

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1399

Bill Subtitle: HONOR ARKANSAS VETERANS ACT OF 2017.

Basic Change :

**Sponsors: Representatives Ballinger, Beck, Bentley, Dotson, C. Douglas, M. Gray, G. Hodges, Jean, Ladyman, Lundstrum, McCollum, D. Meeks, S. Meeks, Miller, Payton, Rye, Sullivan
Senator Hester**

HB1399 provides an income tax exemption for retirement benefits received by a member of the uniformed services. The bill also provides an income tax exemption for survivor benefits that are funded by the retirement pay of a member of the uniformed services. A member of the uniformed services is defined as a retired member of the United States Army, Marine Corps, Navy, Air Force, Coast Guard, National Guard of any state, reserve components of any of the armed forces listed, the commissioned regular or reserve corps of the United States Public Health Service, and the commissioned corps of the National Oceanic and Atmospheric Administration. A taxpayer claiming an exemption under § 26-51-307(e) may not claim the \$6,000 exemption under § 26-51-307(a) if receiving retirement benefits from other sources. The bill is effective for tax years beginning on or after January 1, 2018.

Revenue Impact :

FY2018 \$6.7M Reduction to General Revenue

FY 2019 \$13.4M Reduction to General Revenue

Taxpayer Impact :

A taxpayer receiving retirement and survivor benefits as defined in this bill will receive a total income tax exemption for such income. A taxpayer who claims the uniformed services retirement exemption may not claim the \$6,000 exemption for any retirement benefits from other sources. A taxpayer will need to maintain records for their retirement income and claim the appropriate exemptions.

Resources Required :

Update computer programs, tax forms, and instructions.

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instructions will need to be updated and Department employees will need to be trained about the changing exemption amounts for processing returns. The tax community will need to be educated as well.

Other Comments :

None.

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Legal Analysis :

HB1399 will exempt from Arkansas Income Tax the retirement benefits or survivor benefits based on the retirement of a member of the uniformed services by amending § 26-51-307. If an individual's military retirement or survivor benefit payments are exempt from income tax, HB1399 does not allow any other retirement payment to be exempted under the existing § 26-51-307. The bill would be effective for tax years starting on or after January 1, 2018.