

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4

A Bill

HOUSE BILL 1399

5 By: Representatives Ballinger, Beck, Bentley, Dotson, C. Douglas, M. Gray, G. Hodges, Jean, Ladyman,
6 Lundstrum, McCollum, D. Meeks, S. Meeks, Miller, Payton, Rye, Sullivan
7 By: Senator Hester
8

For An Act To Be Entitled

9
10 AN ACT TO CREATE AN INCOME TAX EXEMPTION FOR INCOME
11 DERIVED FROM MILITARY RETIREMENT BENEFITS AND
12 SURVIVOR BENEFITS; AND FOR OTHER PURPOSES.
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Subtitle

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16 HONOR ARKANSAS VETERANS ACT OF 2017.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. DO NOT CODIFY. This act shall be known and may be cited as
22 the "Honor Arkansas Veterans Act of 2017".
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24 SECTION 2. Arkansas Code § 26-51-307 is amended to read as follows:

25 26-51-307. Retirement or disability benefits.

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

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

35 (B) The only other distributions or withdrawals from an
36 individual retirement account that qualify for the exemption before the



1 individual retirement account participant reaches fifty-nine and one-half
 2 (59½) years of age are those made on account of the participant's death or
 3 disability.

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

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

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

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

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

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

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

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

33 (d)(1) An individual who is sixty-five (65) years of age or older and
 34 who does not claim an exemption under subsection (a) of this section ~~shall be~~
 35 is entitled to an additional state income tax credit of twenty dollars
 36 (\$20.00).

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

3 (e)(1) The following are exempt from the income tax imposed under this
4 chapter:

5 (A) Retirement benefits received by a member of the
6 uniformed services from any of the uniformed services identified in
7 subdivision (e)(2) of this section; and

8 (B) Survivor benefits that are funded by the retirement
9 pay of a member of the uniformed services.

10 (2) As used in this subsection, "member of the uniformed
11 services" means a retired member of any of the following:

12 (A) The United States Army, the United States Marine
13 Corps, the United States Navy, the United States Air Force, or the United
14 States Coast Guard;

15 (B) A reserve component of any of the United States Armed
16 Forces listed in subdivision (e)(2)(A) of this section;

17 (C) The National Guard of any state;

18 (D) The commissioned regular or reserve corps of the
19 United States Public Health Service; or

20 (E) The National Oceanic and Atmospheric Administration
21 Commissioned Officer Corps.

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

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26 SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective
27 for tax years beginning on and after January 1, 2018.