

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013
4

A Bill

SENATE BILL 306

5 By: Senators J. Key, Bledsoe, J. Hendren, Holland, Rapert
6

For An Act To Be Entitled

8 AN ACT TO INCREASE THE INCOME TAX EXEMPTION FOR
9 RETIREMENT AND DISABILITY BENEFITS; TO PROVIDE 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; TO
17 PROVIDE A COST-OF-LIVING ADJUSTMENT TO
18 THE INCOME TAX EXEMPTION FOR RETIREMENT
19 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)~~ ten thousand dollars
28 (\$10,000) of benefits received by any resident of this state from an
29 individual retirement account or the first ~~six thousand dollars (\$6,000)~~ ten
30 thousand (\$10,000) of retirement benefits received by any resident of this
31 state from public or private employment-related retirement systems, plans, or
32 programs, regardless of the method of funding for these public or private
33 employment-related retirement systems, plans, or programs, ~~shall be is~~ exempt
34 from the state income tax levied by the Income Tax Act of 1929, § 26-51-101
35 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 (59 ½) 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 (59 ½) 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~~ A taxpayer shall not receive an exemption
 24 greater than ~~six thousand dollars (\$6,000) during any tax year under the~~
 25 ~~provisions of this section~~ the amount allowed in this section for the
 26 applicable tax year.

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

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

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

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

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

8 (d)(1) An individual who is sixty-five (65) years of age or older and
9 who does not claim an exemption under subsection (a) of this section ~~shall be~~
10 is entitled to an additional state income tax credit of twenty dollars
11 (\$20.00).

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

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

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

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

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

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