

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999
4

As Engrossed: S3/4/99 H3/9/99

A Bill

Act 817 of 1999
SENATE BILL 485

5 By: Senators Hill, *Hunter, Argue*
6 By: *Representative Teague*
7

For An Act To Be Entitled

10 "AN ACT TO EXEMPT FROM STATE INCOME TAX UP TO SIX
11 THOUSAND DOLLARS (\$6,000) PER YEAR OF BENEFITS
12 RECEIVED FROM AN INDIVIDUAL RETIREMENT ACCOUNT
13 ('IRA'); AND FOR OTHER PURPOSES."

Subtitle

15 "EXEMPTS FIRST SIX THOUSAND DOLLARS
16 (\$6,000) OF IRA DISTRIBUTION FROM INCOME
17 TAX."
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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

24 "26-51-307. Retirement or disability benefits.

25 (a) (1) The first six thousand dollars (\$6,000) of ~~retirement or~~
26 ~~disability~~ benefits received ~~after December 31, 1988,~~ by any resident of this
27 state from an individual retirement account ('IRA') or the first six thousand
28 dollars (\$6,000) of retirement or disability benefits received by any resident
29 of this state from public or private employment-related retirement systems,
30 plans, or programs, regardless of the method of funding for such systems,
31 plans, or programs, shall be exempt from the state income tax.

32 (2) Only IRA benefits received by an IRA participant after
33 reaching the age of fifty-nine and one-half (59½) years qualify for the
34 exemption. The only other distributions or withdrawals from an IRA that
35 qualify for the exemption before the IRA participant reaches the age of fifty-
36 nine and one-half (59½) years are those made on account of the participant's

1 death or disability. All other premature distributions or early withdrawals
2 including, but not limited to, those taken for medical related expenses,
3 higher education expenses, or a first-time home purchase, do not qualify for
4 the exemption.

5 (b)(1) Except as provided in subdivision ~~(3)~~ (2) of this subsection,
6 the exemption provided for in subsection (a) of this section for benefits
7 received from an individual retirement account ('IRA') or from a public or
8 private employment-related retirement or disability system, plan, or program
9 shall be the only exemption from state income taxes allowed for retirement or
10 disability benefits received from an individual retirement account ('IRA') or
11 from any publicly or privately supported employment-related retirement system,
12 plan, or program, excepting only benefits received under systems, plans, or
13 programs which are by federal law exempt from state income taxes. No taxpayer
14 shall receive an exemption greater than six-thousand dollars (\$6,000) during
15 any tax year under the provisions of this section.

16 ~~(2) Any resident of this state who prior to January 1, 1989,~~
17 ~~received both military retirement or disability pay and other retirement or~~
18 ~~disability benefits shall be entitled to claim only one (1) six thousand~~
19 ~~dollar deduction beginning with tax year 1989.~~

20 ~~(3)~~ (2) The provisions of this section shall not apply to
21 retirement or disability benefits received under a plan, system, or fund
22 described in § 26-51-404(b)(7).

23 (c) No recipient of ~~retirement or disability~~ benefits from an
24 individual retirement account ('IRA') or from public or private employment-
25 related retirement systems, plans, or programs shall be allowed to deduct or
26 recover his cost of contribution in the plan when computing his income for
27 state income tax purposes.

28 (d) An individual who is sixty-five (65) years of age or older and who
29 does not claim an exemption under subsection (a) of this section shall be
30 entitled to an additional state income tax credit of twenty dollars (\$20.00).
31 This credit is in addition to all other credits allowed by law."
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33 SECTION 2. The provisions of this act shall be effective for tax years
34 beginning on or after January 1, 2000.

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36 SECTION 3. All provisions of this act of a general and permanent nature

1 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
2 Revision Commission shall incorporate the same in the Code.

3
4 SECTION 4. If any provision of this act or the application thereof to
5 any person or circumstance is held invalid, such invalidity shall not affect
6 other provisions or applications of the act which can be given effect without
7 the invalid provision or application, and to this end the provisions of this
8 act are declared to be severable.

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10 SECTION 5. All laws and parts of laws in conflict with this act are
11 hereby repealed.

12 */s/ Hill, et al*

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15 APPROVED: 3/23/1999
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