

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 87th General Assembly  
3 Regular Session, 2009

# A Bill

SENATE BILL 986

4  
5 By: Senator J. Key  
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## For An Act To Be Entitled

9 AN ACT TO INCREASE THE AMOUNT OF THE RETIREMENT  
10 OR DISABILITY BENEFITS INCOME TAX EXEMPTION; AND  
11 FOR OTHER PURPOSES.  
12

## Subtitle

13 AN ACT TO INCREASE THE AMOUNT OF THE  
14 RETIREMENT OR DISABILITY BENEFITS INCOME  
15 TAX EXEMPTION; AND FOR OTHER PURPOSES.  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

22 26-51-307. Retirement or disability benefits.

23 (a)(1) The first ~~six thousand dollars (\$6,000)~~ ten thousand dollars  
24 (\$10,000) of benefits received by any resident of this state from an  
25 individual retirement account or the first ~~six thousand dollars (\$6,000)~~ ten  
26 thousand dollars (\$10,000) of retirement benefits received by any resident of  
27 this state from public or private employment-related retirement systems,  
28 plans, or programs, regardless of the method of funding for these systems,  
29 plans, or programs, shall be exempt from the state income tax.

30 (2)(A) Only individual retirement account benefits received by  
31 an individual retirement account participant after reaching the age of fifty-  
32 nine and one-half (59 1/2) years qualify for the exemption.

33 (B) The only other distributions or withdrawals from an  
34 individual retirement account that qualify for the exemption before the  
35 individual retirement account participant reaches the age of fifty-nine and  
36 one-half (59 1/2) years are those made on account of the participant's death



1 or disability.

2 (C) All other premature distributions or early withdrawals  
3 including, ~~but not limited to,~~ without limitation those taken for medical-  
4 related expenses, higher education expenses, or a first-time home purchase do  
5 not qualify for the exemption.

6 (3) The exemption provided in subdivision (a)(1) of this section  
7 shall be adjusted annually according to subsection (e) of this section.

8 (b)(1)(A) Except as provided in subdivision (b)(2) of this section,  
9 the exemption provided ~~for~~ in subsection (a) of this section for benefits  
10 received from an individual retirement account or from a public or private  
11 employment-related retirement system, plan, or program shall be the only  
12 exemption from the state income tax allowed for benefits received from an  
13 individual retirement account or from any publicly or privately supported  
14 employment-related retirement system, plan, or program, excepting only  
15 benefits received under systems, plans, or programs which are by federal law  
16 exempt from the state income tax.

17 (B) No taxpayer shall receive an exemption greater than  
18 ~~six thousand dollars (\$6,000)~~ the amount allowed in this section for the  
19 applicable tax year during any tax year under the provisions of this section.

20 (2) The provisions of this section shall not apply to retirement  
21 or disability benefits received under a plan, system, or fund described in  
22 § 26-51-404(b)(6).

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

29 (2) A taxpayer shall not be allowed to deduct or recover any  
30 portion of the taxpayer's cost of contribution to the plan that the taxpayer:

31 (A) Has once deducted or recovered; or

32 (B) Would have been allowed to deduct or recover under any  
33 provision of law or court decision.

34 (d)(1) An individual who is sixty-five (65) years of age or older and  
35 who does not claim an exemption under subsection (a) of this section shall be  
36 entitled to an additional state income tax credit of twenty dollars (\$20.00).

1 (2) This credit is in addition to all other credits allowed by  
2 law.

3 (e) For taxable years beginning on or after January 1, 2011, the Chief  
4 Fiscal Officer of the State shall calculate and implement a yearly cost-of-  
5 living adjustment, if any, for the exemption in subdivision (a)(1) of this  
6 section, rounding to the nearest one hundred dollar (\$100) any subsequent  
7 exemption amount calculated.

8 (f) For purposes of subsection (e) of this section, the cost-of-living  
9 adjustment to the exemption in subdivision (a)(1) of this section for any  
10 taxable year shall be calculated by multiplying the most current adjusted  
11 exemption by the Consumer Price Index for All Urban Consumers, published by  
12 the United States Department of Labor, as published on or before the last day  
13 of the preceding calendar year.

14 (g) The Consumer Price Index for All Urban Consumers for any calendar  
15 year is the average of the Consumer Price Index for All Urban Consumers as of  
16 the close of the twelve-month period ending on August 31 of that calendar  
17 year.

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19 SECTION 2. Effective Date. This act is effective for tax years  
20 beginning on or after January 1, 2009.

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