

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 2009-116

State of Arkansas

As Engrossed: H3/9/09

87th General Assembly

A Bill

Regular Session, 2009

HOUSE BILL 1245

By: Representatives English, Pennartz, Adcock, Allen, Barnett, J. Burris, Carnine, Carroll, Carter, Cash, Clemmer, Cook, Dale, Dismang, Dunn, Everett, Garner, Gaskill, Glidewell, R. Green, Hawkins, Hobbs, Hopper, D. Hutchinson, Kerr, Kidd, King, Lea, S. Malone, M. Martin, McCrary, McLean, Moore, Nickels, Perry, Pierce, Pyle, Ragland, Rice, Sample, Slinkard, G. Smith, Stewart, Summers, Wagner, Williams, Woods

By: Senators Altes, G. Baker, Bledsoe, J. Key, Trusty

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

For An Act To Be Entitled

AN ACT TO EXEMPT MILITARY RETIRED PAY FROM INCOME TAX; AND FOR OTHER PURPOSES.

Subtitle

AN ACT TO EXEMPT MILITARY RETIRED PAY FROM INCOME TAX.

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

SECTION 1. Arkansas Code § 26-51-306 is amended to read as follows:

26-51-306. Compensation and benefits from military service.

(a)(1)(A) For tax years beginning before January 1, 2007, no member of the armed services of the United States shall be liable for or required to pay any income tax on the first six thousand dollars (\$6,000) of service pay or allowances.

(B)(i) For tax years 2005 and 2006, enlisted personnel of the armed services of the State of Arkansas or of the United States shall not be liable for or required to pay any income tax on the first nine thousand dollars (\$9,000) of service pay or allowances.



1 (ii) For tax years 2005 and 2006, an officer or a
2 warrant officer of the armed services of the State of Arkansas or of the
3 United States is only entitled to the exemption in subdivision (a)(1)(A) of
4 this section and is not entitled to the exemption in subdivision (a)(1)(B)(i)
5 of this section.

6 (C) For tax years beginning on and after January 1, 2007,
7 any member of the armed services of the State of Arkansas or the United
8 States is not liable for or required to pay any income tax on the first nine
9 thousand dollars (,9,000) of service pay or allowance.

10 (2) The compensation and benefits are declared exempt, to the
11 extent of the amounts provided in subdivision (a)(1) of this section, from
12 the state income tax.

13 (3) All service pay or allowances of members of the armed
14 services of the State of Arkansas or the United States in excess of the
15 amounts provided in subdivision (a)(1) of this section shall be subject to
16 the state income tax, unless otherwise provided for in this section.

17 (4)(A) ~~Sections 112 and 692 of the Internal Revenue Code of~~
18 ~~1986, 26 U.S.C. §§ 112 and 692~~, as in effect on January 1, 2007, regarding
19 combat zone compensation of members of the armed forces and income taxes of
20 members of the armed forces on death are adopted.

21 (B) The provisions contained in ~~§ 112 of the Internal~~
22 ~~Revenue Code~~26 U.S.C. §112 are in addition to all other provisions contained
23 in this section.

24 (b) For tax years beginning on and after January 1, 2009, a retired
25 member of the armed services of the State of Arkansas or of the United States
26 is exempt from the payment of income tax on military retired pay.

27 ~~(b) Nothing in this~~(c) This section ~~shall~~ does not exempt from
28 taxation the income of retired members of the armed services derived from
29 ~~other~~ sources other than their service pay and allowances and military
30 retired pay.

31 ~~(e)~~(d) As used in this section, "armed services" means any and all
32 members of the National guard, reserve components of the armed forces, United
33 States Army, Navy, Marine Corps, Coast Guard, Air Force, and any and all
34 other branches of the military and naval forces or auxiliaries.

35
36 /s/ English

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Filed Date: 04/08/2009 By: LMG\VJF