

INTERIM STUDY PROPOSAL 2015-103

1 State of Arkansas  
2 90th General Assembly  
3 Regular Session, 2015

**A Bill**

DRAFT JLL/JLL  
HOUSE BILL

4 By: Representative C. Fite

5  
6 Filed with: House Committee on Aging, Children and Youth, Legislative and Military Affairs  
7 pursuant to A.C.A. §10-3-217.  
8

**For An Act To Be Entitled**

9 AN ACT TO CREATE AN INCOME TAX EXEMPTION FOR  
10 RETIREMENT AND SURVIVOR BENEFITS FROM THE UNIFORMED  
11 SERVICES; AND FOR OTHER PURPOSES.  
12

**Subtitle**

13 TO CREATE AN INCOME TAX EXEMPTION FOR  
14 RETIREMENT AND SURVIVOR BENEFITS FROM THE  
15 UNIFORMED SERVICES.  
16

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
18

19 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:  
20 26-51-307. Retirement or disability benefits.

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

27 (2)(A) Only individual retirement account benefits received by  
28 an individual retirement account participant after reaching fifty-nine and  
29 one-half (59½) years of age qualify for the exemption.  
30

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

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 are by federal  
15 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~~ does 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 ~~one~~ 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)(1) The following are exempt from the income tax imposed by the  
4 Income Tax Act of 1929, § 26-51-101 et seq.:

5                   (A) Retirement benefits received by a member of the  
6 uniformed services; and

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

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

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

14                   (B) The reserve components of the armed forces listed in  
15 subdivision (e)(2)(A);

16                   (C) The National Guard of any state;

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

19                   (E) The commissioned corps of the National Oceanic and  
20 Atmospheric Administration.

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

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25           SECTION 2. EFFECTIVE DATE. This act is effective for tax years  
26 beginning on or after January 1, 2015.

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29 Referral requested by: Representative Charlene Fite

30 Prepared by: JLL