

1 INTERIM STUDY PROPOSAL 2015-112

2 State of Arkansas

As Engrossed: H3/2/15 H3/6/15

3 90th General Assembly

A Bill

4 Regular Session, 2015

HOUSE BILL 1412

5
6 By: Representatives C. Fite, C. Armstrong, Baltz, Branscum, Brown, Copeland, Cozart, Deffenbaugh, D.
7 Douglas, Drown, Harris, K. Hendren, House, Johnson, Lemons, Lowery, Lundstrum, G. McGill, D.
8 Meeks, B. Overbey, Ratliff, Richmond, Rushing, Sabin, Scott, B. Smith, Speaks, Sturch, Tosh, Vines,
9 Wallace, D. Whitaker, *Tucker, Ballinger*

10 *By: Senators Irvin, J. Hendren, Collins-Smith, B. Johnson, Rapert, Rice, E. Williams, J. Woods*

11 Filed with: House Committee on Revenue and Taxation

12 pursuant to A.C.A. §10-3-217.

For An Act To Be Entitled

13 AN ACT TO *PHASE IN* AN INCOME TAX EXEMPTION FOR
14 RETIREMENT AND SURVIVOR BENEFITS FROM THE UNIFORMED
15 SERVICES; AND FOR OTHER PURPOSES.
16

Subtitle

17
18
19 *TO PHASE IN AN INCOME TAX EXEMPTION FOR*
20 *RETIREMENT AND SURVIVOR BENEFITS FROM THE*
21 *UNIFORMED SERVICES.*
22

23
24
25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

26
27 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:
28 26-51-307. Retirement or disability benefits.

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

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

4 (B) The only other distributions or withdrawals from an
5 individual retirement account that qualify for the exemption before the
6 individual retirement account participant reaches fifty-nine and one-half
7 (59½) years of age are those made on account of the participant's death or
8 disability.

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

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

22 (B) ~~No~~ Except as provided in subsection (e) of this
23 section, a taxpayer shall not receive an exemption greater than six thousand
24 dollars (\$6,000) during any tax year under ~~the provisions of~~ this section.

25 (2) ~~The provisions of this~~ This section ~~shall~~ does not apply to
26 retirement or disability benefits received under a plan, system, or fund
27 described in § 26-51-404(b)(6).

28 (c)(1) Title 26 U.S.C. § 72, as in effect on January 1, 2009, is the
29 sole method by which a recipient of benefits from an individual retirement
30 account or from public or private employment-related retirement systems,
31 plans, or programs may deduct or recover his or her cost of contribution to
32 the plan when computing his or her income for state income tax purposes.

33 (2) A taxpayer shall not be allowed to deduct or recover any
34 portion of the taxpayer's cost of contribution to the plan that the taxpayer:

35 (A) Has ~~onee~~ already deducted or recovered; or

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

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

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

9 (e)(1) The retirement benefits received by a member of the uniformed
10 services and the survivor benefits that are funded by the retirement pay of a
11 member of the uniformed services are exempt from the income tax imposed by
12 the Income Tax Act of 1929, § 26-51-101 et seq., as follows:

13 (A) For tax year 2015, the first twelve thousand dollars
14 (\$12,000);

15 (B) For tax year 2016, the first twenty thousand dollars
16 (\$20,000);

17 (C) For tax year 2017, the first twenty-eight thousand
18 dollars (\$28,000); and

19 (D) For tax years beginning on and after January 1, 2018,
20 the entire amount of retirement benefits.

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

23 (A) The United States Army, the United States Marine
24 Corps, the United States Navy, the United States Air Force, and the United
25 States Coast Guard;

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

28 (C) The National Guard of any state;

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

31 (E) The commissioned corps of the National Oceanic and
32 Atmospheric Administration.

33 (f) A taxpayer claiming an exemption under subsection (e) of this
34 section is not eligible for an exemption under subsection (a) of this
35 section.

36

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36

/s/C. Fite

Referred by the Arkansas House of Representatives

Prepared by: VJF