

**SUMMARY**

Act 1982 of 2005 was enacted to authorize the withholding of Arkansas income tax by pass-through entities on income distributed to their members located outside of Arkansas. S-corporations, limited liability companies, partnerships and trusts are generally considered to be “pass-through” entities. Act 1982 was enacted because many non-residents receiving Arkansas income from pass-through entities are not reporting or paying tax on the income to the State of Arkansas. Act 1982 applies to tax years beginning on or after January 1, 2006. Regulation 2006-3, along with several new withholding forms, has been drafted to implement the withholding in a proper and timely manner.