

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 87th General Assembly
3 Regular Session, 2009
4

A Bill

DRAFT LMG/YTC
HOUSE BILL

By:

For An Act To Be Entitled

9 AN ACT TO INCREMENTALLY INCREASE THE AMOUNT OF
10 THE RETIREMENT OR DISABILITY BENEFITS INCOME TAX
11 EXEMPTION FOR FEDERAL ANNUITANTS AND SURVIVORS
12 UNTIL THERE IS NO INCOME TAX DUE; AND FOR OTHER
13 PURPOSES.

Subtitle

16 AN ACT TO INCREMENTALLY INCREASE THE
17 AMOUNT OF THE RETIREMENT OR DISABILITY
18 BENEFITS INCOME TAX EXEMPTION FOR
19 FEDERAL ANNUITANTS AND SURVIVORS UNTIL
20 THERE IS NO INCOME TAX DUE.

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

25 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

26 26-51-307. Retirement or disability benefits.

27 (a)(1) The first six thousand dollars (\$6,000) of benefits received by
28 any resident of this state from an individual retirement account or the first
29 six thousand dollars (\$6,000) of retirement benefits received by any resident
30 of this state from public or private employment-related retirement systems,
31 plans, or programs, regardless of the method of funding for these systems,
32 plans, or programs, ~~shall be~~ is exempt from the state income tax.

33 (2)(A) Only individual retirement account benefits received by
34 an individual retirement account participant after reaching ~~the age of~~ fifty-
35 nine and one-half (59½) of age years qualify for the exemption.

36 (B) The only other distributions or withdrawals from an

DRAFT

10-27-2008 14:44 LMG055

1 individual retirement account that qualify for the exemption before the
 2 individual retirement account participant reaches ~~the age of~~ fifty-nine and
 3 one-half (59½) years of age are those distributions or withdrawals made on
 4 account of the individual retirement account participant's death or
 5 disability.

6 (C) All other premature distributions or early withdrawals
 7 including, ~~but not limited to,~~ without limitation those taken for medical-
 8 related expenses, higher education expenses, or a first-time home purchase do
 9 not qualify for the exemption.

10 (3) The exemption provided for in subdivision (a)(1) this
 11 section shall be adjusted annually for a federal annuitant or the federal
 12 annuitant's survivor under subsection (e) of this section.

13 (b)(1)(A) Except as provided in subdivision (b)(2) of this section,
 14 the exemption provided ~~for~~ in subsection (a) of this section for benefits
 15 received from an individual retirement account or from a public or private
 16 employment-related retirement system, plan, or program ~~shall be~~ is the only
 17 exemption from the state income tax allowed for benefits received from an
 18 individual retirement account or from any publicly or privately supported
 19 employment-related retirement system, plan, or program, excepting only
 20 benefits received under systems, plans, or programs which are by federal law
 21 exempt from the state income tax.

22 (B) ~~No taxpayer shall~~ A taxpayer shall not receive an
 23 exemption greater than ~~six thousand dollars (\$6,000)~~ the amount allowed in
 24 this section for the applicable tax year during any tax year under the
 25 ~~provisions of~~ this section.

26 (2) ~~The provisions of this~~ This section shall does not apply to
 27 retirement or disability benefits received under a plan, system, or fund
 28 described in § 26-51-404(b)(6).

29 (c)(1) ~~Section 72 of the Internal Revenue Code of 1986~~ 26 U.S.C. § 72,
 30 as in effect on January 1, 2007, ~~shall provide~~ is the sole method by which a
 31 recipient of benefits from an individual retirement account or from public or
 32 private employment-related retirement systems, plans, or programs may deduct
 33 or recover his or her cost of contribution to the ~~plan~~ individual retirement
 34 account or public or private employment-related retirement system, plan, or
 35 program when computing his or her income for state income tax purposes.

36 (2) A taxpayer ~~shall not be~~ is not allowed to deduct or recover

1 any portion of the taxpayer's cost of contribution to the ~~plan~~ individual
2 retirement account or public or private employment-related retirement system,
3 plan, or program that the taxpayer:

4 (A) Has ~~one~~ previously deducted or recovered; or

5 (B) Would have been allowed to deduct or recover under any
6 provision of law or court decision.

7 (d)(1) An individual who is sixty-five (65) years of age or older and
8 who does not claim an exemption under subsection (a) of this section shall be
9 entitled to an additional state income tax credit of twenty dollars (\$20.00).

10 (2) This credit is in addition to all other credits allowed by
11 law.

12 (e)(1) The income tax exemption in subdivision (a)(1) of this section
13 is increased by twenty percent (20%) year for a federal annuitant or the
14 federal annuitant's survivor until there is no income tax due from the
15 federal annuitant or federal annuitant's survivor.

16 (2) To calculate the amount of a subsequent exemption income tax
17 under this subsection (e), the income tax exemption amount is rounded to the
18 nearest one-hundred-dollar amount after the twenty percent (20%) increase in
19 subdivision (e)(1) of this section.

20
21 SECTION 2. Effective Date. This act is effective for tax years
22 beginning on or after January 1, 2010.