

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

A Bill

HOUSE BILL 1217

4
5 By: Representative Borhauer
6
7

For An Act To Be Entitled

8
9 AN ACT TO CLARIFY THAT COST RECOVERY FOR
10 ANNUITANTS IS ALLOWED UNDER THE INCOME TAX ACT OF
11 1929; AND FOR OTHER PURPOSES.
12

Subtitle

13
14 TO CLARIFY THAT COST RECOVERY FOR
15 ANNUITANTS IS ALLOWED UNDER THE INCOME
16 TAX ACT OF 1929.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. The purpose of this act is to clarify current law regarding
22 cost recovery for annuitants under the Income Tax Act of 1929, Arkansas Code
23 § 26-51-101 et seq.
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25 SECTION 2. Arkansas Code § 26-51-404(b)(24), regarding the computation
26 of gross income under the Income Tax Act of 1929, § 26-51-101 et seq., is
27 amended to read as follows:

28 (24)(A) ~~Sections 72(a), (b), and (c)~~ Section 72 of the Internal
29 Revenue Code of 1986, as in effect on January 1, ~~2001~~ 2005, relating to the
30 exclusion from gross income of certain proceeds received under ~~nonemployment-~~
31 ~~related~~ life insurance, endowment, and annuity contracts, is hereby adopted
32 for the purpose of computing Arkansas income tax liability.

33 (B) ~~Annuity income received through an employment-related~~
34 ~~retirement plan shall not be subject to the provisions of § 26-51-404(b). The~~
35 ~~income shall instead be subject to the retirement income provisions of § 26-~~
36 ~~51-307~~ A taxpayer shall not be allowed to recover his or her cost of recovery



1 for any period more than one (1) time under this subdivision (b)(24).

2
3 SECTION 3. Arkansas Code § 26-51-307(c), regarding the taxation of
4 retirement or disability benefits under the Income Tax Act of 1929, § 26-51-
5 101 et seq., is amended as follows:

6 (c)(1) Except as provided under § 72 of the Internal Revenue Code of
7 1986, as in effect on January 1, 2005, No no recipient of benefits from an
8 individual retirement account or from public or private employment-related
9 retirement systems, plans, or programs shall be allowed to deduct or recover
10 his or her cost of contribution in the plan when computing his or her income
11 for state income tax purposes.

12 (2) A taxpayer shall not be allowed to recover his or her cost
13 of recovery for any period more than one (1) time under this subsection (c).

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15 SECTION 4. This act applies to tax years beginning on or after January
16 1, 2005.