

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

A Bill

DRAFT JLL/JLL
HOUSE BILL

5
6 By: Representative C. Fite

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

For An Act To Be Entitled

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

Subtitle

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15 TO CREATE AN INCOME TAX EXEMPTION FOR
16 RETIREMENT AND SURVIVOR BENEFITS FROM THE
17 UNIFORMED SERVICES.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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23 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:
24 26-51-307. Retirement or disability benefits.

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

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

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

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

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