

1 State of Arkansas
2 80th General Assembly
3 Regular Session, 1995

A Bill

SENATE BILL 685

4 By: Senators Hunter and Boozman

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For An Act To Be Entitled

8 "THE ARKANSAS MEDICAL TRUST ACT OF 1995."

9

Subtitle

11 "THE ARKANSAS MEDICAL TRUST ACT OF
12 1995."

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14 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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16 SECTION 1. In addition to any other state income tax deduction
17 permitted by law a taxpayer shall be allowed a deduction on his or her
18 Arkansas income tax liability for contributions to a medical trust created
19 pursuant to this act not to exceed five thousand dollars (\$5,000) each
20 taxable year.

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22 SECTION 2. Gross income as defined in Arkansas Code § 26-51-401 shall
23 not include the interest earned on a medical trust created under this act
24 except as provided in Section 5 of this act.

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26 SECTION 3. To claim the benefits under this act a taxpayer must file a
27 copy of the medical trust agreement and the trustee_s affidavit as to the
28 amount of dollars deposited during the year with the taxpayer's income tax
29 return for the year the taxpayer claims the benefits of this act.

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31 SECTION 4. To claim the benefits under this act the medical trust
32 agreement must require the trustee to notify the Department of Finance and
33 Administration of all contributions and distributions from the trust
34 annually. The trustee shall provide such notification to the Department of
35 Finance and Administration within thirty-one days immediately following the

1 end of each taxable year. Failure to notify shall make the trustee liable
2 for a five thousand dollar (\$5,000) civil penalty levied by the Department of
3 Finance and Administration.

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5 SECTION 5. All distributions from the medical trust shall be used for
6 unreimbursed health care expenditures, as determined by regulation by the
7 Department of Finance and Administration, for the taxpayer or his or her
8 dependents. These funds shall be exempt from Arkansas income tax. However,
9 upon a determination that the taxpayer is eligible for Social Security
10 benefits, all withdrawals of funds from the medical trust, except those for
11 unreimbursed health care expenditures, shall be subject to Arkansas Income
12 Tax.

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14 SECTION 6. The Department of Finance and Administration shall
15 promulgate all regulations necessary to implement this act.

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17 SECTION 7. A taxpayer who receives a distribution from a medical trust
18 account for any health care expenditure under this act shall not be entitled
19 to claim any other credit or deduction based on such health care expenditure.

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21 SECTION 8. This act shall be effective for taxable year beginning
22 January 1, 1996 and all taxable years thereafter.

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24 SECTION 9. All provisions of this act of a general and permanent
25 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
26 Code Revision Commission shall incorporate the same in the Code.

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28 SECTION 10. If any provision of this act or the application thereof to
29 any person or circumstance is held invalid, such invalidity shall not affect
30 other provisions or applications of the act which can be given effect without
31 the invalid provision or application, and to this end the provisions of this
32 act are declared to be severable.

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34 SECTION 11. All laws and parts of laws in conflict with this act are
35 hereby repealed.

