

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
89th General Assembly
Regular Session, 2013

A Bill

SENATE BILL 306

By: Senators J. Key, Bledsoe, J. Hendren, Holland, Rapert

For An Act To Be Entitled

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

Subtitle

TO INCREASE THE INCOME TAX EXEMPTION FOR RETIREMENT AND DISABILITY BENEFITS; TO PROVIDE A COST-OF-LIVING ADJUSTMENT TO THE INCOME TAX EXEMPTION FOR RETIREMENT AND DISABILITY BENEFITS.

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

SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

26-51-307. Retirement or disability benefits.

(a)(1) The first ~~six thousand dollars (\$6,000)~~ ten thousand dollars (\$10,000) of benefits received by any resident of this state from an individual retirement account or the first ~~six thousand dollars (\$6,000)~~ ten thousand (\$10,000) of retirement benefits received by any resident of this state from public or private employment-related retirement systems, plans, or programs, regardless of the method of funding for these public or private employment-related retirement systems, plans, or programs, ~~shall be~~ is exempt from the state income tax levied by the Income Tax Act of 1929, § 26-51-101 et seq.

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



an individual retirement account participant after reaching fifty-nine and one-half (59 ½) years of age qualify for the exemption in subdivision (a)(1) of this section.

(B) The only other distributions or withdrawals from an individual retirement account that qualify for the exemption in subdivision (a)(1) of this section before the individual retirement account participant reaches fifty-nine and one-half (59 ½) years of age are those made on account of the individual retirement account participant's death or disability.

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

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

(B) ~~No taxpayer~~ A taxpayer shall not receive an exemption greater than ~~six thousand dollars (\$6,000) during any tax year under the provisions of this section~~ the amount allowed in this section for the applicable tax year.

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

(c)(1) Title 26 U.S.C. § 72, as in effect on January 1, ~~2009~~ 2013, is the sole method by which a recipient of benefits from an individual retirement account or from public or private employment-related retirement systems, plans, or programs may deduct or recover his or her cost of contribution to the individual retirement account or public or private employment-related retirement system, plan, or program when computing his or her income for state income tax purposes.

(2) A taxpayer shall not be allowed to deduct or recover any portion of the taxpayer's cost of contribution to the individual retirement account or public or private employment-related retirement system, plan, or program that the taxpayer:

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

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

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

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

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

(2) For tax years beginning on and after January 1, 2015, the cost-of-living adjustment for any calendar year is the percentage, if any, by which the Consumer Price Index for All Urban Consumers, published by the United States Department of Labor, for the current calendar year exceeds the Consumer Price Index for All Urban Consumers for the preceding calendar year.

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

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

SECTION 2. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2013.