

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: H1/26/05

A Bill

HOUSE BILL 1217

5 By: Representative Borhauer
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For An Act To Be Entitled

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

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 (e)~~ 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).*
35 *The income shall instead be subject to the retirement income provisions of §*
36 *26-51-307.*



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

4 (c)(1) Section 72 of the Internal Revenue Code of 1986, as in effect
5 on January 1, 2005, shall provide the sole method by which a ~~No~~ recipient of
6 benefits from an individual retirement account or from public or private
7 employment-related retirement systems, plans, or programs ~~shall be allowed to~~
8 may deduct or recover his or her cost of contribution in the plan when
9 computing his or her income for state income tax purposes.

10 (2) A taxpayer shall not be allowed to deduct or recover any
11 portion of the taxpayer's cost of contribution that the taxpayer:

12 (A) Has once deducted or recovered; or

13 (B) Would have been allowed to deduct or recover under any
14 provision of law or court decision.

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16 /s/ Borhauer
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