire year. The word "DECEASED" should appear after his/her name along with the date of death.

A dependent who died during the year may be claimed as a dependent for the entire year.



## E. DEVELOPMENTALLY DISABLED INDIVIDUAL

If you are claiming the Developmentally Disabled Individual Credit you must file using Form AR1000. You cannot claim the credit using Form AR1000S.

## F. DEFINITIONS

### 1. DOMICILE

This is the place you intend to have as your permanent home, 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 and intend to make your permanent home there. 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.**

### 2. FULL YEAR RESIDENT

You are a FULL YEAR RESIDENT if you lived in Arkansas all of tax year 2006, or if you have maintained a domicile or Home of Record in Arkansas during the tax year.

### 3. DEPENDENT

You may claim as a dependent any person who received over half of his or her support from you, and earned less than \$3,300 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*) that was a member of your household for the **entire** year.

The term "dependent" includes a foster child if the child had as his principle 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 was a citizen or subject of a foreign country UNLESS that person was a resident of Mexico or Canada.

If your child/stepchild was under age 19 at the end of the year, the \$3,300 gross income limitation does not apply. Your child/stepchild may have had any amount of income and still be your dependent if the other dependency requirements are met.

If your child/stepchild was a student, under age 24 at the end of the calendar year, the \$3,300 gross income limitation does not apply. The other requirements in this section still must be met.

To qualify as a student, your child 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.

For death of a dependent during the tax year, refer to Section D.

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

### 4. GROSS INCOME

Gross income means any and all income (*before deductions*) that you received except the kinds of income specifically described in Section G, items 1 through 9.

**NOTE: If any part of your income is listed in Section G, you may not use this form; you must file on Form AR1000/AR1000NR.**

## G. INCOME EXEMPT FROM TAX

1. Money you received from a life insurance policy because of 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 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.
4. You do not pay taxes on a gift, inheritance, bequest or devise. **Scholarships, grants, and fellowships are taxed pursuant to Internal Revenue Code §117.** Stipends are taxable in their entirety.
5. 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 due on tax refunds is not exempt income because it does 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.
6. Social Security benefits, VA benefits, Worker's Compensation, Unemployment Compensation, Railroad Retirement benefits, and related supplemental benefits are exempt from tax.
7. Proceeds from a disability insurance policy for which you paid the premiums are exempt from tax pursuant to Internal Revenue Code §104.
8. If you received U.S. military compensation, a portion of your gross income is exempt from tax.
9. If you received income from an employment related retirement plan, including disability retirement (*premiums paid by your employer*), or if you received a qualified IRA distribution, the first \$6,000, after cost recovery, is exempt from tax. The total exemption from all plans cannot exceed \$6,000 per taxpayer.

## H. IF YOU NEED MORE TIME TO FILE

A taxpayer who requests an extension of time to file his or her federal income tax return (by filing Federal Form 4868 with the IRS) shall be entitled to receive the same extension on the taxpayer's corresponding Arkansas income tax return. In order to take advantage of the federal extension for state purposes, the taxpayer must check the box on the front of the Arkansas return indicating that the federal extension has been filed.

**The Department no longer requires that a copy of Federal Form 4868 be attached to the taxpayer's state tax return as long as the box is checked on the front of the return.**

The federal automatic extension extends the deadline to file until October 15<sup>th</sup>.

**NOTE:** *If the box on the front of the AR1000S is not checked, you will not receive credit for your federal extension.*

If you do not file a Federal Extension, you may file an Arkansas extension using Form AR1055 before the filing due date of April 15<sup>th</sup>.

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 on an AR1055 is one hundred and twenty (120) days extending the due date until August 15<sup>th</sup>.*

Interest and Failure To Pay Penalty will be due if any tax due is not paid by April 15, 2007.

The date of the postmark stamped by the U.S. Postal Service is the date you filed request for extension.

Attach a copy of your approved Form AR1055 to the front 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. **Inability to pay is not a valid reason to request an extension.**

## I. HOW TO COMPLETE YOUR ARKANSAS RETURN

STAPLE all required W-2 Form(s) to your return. **Use only BLUE or BLACK ink, or type.**

If you received your income tax booklet through the mail and there is a colored peel off label inside, use the label only if all the information on it is correct. If it is not correct or you do not have a label, enter the name and address of you and your spouse. **You MUST enter your Social Security Number(s) on your return in the space provided, or your return cannot be processed and will be returned to you.** Enter the telephone number for your home and your work.

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

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

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

## 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 section 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 filing jointly. If you are filing a joint return, you must add both spouses' incomes together. Enter the total amount in "Column A" on Line 8 through Line 11 under "Your Income."

#### BOX 3 Filing Status 3 (Head of Household)

To claim Head of Household you must have been unmarried or legally separated on December 31, 2006 and meet either 1 or 2 below.

1. You paid over half the cost of keeping up 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 2006, you may be considered unmarried and can file as Head of Household. See Internal Revenue Service instructions for Head of Household to determine if you qualify.

## MARRIED COUPLES READING THIS MAY SAVE MONEY

If you and your spouse have separate incomes, you may want to calculate your taxes separately. Couples OFTEN SAVE MONEY by filing this way.

See the instructions for BOX 4, Filing Status 4. Your net result will be either a COMBINED REFUND or a COMBINED TAX DUE.

### BOX 4 Filing Status 4 (Married Filing Separately on Same Return)

Check this box if you were Married and are filing SEPARATELY ON THE SAME TAX RETURN. List your income separately under Column (A) (Your Income). List spouse's income separately under Column (B) (Spouse's Income). Calculate your tax separately and then add your taxes together.

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

You cannot use the AR1000S form for filing status 5 (*married filing separately on different returns*). Use Form AR1000/AR1000NR for this filing status.

### 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 2004 or 2005 **and** you meet the following tests:

1. You were entitled to file MARRIED FILING JOINT 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 using one of these statuses.*)
2. You did not remarry before the end of the tax year.
3. You have 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 up your home, which was the main home of that child for the entire year except for temporary absences.

## PERSONAL TAX CREDITS

### THE PERSONAL TAX CREDITS INCREASED FROM \$21 TO \$22 FOR TAX YEARS BEGINNING JANUARY 1, 2006.

**LINE 7A.** You can claim additional Personal Tax Credits if you can answer "Yes" to any of these questions:

- On January 1, 2007, were you 65 or older?
- On December 31, 2006, were you deaf?
- On December 31, 2006, were you blind?

Any taxpayer sixty-five (65) or over not claiming a retirement income exemption is eligible for an additional \$22 (*per taxpayer*) tax credit. Check the box marked "65 Special" if this additional credit applies to you.

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 the inability to tell light from darkness, or eyesight in the better eye not exceeding 20/200 with corrective lens, or 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.

Add the number of boxes you checked on Line 7A and write the total in the appropriate box. Multiply the number by \$22 and enter result.

**LINE 7B.** List the names of your dependent(s) on this line. The people you can claim as dependents are described in SECTION F, number 3, of these instructions.

Multiply the number of dependents on Line 7B by \$22 and enter result.

**LINE 7C.** Total the tax credits from Lines 7A and 7B. and enter the total on this line and on Line 16.

## INCOME

Round all figures to the nearest dollar amount. For example, if your W-2 shows \$10,897.50, round to \$10,898. If the amount on the W-2 is \$10,897.49, round to \$10,897.

**LINE 8.** Add the wages, salaries, tips, etc. listed on your W-2(s) and write the total on this line. **Staple the state copy of each of your W-2(s) to the front left margin of the return.**

**LINE 9.** List interest and dividend income. If you had interest from bank deposits, notes, mortgages, corporation bonds, savings and loan association deposits, and/or credit union deposits, enter all interest received or credited to your account during the year. If the interest total is over \$1,500, complete the schedule on the back of AR1000S. List the name(s) of the payer(s) and the amount(s).

Enter amounts received as dividends and other distributions from stocks in any corporation. If the total is over \$1,500, complete the schedule on the back of AR1000S. List the name of the payer(s) and the amount(s).

**LINE 10.** If you had miscellaneous income, enter the total in the space provided. Attach a statement explaining the source and amount of the income. Examples of income to be reported on this line are: prizes, awards, TV and radio contest winnings (*cash or merchandise*) and gambling winnings. You must report reimbursement of medical expenses from a previous year if you itemized deductions

and it reduced your tax. Include amounts you recovered on bad debts that you deducted in an earlier year. If the miscellaneous income requires the use of a federal schedule, you must file on Form AR1000/AR1000NR.

**LINE 11.** Add Lines 8 through 10 and enter the total.

## TAX COMPUTATION

### LINE 12. SELECT TAX TABLE

#### LOW INCOME TABLE

If your adjusted gross income from all sources falls within the limits listed below, you qualify for the Low Income Table.

\$ 0 - \$11,400-	Filing Status 1 - ( <i>Single</i> )
\$ 0 - \$16,200-	Filing Status 2 - ( <i>Married Filing Joint</i> ) or Filing Status 3 - ( <i>Head of Household</i> ) Filing Status 6 - ( <i>Qualifying Widow(er) with dependent child</i> )

Taxpayers filing Status 4 or 5 **MAY NOT** use the Low Income Table.

**NOTE:** If you qualify for the Low Income Table, enter zero (0) on Line 12, Column (A), then go to Line 13.

#### IF YOU DO NOT QUALIFY FOR THE LOW INCOME TABLE:

Enter your Standard Deduction as shown below:

<b>Single -</b>	<b>\$2,000</b> (or amount of Total Income on Line 11 if less than \$2,000.)
<b>Married Filing Joint -</b>	<b>\$4,000</b> (or amount of Total Income on Line 11 if less than \$4,000.)
<b>Head of Household -</b>	<b>\$2,000</b> (or amount of Total Income on Line 11 if less than \$2,000.)
<b>Married Filing Separately -</b>	<b>\$2,000</b> (each or amount of Total Income on the Same Return on Line 11 if less than \$2,000.)
<b>Qualifying Widow(er) -</b>	<b>\$2,000</b> (or amount of Total Income on Line 11 if less than \$2,000.)

**NOTE:** The \$2,000 Standard Deduction does not apply to taxpayer's dependents.

**LINE 13.** Subtract Line 12 from Line 11 to determine your Taxable Income.

**LINE 14.** IF YOU QUALIFY FOR THE LOW INCOME TAX TABLE, find the amount of your taxable income on that table, under the column that describes your filing status. Locate the tax on your income and enter here.

IF YOU DO NOT QUALIFY FOR THE LOW INCOME TAX TABLE, find the amount of your taxable income on the Regular Tax Table. Locate the tax and enter on Line 14(A) if Filing Status 1, 2, 3, or 6. Use Lines 14(A) and 14(B) if Filing Status 4, Married Filing Separately on the Same Return.

**LINE 15.** Add Lines 14(A) and 14(B) together and enter the total.

## TAX CREDITS

**LINE 16.** Enter the total personal tax credits from Line 7C.

**LINE 17.** The Child Care Credit allowed on the Arkansas return is **TWENTY PERCENT (.20)** of the amount taken on your federal return. A copy of "Credit for Child and Dependent Care Expenses," Federal Form 2441, or a copy of your 1040A, Schedule 2, must be attached to your Arkansas return. If this credit is for the **APPROVED** Early Childhood Credit, see instructions for Line 21.

**LINE 18.** Add Lines 16 and 17 and enter the total.

**LINE 19.** Subtract Line 18 from Line 15. This is your **Net Tax**. If Line 18 is greater than Line 15 enter zero (0).

## PAYMENTS

**LINE 20.** Arkansas State Income Tax withheld is listed on your W-2(s). (You have already paid this amount of tax during the year.) Write the total in the space provided. **Attach State copy(s) of your W-2(s).**

If you and your spouse are filing on the same return, add the Arkansas State Income Tax withheld on all W-2s and enter combined total in the space provided. **Attach State copy(s) of your W-2(s).**

#### WHAT TO DO IF YOU DO NOT HAVE A W-2(S)

If you did not receive (*or lost*) your W-2(s), **ask your employer(s)** for copies. If you have made a reasonable effort to get your W-2(s) and you still do not have one, complete Federal Form 4852. Attach it to your Arkansas return with a copy of your payroll stub or other documentation to support your figures.

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

**DO NOT include FICA, Federal Income Tax, or tax paid to another state on Line 20.**

If your W-2 is incorrect, **DO NOT** correct it yourself. Your employer must issue you a corrected W-2.



**LINE 21.** Enter approved Early Childhood Credit equal to twenty percent (.20) of the Federal Child Care Credit (for individuals with a dependent child placed in an approved facility while the parent or guardian worked or sought gainful employment.) An approved child care facility is one 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 or 1040A, Schedule 2, and Certification Form AR1000EC. **Contact your child care facility for Form AR1000EC.**

**LINE 22.** Add Lines 20 and 21 and enter the total. This is your **Total Payments.**

## FIGURE YOUR TAX DUE OR TAX REFUND

**LINE 23.** If Line 22 is greater than Line 19 of the AR1000S you overpaid your tax. Write the difference on this line. This is your **Overpayment.**

**LINE 24.** If you wish to contribute a portion or all of your overpayment to the Arkansas Disaster Relief Program, the U.S. Olympic Fund, the Arkansas Schools for the Blind/Deaf, the Baby Sharon's Children's Catastrophic Illness Program, the Organ Donor's Awareness Education Program, the Area Agencies on Aging Program, or the Military Family Relief Program, complete Schedule AR1000-CO and enter the total donation on this line. **Attach Schedule AR1000-CO to your return; otherwise the overpayment will be refunded to you.**

THE AMOUNT ENTERED ON LINE 24 WILL BE DEDUCTED FROM THE AMOUNT OF OVERPAYMENT LISTED ON LINE 23. Your net refund (if any) after this contribution will be mailed to you. The amount(s) contributed to these funds may be deducted as a charitable contribution if you itemize your deductions for tax year 2007.

**LINE 25.** Subtract Line 24 from Line 23 and enter on this line. This is your **Refund.** If your refund is less than one dollar (\$1), you must write a letter requesting the 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).**

### SETOFF REFUNDS

If you, your spouse, or former spouse owes a debt to the Department of Finance and Administration, state supported colleges, universities, and technical institutes, Child Support, the Department of Human Services, the Department of Higher Education, Arkansas circuit, county, district, or city courts, the Employee Benefits Division of the Department of Finance and Administration, any housing authority, or the Office of Personnel Management of the Department of Finance and Administration and you have filed an Arkansas State Income Tax return, your refund is subject to being withheld to satisfy the debt. You may have all or part of your Income Tax Refund withheld.

If your refund has been applied to a debt to one of these agencies, you will receive a letter reporting which agency has claimed all or part of your refund. If the debt has already been satisfied, it is the agency's responsibility to refund any setoff amount paid to the agency in error. Contact the agency at the telephone number furnished to you on your "Adjustment Letter" to resolve any questions or differences.

**If you owe a debt for Arkansas income tax, your federal refund may be captured to satisfy this state 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 26.** If not enough tax was withheld, the amount on Line 19 will be larger than the amount on Line 22. Subtract Line 22 from Line 19 and enter the result. This is the **Amount You Owe.** If Line 26 is less than one dollar (\$1), you do not have to pay it.

Attach a check or money order to your return. Make your check payable to: Department of Finance and Administration. **Write your Social Security Number, daytime phone number, and tax year on your check or money order. Do not send currency or coin by mail.** Taxpayers may also pay their tax due by credit card. Credit card payments may be made by telephone, by calling **1-800-2PAY-TAX<sup>SM</sup>** (1-800-272-9829), or over the Internet by visiting **[www.officialpayments.com](http://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.

OFFICIAL PAYMENTS CORP.



Cards



There is a penalty for not paying enough tax during the year. You may have to pay a penalty if:

The amount you owe (Line 26) is \$1,000, or more, and

The amount of Arkansas income tax withheld (Line 20) is less than ninety percent (90%) of the amount of your net tax (Line 19).

You may choose to have income tax personnel calculate the penalty for you and send you a bill. However, if you want to calculate the penalty yourself, you cannot use the Short Form. You must use Form AR1000 and Form AR2210

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**DO NOT FORGET TO SIGN AND DATE YOUR TAX RETURN**

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 return or filing separately on the same return, both of you must sign it. If someone prepares your return, that person must complete the Preparer Information section on the bottom of the form.

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**IN CASE 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 thirty (30) days from the receipt of the notice and demand for payment by the Internal Revenue Service.

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

If you fail to notify this Department within thirty (30) 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 figured on any tax you owe the State of Arkansas.

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