

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 85th General Assembly
3 Regular Session, 2005

A Bill

SENATE BILL 286

4
5 By: Senators Baker, Higginbothom, Trusty
6 By: Representatives Key, Anderson, Mack

For An Act To Be Entitled

10 AN ACT TO PROVIDE THAT CONTRIBUTIONS TO THE
11 ARKANSAS TAX-DEFERRED TUITION SAVINGS PROGRAM ARE
12 DEDUCTIBLE FROM ARKANSAS INCOME TAX; AND FOR
13 OTHER PURPOSES.

Subtitle

16 TO PROVIDE THAT CONTRIBUTIONS TO THE
17 ARKANSAS TAX-DEFERRED TUITION SAVINGS
18 PROGRAM ARE DEDUCTIBLE FROM ARKANSAS
19 INCOME TAX.

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

23
24 SECTION 1. Arkansas Code § 6-84-111 is amended to read as follows:
25 6-84-111. Funds exempt from tax.

26 (a) Except as otherwise indicated in this chapter, interest,
27 dividends, and capital gains from funds invested in the Arkansas Tax-Deferred
28 Tuition Savings Program or a tax-deferred tuition savings program established
29 by another state under 26 U.S.C. § 529 as in effect on January 1, ~~2003~~ 2005,
30 shall be exempt from Arkansas income taxes.

31 (b)(1) For tax years beginning on or after January 1, 2005,
32 contributions ~~Contributions~~ to a tuition savings account established under
33 this program ~~or a tax-deferred tuition savings program established by another~~
34 ~~state under 26 U.S.C. § 529 as in effect on January 1, 2003,~~ may not be
35 ~~excluded or deducted from the contributor's~~ may be deducted from the
36 taxpayer's adjusted gross income for the purpose of calculating Arkansas



1 income tax under § 26-51-403(b).

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

4 (c)(1) Qualified withdrawals from a tuition savings account
 5 established under this program or a tax-deferred tuition savings program
 6 established by another state under 26 U.S.C. § 529 as in effect on January 1,
 7 ~~2003~~ 2005, will be exempt from Arkansas income tax with respect to the
 8 designated beneficiary's income.

9 (2)(A) Nonqualified withdrawals from a tuition savings account
 10 established under this program or a tax-deferred tuition savings program
 11 established by another state under 26 U.S.C. § 529 as in effect on January 1,
 12 ~~2003~~ 2005, will be subject to Arkansas income tax.

13 (B) The nonqualified withdrawal will be taxable to the
 14 party, account owner or designated beneficiary, who actually makes the
 15 withdrawal.

16 (d) Any earnings on the contribution that are included in the refund
 17 will be subject to Arkansas income tax if an account owner receives a refund
 18 of contributions to a tuition savings account established under this program
 19 or a tax-deferred tuition savings program established by another state under
 20 26 U.S.C. § 529 as in effect on January 1, ~~2003~~ 2005, because of either:

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

22 (2) A scholarship, allowance, or payment described in 26 U.S.C.
 23 § 135(d)(1)(B) or (C) as in effect on January 1, ~~2003~~ 2005, received by the
 24 designated beneficiary.

25
 26 SECTION 2. Arkansas Code § 26-51-403(b), concerning the calculation of
 27 adjusted gross income for Arkansas income tax purposes, is amended to read as
 28 follows:

29 (b) "Adjusted gross income" means, in the case of an individual, gross
 30 income minus the following deductions:

31 (1) Trade and business deductions otherwise allowable as
 32 deductions under this chapter which are attributable to a trade or business
 33 carried on by the taxpayer, if such trade or business does not consist of the
 34 performance of services by the taxpayer as an employee;

35 (2)(A) Trade and business deductions of employees otherwise
 36 allowable as deductions under this chapter;

1 (B) The deductions which consist of expenses paid or
 2 incurred by the taxpayer, in connection with the performance by him of
 3 services as an employee under a reimbursement or other expense allowance
 4 arrangement with his employer;

5 (3) Losses from the sale or exchange of property;

6 (4) Deductions attributable to property held for the production
 7 of rents and royalties;

8 (5) Certain deductions of life tenants and income beneficiaries
 9 of property: In the case of life tenant of property, or an income beneficiary
 10 of property held in trust, or an heir, legatee, or devisee of an estate, the
 11 deduction for depreciation allowed by the Internal Revenue Code, § 167, as
 12 provided in § 26-51-428, and the deduction allowed by the Internal Revenue
 13 Code, § 611, as provided in § 26-51-429;

14 (6) Deductions for certain portions of lump-sum distributions
 15 from pension plans taxed under the Internal Revenue Code, § 402(e), as set
 16 forth in § 26-51-414;

17 (7) Deductions for moving expenses, as set forth in § 26-51-
 18 423(a)(4);

19 (8) Deductions for alimony payments;

20 (9) Deductions for separate maintenance payments;

21 (10) Deductions for interest forfeited to a bank, savings
 22 association, etc., on premature withdrawals from time savings accounts or
 23 deposits;

24 (11) Deductions allowed for cash payments to individual
 25 retirement accounts and deductions allowed for cash payments to retirement
 26 savings plans of certain married individuals to cover a nonworking spouse;

27 (12) Deductions for contributions by self-employed persons to
 28 pension, profit-sharing, and annuity plans;

29 (13) The border city exemption as provided by § 26-52-602; ~~and~~

30 (14) Deductions for the health insurance costs of self-employed
 31 persons as computed in accordance with § 26-51-423(c); ~~and~~

32 (15) Deductions for contributions to a long-term
 33 intergenerational trust created pursuant to § 28-72-501 et ~~seq., [sic]~~ seq.;
 34 and

35 (16) Deductions for contributions to the Arkansas Tax-Deferred
 36 Tuition Savings Program not to exceed five thousand dollars (\$5,000) per

1 taxpayer under § 6-84-111(b).
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