



**State of Arkansas  
Department of Finance and Administration  
Fiscal Impact Statement**

**Bill: HB1085**

**Bill Subtitle: TO ADOPT FEDERAL LAW CONCERNING TAX-DEFERRED TUITION SAVINGS PROGRAMS; AND TO AMEND THE INCOME TAX LIABILITY FOR ROLLOVER CONTRIBUTIONS FROM AN ARKANSAS BRIGHTER FUTURE FUND PLAN TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT.**

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**Sponsors:**

**Rep. K. Brown**

**Basic Change:**

Act 966 of 2021 created the "Arkansas Brighter Future Fund Plan Act." The Act allows for the creation of tax-deferred savings accounts to distribute funds to designated beneficiaries to pay for qualified higher education expenses. Contributions to and withdrawals from the accounts may qualify for special tax treatment. The Act currently adopts 26 U.S.C. 529 and portions of 26 U.S.C. 529A as those federal statutes existed on various dates in the past. HB1085 updates references to those sections by adopting them as they existed on January 1, 2024.

By adopting 26 U.S.C. 529 as it existed on January 1, 2024, HB1085 authorizes the rollover of funds from a 529 Plan to a Roth individual retirement account (IRA). HB1085 treats a qualifying rollover of funds from a 529 plan (or a similar plan in another state) to a Roth IRA for the benefit of the designated beneficiary as a tax-free distribution.

HB1085 is effective for tax years beginning on or after January 1, 2024.

**Fiscal Impact:**

**FY2026** - \$374,975 General Revenue Reduction

**FY2027** - \$304,225 General Revenue Reduction

**FY2028** - \$339,600 General Revenue Reduction

[ Fiscal impact was calculated using the Congressional Fiscal Impact for HR2617. The Joint Committee on Taxation estimated revenue effects for certain distributions from qualified tuition programs to Roth IRAs. The federal impact was modified for Arkansas purposes. ]

**Taxpayer Impact:**

A taxpayer will have the same updated rules for the deduction of contributions under the Arkansas Brighter Future Plan Act as for federal tax purposes. An eligible taxpayer will also be able to roll over funds from a 529 plan to a Roth IRA for the benefit of the designated beneficiary as a tax-free distribution.

**Resources Required:**

Computer programs, tax forms, and instructions will need to be updated.



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**Time Required:**

Adequate time is provided for implementation.

**Procedural Changes:**

Department employees will need to be educated as well as the tax community.

**Other Comments:**

None.

**Legal Analysis:**

None.