

Income/Franchise:

Arkansas: Utilization of Credits Treated Similarly to NOLs on State Returns Filed After Federal Adjustments

Case No. 23-TAC-02064, Ark. Tax App. Comm. (5/23/24). The Arkansas Tax Appeals Commission (Commission) ruled in favor of an Arkansas consolidated corporate income taxpayer that submitted a revised state return for its 2015 tax year reflecting changes in its net operating loss (NOL) and credit utilization from an amended state return for its 2014 tax year that had been filed pursuant to federal tax adjustments made by the Internal Revenue Service on its 2014 federal return – where the taxpayer understood that while the statute of limitations was closed for the 2015 tax year, its submission of the 2015 return was for purposes of supporting and supplementing its filed amended Arkansas corporate income tax returns for tax years 2016 and 2017. Specifically at issue in the ruling was whether the taxpayer’s Arkansas corporate income tax liability for the open 2016 and 2017 tax years is determined using the credit utilization as originally filed versus using the corrected credits utilization information “after taking into account the 2014 amendment and downstream effects.” Noting that Arkansas administrative rules provide for calculation of an NOL deduction by accommodating corrected calculations from an otherwise closed year, the Commission held that “while there is no rule similarly on point, the same principles should apply to redetermining credit utilization in closed years for purposes of determining the correct amount of tax in the open year.” In doing so, the Commission reasoned that while tax credits are not NOLs, “it is more consistent to treat year-to-year credits utilization adjustments as subject to redetermination, similar to net operating losses, than to treat them as set in stone.” Please contact us with any questions.

URL: <https://ig.arkansas.gov/tax-appeals-commission/ig-decisions-search/>

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