

"AN ACT TO ALLOW RESIDENTS OF THIS STATE WHO RECEIVED MILITARY RETIREMENT PAY AND OTHER RETIREMENT BENEFITS OR DISABILITY BENEFITS PRIOR TO JANUARY 1, 1985 TO CLAIM A SEPARATE EXCLUSION FROM ARKANSAS INCOME TAX FOR A PORTION OF THEIR MILITARY RETIREMENT PAY; TO AMEND SECTION 1 OF ACT 486 OF 1985 [ARK. STAT. 80-2008.5] TO PROVIDE THAT RETIREMENT BENEFITS AND DISABILITY BENEFITS RECEIVED FROM CERTAIN RETIREMENT SYSTEMS WILL BE ENTITLED TO A COMPLETE EXEMPTION IF THE RECIPIENT HAS RETIRED ON OR BEFORE DECEMBER 31, 1989; TO PROVIDE THAT THE EMPLOYEE'S COST OF CONTRIBUTIONS TO RETIREMENT SYSTEMS ARE NOT DEDUCTIBLE WHEN COMPUTING INCOME FOR ARKANSAS INCOME TAX PURPOSES; AND FOR OTHER PURPOSES."

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

SECTION 1. It is hereby found and determined by the General Assembly of the State of Arkansas that prior to the adoption of Act 486 of 1985 persons who received military retirement pay were entitled to exclude a portion of the military retirement pay in addition to exclusions for other types of retirement benefits or disability benefits; that under Act 486 of 1985 such persons have been limited to one income tax exclusion for retirement benefits; and that the change in tax policy has increased the tax burden on these retired citizens. Therefore, it is the purpose of Section 2 of this Act to give such persons a separate exclusion for a portion of their military retirement pay.

SECTION 2.(a) Any resident of this State who, prior to January 1, 1985, received both military retirement pay and other retirement or disability benefits shall be entitled to:

(1) an exemption from Arkansas Income Tax as provided in Section 1 of Act 486 of 1985, except for military retirement pay; and

(2) an exemption from Arkansas Income Tax for the first Six Thousand Dollars (\$6,000) of military retirement pay received in the income year.

(b) A resident claiming the exemptions allowed by this Act must furnish proof that he or she received retirement or disability benefits prior to January 1, 1985. This proof must be in a form that is acceptable to the Commissioner.

(c) A taxpayer will not be entitled to the exemptions allowed by this Section if the taxpayer is married and the taxpayer's spouse is entitled to an income tax exemption under this Section or Section 1 of Act 486 of 1985. It is the intent of this Act that a married couple not receive more than two income tax exemptions for retirement or disability benefits.

(d) The provisions of this Section shall apply for all income years beginning on or after January 1, 1987.

SECTION 3. Section 1 of Act 486 of 1985, the same being Ark. Stat. Ann. 84-2008.5, is hereby amended to read as follows:

"Section 1. (a) Except as provided by paragraph (b) and (c) of this Section, the first six thousand dollars (\$6,000) of retirement or disability benefits received after December 31, 1984, by any resident of this State from public or private employment related retirement systems, plans or programs, regardless of the method of funding for such systems, plans or programs, shall be exempt from the Arkansas Income Tax.

(b) All retirement benefits, other than disability benefits, received by any resident of this State shall be exempt from the Arkansas Income Tax if:

(1) The recipient has retired on or before December 31, 1989, and

(2) The benefits are received from the Arkansas Public Employees Retirement System, the Arkansas Teachers Retirement System, the Arkansas State Police Retirement System, or the Arkansas State Highway Employees Retirement System or any other retirement system, the benefits of which were entirely exempt from the Arkansas Income Tax immediately prior to the adoption of this Act.

(c) All disability retirement benefits received by any resident of this State shall be exempt from Arkansas Income Tax if:

(1) The recipient has retired on or before December 31, 1989, and

(2) The benefits are received by disabled veterans of the armed services of the United States or benefits received from the Arkansas Public Employees Retirement System, the Arkansas Teachers Retirement System, the Arkansas State Police Retirement System, the Arkansas State Highway Employees Retirement System and any other retirement system, the disability benefits of which were entirely exempt from the Arkansas Income Tax immediately prior to the adoption of this Act.

(d) No recipient of retirement or disability benefits from public or private employment related retirement systems, plans or programs shall be allowed to deduct or recover his cost of contribution in the plan when computing his income for Arkansas income tax purposes."

SECTION 4. All other laws or parts of laws in conflict with this Act are hereby repealed.

APPROVED: 4/1/87
