

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 218 of the Regular Session

1 State of Arkansas
2 86th General Assembly
3 Regular Session, 2007
4

A Bill

HOUSE BILL 1484

5 By: Representative Maloch
6
7

For An Act To Be Entitled

9 AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE
10 ARKANSAS INCOME TAX LAWS BY ADOPTING RECENT
11 CHANGES TO THE INTERNAL REVENUE CODE; AND FOR
12 OTHER PURPOSES.
13

Subtitle

14 TO MAKE TECHNICAL CORRECTIONS TO THE
15 ARKANSAS INCOME TAX LAWS BY ADOPTING
16 CURRENT INTERNAL REVENUE CODE
17 PROVISIONS.
18
19
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
22

23 SECTION 1. Arkansas Code § 6-84-102 is amended to read as follows:
24 6-84-102. Purpose.

25 It is the intent and purpose of this chapter to create and establish
26 the Arkansas Tax-Deferred Tuition Savings Program pursuant to 26 U.S.C. § 529
27 as in effect on ~~February 1, 2003~~, January 1, 2007, to be administered by the
28 Section 529 Plan Review Committee through the adoption of rules and
29 regulations for the administration of the program.
30

31 SECTION 2. Arkansas Code § 6-84-103 is amended to read as follows:
32 6-84-103. Definitions.

33 For purposes of this chapter:

34 (1) "Account" means an account established in accordance with
35 this chapter;



1 (2) "Account owner" means the person who, under this chapter or
 2 the rules promulgated by the Section 529 Plan Review Committee, is entitled
 3 to select or change the designated beneficiary of an account, to designate
 4 any person other than the designated beneficiary to whom funds may be paid
 5 from the account, or to receive distributions from the account if no other
 6 person is designated;

7 (3) "Act" means the Arkansas Tax-Deferred Tuition Savings
 8 Program Act;

9 (4)(A) "Arkansas Tax-Deferred Tuition Savings Program Trust" or
 10 "trust" means the trust created under § 6-84-104.

11 (B) Participation in the trust shall be open to Arkansas
 12 residents and nonresidents alike;

13 (5) "Committee" means the Section 529 Plan Review Committee,
 14 provided for in § 6-84-105, which shall oversee the administration of the
 15 Arkansas Tax-Deferred Tuition Savings Program and ensure that the program
 16 complies with the provisions of this chapter and acts in accordance with 26
 17 U.S.C. § 529 as in effect on ~~February 1, 2003~~ January 1, 2007;

18 (6) "Contribution" means:

19 (A) Any payment directly allocated to an account for the
 20 benefit of a designated beneficiary or used to pay administrative fees
 21 associated with an account; and

22 (B) That portion of any rollover amount treated as a
 23 contribution under 26 U.S.C. § 529 as in effect on ~~February 1, 2003~~ January
 24 1, 2007;

25 (7) "Contributor" means any person making a contribution to an
 26 account;

27 (8) "Designated beneficiary" means, except as provided in § 6-
 28 84-108, the individual designated at the time the account is opened as having
 29 the right to receive a qualified withdrawal for the payment of qualified
 30 higher education expenses or, if the designated beneficiary is replaced in
 31 accordance with § 6-84-108, the replacement;

32 (9) "Higher education institution" means an eligible education
 33 institution as defined in 26 U.S.C. § 135(c)(3) as in effect on ~~February 1,~~
 34 ~~2003~~ January 1, 2007;

35 (10) "Member of the family" shall have the same meaning as is
 36 contained in 26 U.S.C. § 529(e) as in effect on ~~February 1, 2003~~ January 1,

1 2007;

2 (11) "Nonqualified withdrawal" means a withdrawal from an
 3 account that is not:

4 (A) A qualified withdrawal;

5 (B) A withdrawal made as the result of the death or
 6 disability of the designated beneficiary;

7 (C) A withdrawal made as the result of a scholarship, or
 8 allowance, or payment described in 26 U.S.C. § 135(d)(1)(B) or (C) as in
 9 effect on ~~February 1, 2003~~ January 1, 2007, received by the designated
 10 beneficiary but only to the extent of the amount of the scholarship,
 11 allowance, or payment; or

12 (D) A rollover or change in the designated beneficiary;

13 (12) "Person" means a person as defined in 26 U.S.C. § 529 as in
 14 effect on ~~February 1, 2003~~ January 1, 2007;

15 (13) "Program" means the Arkansas Tax-Deferred Tuition Savings
 16 Program established by this chapter;

17 (14) "Qualified higher education expenses" means tuition and
 18 other permitted expenses as set forth in 26 U.S.C. § 529(e) as in effect on
 19 ~~February 1, 2003~~ January 1, 2007, for the enrollment or attendance of a
 20 designated beneficiary at a higher education institution;

21 (15) "Qualified tuition program" means a qualified tuition
 22 program as defined in 26 U.S.C. § 529(b) as in effect ~~February 1, 2003~~
 23 January 1, 2007;

24 (16) "Qualified withdrawal" means a withdrawal from an account
 25 to pay the qualified higher education expenses of the designated beneficiary
 26 but only if the withdrawal is made in accordance with the requirements of the
 27 program; and

28 (17) "Rollover" means a disbursement or transfer from an account
 29 that is transferred to or deposited within sixty (60) calendar days of the
 30 transfer into an account of the same person for the benefit of the same
 31 designated beneficiary or another person as a designated beneficiary if the
 32 transferee account was created under this chapter or under another qualified
 33 tuition program maintained in accordance with 26 U.S.C. § 529(c) as in effect
 34 on ~~February 1, 2003~~ January 1, 2007.

35

36 SECTION 3. Arkansas Code § 6-84-105 is amended to read as follows:

1 6-84-105. Administration - Authority - Powers.

2 (a) This chapter shall be administered by the Section 529 Plan Review
3 Committee, which shall be composed of:

4 (1) The Director of the Department of Higher Education;

5 (2) The Executive Director of the Arkansas Teacher Retirement
6 System; and

7 (3) The Treasurer of State.

8 (b) The committee shall adopt such rules and regulations as it deems
9 necessary and proper to administer this chapter and to ensure the compliance
10 of the Arkansas Tax-Deferred Tuition Savings Program with 26 U.S.C. § 529 as
11 in effect on ~~February 1, 2003~~ January 1, 2007.

12 (c) The committee shall have the following powers, duties, and
13 functions:

14 (1) To establish, develop, implement, and maintain the program
15 in a manner consistent with the provisions of this chapter and 26 U.S.C. §
16 529 as in effect on ~~February 1, 2003~~ January 1, 2007, to obtain the benefits
17 provided by 26 U.S.C. § 529 for the program, account owners, and designated
18 beneficiaries;

19 (2) To adopt rules and regulations for the general
20 administration of the program;

21 (3) To maintain, invest, and reinvest the funds contributed into
22 the program consistent with the investment restrictions established by the
23 committee and the standard of care described in the prudent investor rule
24 presently codified as ~~§ 24-3-417 [repealed]~~ § 24-2-610; and

25 (4)(A) To make and enter into any and all contracts, agreements,
26 or arrangements and to retain, employ, and contract for the services of
27 financial institutions, depositories, consultants, broker dealers, investment
28 advisors or managers, third-party plan administrators, and research,
29 technical, and other services necessary or desirable for carrying out the
30 purposes of this chapter.

31 (B) Contracts entered into by the committee may be for a
32 term of from one (1) to ten (10) years.

33
34 SECTION 4. Arkansas Code § 6-84-106 is amended to read as follows:

35 6-84-106. Investment direction.

36 Except as permitted in 26 U.S.C. § 529 as in effect on ~~February 1, 2003~~,

1 January 1, 2007, no person shall have the right to direct the investment of
 2 any contributions to or earnings from the Arkansas Tax-Deferred Tuition
 3 Savings Program.

4
 5 SECTION 5. Arkansas Code § 6-84-108(b), concerning transfers of
 6 accounts, is amended to read as follows:

7 (b) At the direction of an account owner, all or a portion of an
 8 account may be transferred to another account of which the designated
 9 beneficiary is a member of the family of the designated beneficiary of the
 10 transferee account if the transferee account was created by this chapter or
 11 under another qualified tuition program maintained in accordance with 26
 12 U.S.C. § 529 as in effect ~~February 1, 2003~~ January 1, 2007.

13
 14 SECTION 6. Arkansas Code § 6-84-109 is amended to read as follows:

15 6-84-109. Account withdrawals.

16 (a) Withdrawal from an account may be made on thirty (30) days'
 17 written notice by the account owner to the Section 529 Plan Review Committee
 18 or on shorter notice as the committee may by regulation provide.

19 (b)(1) An account withdrawal paid to or for the benefit of any person
 20 during any calendar year shall be reported to the person and to the Internal
 21 Revenue Service.

22 (2) The report shall be made at the time required by the rules
 23 of the Internal Revenue Service as in effect on ~~February 1, 2003~~ January 1,
 24 2007, and contain such information as is required by law.

25
 26 SECTION 7. Arkansas Code § 6-84-111 is amended to read as follows:

27 6-84-111. Funds exempt from tax.

28 (a) Except as otherwise indicated in this chapter, interest,
 29 dividends, and capital gains from funds invested in the Arkansas Tax-Deferred
 30 Tuition Savings Program or a tax-deferred tuition savings program established
 31 by another state under 26 U.S.C. § 529 as in effect on January 1, ~~2005~~ 2007,
 32 shall be exempt from Arkansas income taxes.

33 (b)(1) For tax years beginning on or after January 1, 2005,
 34 contributions to a tuition savings account established under this program may
 35 be deducted from the taxpayer's adjusted gross income for the purpose of
 36 calculating Arkansas income tax under § 26-51-403(b).

1 (2) The deductible contributions shall not exceed five thousand
2 dollars (\$5,000) per taxpayer in any tax year.

3 (3) Contributions to this program that have been deducted from
4 the taxpayer's adjusted gross income for prior tax years shall be subject to
5 recapture if the taxpayer:

6 (A) Makes a subsequent nonqualified withdrawal from the
7 account; or

8 (B) Rolls the account over to a tax-deferred tuition
9 savings program established by another state or institution under 26 U.S.C. §
10 529 as in effect on January 1, ~~2005~~ 2007.

11 (4) The contribution shall be recaptured by adding the amount
12 previously deducted, not to exceed the amount of the nonqualified withdrawal
13 or rollover, to the taxpayer's adjusted gross income for the tax year in
14 which the nonqualified withdrawal or rollover occurred.

15 (c)(1) Qualified withdrawals from a tuition savings account
16 established under this program or a tax-deferred tuition savings program
17 established by another state under 26 U.S.C. § 529 as in effect on January 1,
18 ~~2005~~ 2007, will be exempt from Arkansas income tax with respect to the
19 designated beneficiary's income.

20 (2)(A) Nonqualified withdrawals from a tuition savings account
21 established under this program or a tax-deferred tuition savings program
22 established by another state under 26 U.S.C. § 529 as in effect on January 1,
23 ~~2005~~ 2007, will be subject to Arkansas income tax.

24 (B) The nonqualified withdrawal will be taxable to the
25 party, account owner, or designated beneficiary who actually makes the
26 withdrawal.

27 (d) Any earnings on the contribution that are included in the refund
28 will be subject to Arkansas income tax if an account owner receives a refund
29 of contributions to a tuition savings account established under this program
30 or a tax-deferred tuition savings program established by another state under
31 26 U.S.C. § 529 as in effect on January 1, ~~2005~~ 2007, because of either:

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

33 (2) A scholarship, allowance, or payment described in 26 U.S.C.
34 § 135(d)(1)(B) or (C) as in effect on January 1, ~~2005~~ 2007, received by the
35 designated beneficiary.

36

SECTION 8. Arkansas Code § 6-84-113 is amended to read as follows:
 6-84-113. Liberal construction.

This chapter shall be liberally construed to comply with the requirements of 26 U.S.C. § 529 as in effect on ~~February 1, 2003~~ January 1, 2007.

SECTION 9. Arkansas Code § 26-18-306(b)(1), concerning the reporting of adjustments to income made by the Internal Revenue Service, is amended to read as follows:

(b)(1) Notwithstanding the provisions of subsection (a) of this section, if the amount of taxable income or taxable estate for a taxpayer for any year, as returned to the United States Treasury Department, is changed and corrected by the Commissioner of Internal Revenue or any officer of the United States of competent authority, the taxpayer, within ~~thirty (30)~~ ninety (90) days from the receipt of the notice and demand for payment by the Internal Revenue Service, must report to the director the corrected federal tax, taxable income, or taxable estate for the taxable period covered by the change on an amended Arkansas income tax return.

SECTION 10. Arkansas Code § 26-51-204 is amended to read as follows:
 26-51-204. Railroads and public utilities.

Every railroad or other public utility, whether organized under the laws of this state or any other state or the federal government, shall be subject to the provisions of this act and shall pay the state income tax levied by § 26-51-201 et seq. upon that proportion of its entire net income applicable to the State of Arkansas.

SECTION 11. Arkansas Code § 26-51-306(a)(4)(A), concerning compensation and benefits from military service, is amended to read as follows:

(4)(A) Sections 112 and 692 of the Internal Revenue Code of 1986, as in effect on January 1, ~~2005~~ 2007, regarding combat zone compensation of members of the armed forces and income taxes of members of the armed forces on death are adopted.

SECTION 12. Arkansas Code § 26-51-307(c)(1), concerning retirement or

1 disability benefits, is amended to read as follows:

2 (c)(1) Section 72 of the Internal Revenue Code of 1986, as in effect
 3 on January 1, ~~2005~~ 2007, shall provide the sole method by which a recipient
 4 of benefits from an individual retirement account or from public or private
 5 employment-related retirement systems, plans, or programs may deduct or
 6 recover his or her cost of contribution to the plan when computing his or her
 7 income for state income tax purposes.

8

9 SECTION 13. Arkansas Code § 26-51-308 is amended to read as follows:

10 26-51-308. Trusts for qualified deferred compensation plans exempt.

11 An organization or trust described in section 401(a) of the Internal
 12 Revenue Code, as in effect on January 1, ~~1983~~ 2007, ~~and as that section is~~
 13 ~~modified by the applicable provisions of Public Law 97-248~~, shall be exempt
 14 from income taxation under the provisions of the ~~Arkansas~~ Income Tax Act of
 15 1929, § 26-51-101, et seq., ~~as amended.~~

16

17 SECTION 14. Arkansas Code § 26-51-309 is amended to read as follows:

18 26-51-309. Charitable remainder trusts.

19 (a) Section 664 of the Internal Revenue Code of 1986, as in effect on
 20 January 1, ~~1999~~ 2007, and the regulations of the Secretary of the Treasury
 21 promulgated under § 664 of the Internal Revenue Code of 1986 and in effect on
 22 January 1, ~~1999~~ 2007, are adopted for the purpose of computing the tax
 23 liability of charitable remainder trusts and their beneficiaries under the
 24 Income Tax Act of 1929, § 26-51-101 et seq.

25 (b) Furthermore, any other provision of the federal income tax law and
 26 regulations which are necessary for interpreting and implementing 26 U.S.C. §
 27 664 are adopted to the extent as in effect on January 1, ~~1999~~ 2007.

28

29 SECTION 15. Arkansas Code § 26-51-310, is amended to read as follows:

30 26-51-310. Foreign income exclusion.

31 Sections 911 and 912 of the Internal Revenue Code of 1986, as in effect
 32 on January 1, ~~1999~~ 2007, 26 U.S.C. § 911 regarding citizens or residents of
 33 the United States living abroad and 26 U.S.C. § 912 regarding certain
 34 allowances for citizens or residents of the United States living abroad, are
 35 adopted for the purpose of computing Arkansas income tax liability.

36

1 SECTION 16. Arkansas Code § 26-51-404(b)(1)-(3), concerning gross
 2 income, is amended to read as follows:

3 (1) Section 1033 of the Internal Revenue Code of 1986, as in
 4 effect on January 1, ~~2005~~ 2007, relating to the exclusion from gross income
 5 of gain resulting from the involuntary conversion of a taxpayer's property,
 6 is adopted for the purpose of computing Arkansas income tax liability;

7 (2) Section 121 of the Internal Revenue Code of 1986, as in
 8 effect on January 1, ~~2005~~ 2007, relating to the exclusion from gross income
 9 of gain from the sale or exchange of property owned and used as the
 10 taxpayer's principal residence, is adopted for the purpose of computing
 11 Arkansas income tax liability;

12 (3) Section 101 of the Internal Revenue Code of 1986, as in
 13 effect on January 1, ~~2005~~ 2007, concerning the exclusion from gross income of
 14 proceeds or benefits paid upon the illness or death of the insured, is hereby
 15 adopted for the purpose of computing Arkansas income tax liability;

16
 17 SECTION 17. Arkansas Code § 26-51-404(b)(24)(A), concerning exclusions
 18 from gross income, is amended to read as follows:

19 (24)(A) Section 72 of the Internal Revenue Code of 1986, as in
 20 effect on January 1, ~~2005~~ 2007, relating to the exclusion from gross income
 21 of certain proceeds received under life insurance, endowment, and annuity
 22 contracts, is adopted for the purpose of computing Arkansas income tax
 23 liability.

24
 25 SECTION 18. Arkansas Code § 26-51-409(a), concerning Federal
 26 Subchapter S, is amended to read as follows:

27 (a) Subchapter S of the Internal Revenue Code of 1986, as in effect on
 28 January 1, ~~2005~~ 2007, regarding small business corporations, is adopted for
 29 the purpose of computing Arkansas income tax liability.

30
 31 SECTION 19. Arkansas Code § 26-51-412(d), concerning the gain or loss
 32 from an exchange of property, is amended to read as follows:

33 (d) Sections 351, 354 - 358, 361, 362, 367, and 368 of the Internal
 34 Revenue Code of 1986, as in effect on January 1, ~~2001~~ 2007, regarding
 35 corporate organization, reorganization, and recognition of gain, are adopted
 36 for the purpose of computing Arkansas income tax liability.

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SECTION 20. Arkansas Code § 26-51-413(a), concerning corporate liquidations, is amended to read as follows:

(a) Sections 332, 334, 336, 337, and 338 of the Internal Revenue Code of 1986, as in effect on January 1, ~~1999~~ 2007, ~~the same being 26 U.S.C. §§ 332, 334, 337, and 338~~ regarding the liquidations of corporations, are adopted for the purpose of computing Arkansas income tax liability.

SECTION 21. Arkansas Code § 26-51-414(a)(1), concerning deferred compensation plans, is amended to read as follows:

(a)(1) Sections 72, 219, 401-404, 406-416, and 457 of the Internal Revenue Code of 1986, as in effect on January 1, ~~2005~~ 2007, relating to annuities, retirement savings, and employee benefit plans, respectively, are adopted for the purpose of computing Arkansas income tax liability, except Arkansas capital gains treatment, and the Arkansas tax rates shall apply.

SECTION 22. Arkansas Code § 26-51-415 is amended to read as follows:
26-51-415. Deductions – Interest.

Section 163 of the Internal Revenue Code of 1986, as in effect on January 1, ~~1999~~ 2007, regarding deductions for interest expenses, is adopted for the purpose of computing Arkansas income tax liability.

SECTION 23. Arkansas Code § 26-51-419(a)(1), concerning charitable deductions, is amended to read as follows:

(a)(1)(A) Section 170 of the Internal Revenue Code of 1986, as in effect on January 1, ~~2005~~ 2007, regarding deductions for charitable contributions, is adopted for the purpose of computing Arkansas income tax liability.

(B) This adoption is for taxable years beginning on or after January 1, ~~2005~~ 2007, and will have no effect on years prior to its adoption.

SECTION 24. Arkansas Code § 26-51-423(b), concerning business expenses, is amended to read as follows:

(b) Section 274 of the Internal Revenue Code of 1986, as in effect on January 1, ~~2005~~ 2007, regarding the deductions of expenses for entertainment,

1 amusement, recreation, business meals, travel, et cetera, is adopted for the
 2 purpose of computing Arkansas income tax liability.

3
 4 SECTION 25. Arkansas Code § 26-51-423(h), concerning the amortization
 5 of qualified reforestation expenses, is amended to read as follows:

6 (h) Section 194 of the Internal Revenue Code of 1986, as in effect on
 7 January 1, ~~2005~~ 2007, regarding the amortization of qualified reforestation
 8 expenses, is adopted for the purpose of computing Arkansas income tax
 9 liability.

10
 11 SECTION 26. Arkansas Code § 26-51-428(c), concerning the amortization
 12 of goodwill and other intangibles, is amended to read as follows:

13 (c) Section 197 of the Internal Revenue Code of 1986, as in effect on
 14 January 1, ~~1995~~ 2007, regarding the amortization of goodwill and certain
 15 other intangibles, is adopted for the purpose of computing Arkansas income
 16 tax liability.

17
 18 SECTION 27. Arkansas Code § 26-51-429(a) and (b), concerning the
 19 depletion allowance deductions for all natural resources, is amended to read
 20 as follows:

21 (a) In the case of all natural resources for which a deduction for
 22 depletion is allowed under § 611 of the Internal Revenue Code of 1986, the
 23 provisions of §§ 611-613, 614, 616, and 617 of the Internal Revenue Code of
 24 1986, as in effect on January 1, ~~2005~~ 2007, are adopted in computing the
 25 depletion allowance deduction under Arkansas income tax law.

26 (b) In computing the depletion allowance deduction allowed by this
 27 section for oil and gas wells, the provisions of § 613 of the Internal
 28 Revenue Code of 1986 shall not be in effect, but instead the computation of
 29 the amount of the depletion deduction shall be controlled by the provisions
 30 of § 613A of the Internal Revenue Code of 1986, as in effect on January 1,
 31 ~~2005~~ 2007, which are adopted as part of the state income tax law.

32
 33 SECTION 28. Arkansas Code § 26-51-436(7), concerning deductions
 34 allowed in computing net income, is amended to read as follows:

35 (7) Section 470 of the Internal Revenue Code of 1986, as in
 36 effect on January 1, ~~2005~~ 2007, regarding leasing transactions between

1 taxpayers, is adopted for the purpose of computing Arkansas income tax
 2 liability.

3
 4 SECTION 29. Arkansas Code § 26-51-439(a), concerning capitalization of
 5 certain expenses, is amended to read as follows:

6 (a) Subsections (a)-(h) of § 263A of the Internal Revenue Code of
 7 1986, as in effect on January 1, ~~1989~~ 2007, regarding capitalization and
 8 inclusion in inventory costs of certain expenses, are adopted for the purpose
 9 of computing Arkansas ~~corporate~~ income tax liability.

10
 11 SECTION 30. Arkansas Code § 26-51-439(d), concerning capitalization of
 12 certain expenses, is amended to read as follows:

13 (d) Section 709 of the Internal Revenue Code of 1986, as in effect on
 14 January 1, ~~2005~~ 2007, regarding the amortization of partnership
 15 organizational expenses, is adopted for the purpose of computing Arkansas
 16 income tax liability.

17
 18 SECTION 31. Arkansas Code § 26-51-440 is amended to read as follows:
 19 26-51-440. Federal Subchapter M adopted.

20 (a)(1) Subchapter M of the Internal Revenue Code of 1986, as in effect
 21 on January 1, ~~2001~~ 2007, relating to regulated investment companies, real
 22 estate investment trusts, and financial asset securitization investment
 23 trusts, is adopted ~~as state income tax law~~ for the purpose of computing
 24 Arkansas income tax liability and shall govern all corporations which are
 25 registered as investment companies under the Investment Company Act of 1940,
 26 as in effect on January 1, ~~2001~~ 2007.

27 (2)(A) However, those provisions of Subchapter M addressing the
 28 tax rates applied to financial asset securitization investment trust income
 29 are not adopted.

30 (B) Any financial asset securitization investment trust
 31 income subject to Arkansas income tax shall be taxed at the rates set forth
 32 in § 26-51-205.

33 (b) Any election made for federal income tax purposes under Subchapter
 34 M of the Internal Revenue Code of 1986, as in effect on January 1, ~~2001~~ 2007,
 35 shall be deemed made for state income tax purposes.

36 (c) This section shall take effect and be enforced for tax years

1 beginning on or after January 1, ~~2001~~ 2007.

2
 3 SECTION 32. Arkansas Code § 26-51-443(b), concerning allocation of
 4 unstated interest, is amended to read as follows:

5 (b) Section 7872 of the Internal Revenue Code of 1986, as in effect on
 6 January 1, ~~1999~~ 2007, regarding the taxation of foregone interest on a below-
 7 market loan, is adopted for the purpose of computing Arkansas income tax
 8 liability.

9
 10 SECTION 33. Arkansas Code § 26-51-453(a), concerning health savings
 11 accounts, is amended to read as follows:

12 (a) Subsections (a)-(d), (e)(2), (f), and (g) of § 223 of the Internal
 13 Revenue Code of 1986, as in effect on January 1, ~~2005~~ 2007, regarding a
 14 deduction from income for amounts deposited to health savings accounts, is
 15 adopted for purposes of computing Arkansas income tax liability.

16
 17 SECTION 34. Arkansas Code § 26-51-502(b)(1), concerning household and
 18 dependent care services, is amended to read as follows:

19 (b)(1) Section 21 of the Internal Revenue Code of 1986, as in effect
 20 on January 1, ~~2005~~ 2007, is adopted for purposes of determining the allowable
 21 credit under the Income Tax Act of 1929, § 26-51-101 et seq., for household
 22 and dependent care services necessary for gainful employment.

23
 24 SECTION 35. Arkansas Code § 26-51-801(d), concerning returns by
 25 individuals, is amended to read as follows:

26 (d) As used in this section:

27 (1) "Dependent" means the same as defined in § 152 of the
 28 Internal Revenue Code of 1986, as in effect on January 1, ~~2005~~ 2007;

29 (2) "Head of household" means the same as defined in § 2(b) of
 30 the Internal Revenue Code of 1986, as in effect on January 1, 2005;

31 (3) "Jointly" means filing a joint return; and

32 (4) "Qualifying widow or widower with a dependent child" means
 33 the "surviving spouse" as defined in § 2(a) of the Internal Revenue Code of
 34 1986, as in effect on January 1, 2005.

35
 36 SECTION 36. Arkansas Code § 26-51-815(a), concerning computing capital

1 gains and losses, is amended to read as follows:

2 (a)(1)(A) To the extent they apply to capital gains and losses
3 realized or incurred during income years beginning after December 31, 1996,
4 26 U.S.C. §§ 1211-1237 and 1239-1257 as in effect on January 1, ~~1999~~ 2007,
5 and the regulations of the Secretary of the Treasury promulgated under 26
6 U.S.C. §§ 1211-1237 and 1239-1257, and in effect on January 1, ~~1999~~ 2007, are
7 adopted for the purpose of computing tax liability under the Income Tax Act
8 of 1929, § 26-51-101 et seq.

9 (B) However, the provisions of this section shall not
10 apply to a C corporation as defined in 26 U.S.C. § 1361, as in effect on
11 January 1, 1997.

12 (2) Furthermore, any other provisions of the federal income tax
13 law and regulations necessary for interpreting and implementing 26 U.S.C. §§
14 1211-1237 and 1239-1257 are adopted to that extent and as in effect on
15 January 1, ~~1999~~ 2007.

16

17 SECTION 37. Arkansas Code § 26-51-919(b)(2)(A), concerning the filing
18 of an annual return by a pass-through entity, is amended to read as follows:

19 (2)(A) On or before ~~February 28 following the close of the pass-~~
20 ~~through entity's tax year~~ the due date for the pass-through entity's
21 composite income tax return described in subsection (d) of this section, a
22 pass-through entity shall file an annual return with the director showing the
23 total amount of income distributed or credited to its nonresident members and
24 the amount of tax withheld and shall remit the amount of tax withheld.

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26 APPROVED: 3/6/2007

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