

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

A Bill

SENATE BILL 577

5
6 By: Senators J. English, J. Hendren

7 Filed with: Interim Senate Committee on Revenue and Taxation
8 pursuant to A.C.A. §10-3-217.

9 For An Act To Be Entitled

10 AN ACT TO EXEMPT FROM INCOME TAX A LIMITED AMOUNT OF
11 RETIREMENT BENEFITS RECEIVED FOR SERVICE IN THE ARMED
12 FORCES; AND FOR OTHER PURPOSES.

13 14 15 Subtitle

16 TO EXEMPT FROM INCOME TAX A LIMITED
17 AMOUNT OF RETIREMENT BENEFITS RECEIVED
18 FOR SERVICE IN THE ARMED FORCES.

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

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23 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:
24 26-51-307. Retirement or disability benefits.

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

31 (2)(A) Only individual retirement account benefits received by
32 an individual retirement account participant after reaching fifty-nine and
33 one-half (59½) years of age qualify for the exemption.

34 (B) The only other distributions or withdrawals from an
35 individual retirement account that qualify for the exemption before the
36 individual retirement account participant reaches fifty-nine and one-half

1 (59½) years of age are those made on account of the participant's death or
2 disability.

3 (C) All other premature distributions or early withdrawals
4 including, ~~but not limited to,~~ without limitation those taken for medical-
5 related expenses, higher education expenses, or a first-time home purchase do
6 not qualify for the exemption.

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

16 (B) ~~No~~ Except as provided in subsection (e) of this
17 section, a taxpayer shall not receive an exemption greater than six thousand
18 dollars (\$6,000) during any tax year under ~~the provisions of~~ this section.

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

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

27 (2) A taxpayer shall not be allowed to deduct or recover any
28 portion of the taxpayer's cost of contribution to the plan that the taxpayer:

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

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

32 (d)(1) An individual who is sixty-five (65) years of age or older and
33 who does not claim an exemption under subsection (a) of this section ~~shall be~~
34 is entitled to an additional state income tax credit of twenty dollars
35 (\$20.00).

1 (2) This credit is in addition to all other credits allowed by
2 law.

3 (e) The retirement benefits received by a resident of this state from
4 the armed forces are exempt from the income tax imposed by the Income Tax Act
5 of 1929, § 26-51-101 et seq., as follows:

6 (1) For tax year 2013, the first nine thousand dollars (\$9,000);

7 (2) For tax year 2014, the first fourteen thousand dollars
8 (\$14,000);

9 (3) For tax year 2015, the first nineteen thousand dollars
10 (\$19,000);

11 (4) For tax year 2016, the first twenty-four thousand dollars
12 (\$24,000);

13 (5) For tax year 2017, the first twenty-nine thousand dollars
14 (\$29,000); and

15 (6) For tax years beginning on and after January 1, 2018, the
16 first forty thousand dollars (\$40,000).

17 (f) As used in subsection (e) of this section, "armed forces" means
18 the United States Air Force, the United States Army, the United States Coast
19 Guard, the United States Marine Corps, the United States Navy, the National
20 Guard of any state, the reserve components of any of the armed forces listed
21 in this subsection, and any other branch of the military and naval forces or
22 auxiliaries of any state or the United States.

23 (g) A taxpayer claiming an exemption under subsection (e) of this
24 section is not eligible for an exemption under subsection (a) of this
25 section.

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

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31 Referred by the Arkansas Senate

32 Prepared by: JLL/VJF