

1 INTERIM STUDY PROPOSAL 2007-170

2
3 REQUESTING THAT HOUSE AND SENATE INTERIM
4 COMMITTEES ON REVENUE AND TAX STUDY THE EQUITY OF
5 ARKANSAS CODE § 26-51-307 PERTAINING TO THE METHOD BY
6 WHICH A RECIPIENT OF BENEFITS FROM AN INDIVIDUAL
7 RETIREMENT ACCOUNT MAY DEDUCT THE COST OF
8 CONTRIBUTION WHEN COMPUTING HIS OR HER INCOME FOR
9 STATE INCOME TAX PURPOSES.

10
11 WHEREAS, a judicial decision in McFadden, et al v. Weiss, Pulaski County
12 Chancery Court Case No. OT99-3939, declared Arkansas Code § 26-51-307(c)
13 unconstitutional and ordered the state to make to make full refunds plus interest to
14 retirees who had un-recovered costs of contribution to an individual retirement account;
15 and

16
17 WHEREAS, the decision by the judge to distribute the total amount is in direct
18 contradiction to the federal method by which a retiree may recover his or her cost of
19 contribution under Section 72 of the Internal Revenue Code of 1986,

20
21 NOW THEREFORE,
22 BE IT PROPOSED BY THE ARKANSAS LEGISLATIVE COUNCIL OF THE 86TH
23 GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

24
25 THAT the House and Senate Interim Committee on Tax and Revenue study the
26 difference in the cost of contribution recovery for both federal and state retirement plans
27 and the equity of Arkansas Code § 26-51-307(c).

28
29 BE IT FURTHER PROPOSED the House and Senate Interim Committee on Tax
30 and Revenue prepare a report detailing the results of the study on or before May 1, 2008.

31
32 Respectfully submitted,

33
34
35 Representative Roy Ragland
36 District 90