

1 State of Arkansas
2 88th General Assembly
3 Regular Session, 2011

A Bill

SENATE BILL 162

4
5 By: Senator J. Key
6

For An Act To Be Entitled

8 AN ACT TO INCREASE THE INCOME TAX EXEMPTION FOR
9 RETIREMENT AND DISABILITY BENEFITS; TO PROVIDE FOR A
10 COST-OF-LIVING ADJUSTMENT TO THE INCOME TAX EXEMPTION
11 FOR RETIREMENT AND DISABILITY BENEFITS; AND FOR OTHER
12 PURPOSES.
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Subtitle

15 TO INCREASE THE INCOME TAX EXEMPTION FOR
16 RETIREMENT AND DISABILITY BENEFITS AND TO
17 PROVIDE FOR A COST-OF-LIVING ADJUSTMENT
18 TO THE INCOME TAX EXEMPTION FOR
19 RETIREMENT AND DISABILITY BENEFITS.
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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25 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

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

27 (a)(1) The first ~~six thousand dollars (\$6,000)~~ seven thousand five
28 hundred dollars (\$7,500) of benefits received by any resident of this state
29 from an individual retirement account or the first ~~six thousand dollars~~
30 ~~(\$6,000)~~ seven thousand five hundred dollars (\$7,500) of retirement benefits
31 received by any resident of this state from public or private employment-
32 related retirement systems, plans, or programs, regardless of the method of
33 funding for these public or private employment-related retirement systems,
34 plans, or programs, ~~shall be~~ is exempt from the state income tax levied by
35 the Income Tax Act of 1929, § 26-51-101 et seq.

36 (2)(A) Only individual retirement account benefits received by



1 an individual retirement account participant after reaching fifty-nine and
 2 one-half (59½) years of age qualify for the exemption in subdivision (a)(1)
 3 of this section.

4 (B) The only other distributions or withdrawals from an
 5 individual retirement account that qualify for the exemption in subdivision
 6 (a)(1) of this section before the individual retirement account participant
 7 reaches fifty-nine and one-half (59½) years of age are those made on account
 8 of the individual retirement account participant's death or disability.

9 (C) All other premature distributions or early
 10 withdrawals, ~~including, but not limited to,~~ without limitation those taken
 11 for medical-related expenses, higher education expenses, or a first-time home
 12 purchase, do not qualify for the exemption in subdivision (a)(1) of this
 13 section.

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

23 (B) No taxpayer shall receive an exemption greater than
 24 ~~six thousand dollars (\$6,000) during any tax year under the provisions of~~
 25 ~~this section~~ the amount allowed in this section for the applicable tax year.

26 (2) ~~The provisions of this section shall~~ This section does not
 27 apply to retirement or disability benefits received under a plan, system, or
 28 fund described in § 26-51-404(b)(6).

29 (c)(1) Section 72 of the Internal Revenue Code of 1986, as in effect
 30 on January 1, ~~2009~~ 2011, is the sole method by which a recipient of benefits
 31 from an individual retirement account or from public or private employment-
 32 related retirement systems, plans, or programs may deduct or recover his or
 33 her cost of contribution to the individual retirement account or public or
 34 private employment-related retirement system, plan, or program when computing
 35 his or her income for state income tax purposes.

36 (2) A taxpayer shall not be allowed to deduct or recover any

1 portion of the taxpayer's cost of contribution to the individual retirement
2 account or public or private employment-related retirement system, plan, or
3 program that the taxpayer:

4 (A) Has ~~once~~ already deducted or recovered; or

5 (B) Would have been allowed to deduct or recover under any
6 ~~provision of~~ law or court decision.

7 (d)(1) An individual who is sixty-five (65) years of age or older and
8 who does not claim an exemption under subsection (a) of this section ~~shall be~~
9 is entitled to an additional state income tax credit of twenty dollars
10 (\$20.00).

11 (2) ~~This~~ The state income tax credit under this subsection is in
12 addition to all other credits allowed by law.

13 (e)(1) The exemption in subsection (a) of this section shall be
14 adjusted annually by the cost-of-living adjustment, rounded to the nearest
15 one hundred dollars (\$100), under this subsection (e).

16 (2) For tax years beginning on and after January 1, 2013, the
17 cost-of-living adjustment for any calendar year is the percentage, if any, by
18 which the Consumer Price Index for All Urban Consumers, published by the
19 United States Department of Labor, for the current calendar year exceeds the
20 Consumer Price Index for All Urban Consumers for the preceding calendar year.

21 (3) The Consumer Price Index for All Urban Consumers for any
22 calendar year is the average of the Consumer Price Index for All Urban
23 Consumers as of the close of the twelve-month period ending on August 31 of
24 that calendar year.

25 (4) However, the cost-of-living adjustment in this subsection
26 (e) shall not decrease the exemption amount in this section. If the
27 adjustment under subdivision (e)(2) of this section would result in a
28 decrease of the exemption amount, the exemption amount shall remain the same
29 as it was the preceding year.

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31 SECTION 2. EFFECTIVE DATE. This act is effective for tax years
32 beginning on or after January 1, 2011.