

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

INTERIM STUDY PROPOSAL 2009-088

State of Arkansas

As Engrossed: S3/26/09

87th General Assembly

A Bill

Regular Session, 2009

SENATE BILL 157

By: Senator B. Pritchard

By: Representatives Stewart, *English*

Filed with: Senate Interim Committee on Revenue and Taxation
pursuant to A.C.A. §10-3-217.

For An Act To Be Entitled

AN ACT TO ALLOW AN INCOME TAX EXEMPTION FOR
MILITARY RETIREMENT BENEFITS; AND FOR OTHER
PURPOSES.

Subtitle

AN ACT TO ALLOW AN INCOME TAX EXEMPTION
FOR MILITARY RETIREMENT BENEFITS.

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

SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

26-51-307. Retirement or disability benefits.

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

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

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



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

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

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

18 (B) ~~No taxpayer shall~~ A taxpayer shall not receive an
19 exemption greater than six thousand dollars (\$6,000) during any tax year
20 under ~~the provisions of~~ this section.

21 (2) ~~The provisions of~~ This section shall ~~shall~~ does not apply to:

22 (A) Benefits received under systems, plans, or programs
23 which are by federal law exempt from the state income tax;

24 (B) ~~retirement~~ Retirement or disability benefits received
25 under a plan, system, or fund described in § 26-51-404(b)(6); ~~and~~

26 (C) United States Government military retirement benefits
27 defined in § 26-51-312.

28 (c)(1) ~~Section 72 of the Internal Revenue Code of 1986~~ 26 U.S.C. § 72,
29 as in effect on January 1, 2007, ~~shall provide the~~ is sole method by which a
30 recipient of benefits from an individual retirement account or from public or
31 private employment-related retirement systems, plans, or programs may deduct
32 or recover his or her cost of contribution to the ~~plan~~ individual retirement
33 account or public or private employment-related system, plan, or program when
34 computing his or her income for state income tax purposes.

35 (2) A taxpayer ~~shall not be~~ is not allowed to deduct or recover
36 any portion of the taxpayer's cost of contribution to the ~~plan~~ individual

1 retirement account or public or private employment-related system, plan, or
2 program that the taxpayer:

3 (A) Has once deducted or recovered; or

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

6 (d)(1) An individual who is sixty-five (65) years of age or older and
7 who does not claim an exemption under subsection (a) of this section ~~shall be~~
8 is entitled to an additional state income tax credit of twenty dollars
9 (\$20.00).

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

12
13 SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 3 is amended
14 to add an additional section to read as follows:

15 26-51-312. Exemption for Military Retirement Income and Pension.

16 (a) As used in this section, "military retirement benefits" means
17 retired United States military personnel pay or pension for service by a
18 retired member of the armed forces, a reserve component of the armed forces,
19 or National Guard.

20 (b) The first twelve thousand dollars (\$12,000) of military retirement
21 benefits received by a taxpayer are exempt from the income tax under this
22 chapter to the extent that any portion of the military retirement benefits
23 are otherwise included in federal adjusted gross income and are not otherwise
24 deducted under this chapter.

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26 SECTION 3. Effective Date. This act is effective for tax years
27 beginning on or after January 1, 2009.

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29 /s/ B. Pritchard

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36 Filed Date: 04/07/2009 By: LMG\VJF