

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1239

As Engrossed: 3/31/2015

Bill Subtitle: TO CREATE THE ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM AND TO PROVIDE NEW AVENUES FOR FINANCIAL SELF-SUFFICIENCY FOR ARKANSANS WITH DISABILITIES.

Basic Change : Sponsor: Rep. J. Mayberry

HB1239 will enact the Achieving Better Life Experience Program (ABLE) in Arkansas. The bill will create a program of tax favored savings accounts for Arkansas residents who are blind or disabled and diagnosed before age 26. Engrossment 3/31/15 of the bill removes a provision allowing contributions to ABLE accounts to be deducted from the contributor's gross income for tax purposes. With this amendment, the tax treatment for ABLE accounts will be the same for Arkansas tax purposes as for federal tax purposes.

Interest, dividends, and capital gains from funds invested are exempt from Arkansas income tax in the same manner as under federal tax law. Qualified distributions include expenses for medical, education, transportation and housing. Qualified distributions are also exempt from Arkansas and federal income tax. Nonqualified withdrawals are taxable to the party, account owner, or designated beneficiary who actually makes the withdrawal. Earnings are subject to Arkansas income tax if an account owner receives a refund of contributions because of either: 1) death or disability of designated beneficiary; or 2) a scholarship, allowance, educational assistance, or a payment for educational expenses received by the designated beneficiary.

Revenue Impact :

FY 2016 - \$0 reduction to General Revenue

FY 2017 - \$24,000 reduction to General Revenue

Taxpayer Impact :

Taxpayers must provide certain documents to establish savings accounts. Taxpayers will then be allowed to contribute to tax free savings accounts for individuals with disabilities. Beneficiaries of the savings accounts may receive tax exempt distributions for qualified expenses.

Resources Required :

None

Time Required :

None

Procedural Changes :

The trustees must establish rules and procedures for the program and the State Treasurer shall provide office space, staff, and materials for the program committee. Computer software plus tax forms and instructions must be updated. Employees will need to be educated as well as the tax community.

Legal Analysis :

The amendment engrossed in the 3/31/15 engrossment removes the provision allowing a deduction for contributions to an ABLE account. This provision was contrary to the federal tax treatment for ABLE accounts.