

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 84th General Assembly
3 Regular Session, 2003
4

A Bill

Act 663 of 2003
SENATE BILL 332

5 By: Senators Miller, Wooldridge, Glover
6
7

For An Act To Be Entitled

9 AN ACT TO AMEND ARKANSAS LAW TO ADOPT RECENT
10 CHANGES TO THE INCOME TAX PROVISIONS OF THE
11 FEDERAL INTERNAL REVENUE CODE; AND FOR OTHER
12 PURPOSES.
13

Subtitle

14 INCOME TAX TECHNICAL CORRECTIONS.
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18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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20 SECTION 1. Arkansas Code § 6-84-111, concerning the Arkansas Tax-
21 Deferred Tuition Savings Program, is amended to read as follows:

22 6-84-111. Funds exempt from tax.

23 (a) Except as otherwise indicated in this chapter, interest,
24 dividends, and capital gains from funds invested in the Arkansas Tax-Deferred
25 Tuition Savings Program or a tax-deferred tuition savings program established
26 by another state under 26 U.S.C. § 529 as in effect on January 1, 2003, shall
27 be exempt from Arkansas income taxes.

28 (b) Contributions to a tuition savings account established under this
29 program or a tax-deferred tuition savings program established by another
30 state under 26 U.S.C. §529 as in effect on January 1, 2003, may not be
31 excluded or deducted from the contributor's income for the purpose of
32 calculating Arkansas income tax.

33 (c)(1) Qualified withdrawals from a tuition savings account
34 established under this program or a tax-deferred tuition savings program
35 established by another state under 26 U.S.C. § 529 as in effect on January 1,
36 2003, will be exempt from Arkansas income tax with respect to the designated



1 beneficiary's income.

2 (2)(A) Nonqualified withdrawals from a tuition savings account
 3 established under this program or a tax-deferred tuition savings program
 4 established by another state under 26 U.S.C. § 529 as in effect on January 1,
 5 2003, will be subject to Arkansas income tax.

6 (B) The nonqualified withdrawal will be taxable to the
 7 party, account owner or designated beneficiary, who actually makes the
 8 withdrawal.

9 (d) If an account owner receives a refund of contributions to a
 10 tuition savings account established under this program or a tax-deferred
 11 tuition savings program established by another state under 26 U.S.C. § 529 as
 12 in effect on January 1, 2003, because of either:

13 (1) The death or disability of the designated beneficiary; or

14 (2) A scholarship, or allowance or payment described in 26
 15 U.S.C. § 135 (d)(1)(B) or (C) as in effect on January 1, ~~1999~~ 2003, received
 16 by the designated beneficiary then any earnings on the contribution that are
 17 included in the refund will be subject to Arkansas income tax.

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19 SECTION 2. Arkansas Code § 26-51-404(a), concerning the calculation of
 20 gross income, is amended to add an additional subdivision to read as follows:

21 (4) Section 117 of the Internal Revenue Code of 1986, as in
 22 effect on January 1, 2003, regarding the taxability of scholarships,
 23 fellowships, grants, and stipends, is adopted for the purpose of clarifying
 24 and calculating Arkansas income tax liability.

25

26 SECTION 3. Arkansas Code § 26-51-404(b)(18), concerning the exclusion
 27 from gross income of qualified foster care payments, is amended to read as
 28 follows:

29 (18) Section 131 of the Internal Revenue Code of 1986, as in
 30 effect on January 1, ~~1995~~ 2003, regarding the exclusion from gross income of
 31 amounts received by a foster care provider as qualified foster care payments,
 32 is adopted for the purpose of computing Arkansas income tax liability;

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34 SECTION 4. Arkansas Code § 26-51-404(b)(19), concerning the exclusion
 35 from gross income of certain fringe benefits, is amended to read as follows:

36 (19) Section 132 of the Internal Revenue Code of 1986, as in

1 effect on January 1, ~~1999~~ 2003, regarding the exclusion from income of
2 certain fringe benefits, is adopted for the purpose of computing Arkansas
3 income tax liability;

4
5 SECTION 5. Arkansas Code § 26-51-404(b)(20), concerning the exclusion
6 from gross income of education expenses paid by an employer, is amended to
7 read as follows:

8 (20) Section 127 of the Internal Revenue Code of 1986, as in
9 effect on January 1, ~~1999~~ 2003, regarding the exclusion from gross income for
10 employees whose education expenses were paid by an employer, is adopted for
11 the purpose of computing Arkansas income tax liability;

12
13 SECTION 6. Arkansas Code § 26-51-404(b), concerning exclusions from
14 gross income, is amended to add an additional subdivision to read as follows:

15 (25) Section 137 of the Internal Revenue Code of 1986, as in
16 effect on January 1, 2003, regarding the exclusion from gross income of
17 benefits received under an employer's adoption assistance program, is adopted
18 for the purpose of computing Arkansas income tax liability.

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20 SECTION 7. Arkansas Code § 26-51-409(a), concerning small business
21 corporations, is amended to read as follows:

22 (a) Subchapter S of the Internal Revenue Code of 1986, as in effect on
23 January 1, ~~1999~~ 2003, regarding small business corporations, is hereby
24 adopted for the purpose of computing Arkansas income tax liability.

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26 SECTION 8. Arkansas Code § 26-51-414, concerning the income tax
27 treatment of deferred compensation plans, is amended to add an additional
28 subsection to read as follows:

29 (d) Section 1042 of the Internal Revenue Code of 1986, as in effect on
30 January 1, 2003, regarding the deferral of gain realized on the sale of a
31 corporation's shares of stock to the corporation's employee stock ownership
32 plan (ESOP), is adopted for the purpose of computing Arkansas income tax
33 liability.

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35 SECTION 9. Arkansas Code § 26-51-423(d), concerning the deductibility
36 of interest paid on student loans, is amended to read as follows:

1 (d) Section 221 of the Internal Revenue Code of 1986, as in effect on
 2 January 1, ~~1999~~ 2003, regarding the deduction of interest paid on qualified
 3 education loans, is adopted for the purpose of computing Arkansas income tax
 4 liability.

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 6 SECTION 10. Arkansas Code § 26-51-436(5), concerning the deductibility
 7 of contributions made to a medical savings account, is amended to read as
 8 follows:

9 (5) Section 220 of the Internal Revenue Code of 1986, as in
 10 effect on January 1, ~~2001~~ 2003, regarding the deductibility from income of
 11 contributions made to a medical savings account by the taxpayer or the
 12 taxpayer's employer, is hereby adopted for the purpose of computing Arkansas
 13 income tax liability; and

14
 15 SECTION 11. Arkansas Code § 26-51-445, concerning the credit allowed
 16 for adoption-related expenses, is amended to read as follows:

17 26-51-445. Adoption expenses.

18 Section 23 of the Internal Revenue Code of 1986, 26 U.S.C. § 23, as in
 19 effect on January 1, ~~1999~~ 2003, is adopted for purposes of determining the
 20 allowable credit for adoption-related fees, costs, and expenses paid or
 21 incurred by a taxpayer. The amount of credit allowed against Arkansas income
 22 tax due shall be twenty percent (20%) of the federal credit as calculated
 23 pursuant to 26 U.S.C. § 23.

24
 25 SECTION 12. Arkansas Code § 26-51-501, concerning personal tax
 26 credits, is amended to add an additional subsection to read as follows:

27 (g) Section 151(c)(6) of the Internal Revenue Code of 1986, as in
 28 effect on January 1, 2003, regarding the tax treatment of kidnapped children,
 29 is adopted for the purpose of computing Arkansas income tax liability.

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 31 SECTION 13. Arkansas Code § 26-51-502(b)(1), concerning the credit
 32 allowed for child care services, is amended to read as follows:

33 (b)(1) Section 21 of the Internal Revenue Code of 1986, as amended and
 34 in effect on January 1, ~~1997~~ 2003, is adopted for purposes of determining the
 35 allowable credit under the Arkansas Income Tax Act, as amended, § 26-51-101
 36 et seq., for household and dependent care services necessary for gainful

1 employment.

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3 SECTION 14. This act applies to tax years beginning on and after
4 January 1, 2003.

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APPROVED: 3/26/2003

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