

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 86th General Assembly
3 Regular Session, 2007

A Bill

HOUSE BILL 1418

4
5 By: Representatives Hyde, Anderson, Hall, Key, Reynolds, Rosenbaum
6 By: Senators Baker, Salmon, Trusty

For An Act To Be Entitled

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

Subtitle

15 AN ACT TO CLARIFY THAT CONTRIBUTIONS TO
16 A TAX-DEFERRED TUITION SAVINGS PROGRAM
17 ARE DEDUCTIBLE FROM ARKANSAS INCOME TAX.

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19
20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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

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

29 (b)(1) For tax years beginning on or after January 1, ~~2005~~ 2007,
30 contributions to a tuition savings account established under this program may
31 be deducted from the taxpayer's adjusted gross income for the purpose of
32 calculating Arkansas income tax under § 26-51-403(b).

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

35 (3) Contributions to this program that have been deducted from
36 the taxpayer's adjusted gross income for prior tax years shall be subject to



1 recapture if the taxpayer+

2 ~~(A) Makes~~ makes a subsequent nonqualified withdrawal from
3 the account; ~~or.~~

4 ~~(B) Rolls the account over to a tax-deferred tuition~~
5 ~~savings program established by another state or institution under 26 U.S.C. §~~
6 ~~529 as in effect on January 1, 2005.~~

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

11 (c)(1) Qualified withdrawals from a tuition savings account
12 established under this program or a tax-deferred tuition savings program
13 established by another state under 26 U.S.C. § 529 as in effect on January 1,
14 ~~2005~~2007, will be exempt from Arkansas income tax with respect to the
15 designated beneficiary's income.

16 (2)(A) Nonqualified withdrawals from a tuition savings account
17 established under this program or a tax-deferred tuition savings program
18 established by another state under 26 U.S.C. § 529 as in effect on January 1,
19 ~~2005~~2007, will be subject to Arkansas income tax.

20 (B) The nonqualified withdrawal will be taxable to the
21 party, account owner, or designated beneficiary who actually makes the
22 withdrawal.

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

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

29 (2) A scholarship, allowance, or payment described in 26 U.S.C.
30 § 135(d)(1)(B) or (C) as in effect on January 1, ~~2005~~ 2007, received by the
31 designated beneficiary.

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33 SECTION 2. Arkansas Code § 26-51-403(b)(17), concerning the
34 calculation of adjusted gross income for Arkansas income tax purposes, is
35 amended to read as follows:

36 (17) Deductions for contributions to the Arkansas Tax-Deferred

1 Tuition Savings Program or a tax-deferred tuition savings program established
2 by another state under 26 U.S.C. § 529 as in effect on January 1, 2007, not
3 to exceed five thousand dollars (\$5,000) per taxpayer under § 6-84-111(b).
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5 SECTION 3. Effective Date. This act is effective for tax years
6 beginning January 1, 2007.
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