

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005
4

As Engrossed: H1/14/05 S1/27/05

A Bill

HOUSE BILL 1064

5 By: Representatives Bond, Key, J. Martin, Lamoureux
6 By: Senators Higginbotham, Trusty, Salmon
7

For An Act To Be Entitled

10 AN ACT TO ALLOW AN INCOME TAX DEDUCTION FOR
11 CONTRIBUTIONS MADE TO A HEALTH SAVINGS ACCOUNT;
12 TO EXEMPT THE INTEREST EARNED ON THE ACCOUNT FROM
13 INCOME TAX; TO MAKE CONFORMING AMENDMENTS TO
14 EXISTING LAW; AND FOR OTHER PURPOSES.

Subtitle

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16
17 ALLOWS AN INCOME TAX DEDUCTION FOR
18 CONTRIBUTIONS MADE TO A HEALTH SAVINGS
19 ACCOUNT.
20
21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 4 is amended
25 to add a new section as follows:

26 26-51-453. Health savings accounts.

27 (a) Subdivisions (a) - (d), (e)(2), (f), and (g) of § 223 of the
28 Internal Revenue Code of 1986, as in effect on January 1, 2005, regarding a
29 deduction from income for amounts deposited to health savings accounts, is
30 adopted for purposes of computing Arkansas income tax liability.

31 (b) A health savings account is exempt from tax under this chapter
32 unless it no longer meets the requirements of subsection (a) of this section.
33

34 SECTION 2. Arkansas Code § 26-51-404(b), pertaining to the definition
35 of "gross income" for purposes of the Arkansas Income Tax Act of 1929, is
36 amended to add a new subdivision to read as follows:



1 (26) Contributions by an employer to an employee's health
2 savings account within the limitations established in § 26-51-453 shall not
3 be included in the employee's gross income.
4

5 SECTION 3. Arkansas Code § 26-51-404(b)(12), pertaining to exclusions
6 from gross income, is amended to read as follows:

7 (12) Section 129 of the Internal Revenue Code of 1986, as in
8 effect on ~~January 1, 1997~~ January 1, 2005, regarding the exclusion from
9 income for dependent care assistance, is hereby adopted for the purpose of
10 computing Arkansas income tax liability. However, no amounts excluded from
11 gross income pursuant to this subdivision (b)(12) shall be taken into account
12 in computing the dependent care credit contained in § 26-51-502;

13
14 SECTION 4. Arkansas Code § 26-51-414(a)(1), pertaining to income tax
15 treatment of deferred compensation plans, is amended to read as follows:

16 (a)(1) Sections 72, 219, 401-404, 406-416, and 457 of the Internal
17 Revenue Code of 1986, as in effect on ~~January 1, 2002~~ January 1, 2005,
18 relating to annuities, retirement savings, and employee benefit plans,
19 respectively, are hereby adopted for the purpose of computing Arkansas income
20 tax liability, except Arkansas capital gains treatment, and the Arkansas tax
21 rates shall apply.

22
23 SECTION 5. Arkansas Code § 26-51-436 is amended to read as follows:
24 26-51-436. Deductions - Limitations.

25 Notwithstanding any other provision of this act with regard to
26 deductions allowed in computing net income:

27 (1) Section 465 of the Internal Revenue Code of 1986, as in
28 effect on January 1, 1987, is adopted to limit deductions claimed under this
29 act to the amount the taxpayer has at risk, as that term is used in the
30 federal income tax law;

31 (2) Section 469 of the Internal Revenue Code of 1986, as in
32 effect on January 1, 1997, regarding the limitations on deductibility of
33 passive activity losses and credits, is hereby adopted for the purpose of
34 computing Arkansas income tax liability;

35 (3) Subsections (a),(b),(c), and (d) of § 280F of the Internal
36 Revenue Code of 1986, as in effect on January 1, 1999, regarding investment

1 tax credit and depreciation for luxury automobiles, is hereby adopted for
2 purposes of computing Arkansas income tax liability;

3 (4) Section 68 of the Internal Revenue Code of 1986, as in
4 effect on January 1, 1995, is adopted to limit itemized deductions;

5 (5) Section 220 of the Internal Revenue Code of 1986, as in
6 effect on ~~January 1, 2003~~ January 1, 2005, regarding the deductibility from
7 income of contributions made to a medical savings account by the taxpayer or
8 the taxpayer's employer, is hereby adopted for the purpose of computing
9 Arkansas income tax liability; and

10 (6) Section 264 of the Internal Revenue Code of 1986, as in
11 effect on January 1, 1999, regarding premium and interest deductions on life
12 insurance of officers and employees, is adopted for the purpose of computing
13 Arkansas income tax liability.

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15 SECTION 6. EFFECTIVE DATE. This act shall apply to tax years
16 beginning on or after January 1, 2004.

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18 SECTION 7. EMERGENCY CLAUSE. It is found and determined by the
19 General Assembly of the State of Arkansas that that health savings accounts
20 allow taxpayers to better control their healthcare expenses; that Congress
21 has provided for income tax benefits to taxpayers utilizing health savings
22 accounts; and that Arkansas taxpayers cannot receive similar state income tax
23 benefits until this act becomes effective. Therefore, an emergency is
24 declared to exist and this act being immediately necessary for the
25 preservation of the public peace, health, and safety shall become effective
26 on:

27 (1) The date of its approval by the Governor;

28 (2) If the bill is neither approved nor vetoed by the Governor,
29 the expiration of the period of time during which the Governor may veto the
30 bill; or

31 (3) If the bill is vetoed by the Governor and the veto is
32 overridden, the date the last house overrides the veto.

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34 /s/ Bond
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