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2 State of Arkansas
3 88th General Assembly
4 Regular Session, 2011

A Bill

HOUSE BILL 1023

5
6 By: Representative English

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

For An Act To Be Entitled

9
10 AN ACT TO EXEMPT FROM INCOME TAX A LIMITED AMOUNT OF
11 RETIREMENT BENEFITS RECEIVED FOR SERVICE IN THE ARMED
12 FORCES; AND FOR OTHER PURPOSES.

Subtitle

13
14 TO EXEMPT FROM INCOME TAX A LIMITED AMOUNT
15 OF RETIREMENT BENEFITS RECEIVED FOR SERVICE
16 IN THE ARMED FORCES.
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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

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

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

33 (B) The only other distributions or withdrawals from an
34 individual retirement account that qualify for the exemption before the
35 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, no 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 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) Section 72 of the Internal Revenue Code of 1986, as in effect
23 on January 1, 2009, is the sole method by which a recipient of benefits from
24 an individual retirement account or from public or private employment-related
25 retirement systems, plans, or programs may deduct or recover his or her cost
26 of contribution to the plan when computing his or her income for state income
27 tax purposes.

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

30 (A) Has ~~once~~ already deducted or recovered; or

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

33 (d)(1) An individual who is sixty-five (65) years of age or older and
34 who does not claim an exemption under subsection (a) of this section ~~shall be~~
35 is entitled to an additional state income tax credit of twenty dollars
36 (\$20.00).

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

3 (e) The retirement benefits received by a resident of this state from
4 the armed forces are exempt from the income tax imposed by the Income Tax Act
5 of 1929, § 26-51-101 et seq., as follows:

6 (1) For tax year 2011, the first nine thousand dollars (\$9,000);

7 (2) For tax year 2012, the first fourteen thousand dollars
8 (\$14,000);

9 (3) For tax year 2013, the first nineteen thousand dollars
10 (\$19,000);

11 (4) For tax year 2014, the first twenty-four thousand dollars
12 (\$24,000);

13 (5) For tax year 2015, the first twenty-nine thousand dollars
14 (\$29,000); and

15 (6) For tax years beginning on and after January 1, 2016, the
16 first thirty-five thousand dollars (\$35,000).

17 (f) As used in subsection (e) of this section, "armed forces" means
18 the United States Air Force, the United States Army, the United States Coast
19 Guard, the United States Marine Corps, the United States Navy, the National
20 Guard of any state, the reserve components of any of the armed forces listed
21 in this subsection, and any other branch of the military and naval forces or
22 auxiliaries of any state or the United States.

23 (f) A taxpayer claiming an exemption under subsection (e) of this
24 section is not eligible for an exemption under subsection (a) of this
25 section.

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27 SECTION 2. Effective date. This act is effective for tax years
28 beginning on or after January 1, 2011.

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30 Referred by the Arkansas House of Representatives

31 Prepared by: JLL/VJF

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