

1 State of Arkansas

2 82nd General Assembly

3 Regular Session, 1999

A Bill

HOUSE BILL 1184

4
5 By: Representatives Courtway, Teague, Hausam, Sheppard, Magnus, Lancaster, Kidd, Simmons, Glover,
6 Hickinbotham, King, Hunt, Madison, Booker, Milum, Wilkinson, Angel, R. Smith, Ferguson, Files

For An Act To Be Entitled

"THE IRA AND SAVINGS INCENTIVE ACT OF 1999."

Subtitle

"THE IRA AND SAVINGS INCENTIVE ACT OF
1999."

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

SECTION 1. Ark. Code Ann. § 26-51-414 is amended to read as follows:

"26-51-414. Deferred compensation plans.

(a) Sections 72, 219, 401-404, and 406-416 inclusive, and § 457 of the Internal Revenue Code of 1986, as in effect on January 1, ~~1997~~ 1999, relating to annuities, retirement savings, and employee benefit plans, respectively, are hereby adopted for the purpose of computing Arkansas income tax liability, except Arkansas capital gains treatment, and the Arkansas tax rates shall apply. The requirements for filing a joint return under § 219(c)(1)(A) of the Internal Revenue Code of 1986 shall not apply. ~~Any additional tax or penalty imposed by this section shall be ten percent (10%) of the amount of any additional tax or penalty provided in the federal income tax law adopted by this section.~~

(b) Section 408A of the Internal Revenue Code of 1986, as in effect on January 1, 1999, relating to Roth individual retirement accounts, is adopted for the purpose of computing Arkansas income tax liability with the following exceptions:

(1) Sections 408A(d)(3)(A)(iii) and 408A(d)(3)(E) are not adopted. All income from and tax attributable to distributions from a non-Roth

IRA to a Roth IRA prior to January 1, 1999, shall be reported for tax year 1998 and the tax may be paid over a four (4) year period as permitted by the Director.

(2) Adjusted gross income under § 408A(c)(3), shall be determined in the same manner as under § 26-51-403(b).

(c) Any additional tax or penalty imposed by this section shall be ten percent (10%) of the amount of any additional tax or penalty provided in the federal income tax law adopted by this section."

SECTION 2. Title 26, Chapter 51, Subchapter 4 of the Arkansas Code is hereby amended to add the following new section, to be appropriately numbered by the Arkansas Code Revision Committee:

"Section 530 of the federal Internal Revenue Code of 1986, as in effect on January 1, 1999, relating to educational individual retirement accounts, is adopted for the purposes of computing Arkansas income tax liability. Any additional tax or penalty imposed by this section shall be ten percent (10%) of the amount of any additional tax or penalty provided in the federal income tax law adopted by this section."

SECTION 3. Ark. Code Ann. § 26-51-307 is hereby amended to read as follows:

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

(a)(1) ~~The first six thousand dollars (\$6,000) of retirement or disability benefits received after December 31, 1988, by any resident of this state from an individual retirement account ('IRA') or the first six thousand dollars (\$6,000) of retirement or disability benefits received by any resident of this state from public or private employment-related retirement systems, plans, or programs, regardless of the method of funding for such systems, plans, or programs, shall be exempt from the state income tax.~~

(2) Only IRA benefits received by an IRA participant after reaching the age of fifty-nine and one-half (59½) qualify for the exemption. The only other distributions or withdrawals from an IRA that qualify for the exemption before the IRA participant reaches the age of fifty-nine and one-half (59½) are those made on account of the participant's death or disability. All other premature distributions or early withdrawals including, but not limited to, those taken for medical related expenses, higher education

1 expenses or a first-time home purchase, do not qualify for the exemption.

2 (b)(1) Except as provided in subdivision ~~(3)~~(2) of this subsection, the
 3 exemption provided for in subsection (a) of this section for benefits received
 4 from an individual retirement account ('IRA') or from a public or private
 5 employment-related retirement or disability system, plan, or program shall be
 6 the only exemption from state income taxes allowed for ~~retirement or~~
 7 ~~disability~~ benefits received from an individual retirement account ('IRA') or
 8 from any publicly or privately supported employment-related retirement
 9 system, plan, or program, excepting only benefits received under systems,
 10 plans, or programs which are by federal law exempt from state income taxes.
 11 No taxpayer shall receive an exemption greater than six thousand dollars
 12 (\$6,000) during any tax year under the provisions of this section.

13 ~~(2) Any resident of this state who prior to January 1, 1989,~~
 14 ~~received both military retirement or disability pay and other retirement or~~
 15 ~~disability benefits shall be entitled to claim only one (1) six thousand~~
 16 ~~dollar deduction beginning with tax year 1989.~~

17 ~~(3)~~(2) The provisions of this section shall not apply to retirement or
 18 disability benefits received under a plan, system, or fund described in § 26-
 19 51-404 (b)(7).

20 (c) No recipient of ~~retirement or disability~~ benefits from an individual
 21 retirement account ('IRA') or from public or private employment-related
 22 retirement systems, plans, or programs shall be allowed to deduct or recover
 23 his cost of contribution in the plan when computing his income for state
 24 income tax purposes.

25 (d) An individual who is sixty-five (65) years of age or older and who
 26 does not claim an exemption under subsection (a) of this section shall be
 27 entitled to an additional state income tax credit of twenty dollars (\$20.00).
 28 This credit is in addition to all other credits allowed by law."
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30 SECTION 4. The provisions of this Act shall be effective for tax years
 31 beginning on or after January 1, 1999.
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33 SECTION 5. All provisions of this act of a general and permanent nature
 34 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
 35 Revision Commission shall incorporate the same in the Code.
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1 SECTION 6. If any provision of this act or the application thereof to
2 any person or circumstance is held invalid, such invalidity shall not affect
3 other provisions or applications of the act which can be given effect without
4 the invalid provision or application, and to this end the provisions of this
5 act are declared to be severable.

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7 SECTION 7. All laws and parts of laws in conflict with this act are
8 hereby repealed.

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