

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB2141**

**Bill Subtitle: TO CREATE A LIMITED EXEMPTION FROM THE INCOME TAX FOR SERVICE PAY AND ALLOWANCES OF FOREIGN SERVICE PERSONNEL.**

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### **Basic Change :**

Representative Westerman

The bill would extend the limited state income tax exemption, currently available to U. S. Armed Forces Personnel, to foreign service officers and specialists employed by the U. S. Department of State. Foreign service personnel would not be liable for income tax on the first \$9,000 of service pay or allowances.

### **Revenue Impact :**

FY2013 - \$12,600 loss

FY2014 - \$12,600 loss

### **Taxpayer Impact :**

Taxpayers employed by the U. S. Department of State as foreign service officers or specialists would be eligible for an exemption of the first \$9,000 of service pay or allowances.

### **Resources Required :**

Tax forms and instructions will need to be updated.

### **Time Required :**

Adequate time is provided.

### **Procedural Changes :**

Inform taxpayers and tax community about change and update forms and instructions.

### **Other Comments :**

No effective date.

### **Legal Analysis :**

This new income tax exemption will exempt the first \$9,000 of service pay or allowances received by a taxpayer employed by the United States Department of State as a foreign service officer or specialist who resides outside of Arkansas for more than 180 days during the tax year and chooses Arkansas as the person's state of residence. The exemption will apply to tax years beginning on or after January 1, 2013.