

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 1493

4  
5 By: Representative Norton  
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7

## For An Act To Be Entitled

8  
9 AN ACT TO INCREASE THE STATE INCOME TAX EXEMPTION  
10 FOR RETIREMENT BENEFITS IN ORDER TO PROVIDE  
11 RETIREES WITH ADDITIONAL FUNDS WITH WHICH TO PAY  
12 FOR THE RISING COSTS OF PRESCRIPTION DRUGS; AND  
13 FOR OTHER PURPOSES.  
14

## Subtitle

15  
16 AN ACT TO INCREASE THE STATE INCOME TAX  
17 EXEMPTION FOR RETIREMENT BENEFITS.  
18  
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
21

22 SECTION 1. Arkansas Code § 26-51-307(a) and (b), pertaining to  
23 retirement or disability benefits, is amended as follows:

24 (a)(1)(A) The For the tax years ending before January 1, 2005, the  
25 first six thousand dollars (\$6,000) of benefits received by any resident of  
26 this state from an individual retirement account or the first six thousand  
27 dollars (\$6,000) of retirement benefits received by any resident of this  
28 state from public or private employment-related retirement systems, plans, or  
29 programs, regardless of the method of funding for these systems, plans, or  
30 programs, shall be exempt from the state income tax.

31 (B) For tax years beginning on and after January 1, 2005,  
32 the first eight thousand dollars (\$8,000) of benefits received by any  
33 resident of this state from an individual retirement account or the first  
34 eight thousand dollars (\$8,000) of retirement benefits received by any  
35 resident of this state from public or private employment-related retirement  
36 systems, plans, or programs, regardless of the method of funding for these



1 systems, plans, or programs, shall be exempt from the state income tax.

2 (2) Only individual retirement account benefits received by an  
 3 individual retirement account participant after reaching the age of fifty-  
 4 nine and one-half (59 1/2) years qualify for the exemption. The only other  
 5 distributions or withdrawals from an individual retirement account that  
 6 qualify for the exemption before the individual retirement account  
 7 participant reaches the age of fifty-nine and one-half (59 1/2) years are  
 8 those made on account of the participant's death or disability. All other  
 9 premature distributions or early withdrawals including, but not limited to,  
 10 those taken for medical-related expenses, higher education expenses, or a  
 11 first-time home purchase do not qualify for the exemption.

12 (b)(1)(A) Except as provided in subdivision (b)(2) of this section,  
 13 the exemption provided for in subsection (a) of this section for benefits  
 14 received from an individual retirement account or from a public or private  
 15 employment-related retirement system, plan, or program shall be the only  
 16 exemption from the state income tax allowed for benefits received from an  
 17 individual retirement account or from any publicly or privately supported  
 18 employment-related retirement system, plan, or program, excepting only  
 19 benefits received under systems, plans, or programs which are by federal law  
 20 exempt from the state income tax.

21 (B) No taxpayer shall receive an exemption greater than  
 22 ~~six thousand dollars (\$6,000)~~ the amount provided in subsection (a) of this  
 23 section during any tax year under the provisions of this section.

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

27  
 28 SECTION 2. This act applies to tax years beginning on and after  
 29 January 1, 2005.