

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997
4
5 By: Senator Hopkins

A Bill

SENATE BILL 49

For An Act To Be Entitled

9 "AN ACT TO AMEND ARKANSAS CODE § 24-7-406 TO PROVIDE FOR
10 AN ALTERNATIVE TAX TREATMENT OF MEMBER CONTRIBUTIONS FOR
11 THE TEACHER RETIREMENT SYSTEM UNDER SECTION 414(h) OF THE
12 INTERNAL REVENUE TAX CODE; TO DECLARE AN EMERGENCY; AND
13 FOR OTHER PURPOSES."

Subtitle

16 "TO PROVIDE FOR ALTERNATIVE TAX
17 TREATMENT OF MEMBER CONTRIBUTIONS FOR
18 THE TEACHER RETIREMENT SYSTEM UNDER
19 SECTION 414(h) OF THE FEDERAL INCOME TAX
20 LAWS."

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

24 SECTION 1. Arkansas Code § 24-7-406, regarding contributions to
25 members' deposit accounts for the Teacher Retirement System, is amended to add
26 a new subsection (h) to read as follows:

27 "(h) Each employer shall pay the member contributions required by this
28 section for each salary earned by a member after June 30, 1997 and those
29 contributions shall then be treated as employer contributions in determining
30 tax treatment under the provisions of the federal Internal Revenue Code and
31 the Arkansas Income Tax Act, Arkansas Code §§ 26-51-101 et seq. Provided,
32 however, each employer shall continue to withhold federal and state income
33 taxes based upon those contributions as income of the member until the federal
34 Internal Revenue Service or the federal courts rule that, pursuant to Section
35 414(h) of the Internal Revenue Code, the contributions shall not be included
36 as gross income of the member until they are distributed or made available to

1 the member. The employer shall pay these member contributions from the same
2 source of funds used in paying the salary to the member. The employer may pay
3 these contributions by a reduction in the cash salary of the member, or by a
4 setoff against future salary increases, or by a combination of a reduction in
5 salary and a setoff against future salary increases. If member contributions
6 are paid by the employer as provided under this subsection, they shall be
7 treated for all purposes of the Teacher Retirement System in the same manner
8 and to the same extent possible as member contributions made prior to the date
9 the employer began payment of the member's contributions hereunder."

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11 SECTION 2. All provisions of this act of general and permanent nature
12 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
13 Revision Commission shall incorporate the same in the Code.

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15 SECTION 3. If any provisions of this act or the application thereof to
16 any person or circumstance is held invalid, the invalidity shall not affect
17 other provisions or applications of the act which can be given effect without
18 the invalid provisions or application, and to this end the provisions of this
19 act are declared to be severable.

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21 SECTION 4. All laws and parts of laws in conflict with this act are
22 hereby repealed.

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24 SECTION 5. Emergency. It is hereby found and determined by the
25 Eighty-First General Assembly of the State of Arkansas that the current
26 language in the federal Internal Revenue Code makes it imperative that changes
27 be made in laws of the Teacher Retirement System regarding employee
28 contributions for income tax treatment purposes to save the members' money;
29 that administrative efficiency dictates those changes be made at the beginning
30 of the state fiscal year on July 1st; and that these changes are essential to
31 the protect the financial interests of the membership of the Teacher
32 Retirement System. Therefore, in order to protect the members of the System,
33 an emergency is hereby declared to exist, and this act being necessary for the
34 immediate preservation of the public peace, health, and safety, shall become
35 effective July 1, 1997.