

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.

Act 189 of the Regular Session

1 State of Arkansas  
2 85th General Assembly  
3 Regular Session, 2005  
4

As Engrossed: H1/26/05

A Bill

HOUSE BILL 1217

5 By: Representative Borhauer  
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8 **For An Act To Be Entitled**

9 AN ACT TO CLARIFY THAT COST RECOVERY FOR  
10 ANNUITANTS IS ALLOWED UNDER THE INCOME TAX ACT OF  
11 1929; AND FOR OTHER PURPOSES.  
12

13 **Subtitle**

14 TO CLARIFY THAT COST RECOVERY FOR  
15 ANNUITANTS IS ALLOWED UNDER THE INCOME  
16 TAX ACT OF 1929.  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. The purpose of this act is to clarify current law regarding  
22 cost recovery for annuitants under the Income Tax Act of 1929, Arkansas Code  
23 § 26-51-101 et seq.  
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25 SECTION 2. Arkansas Code § 26-51-404(b)(24), regarding the computation  
26 of gross income under the Income Tax Act of 1929, § 26-51-101 et seq., is  
27 amended to read as follows:

28 (24)(A) ~~Sections 72(a), (b), and (c)~~ Section 72 of the Internal  
29 Revenue Code of 1986, as in effect on January 1, ~~2001~~ 2005, relating to the  
30 exclusion from gross income of certain proceeds received under ~~nonemployment-~~  
31 ~~related~~ life insurance, endowment, and annuity contracts, is hereby adopted  
32 for the purpose of computing Arkansas income tax liability.

33 (B) *Annuity income received through an employment-related*  
34 *retirement plan shall not be subject to the provisions of § 26-51-404(b).*  
35 *The income shall instead be subject to the retirement income provisions of §*



1 26-51-307.

2 SECTION 3. Arkansas Code § 26-51-307(c), regarding the taxation of  
3 retirement or disability benefits under the Income Tax Act of 1929, § 26-51-  
4 101 et seq., is amended as follows:

5 (c)(1) Section 72 of the Internal Revenue Code of 1986, as in effect  
6 on January 1, 2005, shall provide the sole method by which a ~~No~~ recipient of  
7 benefits from an individual retirement account or from public or private  
8 employment-related retirement systems, plans, or programs ~~shall be allowed to~~  
9 may deduct or recover his or her cost of contribution in the plan when  
10 computing his or her income for state income tax purposes.

11 (2) A taxpayer shall not be allowed to deduct or recover any  
12 portion of the taxpayer's cost of contribution that the taxpayer:

13 (A) Has once deducted or recovered; or

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

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17 /s/ Borhauer

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APPROVED: 2/17/2005

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