

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997

A Bill

SENATE BILL 173

4
5 By: Senator Brown
6 By: Representative Bisbee

For An Act To Be Entitled

9 "AN ACT TO ADJUST THE REDUCED INCOME TAX RATES TO
10 ELIMINATE THE INCOME TAX ON FAMILIES BELOW THE POVERTY
11 LEVEL; TO INCREASE THE STANDARD INDIVIDUAL INCOME TAX
12 DEDUCTION TO \$2,000 FOR EACH TAXPAYER; TO INCREASE THE
13 PERSONAL TAX CREDIT FOR DEPENDENTS FROM \$20 TO \$25; TO
14 ALLOW INDIVIDUAL INCOME TAX RATES TO BE INDEXED BASED ON
15 THE CONSUMER PRICE INDEX; TO DOUBLE THE CHILD CARE TAX
16 CREDIT; TO EXCLUDE FROM INCOME GAIN ON THE SALE OF A
17 PRINCIPAL RESIDENCE; AND FOR OTHER PURPOSES."

Subtitle

18
19
20 "ADJUSTS INCOME TAX RATES; ALLOWS \$2,000
21 STANDARD DEDUCTION PER TAXPAYER;
22 INCREASES PERSONAL TAX CREDIT FOR
23 DEPENDENTS; DOUBLES CHILD CARE CREDIT;
24 EXCLUDES GAIN ON HOME SALE FROM INCOME."

25
26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

27
28 SECTION 1. Ark. Code Ann. §26-51-301(a) is amended to read as follows:

29 "(a) There shall be exempted from state individual income tax the
30 following income categories:

31 (1) A single individual whose gross income does not exceed ~~five~~ seven
32 thousand ~~five~~ seven hundred ~~fifty~~ dollars (~~\$5,550~~ 7,700) for any income year;

33 (2) A married couple filing jointly whose gross income does not exceed
34 ~~ten~~ fifteen thousand ~~five~~ hundred dollars (~~\$10,000~~ 15,500) for any income
35 year;

36 (3) An unmarried head of household, whose gross income for any income

1 year does not exceed ~~seven~~ twelve thousand ~~one hundred fifty~~ dollars (\$~~7,150~~
 2 12,000)."

3

4 SECTION 2. Ark. Code Ann. §26-51-301(b) is amended to read as follows:

5 "(b) However:

6 (1) Any single individual whose gross income for the taxable year is
 7 more than ~~five~~ seven thousand ~~five~~ seven hundred ~~fifty~~ dollars (\$~~5,550~~ 7,700)
 8 but not more than eleven thousand four hundred dollars (\$11,400) may compute
 9 the income tax payable on the income in excess of ~~five~~ seven thousand ~~five~~
 10 seven hundred ~~fifty~~ dollars (\$~~5,550~~ 7,700) from Reduced Tax Table A in §
 11 26-51-302;

12 (2) Any married couple filing jointly whose gross income for the taxable
 13 year is more than ~~ten~~ fifteen thousand ~~five~~ hundred dollars (\$~~10,000~~ 15,500)
 14 but not more than sixteen thousand two hundred dollars (\$16,200) may compute
 15 the income tax payable on the income in excess of ~~ten~~ fifteen thousand ~~five~~
 16 hundred dollars (\$~~10,000~~ 15,500) from Reduced Tax Table B in § 26-51-302;

17 (3) Any head of household whose gross income for the taxable year is
 18 more than ~~seven~~ twelve thousand ~~one hundred fifty~~ dollars (\$~~7,150~~ 12,000) but
 19 not more than sixteen thousand two hundred dollars (\$16,200) may compute the
 20 income tax payable on the income in excess of ~~seven~~ twelve thousand ~~one~~
 21 hundred ~~fifty~~ dollars (\$~~7,150~~ 12,000) from Reduced Tax Table C in §
 22 26-51-302."

23

24 SECTION 3. Ark. Code Ann. §26-51-302 is amended to read as follows:

25 "~~§ 26-51-302. Reduced tax tables.~~

26 ~~(A) Reduced Tax Table A~~

Income	Tax
Below \$5,550	\$ 0
\$5,551 - 5,600	26.00
5,601 - 5,700	27.00
5,701 - 5,800	28.00
5,801 - 5,900	29.00
5,901 - 6,000	29.00
6,001 - 6,100	30.00
6,101 - 6,200	31.00
6,201 - 6,300	32.00

1	— 6,301 —	6,400 —	32.00
2	— 6,401 —	6,500 —	33.00
3	— 6,501 —	6,600 —	34.00
4	— 6,601 —	6,700 —	35.00
5	— 6,701 —	6,800 —	36.00
6	— 6,801 —	6,900 —	37.00
7	— 6,901 —	7,000 —	38.00
8	— 7,001 —	7,100 —	39.00
9	— 7,101 —	7,200 —	40.00
10	— 7,201 —	7,300 —	41.00
11	— 7,301 —	7,400 —	42.00
12	— 7,401 —	7,500 —	43.00
13	— 7,501 —	7,600 —	44.00
14	— 7,601 —	7,700 —	45.00
15	— 7,701 —	7,800 —	46.00
16	— 7,801 —	7,900 —	47.00
17	— 7,901 —	8,000 —	48.00
18	— 8,001 —	8,100 —	49.00
19	— 8,101 —	8,200 —	50.00
20	— 8,201 —	8,300 —	51.00
21	— 8,301 —	8,400 —	52.00
22	— 8,401 —	8,500 —	107.00
23	— 8,501 —	8,600 —	109.00
24	— 8,601 —	8,700 —	111.00
25	— 8,701 —	8,800 —	114.00
26	— 8,801 —	8,900 —	116.00
27	— 8,901 —	9,000 —	118.00
28	— 9,001 —	9,100 —	120.00
29	— 9,101 —	9,200 —	122.00
30	— 9,201 —	9,300 —	124.00
31	— 9,301 —	9,400 —	127.00
32	— 9,401 —	9,500 —	129.00
33	— 9,501 —	9,600 —	131.00
34	— 9,601 —	9,700 —	134.00
35	— 9,701 —	9,800 —	135.00
36	— 9,801 —	9,900 —	137.00

1	9,901 - 10,000	139.00
2	10,001 - 10,100	141.00
3	10,101 - 10,200	145.00
4	10,201 - 10,300	147.00
5	10,301 - 10,400	151.00
6	10,401 - 10,500	153.00
7	10,501 - 10,600	157.00
8	10,601 - 10,700	159.00
9	10,701 - 10,800	163.00
10	10,801 - 10,900	165.00
11	10,901 - 11,000	169.00
12	11,001 - 11,100	171.00
13	11,101 - 11,200	175.00
14	11,201 - 11,300	177.00
15	11,301 - 11,399	181.00
16	Above \$11,399 Use Standard Table	

~~(B) Reduced Tax Table B~~

18	Income	Tax
19	Below \$10,000	\$ 0
20	10,001 - 10,100	71.00
21	10,101 - 10,200	72.00
22	10,201 - 10,300	74.00
23	10,301 - 10,400	75.00
24	10,401 - 10,500	77.00
25	10,501 - 10,600	78.00
26	10,601 - 10,700	80.00
27	10,701 - 10,800	81.00
28	10,801 - 10,900	83.00
29	10,901 - 11,000	84.00
30	11,001 - 11,100	86.00
31	11,101 - 11,200	87.00
32	11,201 - 11,300	89.00
33	11,301 - 11,400	90.00
34	11,401 - 11,500	92.00
35	11,501 - 11,600	93.00
36	11,601 - 11,700	95.00

1	— 11,701 — 11,800 —	96.00
2	— 11,801 — 11,900 —	98.00
3	— 11,901 — 12,000 —	99.00
4	— 12,001 — 12,100 —	101.00
5	— 12,101 — 12,200 —	102.00
6	— 12,201 — 12,300 —	104.00
7	— 12,301 — 12,400 —	105.00
8	— 12,401 — 12,500 —	107.00
9	— 12,501 — 12,600 —	108.00
10	— 12,601 — 12,700 —	110.00
11	— 12,701 — 12,800 —	111.00
12	— 12,801 — 12,900 —	113.00
13	— 12,901 — 13,000 —	114.00
14	— 13,001 — 13,100 —	231.00
15	— 13,101 — 13,200 —	235.00
16	— 13,201 — 13,300 —	237.00
17	— 13,301 — 13,400 —	241.00
18	— 13,401 — 13,500 —	243.00
19	— 13,501 — 13,600 —	247.00
20	— 13,601 — 13,700 —	249.00
21	— 13,701 — 13,800 —	253.00
22	— 13,801 — 13,900 —	255.00
23	— 13,901 — 14,000 —	259.00
24	— 14,001 — 14,100 —	261.00
25	— 14,101 — 14,200 —	265.00
26	— 14,201 — 14,300 —	267.00
27	— 14,301 — 14,400 —	271.00
28	— 14,401 — 14,500 —	273.00
29	— 14,501 — 14,600 —	277.00
30	— 14,601 — 14,700 —	279.00
31	— 14,701 — 14,800 —	283.00
32	— 14,801 — 14,900 —	285.00
33	— 14,901 — 15,000 —	289.00
34	— 15,001 — 15,100 —	291.00
35	— 15,101 — 15,200 —	295.00
36	— 15,201 — 15,300 —	297.00

1	15,301	15,400	301.00
2	15,401	15,500	303.00
3	15,501	15,600	307.00
4	15,601	15,700	309.00
5	15,701	15,800	313.00
6	15,801	15,900	315.00
7	15,901	16,000	319.00
8	16,001	16,100	322.00
9	16,101	16,199	326.00

10 ~~(C) Reduced Tax Table C~~

11	Income		Tax
12	Below \$7,150		\$ 0
13	7,151	7,200	0
14	7,201	7,300	42.00
15	7,301	7,400	42.00
16	7,401	7,500	43.00
17	7,501	7,600	44.00
18	7,601	7,700	45.00
19	7,701	7,800	46.00
20	7,801	7,900	47.00
21	7,901	8,000	48.00
22	8,001	8,100	49.00
23	8,101	8,200	50.00
24	8,201	8,300	51.00
25	8,301	8,400	52.00
26	8,401	8,500	54.00
27	8,501	8,600	55.00
28	8,601	8,700	56.00
29	8,701	8,800	57.00
30	8,801	8,900	58.00
31	8,901	9,000	59.00
32	9,001	9,100	60.00
33	9,101	9,200	61.00
34	9,201	9,300	62.00
35	9,301	9,400	63.00
36	9,401	9,500	64.00

1	— 9,501 —	9,600 —	65.00
2	— 9,601 —	9,700 —	66.00
3	— 9,701 —	9,800 —	67.00
4	— 9,801 —	9,900 —	68.00
5	— 9,901 —	10,000 —	69.00
6	— 10,001 —	10,100 —	71.00
7	— 10,101 —	10,200 —	72.00
8	— 10,201 —	10,300 —	74.00
9	— 10,301 —	10,400 —	75.00
10	— 10,401 —	10,500 —	77.00
11	— 10,501 —	10,600 —	78.00
12	— 10,601 —	10,700 —	80.00
13	— 10,701 —	10,800 —	81.00
14	— 10,801 —	10,900 —	83.00
15	— 10,901 —	11,000 —	84.00
16	— 11,001 —	11,100 —	86.00
17	— 11,101 —	11,200 —	87.00
18	— 11,201 —	11,300 —	88.00
19	— 11,301 —	11,400 —	90.00
20	— 11,401 —	11,500 —	92.00
21	— 11,501 —	11,600 —	93.00
22	— 11,601 —	11,700 —	189.00
23	— 11,701 —	11,800 —	193.00
24	— 11,801 —	11,900 —	195.00
25	— 11,901 —	12,000 —	199.00
26	— 12,001 —	12,100 —	201.00
27	— 12,101 —	12,200 —	205.00
28	— 12,201 —	12,300 —	207.00
29	— 12,301 —	12,400 —	211.00
30	— 12,401 —	12,500 —	213.00
31	— 12,501 —	12,600 —	217.00
32	— 12,601 —	12,700 —	219.00
33	— 12,701 —	12,800 —	223.00
34	— 12,801 —	12,900 —	225.00
35	— 12,901 —	13,000 —	229.00
36	— 13,001 —	13,100 —	231.00

1	13,101 - 13,200	235.00
2	13,201 - 13,300	237.00
3	13,301 - 13,400	241.00
4	13,401 - 13,500	243.00
5	13,501 - 13,600	247.00
6	13,601 - 13,700	249.00
7	13,701 - 13,800	253.00
8	13,801 - 13,900	255.00
9	13,901 - 14,000	259.00
10	14,001 - 14,100	261.00
11	14,101 - 14,200	265.00
12	14,201 - 14,300	267.00
13	14,301 - 14,400	271.00
14	14,401 - 14,500	273.00
15	14,501 - 14,600	277.00
16	14,601 - 14,700	279.00
17	14,701 - 14,800	283.00
18	14,801 - 14,900	285.00
19	14,901 - 15,000	289.00
20	15,001 - 15,100	291.00
21	15,101 - 15,200	295.00
22	15,201 - 15,300	297.00
23	15,301 - 15,400	301.00
24	15,401 - 15,500	303.00
25	15,501 - 15,600	307.00
26	15,601 - 15,700	309.00
27	15,701 - 15,800	313.00
28	15,801 - 15,900	315.00
29	15,901 - 16,000	319.00
30	16,001 - 16,100	322.00
31	16,101 - 16,199	326.00
32	Above \$16,199 Use Standard Table	

33 (A) REDUCED TAX TABLE A - SINGLE

34	<u>Income</u>	<u>Tax</u>
35	Below \$7,701	0
36	7,701 - 7,800	20

1	<u>7,801 - 7,900</u>	<u>21</u>
2	<u>7,901 - 8,000</u>	<u>22</u>
3	<u>8,001 - 8,100</u>	<u>33</u>
4	<u>8,101 - 8,200</u>	<u>35</u>
5	<u>8,201 - 8,300</u>	<u>36</u>
6	<u>8,301 - 8,400</u>	<u>38</u>
7	<u>8,401 - 8,500</u>	<u>39</u>
8	<u>8,501 - 8,600</u>	<u>41</u>
9	<u>8,601 - 8,700</u>	<u>42</u>
10	<u>8,701 - 8,800</u>	<u>44</u>
11	<u>8,801 - 8,900</u>	<u>45</u>
12	<u>8,901 - 9,000</u>	<u>47</u>
13	<u>9,001 - 9,100</u>	<u>48</u>
14	<u>9,101 - 9,200</u>	<u>50</u>
15	<u>9,201 - 9,300</u>	<u>51</u>
16	<u>9,301 - 9,400</u>	<u>79</u>
17	<u>9,401 - 9,500</u>	<u>81</u>
18	<u>9,501 - 9,600</u>	<u>83</u>
19	<u>9,601 - 9,700</u>	<u>85</u>
20	<u>9,701 - 9,800</u>	<u>87</u>
21	<u>9,801 - 9,900</u>	<u>89</u>
22	<u>9,901 - 10,000</u>	<u>91</u>
23	<u>10,001 - 10,100</u>	<u>94</u>
24	<u>10,101 - 10,200</u>	<u>96</u>
25	<u>10,201 - 10,300</u>	<u>98</u>
26	<u>10,301 - 10,400</u>	<u>100</u>
27	<u>10,401 - 10,500</u>	<u>102</u>
28	<u>10,501 - 10,600</u>	<u>104</u>
29	<u>10,601 - 10,700</u>	<u>106</u>
30	<u>10,701 - 10,800</u>	<u>108</u>
31	<u>10,801 - 10,900</u>	<u>110</u>
32	<u>10,901 - 11,000</u>	<u>112</u>
33	<u>11,001 - 11,100</u>	<u>115</u>
34	<u>11,101 - 11,200</u>	<u>118</u>
35	<u>11,201 - 11,300</u>	<u>120</u>
36	<u>11,301 - 11,400</u>	<u>123</u>

1 Above \$11,400, use standard tax table.

2 (B) REDUCED TAX TABLE B - MARRIED

3	Income	Tax
4	Below \$15,501	0
5	15,501 - 15,600	80
6	15,601 - 15,700	81
7	15,701 - 15,800	83
8	15,801 - 15,900	84
9	15,901 - 16,000	86
10	16,001 - 16,100	116
11	16,101 - 16,200	118

12 Above \$16,200, use standard tax table.

13 (C) REDUCED TAX TABLE C - HEAD OF HOUSEHOLD

14	Income	Tax
15	Below \$12,000	0
16	12,001 - 12,100	41
17	12,101 - 12,200	42
18	12,201 - 12,300	43
19	12,301 - 12,400	44
20	12,401 - 12,500	45
21	12,501 - 12,600	46
22	12,601 - 12,700	47
23	12,701 - 12,800	48
24	12,801 - 12,900	49
25	12,901 - 13,000	50
26	13,001 - 13,100	84
27	13,101 - 13,200	85
28	13,201 - 13,300	87
29	13,301 - 13,400	88
30	13,401 - 13,500	90
31	13,501 - 13,600	91
32	13,601 - 13,700	93
33	13,701 - 13,800	94
34	13,801 - 13,900	96
35	13,901 - 14,000	97
36	14,001 - 14,100	99

1	<u>14,101 - 14,200</u>	100
2	<u>14,201 - 14,300</u>	102
3	<u>14,301 - 14,400</u>	103
4	<u>14,401 - 14,500</u>	105
5	<u>14,501 - 14,600</u>	106
6	<u>14,601 - 14,700</u>	108
7	<u>14,701 - 14,800</u>	109
8	<u>14,801 - 14,900</u>	111
9	<u>14,901 - 15,000</u>	112
10	<u>15,001 - 15,100</u>	114
11	<u>15,101 - 15,200</u>	115
12	<u>15,201 - 15,300</u>	203
13	<u>15,301 - 15,400</u>	205
14	<u>15,401 - 15,500</u>	208
15	<u>15,501 - 15,600</u>	210
16	<u>15,601 - 15,700</u>	213
17	<u>15,701 - 15,800</u>	215
18	<u>15,801 - 15,900</u>	218
19	<u>15,901 - 16,000</u>	220
20	<u>16,001 - 16,100</u>	223
21	<u>16,101 - 16,200</u>	225

22 Above \$16,200, use standard tax table."

23

24 SECTION 4. Ark. Code Ann. §26-51-430 is amended to read as follows:

25 "(a) In lieu of itemizing deductions, the taxpayer may elect to use the
26 standard deduction.

27 (b) The standard deduction shall be ~~computed in the following manner:~~

28 ~~— (1) If his gross income is five thousand dollars (\$5,000) or more, the~~
29 ~~standard deduction shall be one thousand dollars (\$1,000) or an amount equal~~
30 ~~to ten percent (10%) of the gross income, whichever is the lesser, except that~~
31 ~~in the case of a separate return by a married individual, the standard~~
32 ~~deduction shall be five hundred dollars (\$500);~~

33 ~~— (2) If his gross income is less than five thousand dollars (\$5,000), the~~
34 ~~standard deduction shall be an amount equal to ten percent (10%) of the gross~~
35 ~~income.~~ two thousand dollars (\$2,000) per taxpayer. In the case of a married
36 couple, each spouse shall be entitled to claim a standard deduction of

1 \$2,000."

2

3 SECTION 5. Ark. Code Ann. §26-51-501(a)(3)(A) concerning dependents'
4 personal tax credits is amended to read as follows:

5 "(A) For each individual, other than husband or wife, who has a gross
6 income for the tax year of less than three thousand dollars (\$3,000), who has
7 not filed a joint return with his or her spouse for the taxable year and who
8 is dependent upon and receives his or her chief support from the taxpayer,
9 twenty-five dollars (~~\$20~~25.00)."

10

11 SECTION 6. Ark. Code Ann. §26-51-201 concerning individual income tax
12 rates is amended to add a new paragraph to read as follows:

13 "(d)(1) Not later than December 15 of 1997, and each subsequent
14 calendar year, the Director shall prescribe a table which shall apply in lieu
15 of the table contained in §26-51-201(a) with respect to taxable years
16 beginning in the succeeding calendar year. The Director shall increase the
17 minimum and maximum dollar amounts for each rate bracket (rounding to the
18 nearest \$100) for which a tax is imposed under such table by the cost-of-
19 living adjustment (COLA) for such calendar year and by not changing the rate
20 applicable to any rate bracket as adjusted. The yearly COLA increase in each
21 rate bracket as provided in paragraph (2) shall apply to the brackets as
22 contained in §26-51-201(a) as in effect on January 1, 1997.

23 (2) For purposes of paragraph (1), the cost-of-living adjustment for
24 any calendar year is the percentage (if any) by which the CPI for the calendar
25 year preceding the taxable year exceeds the CPI for the calendar year 1996.
26 The CPI for any calendar year is the average of the Consumer Price Index as of
27 the close of the 12-month period ending on August 31 of such calendar year.
28 Consumer Price Index means the last Consumer Price Index for all-urban
29 consumers published by the Department of Labor.

30 (3) The new tables, as adjusted, shall apply for tax returns filed
31 for taxable year 1998 and thereafter, and shall be used by the Director in
32 preparing the income tax withholding tables pursuant to Ark. Code Ann. §26-51-
33 907."

34

35 SECTION 7. Ark. Code Ann. §26-51-502(b) relating to child care tax
36 credit is amended to read as follows:

1 "(b)(1) Section ~~44A~~ 21 of the Internal Revenue Code of ~~1954~~ 1986, as
 2 amended and in effect on January 1, ~~1983~~ 1997, is adopted for purposes of
 3 determining the allowable credit under the Arkansas Income Tax Act, as
 4 amended, §26-51-101 et seq., for household and dependent care services
 5 necessary for gainful employment.

6 (2) The amount of credit shall be ~~ten~~ twenty percent (~~10~~ 20%) of the
 7 federal credit allowable."
 8

9 SECTION 8. Ark. Code Ann. §26-51-404(b)(2) concerning the definition of
 10 nontaxable income is amended to read as follows:

11 "~~(2) So much of the gain, if any, resulting from the sale or exchange of~~
 12 ~~property which is located within the State of Arkansas, used by the taxpayer~~
 13 ~~as his principal residence, which shall, within a period beginning two (2)~~
 14 ~~years prior to the date of sale or exchange and ending two (2) years after~~
 15 ~~that date, be applied by the taxpayer to purchase, acquire, construct, or~~
 16 ~~reconstruct other property which is thereafter used or to be used by the~~
 17 ~~taxpayer as his principal residence if the new residence is within the State~~
 18 ~~of Arkansas~~ Gain from the sale or exchange of property if, during the 7-year
 19 period ending on the date of the sale or exchange, such property has been
 20 owned and used by the taxpayer as the taxpayer's principal residence for
 21 periods aggregating 5 years or more. In the case of an unmarried individual
 22 whose spouse is deceased on the date of sale or exchange of the property, if
 23 the deceased spouse (during the 7-year period ending on the date of the sale
 24 or exchange) satisfied the holding and use requirements of the preceding
 25 sentence with respect to such property, then such individual shall be treated
 26 as satisfying the holding and use requirements of the preceding sentence with
 27 respect to such property;"
 28

29 SECTION 9. Ark. Code Ann. §26-51-305 concerning income from the sale of
 30 a home is repealed.

31 "~~(a) Beginning with taxable years commencing on January 1, 1982, at the~~
 32 ~~election of the taxpayer, gross income does not include gain from the sale or~~
 33 ~~exchange of property if:~~

34 ~~— (1) The taxpayer has attained age fifty-five (55) before the date of the~~
 35 ~~sale or exchange; and~~

36 ~~— (2) During the five-year period ending on the date of the sale or~~

1 ~~exchange, the property has been owned and used by the taxpayer as his~~
2 ~~principal residence for periods aggregating three (3) years or more.~~

3 ~~—— (b)(1) The amount of gain excluded from gross income under subsection~~
4 ~~(a) of this section shall not exceed one hundred twenty-five thousand dollars~~
5 ~~(\$125,000) or, in the case of a separate return by a married individual,~~
6 ~~sixty-two thousand five hundred dollars (\$62,500);~~

7 ~~—— (2) Subsection (a) of this section shall not apply to any sale or~~
8 ~~exchange by the taxpayer if an election by the taxpayer or his spouse under~~
9 ~~subsection (a) of this section with respect to any other sale or exchange is~~
10 ~~in effect.~~

11 ~~—— (c) An election under subsection (a) of this section may be made or~~
12 ~~revoked at any time before the expiration of the period for making a claim for~~
13 ~~credit or refund of the tax imposed by this chapter for the taxable year in~~
14 ~~which the sale or exchange occurred and shall be made or revoked in such~~
15 ~~manner as the Director of the Department of Finance and Administration shall~~
16 ~~by regulations prescribe. In the case of a taxpayer who is married, an~~
17 ~~election under subsection (a) of this section or a revocation thereof may be~~
18 ~~made only if his spouse joins in the election or revocation.~~

19 ~~—— (d)(1) For purposes of this section, both the husband and the wife shall~~
20 ~~be treated as satisfying the age, holding, and use requirements of subsection~~
21 ~~(a) of this section with respect to the property if:~~

22 ~~—— (A) Property is held by a husband and wife as joint tenants, or tenants~~
23 ~~by the entirety;~~

24 ~~—— (B) The husband and wife make a joint return for the taxable year of the~~
25 ~~sale or exchange; and~~

26 ~~—— (C) One (1) spouse satisfies the age, holding, and use requirements of~~
27 ~~subsection (a) of this section with respect to the property.~~

28 ~~—— (2) For purposes of this section, in the case of an unmarried individual~~
29 ~~whose spouse is deceased on the date of the sale or exchange of property, the~~
30 ~~individual shall be treated as satisfying the holding and use requirements of~~
31 ~~subdivision (a)(2) of this section with respect to the property if:~~

32 ~~—— (A) The deceased spouse, during the five-year period ending on the date~~
33 ~~of the sale or exchange, satisfied the holding and use requirements of~~
34 ~~subdivision (a)(2) of this section with respect to the property; and~~

35 ~~—— (B) No election by the deceased spouse under subsection (a) of this~~
36 ~~section is in effect with respect to a prior sale or exchange.~~

1 ~~—— (3) For purposes of this section, if the taxpayer holds stock as a~~
2 ~~tenant-stockholder in a cooperative housing corporation, as defined in such~~
3 ~~section, then:~~

4 ~~—— (A) The holding requirements of subdivision (a)(2) of this section shall~~
5 ~~be applied to the holding of the stock; and~~

6 ~~—— (B) The use requirements of subdivision (a)(2) of this section shall be~~
7 ~~applied to the house or apartment which the taxpayer was entitled to occupy as~~
8 ~~such stockholder.~~

9 ~~—— (4) For purposes of this section, the destruction, theft, seizure,~~
10 ~~requisition, or condemnation of property shall be treated as the sale of the~~
11 ~~property.~~

12 ~~—— (5) In the case of property only a portion of which, during the~~
13 ~~five-year period ending on the date of the sale or exchange, has been owned~~
14 ~~and used by the taxpayer as his principal residence for periods aggregating~~
15 ~~three (3) years or more, this section shall apply with respect to so much of~~
16 ~~the gain from the sale or exchange of the property as is determined, under~~
17 ~~regulations prescribed by the Director of the Department of Finance and~~
18 ~~Administration, to be attributable to the portion of the property so owned and~~
19 ~~used by the taxpayer.~~

20 ~~—— (6) In the case of any sale or exchange, for purposes of this section:~~

21 ~~—— (A) The determination of whether an individual is married shall be made~~
22 ~~as of the date of the sale or exchange; and~~

23 ~~—— (B) An individual legally separated from his spouse under a decree of~~
24 ~~divorce or of separate maintenance shall not be considered as married.~~

25 ~~—— (7) With regard to involuntary conversion, sale, or exchange of the~~
26 ~~principal residence, the amount realized from the sale or exchange of property~~
27 ~~shall be treated as being the amount determined without regard to this~~
28 ~~section, reduced by the amount of gain not included in gross income pursuant~~
29 ~~to an election under this section.~~

30 ~~—— (8) If the basis of property sold or exchanged is determined in whole or~~
31 ~~in part with regard to the basis of property acquired through involuntary~~
32 ~~conversion, then the holding and use by the taxpayer of the converted property~~
33 ~~shall be treated as holding and use by the taxpayer of the property sold or~~
34 ~~exchanged.~~

35 ~~—— (9) In the case of a taxpayer who:~~

36 ~~—— (A) Becomes physically or mentally incapable of self-care, and~~

1 ~~—— (B) Owns property and uses such property as the taxpayer's principal~~
2 ~~residence during the five-year period described in subdivision (a)(2) of this~~
3 ~~section for periods aggregating at least one (1) year, then the taxpayer shall~~
4 ~~be treated as using such property as the taxpayer's principal residence during~~
5 ~~any time during such five-year period in which the taxpayer owns the property~~
6 ~~and resides in any facility, including a nursing home, licensed by a state or~~
7 ~~political subdivision to care for an individual in the taxpayer's condition.~~

8 ~~(e)(1) The provisions of this section are intended to provide Arkansas~~
9 ~~residents over age fifty-five (55) a special one-time exclusion of up to one~~
10 ~~hundred twenty-five thousand dollars (\$125,000) of gain from the sale of their~~
11 ~~principal residences in determining gross income for the purpose of computing~~
12 ~~state income tax liability under the Arkansas Income Tax Act, as amended,~~
13 ~~26-51-101 et seq.~~

14 ~~—— (2) This exclusion is similar to the exclusion from gross income~~
15 ~~provided by Section 121 of the Internal Revenue Code for the purpose of~~
16 ~~determining federal income tax liability."~~

17

18 SECTION 10. The provisions of this act shall be effective for tax years
19 beginning on or after January 1, 1998.

20

21 SECTION 11. All provisions of this act of a general and permanent
22 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
23 Code Revision Commission shall incorporate the same in the Code.

24

25 SECTION 12. If any provision of this act or the application thereof to
26 any person or circumstance is held invalid, such invalidity shall not affect
27 other provisions or applications of the act which can be given effect without
28 the invalid provision or application, and to this end the provisions of this
29 act are declared to be severable.

30

31 SECTION 13. All laws and parts of laws in conflict with this act are
32 hereby repealed.

33

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