

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1802

Amendment Number: H1

Bill Subtitle: TO ALLOW CONTRIBUTIONS BY AN ARKANSAS TAXPAYER TO A TAX-DEFERRED TUITION SAVINGS PROGRAM ESTABLISHED BY ANOTHER STATE TO BE DEDUCTED FROM A TAXPAYER'S INCOME TAX.

Basic Change :

Sponsor: Representative Lundstrum

HB1802, as amended by H-1, effectively adds to the original bill § 6-84-111(b)(2)(A) language for tuition savings accounts established under this subchapter and then adds § 6-84-111(b)(2)(B) and (C) to place limits on deductions for contributions for plans established in another state to \$3,000 and roll-overs to \$7,500.

HB1802 amends § 6-84-111 to add tax deferred tuition savings programs established by another state to be eligible for contributions to be deducted from taxpayers adjusted gross income. Also provides that a taxpayer cannot claim the deduction if claimed on another state's income taxes.

Revenue Impact :

Undetermined whether the amount of credits redeemed will increase due to the Taxpayer's ability to now use a program established by another state.

Taxpayer Impact :

Allows out of state tax-deferred programs to solicit Arkansas contributions.

Resources Required :

Changes to the tax forms and instructions would be needed.

Time Required :

Adequate time is provided to implement this bill.

Procedural Changes :

None.

Other Comments :

It is anticipated that this bill may encourages out of state savings programs to solicit donations from Arkansas filers. Prior legislation placed emphasized Arkansas-based programs. § 6-84-111(b)(2)(C) may conflict with (1)(B) since a rollover amount may have been previously deducted when the original contribution was made.

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Legal Analysis :

HB1802 concerning § 6-84-111(2)(A) is amended to add language "for a tuition savings account established under this subchapter" after the term "contributions". § 6-84-111 concerning deductible contributions for tax-deferred tuition savings programs established by another state under 26 U.S.C. § 529, as in existence on January 1, 2017, is amended to create subdivision (2)(B), which provides that deductible contributions shall not exceed three thousand dollars (\$3,000) per taxpayer in any tax year; and new subdivision (2)(C) is created to provide that deductible contributions rolled over into a tuition savings account established under this subchapter shall not exceed seven thousand five hundred dollars (\$7,500) per taxpayer in the tax year in which it was rolled.