

"AN ACT TO AMEND SECTION 8(1) OF ACT 118 OF 1929, AS AMENDED [ARK. STAT. 84-2008(1)] TO INCLUDE ANNUITIES IN THE DEFINITION OF 'GROSS INCOME': TO AMEND SECTION 2 OF ACT 202 OF 1959, AS AMENDED [ARK. STAT. 84-2049] TO PROVIDE FOR PENALTIES FOR PREMATURE WITHDRAWAL FROM ALL ANNUITIES; AND FOR OTHER PURPOSES."

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

SECTION 1. Subsection (1) of Section 8 of Act 118 of 1929, as amended, the same being Ark. Stat. Ann. 84-2008(1), is hereby amended to read as follows:

"(1) 'Gross income' defined--Exempt Items. The words 'gross income' include gains, profits and income derived from salaries, wages or compensation for personal service, of whatever kind and in whatever form paid, or from professions, vocations, trades, business, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership of, use of or interest in such property; also from interest, rent, royalties, dividends, annuities, securities, or the transaction of any business carried on for gain or profit or gains or profits and income derived from any source whatever; also, any payments of alimony and separate maintenance received pursuant to a court order. The amount of all such items shall be included in the gross income of the taxable year in which received by the taxpayer; provided, that when property is sold upon what is known as the installment plan, the income may be included for taxation in that portion of any installment payment representing gain or profit in the year in which payment is received, unless under the methods of accounting permitted under this Act, any such amounts are to be properly accounted for as of a different period. Any recovery of an amount which was deducted from gross income in a prior year must be treated as taxable income in the year recovered to the extent that the deduction resulted in a reduction in income tax liability."

SECTION 2. Section 2 of Act 202 of 1959, as amended, the same being Ark. Stat. Ann. 84-2049, is hereby amended to read as follows:

"Section 2. Sections 72, 219, and 401 through 416 (26 U.S.C. 72, 219, and 401 through 416) inclusive, of the Internal Revenue Code of 1986, in effect on January 1, 1987, are hereby adopted in computing the income tax liabilities, under the provisions of the Income Tax Act of 1929, as amended, for all participants in deferred compensation plans qualifying as such under these provisions, except Arkansas capital gains treatment and Arkansas tax rates shall apply. Any additional tax or penalty imposed by this Section shall be ten percent (10%) of the amount of any additional tax or penalty provided in the federal income tax law adopted by this Section."

SECTION 3. All laws and parts of laws in conflict herewith are repealed.

SECTION 4. It is hereby found and determined by the General Assembly of the State of Arkansas that the federal government has recently made major changes in the federal income tax law; that for simplicity of administration and equity various provisions of the federal law should be adopted for the Arkansas Income Tax purposes; and that for the effective administration of this Act, the Act should become effective immediately. Therefore an emergency is hereby declared to exist and this Act being immediately necessary for the

preservation of the public peace, health and safety shall be in full force and effect from and after its passage and approval.

APPROVED: June 26, 1987

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