

State of Arkansas
87th General Assembly
Regular Session, 2009

A Bill

HOUSE BILL 1164

By: Representative Stewart

For An Act To Be Entitled

AN ACT TO INCREASE THE AMOUNT OF THE RETIREMENT
OR DISABILITY BENEFITS INCOME TAX EXEMPTION; AND
FOR OTHER PURPOSES.

Subtitle

AN ACT TO INCREASE THE AMOUNT OF THE
RETIREMENT OR DISABILITY BENEFITS INCOME
TAX EXEMPTION.

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

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

26-51-307. Retirement or disability benefits.

(a)(1) The first ~~six thousand dollars (\$6,000)~~ ten thousand dollars (\$10,000) of benefits received by any resident of this state from an individual retirement account or the first ~~six thousand dollars (\$6,000)~~ ten thousand dollars (\$10,000) of retirement benefits received by any resident of this state from public or private employment-related retirement systems, plans, or programs, regardless of the method of funding for these systems, plans, or programs, shall be exempt from the state income tax.

(2)(A) Only individual retirement account benefits received by an individual retirement account participant after reaching the age of fifty-nine and one-half (59 1/2) years qualify for the exemption.

(B) The only other distributions or withdrawals from an individual retirement account that qualify for the exemption before the individual retirement account participant reaches the age of fifty-nine and one-half (59 1/2) years are those made on account of the participant's death



1 or disability.

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

6 (3) The exemption provided for in subdivision (a)(1) of this
7 section shall be adjusted annually according to subsection (e) of this
8 section.

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

18 (B) No taxpayer shall receive an exemption greater than
19 ~~six thousand dollars (\$6,000)~~ the amount allowed in this section for the
20 applicable tax year during any tax year under the provisions of this section.

21 (2) The provisions of this section shall not apply to retirement
22 or disability benefits received under a plan, system, or fund described in
23 § 26-51-404(b)(6).

24 (c)(1) Section 72 of the Internal Revenue Code of 1986, as in effect
25 on January 1, 2007, shall provide the sole method by which a recipient of
26 benefits from an individual retirement account or from public or private
27 employment-related retirement systems, plans, or programs may deduct or
28 recover his or her cost of contribution to the plan when computing his or her
29 income for state income tax purposes.

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

32 (A) Has once deducted or recovered; or

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

35 (d)(1) An individual who is sixty-five (65) years of age or older and
36 who does not claim an exemption under subsection (a) of this section shall be

1 entitled to an additional state income tax credit of twenty dollars (\$20.00).

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

4 (e) For taxable years beginning on or after January 1, 2011, the Chief
5 Fiscal Officer of the State shall calculate and implement a yearly cost-of-
6 living adjustment, if any, for the exemption in subdivision (a)(1) of this
7 section, rounding to the nearest one hundred dollar (\$100) any subsequent
8 exemption amount calculated.

9 (f) For purposes of subsection (e) of this section, the cost-of-living
10 adjustment to the exemption in subdivision (a)(1) of this section for any
11 taxable year shall be calculated by multiplying the most current adjusted
12 exemption by the Consumer Price Index for All Urban Consumers, published by
13 the United States Department of Labor, as published on or before the last day
14 of the preceding calendar year.

15 (g) The Consumer Price Index for All Urban Consumers for any calendar
16 year is the average of the Consumer Price Index for All Urban Consumers as of
17 the close of the twelve-month period ending on August 31 of that calendar
18 year.

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20 SECTION 2. Effective Date. This act is effective for tax years
21 beginning on or after January 1, 2009.
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